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NELSON ELECTRICITY LIMITED

INFORMATION FOR DISCLOSURE

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

NELSON ELECTRICITY LIMITED**Statement of Financial Performance for the 12 Months Ended 31 March 2001**

| | Notes | 2001 Line Business \$000 | 2000 Line Business \$000 |
|---------------------------------------|-------|-----------------------------------|-----------------------------------|
| <u>INCOME</u> | | | |
| Interest received | | 560 | 375 |
| Network revenue | | 7503 | 7392 |
| Other income | | 564 | 157 |
| | | <u>8627</u> | <u>7924</u> |
| <u>EXPENDITURE</u> | | | |
| Operations and maintenance | | 665 | 518 |
| Transmission charges | | 3051 | 2795 |
| Directors fees | | 38 | 35 |
| Audit fees | | 10 | 27 |
| Other administration | | 200 | 246 |
| Interest expense | | 140 | 166 |
| Depreciation | | 422 | 417 |
| Amortisation of lease buy-out | 7,12 | 919 | 919 |
| | | <u>5445</u> | <u>5123</u> |
| <u>SURPLUS BEFORE TAXATION</u> | | 3182 | 2801 |
| Provision for Taxation | 3 | 1389 | 1253 |
| <u>SURPLUS AFTER TAXATION</u> | | <u>1793</u> | <u>1548</u> |

Statement of Movements in Equity for the Year Ended 31 March 2001

| | 2001 Line Business \$000 | 2000 Line Business \$000 |
|---|-----------------------------------|-----------------------------------|
| <u>Equity at Beginning of Year</u> | 5,080 | 4,532 |
| <u>Surplus and Revaluations</u> | | |
| Net Surplus for Period | 1,793 | 1,548 |
| Total Recognised Revenue and Expenses | <u>1,793</u> | <u>1,548</u> |
| <u>Other Movements</u> | | |
| Distributions to Owners | | (1,000) |
| Adjustment to Retained Earnings | 150 | |
| Share Repurchase | (3,700) | |
| Total Other Movements | <u>(3,550)</u> | <u>(1,000)</u> |
| <u>Equity at End of Year</u> | <u>3,323</u> | <u>5,080</u> |

The Accompanying Notes form an Integral part of These Financial Statements

NELSON ELECTRICITY LIMITED**Statement of Financial Position as at 31 March 2001**

| | | 2001 Line Business \$000 | 2000 Line Business \$000 |
|---------------------------------------|---|-----------------------------------|-----------------------------------|
| <u>EQUITY</u> | | | |
| Share Capital | 5 | 1 | 3702 |
| Retained Earnings | 6 | 3322 | 1378 |
| | | <u>3323</u> | <u>5080</u> |
| <i>Represented by</i> | | | |
| <u>CURRENT ASSETS</u> | | | |
| Bank and Cash | | 86 | 1754 |
| Accounts Receivable | | 660 | 745 |
| Tax Refund Due | | 44 | (44) |
| Inventories | | 81 | 76 |
| | | <u>871</u> | <u>2531</u> |
| <u>CURRENT LIABILITIES</u> | | | |
| Creditors and accruals | | 545 | 498 |
| Current portion term debt | 8 | 0 | 1798 |
| | | <u>545</u> | <u>2296</u> |
| Working Capital | | 326 | 235 |
| <u>NON CURRENT ASSETS</u> | | | |
| Lease buy-out | 7 | 611 | 1530 |
| Fixed Assets | 7 | 3443 | 3374 |
| | | <u>4054</u> | <u>4904</u> |
| <u>NON CURRENT LIABILITIES</u> | | | |
| Deferred Taxation | 4 | 57 | 59 |
| Term Loans | 8 | 1000 | |
| | | <u>1057</u> | <u>59</u> |
| NET ASSETS | | <u>3323</u> | <u>5080</u> |

The Accompanying Notes form an Integral part of These Financial Statements

NELSON ELECTRICITY LIMITED**Statement of Cash Flows for the Year Ended 31 March 2001**

