



New Zealand Gazette

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WELLINGTON: FRIDAY, 17 AUGUST 2001 — ISSUE NO. 92

THE LINES COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000


**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

WE, **Charles Murray Loewenthal** and **Robert Alexander Kidd**, Directors of **The Lines Company Limited**, certify that, having made all reasonable inquiry, to the best of our knowledge,

- (a) The attached Audited financial statements of The Lines Company Limited, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to The Lines Company Limited, and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.


The valuations on which those financial performance measures are based are as at 31st March 2000.

Signature:



(Charles Murray Loewenthal) Director

Signature:



(Robert Alexander Kidd) Director

Date:

9/02/01

**Deloitte
Touche
Tohmatsu**

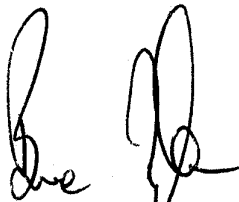
**AUDIT OFFICE OPINION ON THE PERFORMANCE MEASURES OF
THE LINES COMPANY LIMITED**

We have examined the attached information, being:

- (a) The derivation table in regulation 16; and
- (b) The annual ODV reconciliation report in regulation 16A; and
- (c) The financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) The financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1 –

that were prepared by The Lines Company Limited and dated 10 August 2001 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



Bruce Taylor
Deloitte Touche Tohmatsu
On behalf of the Controller and Auditor-General
Hamilton, New Zealand
10 August 2001

**Deloitte
Touche
Tohmatsu**

**REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE LINES COMPANY LIMITED
FOR THE YEAR ENDED 31 MARCH 2001**

We have audited the financial statements of The Lines Company Limited on pages 1 to 11. The financial statements provide information about the past financial performance of The Lines Company Limited and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 5 to 7.

Directors Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of The Lines Company Limited as at 31 March 2001, and results of operations and cash flows for the year then ended.

Auditor's Responsibilities

It is the responsibility of the Audit Office to express an independent opinion on the financial statements presented by the Directors and report its opinion to you.

The Controller and Auditor-General has appointed Bruce Taylor of Deloitte Touche Tohmatsu to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Lines Company Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand except that our work has been limited as explained below. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than our capacity acting on behalf of the Controller and Auditor-General, we have no relationship with or interest in The Lines Company Limited.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been maintained by The Lines Company Limited as far as appears from our examination of those records, and
- the financial statements on pages 1 to 11:
 - (a) comply with generally accepted accounting practice; and
 - (b) give a true and fair view of the financial position of The Lines Company Limited as at 31 March 2001 and the results of its operations and cash flows for the year then ended; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 10 August 2001 and our unqualified opinion is expressed as at that date.


Bruce Taylor
Deloitte Touche Tohmatsu
On behalf of the Controller and Auditor-General
Hamilton
New Zealand

THE LINES COMPANY LIMITED
Line Business Activity
Statement of Financial Performance
For the Year Ended 31 March 2001


| | Note | 2001 \$000's | 2000 \$000's |
|---|-------|----------------------|----------------------|
| Income | | | |
| Line/Access Charges | | 16,829 | 16,821 |
| Provision of Goods & Services to 'Other' | | 0 | 0 |
| Line Losses | | 0 | 0 |
| AC loss-rental Rebates | | 752 | 298 |
| Interest | | 0 | 0 |
| Other | | 0 | 0 |
| Total Income | | <u>17,581</u> | <u>17,119</u> |
| less customer discount | 2 | <u>(5,369)</u> | <u>(4,515)</u> |
| Total Income | | <u><u>12,212</u></u> | <u><u>12,604</u></u> |
| Expenditure | | | |
| Transfer Payments: | 3 | | |
| Payment by Line Busines to "Other" | | 1,531 | 1,537 |
| Specified expenses to non-related entities | | 830 | 1,042 |
| Transmission costs | | 4,123 | 4,094 |
| Employee salaries/redundances | | 817 | 847 |
| Customer Billing and Information System | | 31 | 36 |
| Depreciation | | | |
| System Fixed Assets | 1,235 | | 313 |
| Other assets not included in the system | 216 | | 45 |
| Total Depreciation | | 1,451 | 358 |
| Amortisation of: | | | |
| Goodwill | 0 | | 0 |
| Other Intangibles | 0 | | 0 |
| Total amortisation of intangibles | | 0 | 0 |
| Corporate & Administration | | 112 | 147 |
| Human Resource | | 18 | 16 |
| Marketing & Advertising | | 36 | 53 |
| Merger and acquisition expenses | | 0 | 0 |
| Takeover defence expenses | | 0 | 0 |
| Research and development expenses | | 0 | 0 |
| Consultancy & legal expenses | | 12 | 10 |
| Donations | | 23 | 22 |
| Directors' fees | | 114 | 79 |
| Auditors' fees | 4 | 13 | 14 |
| Cost of offering credit | 5 | 0 | 37 |
| Local Authority rates expense | | 2 | 3 |
| AC loss-rentals (distribution to customers) expense | | 0 | 0 |
| Rebate to consumers due to ownership interest | | 0 | 0 |
| Subvention payments | | 0 | 0 |
| Unusual expenses | | 0 | 0 |
| Other | | 527 | 471 |
| Total Expenditure | | <u>9,640</u> | <u>8,765</u> |
| Operating surplus before Interest & Tax | | <u>2,571</u> | <u>3,839</u> |
| Interest Expense on Borrowings | 6 | 846 | 982 |
| Operating surplus before income tax | | <u>1,725</u> | <u>2,858</u> |
| Tax Expense | 7 | 163 | 378 |
| Net surplus after Tax | | <u><u>1,562</u></u> | <u><u>2,479</u></u> |