| | 2001 Line Business | 2000 Line Business |
|--|--------------------------|--------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Cash was Provided From | | |
| Receipts from Customers | 7,607 | 7,433 |
| Interest Received | 560 | 302 |
| | <u>8,167</u> | <u>7,735</u> |
| Cash was Applied to | | |
| Payments to Suppliers | (3,330) | (3,208) |
| Interest Paid | (159) | (163) |
| Net GST Paid | (10) | 28 |
| Taxation Paid | (1,478) | (946) |
| | <u>(4,977)</u> | <u>(4,289)</u> |
| Net Cash Flow From Operating Activities | <u>3,190</u> | <u>3,446</u> |
| <u>CASH FLOW FROM INVESTING ACTIVITIES</u> | | |
| Cash was Provided From | | |
| Proceeds From Sale of Fixed Assets | 1 | 13 |
| Cash was Applied to | | |
| Buy-Out of Network Lease | | (2,449) |
| Purchase of Fixed Assets | (511) | (257) |
| Net Cash Flow From Investing Activities | <u>(510)</u> | <u>(2,693)</u> |
| <u>CASH FLOW FROM FINANCING ACTIVITIES</u> | | |
| Cash was Applied to | | |
| Settlement Of Term Debt | (798) | |
| Share Repurchase | (3,700) | |
| Retained Earnings Adjustment | 150 | |
| Payment of Dividends | | (1,000) |
| Net Cash Flow From Financing Activities | <u>(4,348)</u> | <u>(1,000)</u> |
| Net Increase in Cash Held | <u>(1,668)</u> | <u>(247)</u> |
| Opening Cash Bought Forward | <u>1,754</u> | <u>2,001</u> |
| Cash Balance at End of Year | <u>86</u> | <u>1,754</u> |

Reconciliation of Surplus After Taxation With Cash Flow From Operating Activities

| | | |
|---|--------------|--------------|
| <u>Net Surplus After Taxation</u> | 1,793 | 1,548 |
| <u>Add/(Less) Non Cash Items</u> | | |
| Depreciation | 422 | 417 |
| Amortisation of Loan Interest | | 3 |
| Amortisation of Lease Buy-out | 919 | 919 |
| Movement in Deferred Taxation | (2) | (285) |
| | <u>1,339</u> | <u>1,054</u> |
| <u>Add/(Less) Movements in Working Capital</u> | | |
| (Increase)/Decrease in Receivables | 85 | 35 |
| (Increase)/Decrease in Inventories | (5) | (76) |
| Increase/(Decrease) in Creditors and Accruals | 47 | 369 |
| Increase/(Decrease) in Taxation | (88) | 520 |
| | <u>39</u> | <u>848</u> |
| Add Capital Expenditure in Creditors | 19 | (4) |
| <u>Net cash Flow from Operating Activities</u> | <u>3,190</u> | <u>3,446</u> |

NELSON ELECTRICITY LIMITED***NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2001*****Statement of Accounting Policies****1. Entity Statement**

Nelson Electricity Limited is a public company registered under the Companies Act 1993 and a reporting entity for the purposes of the Financial reporting Act 1993. Nelson Electricity owns the electricity distribution network which serves the central Nelson City area. The distribution network assets were leased to Citipower Ltd between December 1991 and March 1999. As a result of restructuring required in accord with the Energy Industry Reform Act the lease was terminated on 1 April 1999.

2. Accounting Policies**2.1 Authority**

These financial statements have been prepared for the sole purpose of complying with the requirements of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999 and amendments to these regulations. The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historic cost basis have been followed in the preparation of these financial statements.

2.2 Measurement Base

Reliance has been placed on the fact that Nelson Electricity Limited remains a going concern and that its funds will continue to be available to maintain operations. The measurement base adopted is that of historical cost.

2.3 Matching of Expenses and Revenue

Accrual accounting has been employed in matching expenses and related revenue.

2.4 Depreciation

Depreciation has been provided on all major assets, excluding land, at the following rates.

| | |
|---------------------|----------------|
| Buildings | 2% SL |
| Distribution System | 4% SL |
| Plant and Equipment | 14.4% - 60% SL |

2.5 Taxation

The Company follows the liability method of accounting for deferred taxation and applies this on the comprehensive basis. A debit balance in the deferred taxation account arising from timing differences is recognised only where there is virtual certainty of realisation.

2.6 Financial Instruments

The company is party to financial instruments as part of its every day operations. These financial instruments include cash and bank deposits, accounts receivable and payable, and loans which have been recognised in the statement of financial position.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of financial performance.

Except for loans, which are recorded at cost and those items covered by a separate accounting policy all financial instruments are shown at their estimated fair value.

2.7 Fixed Assets

Land is stated at cost, all other assets are stated at cost less accumulated depreciation.

NELSON ELECTRICITY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2001****2.8 Operating Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they occur.

2.9 Lease Buy-out Amortisation

The cost of buying out the unexpired portion of the network lease held by Citipower Ltd has been capitalised in Nelson Electricity's financial records. This cost will be amortised over the period which the lease would have run.

2.10 Network Revenue

The Company's principal source of revenue arises from the supply of network services to electricity traders who trade across the network. Terms and conditions for supply of these services are provided for in "use of system" agreements signed with the electricity retailers.

2.11 Employee Entitlements

Provision is made in respect of the company's liability for employees annual leave. Annual leave is calculated on an actual entitlement basis at current rates of remuneration.

2.12 Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day to day cash management.

Operating activities include all cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non current assets

Financing activities comprise the change in equity and debt capital structure of the company.

2.13 Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

3. Taxation

| | Year Ended 31-Mar-01 \$000 | Year Ended 31-Mar-00 \$000 |
|---|----------------------------------|----------------------------------|
| Surplus Before Taxation | 3,182 | 2,801 |
| Taxation @ 33 % | 1,050 | 924 |
| Under Provision from Prior Year | 6 | 10 |
| Timing Differences | 333 | 319 |
| | <u>1,389</u> | <u>1,253</u> |
| Tax Expense as per Statement of financial Performance | | |

Comprising:

| | | |
|-------------------|--------------|--------------|
| Current Taxation | 1,393 | 968 |
| Deferred Taxation | (4) | 285 |
| | <u>1,389</u> | <u>1,253</u> |

4. Deferred Taxation

| | | |
|-----------------------------|-----------|-----------|
| Balance 01.04.00 | 59 | 344 |
| Deferred Tax Prior Period | (6) | |
| Deferred Tax Current Period | 4 | (285) |
| Balance 31.03.01 | <u>57</u> | <u>59</u> |

NELSON ELECTRICITY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2001**

| | Year Ended 31-Mar-01 | Year Ended 31-Mar-00 |
|--|-------------------------|-------------------------|
| | \$000 | \$000 |

5. Share Capital

| | | |
|---|---|-------|
| Authorised Issued and Paid up Share Capital | 1 | 3,702 |
|---|---|-------|

Subsequent to agreement of its two shareholders Nelson Electricity repurchased a total of 4,999,000 \$1 shares on 22 March 2001. In the financial statements prepared for the Ministry of Economic Development this equates to a repurchase of 3,700,000 \$1 shares. At 31 March 2001 Marlborough Lines Ltd and Network Tasman Ltd each held 500 shares.

6. Retained Earnings

| | Year Ended 31-Mar-01 | Year Ended 31-Mar-00 |
|--|-------------------------|-------------------------|
| | \$000 | \$000 |

| | | |
|---|--------------|--------------|
| Opening Balance 1 April | 1,379 | 830 |
| Net Surplus for Year | 1,793 | 1,548 |
| Adjustment to Retained Earnings (Residue of Other Business) | 150 | |
| Dividends Paid | | (1,000) |
| Closing Balance 31 March | <u>3,322</u> | <u>1,378</u> |

7. Fixed Assets

| | As At 31-Mar-01 | As At 31-Mar-00 |
|--|--------------------|--------------------|
| | \$000 | \$000 |

| | | |
|---------------------------|---------------------|---------------------|
| Land (at cost) | 15 | 15 |
| Buildings (at cost) | 175 | 175 |
| Accumulated Depreciation | 69 | 65 |
| Book Value | <u>106</u> | <u>110</u> |
| Distribution System | 9,797 | 9,352 |
| Accumulated Depreciation | 6,609 | 6,225 |
| Book Value | <u>3,188</u> | <u>3,127</u> |
| Plant and Equipment | 158 | 103 |
| Accumulated Depreciation | 75 | 41 |
| Book Value | <u>83</u> | <u>62</u> |
| Capital Work in Progress | 51 | 60 |
| Total Fixed Assets | <u>3,443</u> | <u>3,374</u> |

The most recent Optimised Deprival Valuation undertaken in respect of the Nelson Electricity Ltd network system assets was dated 31 March 2001 and the total value recorded was **\$14.17m.**

The following Government valuations for land and buildings as at 30 Sept 1997 are considered by the Directors to be an indication of fair value.

| | | |
|-----------|-----------|-----------|
| Land | \$428,000 | \$428,000 |
| Buildings | \$105,000 | \$105,000 |

Investment in Lease Buy-Out

| | | |
|---|------------------|--------------------|
| Cost (see note 12) | \$2,448,888 | \$2,448,888 |
| Less amortisation | \$1,837,998 | \$918,998 |
| Capitalised Lease Buy-out Costs as at 31 March 2001 | <u>\$610,890</u> | <u>\$1,529,890</u> |

NELSON ELECTRICITY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2001****8. Term Loans**

| | As At 31-Mar-01 \$ooo | As At 31-Mar-00 \$ooo |
|---|-----------------------------|-----------------------------|
| Westpac Trust Multi Option Credit Facility | 1,000 | 1,798 |
| The effective interest rate at 31 March 2001 is 6.90% (2000, 8.70%) | | |
| Three year facility, reviewed and able to be extended annually. | | |
| The facility limit is \$1.8m, no security has been issued in respect of the facility and the agreement presently expires on 26 March 2004 | | |

9. Related Party Transactions

Network Tasman Limited owns 50% of the shares in Nelson Electricity Limited and has in the past year provided operational management and systems review services at nil value.