THE LINES COMPANY LIMITED
Line Business Activity
Statement of Financial Position
For the Year Ended 31 March 2001

| | Note | 2001 \$000's | 2000 \$000's |
|--------------------------------------|------|----------------------|----------------------|
| Corporate Funds | | | |
| Share Capital | | 6,021 | 6,021 |
| Retained Earnings | | 8,665 | 7,104 |
| Revaluation Reserve | | <u>32,668</u> | <u>28,060</u> |
| | | <u><u>47,355</u></u> | <u><u>41,184</u></u> |
| Fixed Assets | | | |
| Fixed Assets | 8 | 73,819 | 66,409 |
| Investments | | <u>0</u> | <u>0</u> |
| Total Fixed Assets | | 73,819 | 66,409 |
| Current Assets | | | |
| Cash | | 1,631 | 1,995 |
| Trade Debtors | | 2,284 | 823 |
| Other Debtors | | 1,016 | 415 |
| Inventory | | 278 | 0 |
| Prepayments | | <u>0</u> | <u>0</u> |
| Total Current Assets | | 5,209 | 3,233 |
| Total Tangible Assets | | 79,028 | 69,642 |
| Intangible Assets | | | |
| Goodwill | | <u>0</u> | <u>0</u> |
| Total Intangible Assets | | 0 | 0 |
| Total Assets | | 79,028 | 69,642 |
| Non-current Liabilities | | | |
| Loans | 9 | 22,763 | 23,763 |
| Deferred Tax | 10 | <u>658</u> | <u>533</u> |
| Total Non-current Liabilities | | 23,421 | 24,296 |
| Current Liabilities | | | |
| Accounts Payable | | 4,373 | 1,105 |
| Accrued Payroll | | 72 | 60 |
| Short Term Loan | 11 | 1,000 | 500 |
| Other Provisions | | 0 | 0 |
| Customer Discount Provision | | <u>2,806</u> | <u>2,496</u> |
| Total Current Liabilities | | 8,252 | 4,161 |
| Total Liabilities | | 31,673 | 28,457 |
| Net Assets Employed | | <u><u>47,355</u></u> | <u><u>41,184</u></u> |


Chairman

Date:


 9 August 2001

Director

Date:


 9/08/01

THE LINES COMPANY LIMITED
Line Business Activity
Statement of Movement in Equity
For the Year Ended 31 March 2001

| | 2001 \$000's | 2000 \$000's |
|--|-------------------------------|-------------------------------|
| Equity at Beginning of Year | 41,184 | 29,341 |
| Surplus retained for the Year | 1,562 | 2,479 |
| Increase in Value Of Fixed Assets | 4,608 | 9,364 |
| Total Recognised Revenue and Expenses | <u>6,170</u> | <u>11,843</u> |
| Dividend Paid | 0 | 0 |
| Total Distribution to Owners | <u>0</u> | <u>0</u> |
| Equity at Year End | <u><u>47,355</u></u> | <u><u>41,184</u></u> |

THE LINES COMPANY LIMITED
Line Business Activity
Statement of Cashflows
For the Year Ended 31 March 2001

| | 2001 | 2000 |
|--|-----------------------|------------------------|
| | \$000's | \$000's |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash was provided from: | | |
| Receipts from customers | 18,325 | 19,378 |
| Less special discounts | <u>(5,059)</u> | <u>(3,025)</u> |
| | 13,266 | 16,353 |
| Cash was distributed to: | | |
| Payment to suppliers & employees | 7,583 | 11,846 |
| Taxes paid | 448 | 106 |
| Interest paid | <u>846</u> | <u>982</u> |
| | 8,877 | 12,934 |
| CASH FLOWS FROM OPERATING ACTIVITIES | <u>4,389</u> | <u>3,419</u> |
| CASHFLOWS FROM INVESTING ACTIVITIES | | |
| Cash was provided from: | | |
| Investment | <u>0</u> | <u>0</u> |
| | 0 | 0 |
| Cash was applied to: | | |
| Fixed asset purchase | 4,253 | 24,960 |
| NET CASHFLOW FROM INVESTING ACTIVITIES | <u>(4,253)</u> | <u>(24,960)</u> |
| CASHFLOWS FROM FINANCING ACTIVITIES | | |
| Cash was provided from: | | |
| Loan from "Other" Activities | 0 | 9,763 |
| Loan - BNZ | <u>0</u> | <u>11,500</u> |
| | 0 | 21,263 |
| Cash was provided for: | | |
| Loan - BNZ | <u>500</u> | <u>0</u> |
| | 500 | 0 |
| NET CASHFLOWS FROM FINANCING ACTIVITIES | <u>(500)</u> | <u>21,263</u> |
| Net cashflow from operating | 4,389 | 3,419 |
| Net cashflow to investing | (4,253) | (24,960) |
| Net cashflow to financing | <u>(500)</u> | <u>21,263</u> |
| Net increase in cash held | (364) | (278) |
| Nominal cash carried forward | <u>1,995</u> | <u>2,274</u> |
| Total Cash | <u>1,631</u> | <u>1,995</u> |

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2001

NOTE 1:
STATEMENT OF ACCOUNTING POLICIES

The following particular accounting policies that materially affect the measurement of profit and the financial position have been applied:

REPORTING ENTITY

The Lines Company Limited is owned by: Waitomo Energy Services Customer Trust (75%) and King Country Electric Power Trust (25%) and is incorporated under the Companies Act 1993. The accounts are prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993, and the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

The principal activity of the entity is the provision of electricity distribution services.

MEASUREMENT BASE

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed except where revaluation of assets are incorporated, and other items disclosed in the accounting policies listed below.

Accrual accounting is used to match expenses with revenues. Reliance is placed on the fact that the Company is a going concern.

(a) Receivables

Receivables are stated at their estimated realisable value.

(b) Fixed Assets

The Company has four classes of fixed assets:

- Freehold Land
- Freehold Buildings
- Motor Vehicles, Plant and Equipment
- Distribution System

Land and Buildings were independently valued by Hughes Valuations on 31st March 2000 based on estimated market value and are revalued every three years.

The distribution system has been independently valued based upon optimised deprival value (ODV) by an electrical engineer and PriceWaterhouseCoopers, as at 31 March 2000. The valuation has been reviewed in 2001 to ensure compliance with the new ODV handbook.

Increases in valuations have been transferred to the Revaluation Reserve in Shareholders Equity.

Motor Vehicles, Plant and Equipment and all other fixed assets have been valued at cost less accumulated depreciation.

(c) Staff Leave and Gratuity Payments

Provision is made in respect of the Company's liability for annual leave and gratuity payments. At the balance date retiring gratuities have been accrued in respect of all employees:

1. who have more than 10 years service with the Company and who are aged 45 years or over or
2. whose gratuity entitlement was recognised in the transfer of employment from their previous employer.

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2001

(d) Depreciation

Depreciation is provided on either a straight line or a diminishing value basis on all fixed assets other than freehold land and perpetually renewable distribution assets, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful life. Assets purchased post 1 April 1999 have been depreciated on a straight line basis.

Major depreciation rates and methods:

| | | |
|-----------------------------------|---------------------|------------------------------------|
| Buildings | 40-100 years | Straight Line |
| Motor Vehicles, plant & equipment | 10% to 50% | Diminishing Value or Straight Line |
| Network plant & equipment | 20 - 50 years | Straight Line |
| Network Lines | Are not depreciated | |
| Land | Is not depreciated | |

Infrastructural accounting has been adopted for those parts of the distribution asset that are perpetually renewed. This means that a deduction is made against current expenditure of an amount equivalent to the average annual amount that will need to be expended on those assets over the next twenty years to maintain their current condition. Expenditure on renewals is capitalised.

Components that are separately identifiable and have a finite life e.g. 33kV substation transformers, are depreciated.

(e) Inventory

Stocks are stated at the lower of cost, determined on an average cost basis, or net realisable value.

(f) Goods & Services Tax

All amounts in the financial statements have been shown exclusive of Goods and Services Tax, with the exception of Accounts Payable and Accounts Receivable which are shown inclusive of Goods and Services Tax.

(g) Investments

Short term deposits and shares are stated at the lower of cost or estimated realisable value.

(h) Taxation

Income tax expense is recognised on the operating surplus before taxation adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, expected to reverse in the foreseeable future, that arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the Statement of Financial Position as a future tax benefit or a provision for deferred tax. The future tax benefit or provision for deferred tax is stated at the income tax rate prevailing at balance date.

Future tax benefits are not recognised unless realisation of the asset is virtually certain.

The Company uses the liability method of accounting for deferred taxation at the income tax rate prevailing at balance date and applies this on a partial basis.

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2001

(i) Basis of Allocations to Business Units

In general the Ministry of Commerce guidelines for allocation of income and expenditure have been applied. Deviations from the guidelines have been used where assumptions made in the guidelines have not held true for The Lines Company Limited. These are as follows:

Various overhead costs that are an integral part of operating each business and have been allocated according to relative fixed assets involved in each business.