Marlborough Lines Limited owns 50% of the shares in Nelson Electricity Limited and has in the past year provided management and administrative services to the following value:

| | 2001 \$ | 2000 \$ |
|---|------------|------------|
| Marlborough Lines Ltd | 14,400 | 15,000 |
| Payable to Marlborough Lines at 31 March. | 7,200 | 15,000 |

Nelson Electricity reimburses Marlborough Lines for salaries paid to staff on their behalf. There were no amounts outstanding for salaries as at 31 March 2001. (2000 Nil)

Network Tasman oncharged to Nelson Electricity Transpower national grid charges during the year totalling \$2,506,553. (2000, \$2,642,039). As at 31 March 2001 Nelson Electricity owed Network Tasman \$302,779, for transmission charges. (2000, \$261,975)

Network Tasman contributed \$18,227 to costs incurred in interconnecting the networks of both companies. Costs for this work together with GST (\$20,505) were outstanding at 31 March.

| | 2001 \$ | 2000 \$ |
|---|------------|------------|
| Directors fees paid to Marlborough Lines in respect of Mr K Forrest | 8,000 | 8,000 |

10. Financial Instruments**Credit Risk**

Credit risk is the risk that an outside party will not be able to meet its obligations to the company. The company places its cash deposits with high credit quality financial institutions. Credit risk in respect of accounts receivable is minimised through the company's ability to place bonding requirements on its major electricity retailing customers and the substantial financial nature of these businesses. The company does not have any other significant contractions of credit risk.

Interest Rate risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The company's short term deposits are at fixed interest rates and mature within one year. The company has the opportunity to vary interest rates on its non current borrowings on such terms as it selects. The interest rate applying to the company's current borrowings is disclosed in note 8.

Currency Risk

The company has no present exposure to risks arising from movement in exchange rates. (2000, Nil)

NELSON ELECTRICITY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2001****11. Commitments and Contingent Liabilities**

As at 31 March 2001 the company had no material commitments or contingent liabilities that are not included in these financial statements. (2000, Nil)

12. Events Subsequent to Balance Date

There were no events subsequent to balance date requiring notification in these financial statements.

13. Industry Restructuring

As a result of agreement reached on 1 April 1999 between Nelson Electricity Ltd, Trans Alta Ltd and Citipower Ltd, the Nelson Electricity Network lease in favour of Citipower was terminated on that date.

Nelson Electricity capitalised the costs of terminating the network lease. This cost has been amortised over the remaining life of the original lease.

The value of the lease termination costs still to be amortised at 31 March 2001 is \$610,890.
(2000, \$1,529,890)

Schedule 4 Part 8**Annual Valuation Reconciliation Report for Year ending 31 March 2001**

| | 2001 \$000 | 2000 \$000 |
|---|---------------|---------------|
| System Fixed Assets at ODV at 31 March 2001 | 14,215 | 14,541 |
| <i>Add</i> System Fixed Acquired During the Year at ODV | 550 | 208 |
| <i>Less</i> System Fixed Assets Disposed off During the Year at ODV | - | - |
| <i>Less</i> Depreciation on System Fixed Assets | (566) | (534) |
| <i>Add</i> Revaluations of System Fixed Assets | (32) | - |
| <i>Equals</i> System Fixed Assets at ODV at 31 March 2001 | \$14,167 | \$14,215 |

Statement of Financial Position Disclosure (Schedule 1, Part 2)

| para | | 2001 \$ | 2000 \$ |
|-------|---|------------|------------|
| 1 | Current assets | | |
| (a) | Cash and bank balances: | 86 | 46 |
| (b) | Short-term investments: | | 1,708 |
| (c) | Inventories: | 81 | 76 |
| (d) | Accounts receivable: | 660 | 745 |
| (e) | Other current assets not listed in (a) to (d): | | 0 |
| (f) | Total current assets | 827 | 2,575 |
| 2 | Fixed assets | | |
| (a) | System fixed assets: | 3,188 | 3,127 |
| (b) | Consumer billing and information system assets: | | 0 |
| (c) | Motor Vehicles | 12 | 0 |
| (d) | Office equipment | 71 | 62 |
| (e) | Land and buildings: | 121 | 125 |
| (f) | Capital works under construction: | 51 | 60 |
| (g) | Other fixed assets not listed in (a) to (f): | 611 | 1,530 |
| (h) | Total fixed assets | 4,054 | 4,904 |
| 3 | Other tangible assets not listed above | 0 | 0 |
| 4 | Total tangible assets | 4,881 | 7,479 |
| 5 | Intangible assets | | |
| (a) | Goodwill: | 0 | 0 |
| (b) | Other intangibles not listed in (a) above: | 0 | 0 |
| (c) | Total intangible assets | 0 | 0 |
| 6 | Total assets | 4,881 | 7,479 |
| 7 | Current liabilities | | |
| (a) | Bank overdraft: | 0 | 0 |
| (b) | Short-term borrowings: | | 1,798 |
| (c) | Payables and accruals: | 524 | 481 |
| (d) | Provision for dividends payable: | 0 | 0 |
| (e) | Provision for income tax: | -44 | 44 |
| (f) | Other current liabilities not listed in (a) to (e) above: | 21 | 17 |
| (g) | Total current liabilities | 501 | 2,340 |
| 8 | Non-current liabilities | | |
| (a) | Payables and accruals: | 0 | 0 |
| (b) | Borrowings: | 1,000 | 0 |
| (c) | Deferred tax: | 57 | 59 |
| (d) | Other non-current liabilities not listed in (a) to (c) above: | 0 | 0 |
| (e) | Total non-current liabilities | 1,057 | 59 |
| 9 | Equity | | |
| (a) | Shareholders' equity: | | |
| (i) | Share capital: | 1 | 3,701 |
| (ii) | Retained earnings: | 2,031 | 88 |
| (iii) | Reserves: | 1,291 | 1,291 |
| (iv) | Total Shareholders' equity: | 3,323 | 5,080 |
| (b) | Minority interests in subsidiaries: | 0 | 0 |
| (c) | Total equity: | 3,323 | 5,080 |
| (d) | Capital notes: | 0 | 0 |
| (e) | Total capital funds: | 3,323 | 5,080 |
| 10 | Total equity and liabilities | 4,881 | 7,479 |

| para | | 2001 | 2000 |
|--------|---|--------------|--------------|
| 11 | | \$ | \$ |
| | Operating Revenue (Schedule 1, Part 2) | | |
| | 11 Operating revenue | | |
| (a) | (a) Revenue from line/access charges: | 7,503 | 7,392 |
| (b) | (b) Revenue from "Other" business for services carried out by the line business (transfer payment): | | 0 |
| (c) | (c) Interest on cash, bank balances and short term investments: | 560 | 375 |
| (e) | (d) AC loss-rental rebates: | 544 | 152 |
| (f) | (e) Other revenue not listed in (a) to (d): | 20 | 5 |
| (g) | Total operating revenue | 8,627 | 7,924 |
| | Expenditure (Schedule 1, Part 2) | | |
| | 12 Operating expenditure | | |
| (a) | Payment for transmission charges | 3,051 | 2,795 |
| (b) | Transfer payments to the "Other" business for: | | |
| (i) | Asset maintenance: | 0 | 0 |
| (ii) | Consumer disconnection/reconnection services: | 0 | 0 |
| (iii) | Meter data: | 0 | 0 |
| (iv) | Consumer-based load control services: | 0 | 0 |
| (v) | Royalty and patent expenses: | 0 | 0 |
| (vi) | Avoided transmission charges on account of own generation | 0 | 0 |
| (vii) | Other goods and services not listed in (i) to (vi) above | 0 | 0 |
| (viii) | Total transfer payment to the "Other" business | 0 | 0 |
| (c) | Expense to entities that are not related parties for: | | |
| (i) | Asset maintenance: | 417 | 336 |
| (ii) | Consumer disconnection/reconnection services | 0 | 0 |
| (iii) | Meter data | 0 | 0 |
| (iv) | Consumer-based load control services | 0 | 0 |
| (v) | Royalty and patent expenses | 0 | 0 |
| (vi) | Total of specified expenses to non-related parties (sum of (i) to (v)) | 417 | 336 |
| (d) | Employee salaries, wages and redundancies | 248 | 182 |
| (e) | Consumer billing and information system expense | | 0 |
| (f) | Depreciation on: | | |
| (i) | System fixed assets: | 384 | 375 |
| (ii) | Other assets not listed in (i) | 38 | 42 |
| (iii) | Total depreciation | 422 | 417 |
| (g) | Amortisation of: | | |
| (i) | Goodwill: | 0 | 0 |
| (ii) | Other intangibles: | 919 | 919 |
| (iii) | Total amortisation of intangibles | 919 | 919 |
| (h) | Corporate and administration: | 100 | 199 |
| (i) | Human resource expenses: | 0 | 0 |
| (j) | Marketing/advertising: | 0 | 0 |
| (k) | Merger and acquisition expenses: | 0 | 0 |
| (l) | Takeover defence expenses: | 0 | 0 |
| (m) | Research and development expenses: | 0 | 0 |
| (n) | Consultancy and legal expenses: | 92 | 39 |
| (o) | Donations: | 0 | 0 |
| (p) | Directors' fees: | 38 | 35 |
| (q) | Auditors' fees: | | |
| (i) | Audit fees paid to principal auditors: | 7 | 15 |
| (ii) | Audit fees paid to other auditors: | 0 | 0 |
| (iii) | Fees paid for other services provided by principal and other auditors: | 3 | 12 |
| (iv) | Total auditors' fees: | 10 | 27 |
| (r) | Costs of offering credit: | | |
| (i) | Bad debts written off: | 0 | 0 |
| (ii) | Increase in estimated doubtful debts: | 0 | 0 |
| (iii) | Total cost of offering credit: | 0 | 0 |
| (s) | Local authority rates expense: | 8 | 8 |
| (t) | AC loss-rentals (distribution to retailers/customers) expense: | 0 | 0 |
| (u) | Rebates to consumers due to ownership interest: | 0 | 0 |
| (v) | Subvention payments: | 0 | 0 |
| (w) | Unusual expenses: | 0 | 0 |
| (x) | Other expenditure not listed in (a) to (w) | 0 | 0 |
| 13 | Total operating expenditure | 5,305 | 4,957 |
| 14 | Operating surplus before interest and income tax | 3,322 | 2,967 |
| 15 | Interest expense | | |
| (a) | Interest expense on borrowings | 140 | 166 |
| (b) | Financing charges related to finance leases | 0 | 0 |
| (c) | Other interest expense | 0 | 0 |
| (d) | Total interest expense | 140 | 166 |
| 16 | Operating surplus before income tax | 3,182 | 2,801 |
| 17 | Income tax | 1,389 | 1,253 |
| 18 | Net surplus after tax | 1,793 | 1,548 |