Interest costs allocated to the Lines Business reflects those costs associated with the Subordinated Debt and the Swap loan. The Subordinated Debts were set up to ensure the fair cost allocation of low density customers.

(j) Comparative Figures

Comparative figures have not been changed from those reported in prior periods, despite changes to the Financial Statements preparation basis as set by the Ministry of Commerce.

(k) Changes in Accounting Policies

There have been no changes in the accounting policies during the year.

(l) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the Statement of Cash Flows:

“Cash” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company and the group as part of their day-to-day cash management.

THE LINES COMPANY LIMITED
Line Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2001

| | 2001 | 2000 |
|-----------------------------------|---------------------|---------------------|
| | \$'000' | \$'000' |
| NOTE 2 : CUSTOMER DISCOUNT | | |
| Discount Declared | 5,369 | 4,515 |
| Less Taxation Effect | <u>1,772</u> | <u>1,490</u> |
| | <u><u>3,597</u></u> | <u><u>3,025</u></u> |

NOTE 3 : TRANSFER PAYMENTS

Payments by Line Business to "Other" for:

| | | |
|---|---------------------|---------------------|
| Meter Data | 0 | 0 |
| Consumer Based Load control | 0 | 0 |
| Permanent Disconnection/Reconnection Services | 0 | 4 |
| Asset Maintenance Services | 1,507 | 1,407 |
| Avoided Transmission Charges | 0 | 0 |
| Royalty and patent expenses | 0 | 0 |
| Other | <u>24</u> | <u>125</u> |
| Total payments by Line Business to "Other" | <u><u>1,531</u></u> | <u><u>1,536</u></u> |

Specified expenses to non-related entities for:

| | | |
|---|-------------------|---------------------|
| Meter Data | 0 | 0 |
| Consumer Based Load control | 0 | 0 |
| Disconnection/Reconnection Services | 0 | 0 |
| Asset Maintenance Services | 16 | 226 |
| Avoided Transmission Charges | 814 | 816 |
| Royalty and patent expenses | <u>0</u> | <u>0</u> |
| Total of specified expenses to non-related entities | <u><u>830</u></u> | <u><u>1,042</u></u> |

Related Party Transactions

- a) The related party is the contracting division of The Lines Company.
- b) The period covered in these statements are 1st April 2000 to 31st March 2001.
- c) There are no outstanding balances and no debts have been written off.
- c) All work is recorded on the basis of material at cost plus 15% and labour & plant at \$45 per hour.
- d) Construction of the following types of assets were undertaken for the lines business.
The values comprise of material, labour and plant costs added by the contracting division.

| Category | Number of Hours | Value (\$) |
|---|------------------------|-------------------|
| (I) Construction of Subtransmission Assets | 1,400 | 124,422 |
| (ii) Construction of Zone Substations | 50 | 2,250 |
| (iii) Construction of Distribution Lines and Cables | 10,050 | 1,044,061 |
| (iv) Construction of Medium Voltage Switchgear | 560 | 134,964 |
| (v) Construction of Distribution Substations | 2,377 | 149,984 |
| (vi) Construction of Low Voltage Reticulation | 280 | 13,370 |
| (vii) Construction of Other Assets | 1,364 | 61,380 |
| (viii) Consumer connections & disconnections | 20 | 900 |

THE LINES COMPANY LIMITED
Line Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2001

| | 2001 \$'000' | 2000 \$'000' |
|--|-----------------|-----------------|
| NOTE 4 : AUDITORS' FEES | | |
| Audit fees paid to principal auditors | 13 | 14 |
| Audit fees paid to other auditors | 0 | 0 |
| Other services provided by auditors | 0 | 0 |
| | <u>13</u> | <u>14</u> |
| NOTE 5 : COST OF OFFERING CREDIT | | |
| Bad Debts written off | 0 | 37 |
| Increase in estimated doubtful debts | 0 | 0 |
| | <u>0</u> | <u>37</u> |
| NOTE 6 : INTEREST | | |
| Interest Expense on Borrowings | 846 | 982 |
| Financing Charges relating to Finance Leases | 0 | 0 |
| Other Interest Expense | 0 | 0 |
| | <u>846</u> | <u>982</u> |
| NOTE 7 : TAXATION EXPENSE | | |
| Nominal Profit Before Tax | 1,725 | 2,858 |
| Prima Facie Taxation @ 33 % | 569 | 943 |
| Add/(Less) Effect of Permanent Tax Diff | (406) | (337) |
| Net Taxation Expense | 163 | 606 |
| Less Tax loss on Other | 0 | (228) |
| | <u>163</u> | <u>378</u> |

THE LINES COMPANY LIMITED
Line Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2001

NOTE 8 : FIXED ASSETS 2000

| | at cost | at valuation | accumulated depreciation | carrying value |
|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land and Buildings | 683,748 | 260,302 | 285,413 | 658,637 |
| Centralised Load Control | 3,269,295 | | 564,731 | 2,704,564 |
| Distribution System | 37,252,406 | 29,993,501 | 5,127,347 | 62,118,560 |
| Motor Vehicles | 170,681 | | 75,275 | 95,406 |
| Office Equipment | 171,588 | | 84,111 | 87,477 |
| Other Plant & Equipment | 195,050 | | 137,008 | 58,042 |
| Capital Work in Progress | | | | |
| Zone Substations | 149,365 | | | |
| Distribution Lines & Cables | 394,915 | | | |
| Medium Voltage Switchgear | 0 | | | |
| Low Voltage Lines & Cables | 0 | | | |
| Other Capital Works | 141,560 | | | 685,840 |
| | <u>41,742,768</u> | <u>30,253,803</u> | <u>6,273,885</u> | <u>66,408,526</u> |

FIXED ASSETS 2001

| | at cost | at valuation | accumulated depreciation | carrying value |
|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Land and Buildings | 683,336 | 260,302 | 292,563 | 651,075 |
| Centralised Load Control | 3,490,362 | | 691,336 | 2,799,026 |
| Distribution System | 39,631,309 | 34,601,938 | 6,236,196 | 67,997,051 |
| Motor Vehicles | 336,140 | | 197,317 | 138,823 |
| Office Equipment | 206,576 | | 120,658 | 85,918 |
| Other Plant & Equipment | 230,595 | | 178,459 | 52,136 |
| Capital Work in Progress | | | | |
| Zone Substations | 1,558,667 | | | |
| Distribution Lines & Cables | 62,444 | | | |
| Medium Voltage Switchgear | 0 | | | |
| Low Voltage Lines & Cables | 169,377 | | | |
| Other Capital Works | 304,139 | | | 2,094,627 |
| | <u>46,672,944</u> | <u>34,862,240</u> | <u>7,716,529</u> | <u>73,818,656</u> |

THE LINES COMPANY LIMITED
Line Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2001

| | 2001 | 2000 |
|---|----------------|----------------|
| | \$'000' | \$'000' |
| NOTE 9 : LOANS | | |
| "Other" (The Lines Company Activities) | 9,763 | 9,763 |
| Perpetual | 3,000 | 3,000 |
| Bank of New Zealand Swaps | 10,000 | 11,000 |
| | <u>22,763</u> | <u>23,763</u> |
| NOTE 10 : DEFERRED TAX | | |
| Fixed Assets | 1,426 | 1,036 |
| Accruals & Provisions | (768) | (503) |
| | <u>658</u> | <u>533</u> |
| NOTE 11 : SHORT TERM LOANS | | |
| Bank of New Zealand Swaps | 1,000 | 500 |
| | <u>1,000</u> | <u>500</u> |
| NOTE 12 : SEGMENTAL INFORMATION | | |
| <p>The Lines Company Limited operates predominantly in one geographical segment. It is located in the mid-central North Island in the King Country. The head office is located in Te Kuiti.</p> | | |
| NOTE 13 : RELATED PARTY TRANSACTIONS | | |
| <p>During the year company paid interest on subordinate debentures to Waitomo Energy Services Customer Trust of \$79,745.</p> | | |
| NOTE 14 : SUBSEQUENT EVENTS | | |
| <p>As at year end the company had a capital commitment of \$2.4m.</p> | | |
| NOTE 15 : CASHFLOW RECONCILIATION WITH NET PROFIT | | |
| Net Profit after Tax and Customer Discount | 1,562 | 2,479 |
| Add: Non cash items | | |
| Depreciation | 1,451 | 358 |
| | <u>3,013</u> | <u>2,837</u> |
| Add/Less: Movements in Working Capital | | |
| (Increase)/Decrease in Receivables | (1,230) | 47 |
| (Increase)/Decrease in Stock | (278) | 0 |
| Increase/(Decrease) in Creditors | 3,281 | 787 |
| Increase/(Decrease) in Provisions | 310 | (1,061) |
| Increase/(Decrease) in Other | (707) | 809 |
| | <u>1,376</u> | <u>582</u> |
| Net cashflows from operating activities | <u>4,389</u> | <u>3,419</u> |

THE LINES COMPANY LIMITED
Line Business Activity
Annual Valuation Reconciliation Report
For the Year Ended 31 March 2001

| | 2001 |
|---|----------------------|
| | \$000's |
| System Fixed Assets at ODV (Beginning of Year) | 64,823 |
| Add System Fixed Assets Acquired during year at ODV | 2,600 |
| Less System Fixed Assets Disposed of during year at ODV | 0 |
| Less Depreciation on Systems Fixed Assets at ODV | (1,235) |
| Add Revaluations of Systems Fixed Assets | 4,608 |
| System Fixed Assets at ODV (End of Year) | <u><u>70,796</u></u> |