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

| Derivation Table | Input and Calculations | Symbol in formula | ROF | | ROE | | ROI | | |
|---|---|-------------------|--------|---|--------|---|--------|---|--|
| Operating surplus before interest and income tax from financial statements | 3,322 | | | | | | | | |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT) | 3,322 | | | | | | | | |
| Interest on cash, bank balances, and short-term investments (ISTI) | 560 | | | | | | | | |
| OSBIT minus ISTI | 2,762 | a | | 2,762 | | | | 2,762 | |
| Net surplus after tax from financial statements | 1,793 | | | | | | | | |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT) | 1,793 | n | | | | 1,793 | | | |
| Amortisation of goodwill and amortisation of other intangibles | - | g | add | 0 | add | 0 | add | 0 | |
| Subvention payment | - | s | add | 0 | add | 0 | add | 0 | |
| Depreciation of SFA at BV (x) | 388 | | | | | | | | |
| Depreciation of SFA at ODV (y) | 566 | | | | | | | | |
| ODV depreciation adjustment | (178) | d | add | -178 | add | -178 | add | -178 | |
| Subvention payment tax adjustment | - | s*t | | | deduct | 0 | deduct | 0 | |
| Interest tax shield | (139) | q | | | | | deduct | -139 | |
| Revaluations | (32) | r | | | | | add | -32 | |
| Income tax | 1,389 | p | | | | | deduct | 1,389 | |
| Numerator | | | | 2,584 | | 1,615 | | 1,301 | |
| | | | | OSBIT ^{ADJ} = a + g + s + d | | NSAT ^{ADJ} = n + g + s - s*t + d | | IT ^{ADJ} = a + g - q + r + s + d - p - s*t | |
| Fixed assets at end of previous financial year (FA ₀) | 4,904 | | | | | | | | |
| Fixed assets at end of current financial year (FA ₁) | 4,054 | | | | | | | | |
| Adjusted net working capital at end of previous financial year (ANWC ₀) | (1,475) | | | | | | | | |
| Adjusted net working capital at end of current financial year (ANWC ₁) | 196 | | | | | | | | |
| Average total funds employed (ATFE) | 3,840 <small>(or regulation 33 time-weighted average)</small> | c | | 3,840 | | | | 3,840 | |
| Total equity at end of previous financial year (TE ₀) | 5,080 | | | | | | | | |
| Total equity at end of current financial year (TE ₁) | 3,323 | | | | | | | | |
| Average total equity | 4,202 <small>(or regulation 33 time-weighted average)</small> | k | | | | 4,202 | | | |
| WUC at end of previous financial year (WUC ₀) | 60 | | | | | | | | |
| WUC at end of current financial year (WUC ₁) | 51 | | | | | | | | |
| Average total works under construction | 56 <small>(or regulation 33 time-weighted average)</small> | e | deduct | 56 | deduct | 56 | deduct | 56 | |
| Revaluations | (32) | r | | | | | | | |
| Half of revaluations | (16) | r/2 | | | | | deduct | -16 | |
| Intangible assets at end of previous financial year (IA ₀) | - | | | | | | | | |
| Intangible assets at end of current financial year (IA ₁) | - | | | | | | | | |
| Average total intangible asset | - <small>(or regulation 33 time-weighted average)</small> | m | | | | add | 0 | | |
| Subvention payment at end of previous financial year (S ₀) | - | | | | | | | | |
| Subvention payment at end of current financial year (S ₁) | - | | | | | | | | |
| Subvention payment tax adjustment at end of previous financial year | - | | | | | | | | |
| Subvention payment tax adjustment at end of current financial year | - | | | | | | | | |
| Average subvention payment & related tax adjustment | - | v | | | | add | 0 | | |
| System fixed assets at end of previous financial year at book value (SFA _{bv,0}) | 3,127 | | | | | | | | |
| System fixed assets at end of current financial year at book value (SFA _{bv,1}) | 3,188 | | | | | | | | |
| Average value of system fixed assets at book value | 3,158 <small>(or regulation 33 time-weighted average)</small> | f | deduct | 3,158 | deduct | 3,158 | deduct | 3,158 | |
| System Fixed assets at year beginning at ODV value (SFA _{odv,0}) | 14,215 | | | | | | | | |
| System Fixed assets at end of current financial year at ODV value (SFA _{odv,1}) | 14,167 | | | | | | | | |
| Average value of system fixed assets at ODV value | 14,191 <small>(or regulation 33 time-weighted average)</small> | h | add | 14,191 | add | 14,191 | add | 14,191 | |
| Denominator | | | | 14,818 | | 15,180 | | 14,834 | |
| | | | | ATFE ^{ADJ} = c - e - f + h ^{DJ} | | = k - e - m + v - f + h | | FE ^{ADJ} = c - e - 1/2r - f + h | |
| Financial Performance Measure: | | | | 17.4 | | 10.6 | | 8.8 | |
| | | | | ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100 | | ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100 | | ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100 | |