Financial and Efficiency Performance Measures from Financial Statements

| <i>Regulation 15-16</i> | <i>Input and Calculations</i> | <i>Symbol in formula</i> | <i>ROF</i> | <i>ROE</i> | <i>ROI</i> |
|--|-------------------------------|--------------------------|---------------|---------------|---------------|
| Operating surplus before interest and tax (OSBIIT) | 2,571 | | | | |
| Interest on cash, bank & short term investments (ISTI) | 0 | | | | |
| OSBIIT minus ISTI | 2,571 | <i>a</i> | 2,571 | | 2,571 |
| Net surplus after tax from financial statements | 1,562 | <i>n</i> | | 1,562 | |
| Amortised Goodwill | 0 | <i>g</i> | 0 | 0 | 0 |
| Subvention Payment | 0 | <i>s</i> | 0 | 0 | 0 |
| Depreciation of SFA at BV (x) | 1,235 | | | | |
| Depreciation of SFA at ODV (y) | 1,235 | | | | |
| ODV Depreciation adjustment | 0 | <i>d</i> | 0 | 0 | 0 |
| Subvention Payment tax adjustment | 0 | <i>s*t</i> | | 0 | 0 |
| Interest Tax Shield | 279 | <i>q</i> | | | 279 |
| Revaluations | 4,608 | <i>r</i> | | | 4,608 |
| Income Tax | 163 | <i>p</i> | | | 163 |
| Numerator | | | 2,571 | 1,562 | 6,737 |
| Fixed Assets at Start of Year | 66,409 | | | | |
| Fixed Assets at Year End | 73,819 | | | | |
| Net Working Capital at end of previous financial year | (928) | | | | |
| Net Working Capital at end of current financial year | (3,043) | | | | |
| Average Total Funds Employed (ATFE) | 68,128 | <i>c</i> | 68,128 | | 68,128 |
| Total Equity at end of previous financial year | 41,184 | | | | |
| Total Equity at end of current financial year | 47,355 | | | | |
| Average Total Equity | 44,270 | <i>k</i> | | 44,270 | |
| Works Under Construction at end of previous year | 686 | | | | |
| Works Under Construction at end of current year | 2,095 | | | | |
| Average Total Works Under Construction | 1,390 | <i>e</i> | 1,390 | 1,390 | 1,390 |
| Revaluations | 4,608 | <i>r</i> | | | |
| Half of revaluations | 2,304 | <i>r/2</i> | | | 2,304 |
| Intangible assets at end of previous financial year | 0 | | | | |
| Intangible assets at end of current financial year | 0 | | | | |
| Average total intangible asset | 0 | <i>m</i> | | 0 | |
| Subvention Payment at end of previous financial year | 0 | | | | |
| Subvention Payment at end of current financial year | 0 | | | | |
| Subvention Payment Tax Adjustment previous year | 0 | | | | |
| Subvention Payment Tax Adjustment current year | 0 | | | | |
| Average Subvention payment and tax adjustment | 0 | <i>v</i> | | 0 | |
| System Fixed Assets at end of previous year at BV | 64,823 | | | | |
| System Fixed Assets at end of current year at BV | 70,796 | | | | |
| Average value of system fixed assets at BV | 67,810 | <i>f</i> | 67,810 | 67,810 | 67,810 |
| System Fixed Assets at year beginning at ODV | 64,823 | | | | |
| System Fixed Assets at end of current year at ODV | 70,796 | | | | |
| Average value of system fixed assets at ODV | 67,810 | <i>h</i> | 67,810 | 67,810 | 67,810 |
| Denominator | | | 66,738 | 42,879 | 64,434 |
| Financial Performance Measure | | | 3.85% | 3.64% | 10.46% |

THE LINES COMPANY LIMITED

Financial and efficiency performances measures (Regulation 15 to 21).

| | Year ended 31 March | | | |
|---|---------------------|----------------|---------------------------|--------------|
| | 2001 | 2000 | 1999 | 1998 |
| Regulation 15: | | | | |
| 1. Financial performance measures | | | | |
| (a) Accounting return on funds | 3.85% | 5.57% | 4.94% | 5.00% |
| (b) Accounting return on equity | 3.64% | 5.83% | 3.72% | 3.83% |
| (c) Accounting return on investment | 10.46% | 7.21% | 4.26% | 3.75% |
| Regulation 17 | | | | |
| 1. Efficiency performance measures | | | | |
| (a) Direct line costs per kilometer | \$529 | \$539 | \$896 | \$762 |
| (b) Indirect line costs per electricity customer. | \$33 | \$37 | \$45 | \$66 |
| Regulation 19: | | | | |
| 5. As at 1st April 2000 the ODV Valuation of the lines business | | | | |
| As certified by Coopers & Lybrand was \$70.2 million | | | | |
| | | | (without meters & relays) | |
| Regulation 21 | | | | |
| 1. (a) Load Factor | 58.18% | 60.25% | 59.53% | 57.73% |
| (b) Loss Ratio | 7.37% | 7.39% | 7.81% | 8.80% |
| (c) Capacity Utilisation | 27.87% | 32.20% | 36.21% | 37.24% |
| 2. (a) System lengths (kms) | | | | |
| - 33kV | 404 | 396 | 207 | 207 |
| - 11kV | 3,714 | 3,863 | 2,221 | 2,221 |
| - LV | <u>347</u> | <u>509</u> | <u>139</u> | <u>139</u> |
| - Total | <u>4,465</u> | <u>4,768</u> | <u>2,567</u> | <u>2,567</u> |
| (b) Circuit length (overhead) (kms) | | | | |
| - 33kV | 404 | 396 | 207 | 207 |
| - 11kV | 3,622 | 3,766 | 2,215 | 2,215 |
| - LV | <u>242</u> | <u>350</u> | <u>123</u> | <u>123</u> |
| - Total | <u>4,268</u> | <u>4,512</u> | <u>2,545</u> | <u>2,545</u> |
| (c) Circuit length (underground) (kms) | | | | |
| - 11 kV | 92 | 97 | 6 | 6 |
| - LV | <u>104</u> | <u>159</u> | <u>16</u> | <u>16</u> |
| - Total | <u>196</u> | <u>256</u> | <u>22</u> | <u>22</u> |
| (d) Transformer capacity (kVA) | 185,050 | 167,675 | 84,517 | 82,959 |
| (e) Maximum demand (kW) | 51,581 | 53,990 | 30,600 | 30,900 |
| (f) Total electricity entering the system (kWH)(000's) | 283,817 | 285,972 | 159,389 | 156,275 |
| (g) Total electricity supplied from the system (kWH)(000's) | | | | |
| Retailers: A | | | | |
| B | 59 | 0 | 0 | 0 |
| C | 4,041 | 6,726 | 0 | 0 |
| D | 1,037 | 900 | 0 | 0 |
| E | 4,986 | 1,280 | 0 | 0 |
| F | 179 | 0 | 0 | 0 |
| G | 21,988 | 0 | 0 | 0 |
| H | 6,226 | 0 | 0 | 0 |
| I | 461 | 0 | 0 | 0 |
| | <u>223,921</u> | <u>255,942</u> | <u>0</u> | <u>0</u> |
| | <u>262,898</u> | <u>264,848</u> | <u>0</u> | <u>0</u> |
| (h) Total supplies | 21,298 | 20,841 | 9,954 | 9,726 |
| (i) Total consumers | 25,846 | *25,259 | 12,149 | 11,610 |

*Total customer numbers increased due to merger with King Country Energy Ltd.

Reliability Performance Measures (Regulation 22)**1 Total number of Interruptions according to class**

| | 2001 | 2000 | 1999 | 1998 | 1997 |
|------------------------|------------|------------|------------|------------|------------|
| Planned (Transpower) | 1 | 0 | 0 | 0 | 0 |
| Planned (TLC) | 435 | 309 | 271 | 343 | 511 |
| Unplanned (TLC) | 447 | 357 | 273 | 257 | 385 |
| Unplanned (Transpower) | 5 | 7 | 6 | 4 | 10 |
| Generation (Others) | 2 | | | | |
| Total | 890 | 673 | 550 | 604 | 906 |

2 Interruption targets for the following year**3 and for the subsequent four financial years**

| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
|-----------------|------|------|------|------|------|--------------------|
| Planned (TLC) | 450 | 450 | 450 | 450 | 450 | 450 |
| Unplanned (TLC) | 384 | 346 | 311 | 280 | 252 | 315 |

4 Percentage of total number for faults not restored in 3 or 24 hours**Unplanned (TLC) faults for 2000/01**

| | Number | % of Outages |
|--------------------------|--------|--------------|
| Not Restored in 3 hours | 91 | 27.66% |
| Not Restored in 24 hours | 3 | 0.91% |

5a Total number of faults per 100km of lines for :

Faults per 100km

| | 2001 | 2000 | 1999 | 1998 |
|--------------|------------|------------|------------|-----------|
| 33kV | 9.9 | 8.7 | 11.1 | 15.7 |
| 11kV | 7.8 | 8.2 | 9.4 | 9.5 |
| Total | 8.0 | 8.2 | 9.6 | 10 |

5b Target for the following year**5c and the subsequent 4 financial years**

Faults per 100km

| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
|--------------|------------|------------|------------|------------|------------|--------------------|
| 33kV | 7.4 | 5.6 | 4.2 | 3.1 | 2.3 | 4.5 |
| 11kV | 7.0 | 6.3 | 5.7 | 5.1 | 4.6 | 5.8 |
| Total | 7.1 | 6.3 | 5.5 | 4.9 | 4.4 | 5.6 |

6a Total number of faults per 100km of underground lines for :