NELSON ELECTRICITY LIMITED
PERFORMANCE MEASURES
PREPARED IN ACCORDANCE WITH THE
ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999
and AMENDMENT REGULATIONS 2000

1 Financial Performance Measures

note The Electricity conveyed through the system on behalf of retailers includes an estimate of usage due to lack of reliable data from retailers, the statistics including loss factors relating to this information should be read with caution.

| | 2001 | 2000 | 1999 | 1998 |
|--------------------------|-------|-------|------|-------|
| (a) Return on Funds | 17.4% | 16.1% | 5.1% | 8.4% |
| (b) Return on Equity | 10.6% | 8.8% | 3.2% | 5.5% |
| (c) Return on Investment | 8.8% | 7.4% | 3.3% | 34.2% |

2 Efficiency Performance Measures

| | | | | |
|--------------------------------------|---------|---------|---------|---------|
| (a) Direct Line Costs per Kilometre | \$2,261 | \$1,909 | \$3,406 | \$1,594 |
| (b) Indirect line costs per Consumer | \$149 | \$152 | \$22 | \$45 |

1 Energy Delivery Efficiency Performance Measures

| | | | | |
|--------------------------|-------|-------|-------|-------|
| (a) Load Factor | 58.7% | 59.4% | 58.9% | 57.7% |
| (b) Loss Ratio | 4.9% | 4.6% | 5.0% | 5.0% |
| (c) Capacity Utilisation | 37.6% | 39.1% | 39.0% | 40.0% |

2 Statistics

(a) System Length Break Down in Kilometres

| | | | | |
|-------|-----|-----|-----|-----|
| 33kV | 21 | 21 | 21 | 23 |
| 11kV | 77 | 74 | 75 | 79 |
| LV | 145 | 144 | 142 | 116 |
| Total | 243 | 239 | 238 | 218 |

(b) Circuit Length of Overhead System in Kilometres

| | | | | |
|-------|----|----|----|----|
| 33kV | 11 | 11 | 11 | 13 |
| 11kV | 9 | 8 | 10 | 11 |
| LV | 25 | 25 | 22 | 27 |
| Total | 45 | 44 | 43 | 50 |

(c) Circuit Length of Underground System in Kilometres

| | | | | |
|-------|-----|-----|-----|-----|
| 33kV | 10 | 10 | 10 | 10 |
| 11kV | 68 | 66 | 65 | 68 |
| LV | 120 | 119 | 121 | 89 |
| Total | 198 | 195 | 196 | 167 |

(d) Transformer Capacity in kVA

| | | | | |
|--|--------|--------|--------|--------|
| | 76,540 | 72,270 | 72,270 | 70,470 |
|--|--------|--------|--------|--------|

(e) Maximum demand in kW

| | | | | |
|--|--------|--------|--------|--------|
| | 28,800 | 28,225 | 28,185 | 28,185 |
|--|--------|--------|--------|--------|

(f) Total Electricity supplied from the System in kWh

| | | | | |
|--|-------------|-------------|-------------|-------------|
| | 148,097,417 | 147,146,156 | 145,416,396 | 142,458,214 |
|--|-------------|-------------|-------------|-------------|

(g) Total Electricity Conveyed through the System on behalf of each generator and retailer in kWh

| | | | | |
|------------|-------------|-------------|-------------|-------------|
| Retailer A | 126,945,263 | 109,650,064 | 145,416,396 | 142,458,214 |
| Retailer B | 7,793,122 | 4,363,289 | | |
| Retailer C | 4,463,743 | 1,750,965 | | |
| Retailer D | 1,390,788 | 416,420 | | |
| Retailer E | 298,065 | 24,197,830 | | |