Faults per 100km

| | 2001 | 2000 | 1999 | 1998 |
|--------------|------------|------------|-------------|----------|
| 33kV | 0 | 0 | 0 | 0 |
| 11kV | 3.3 | 8.3 | 16.7 | 0 |
| Total | 3.2 | 8.3 | 16.7 | 0 |

6b Target for the following year**6c and the subsequent 4 financial years**

Faults per 100km

| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
|--------------|------------|------------|------------|------------|------------|--------------------|
| 33kV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 11kV | 4.0 | 3.6 | 3.3 | 2.9 | 2.6 | 3.3 |
| Total | 4.0 | 3.6 | 3.2 | 2.9 | 2.6 | 3.3 |

7a Total number of faults per 100km of overhead lines for :

Faults per 100km

| | 2001 | 2000 | 1999 | 1998 |
|--------------|------------|------------|------------|-----------|
| 33kV | 9.9 | 8.7 | 11.1 | 15.7 |
| 11kV | 7.9 | 8.2 | 9.4 | 9.5 |
| Total | 8.1 | 8.2 | 9.6 | 10 |

7b Target for the following year**7c and the subsequent 4 financial years**

Faults per 100km

| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
|--------------|------------|------------|------------|------------|------------|--------------------|
| 33kV | 7.4 | 5.6 | 4.2 | 3.1 | 2.3 | 4.5 |
| 11kV | 7.1 | 6.4 | 5.8 | 5.2 | 4.7 | 5.8 |
| Total | 7.1 | 6.3 | 5.6 | 5.0 | 4.4 | 5.7 |

| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|----------------------------|
| 8 SAIDI for total of interruptions during : | | | | | | |
| | 2001 | 2000 | 1999 | 1998 | | |
| SAIDI | 528.9 | 472.8 | 588.9 | 662.2 | | |
| 9 SAIDI targets for the following year | | | | | | |
| 10 and for the subsequent four financial years | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
| Planned (TLC) | 156.5 | 140.9 | 126.8 | 114.1 | 102.7 | 121.1 |
| Unplanned (TLC) | 160.3 | 144.3 | 129.8 | 116.9 | 105.2 | 124.0 |
| 11 SAIDI according to class | | | | | | |
| | 2001 | 2000 | 1999 | 1998 | | |
| Planned (Transpower) | 13.3 | 0 | 0 | 0 | | |
| Planned (TLC) | 207.7 | 203.4 | 239.5 | 334.5 | | |
| Unplanned (TLC) | 321.2 | 242.4 | 329.7 | 303.8 | | |
| Unplanned (Transpower) | 28.0 | 27.0 | 19.7 | 23.9 | | |
| Generation (Others) | 3.4 | 0 | 0 | 0 | | |
| 12 SAIFI for total of interruptions during : | | | | | | |
| | 2001 | 2000 | 1999 | 1998 | | |
| SAIFI | 5.5 | 7.34 | 8.8 | 9.3 | | |
| 13 SAIFI targets for the following year | | | | | | |
| 14 and for the subsequent four financial years | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
| Planned (TLC) | 0.9 | 0.7 | 0.6 | 0.5 | 0.4 | 0.6 |
| Unplanned (TLC) | 4.0 | 3.2 | 2.5 | 2.0 | 1.8 | 2.4 |
| 15 SAIFI according to class | | | | | | |
| | 2001 | 2000 | 1999 | 1998 | | |
| Planned (Transpower) | 0.06 | 0 | 0 | 0 | | |
| Planned (TLC) | 1.12 | 0.91 | 1.25 | 1.79 | | |
| Unplanned (TLC) | 4.42 | 5.25 | 6.43 | 6.98 | | |
| Unplanned (Transpower) | 0.78 | 1.18 | 1.20 | 0.54 | | |
| Generation (Others) | 0.13 | 0 | 0 | 0 | | |
| 16 CAIDI for total of interruptions during : | | | | | | |
| | 2001 | 2000 | 1999 | 1998 | | |
| CAIDI | 96.2 | 64.4 | 66.3 | 71.18 | | |
| 17 CAIDI targets for the following year | | | | | | |
| 18 and for the subsequent four financial years | | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | Average 2002/06 |
| Planned (TLC) | 173.9 | 201.3 | 211.3 | 228.2 | 256.8 | 201.8 |
| Unplanned (TLC) | 40.1 | 45.1 | 51.9 | 58.5 | 58.4 | 51.7 |
| 19 CAIDI according to class | | | | | | |
| | 2001 | 2000 | 1999 | 1998 | | |
| Planned (Transpower) | 240.0 | 0 | 0 | 0 | | |
| Planned (TLC) | 184.8 | 223.5 | 191.6 | 186.73 | | |
| Unplanned (TLC) | 72.7 | 46.2 | 51.3 | 43.55 | | |
| Unplanned (Transpower) | 35.8 | 22.9 | 16.4 | 44.54 | | |
| Generation (Others) | 25.5 | 0 | 0 | 0 | | |