(h) Total Consumers

| | | | | |
|--|-------|-------|-------|-------|
| | 8,579 | 8,476 | 8,461 | 8,341 |
|--|-------|-------|-------|-------|

Reliability Performance Measures

1 Number of interruption by class

| Class Description | 2001 | 2000 | 1999 | 1998 |
|--------------------------------|-------------------------|-----------|-----------|-----------|
| | number of interruptions | | | |
| A Transpower Planned | 0 | 0 | 0 | 0 |
| B Nelson Electricity Planned | 9 | 22 | 41 | 35 |
| C Nelson Electricity Unplanned | 6 | 8 | 4 | 8 |
| D Transpower Unplanned | 0 | 0 | 1 | 2 |
| E ECNZ Unplanned | 0 | 0 | 0 | 0 |
| F Other Generation | 0 | 0 | 0 | 0 |
| G Unplanned | 0 | 0 | 0 | 0 |
| Total | 15 | 30 | 46 | 45 |

2 Interruption Targets for the following financial year

| Class Description | 2002 |
|------------------------------------|-------------------------|
| | number of interruptions |
| (a) B Nelson Electricity Planned | 25 |
| (b) C Nelson Electricity Unplanned | 8 |

3 Average interruption targets for the subsequent four years

| Class Description | 2003 | 2004 | 2005 | 2006 |
|------------------------------------|-------------------------|------|------|------|
| | number of interruptions | | | |
| (a) B Nelson Electricity Planned | 25 | 25 | 25 | 25 |
| (b) C Nelson Electricity Unplanned | 8 | 8 | 8 | 8 |

4 Percentage of Class C interruptions not restored within-

| | 2000 |
|-----------------|--------------------------------|
| | % of total class interruptions |
| (a) Three hours | 0.0% |
| (b) 24 hours | 0.0% |

5 Faults (Class C) per 100 kilometres

| (a) Total number of faults per 100 km | 2001 | 2000 | 1999 | 1998 |
|---|------|------|------|------|
| Voltage | | | | |
| 33 kV | 4.8 | 9.7 | 4.8 | 8.7 |
| 11kV | 2.6 | 8.1 | 4.0 | 10.1 |
| Total | 3.1 | 8.4 | 1.7 | 3.7 |
| (b) Total number of faults per 100 km following year | | | | 2002 |
| Voltage | | | | |
| 33 kV | | | | 4.0 |
| 11kV | | | | 4.0 |
| Total | | | | 3.8 |
| (c) Total number of faults per 100 km following years | 2003 | 2004 | 2005 | 2006 |
| Voltage | | | | |
| 33 kV | 4.0 | 4.0 | 4.0 | 4.0 |
| 11kV | 4.0 | 4.0 | 4.0 | 4.0 |
| Total | 3.8 | 3.8 | 3.8 | 3.8 |
| 6 Faults (Class C) per 100 kilometres underground | 2001 | 2000 | 1999 | 1998 |
| Voltage | | | | |
| 33 kV | 0 | 10.3 | 4.6 | 10.0 |
| 11kV | 1.5 | 6.1 | 0.0 | 7.4 |
| Total | 1.3 | 6.6 | 4.0 | 7.7 |
| 7 Faults (Class C) per 100 kilometres overhead | 2001 | 2000 | 1999 | 1998 |
| Voltage | | | | |
| 33 kV | 9.1 | 9.1 | 0.0 | 7.7 |
| 11kV | 11.1 | 24.5 | 9.1 | 27.3 |
| Total | 10 | 15.6 | 4.8 | 16.7 |

| | | | | | |
|-----|------------------------------|------------------|-------------|-------------|-------------|
| 8 | SAIDI | 2001 | 2000 | 1999 | 1998 |
| | Customer Minutes | 41 | 77 | 56 | 94 |
| 9 | SAIDI target | | | | 2002 |
| (a) | Class B | | | | 15 |
| (b) | Class C | | | | 25 |
| 10 | SAIDI target | 2003 | 2004 | 2005 | 2006 |
| (a) | Class B | 15 | 10 | 10 | 10 |
| (b) | Class C | 25 | 20 | 20 | 20 |
| 11 | SAIDI per interruption class | 2001 | 2000 | 1999 | 1998 |
| | Class Description | customer minutes | | | |
| A | Transpower Planned | 0 | 0 | 0 | 0 |
| B | Nelson Electricity Planned | 13 | 16 | 29 | 29 |
| C | Nelson Electricity Unplanned | 28 | 60 | 22 | 22 |
| D | Transpower Unplanned | 0 | 0 | 6 | 43 |
| E | ECNZ Unplanned | 0 | 0 | 0 | 0 |
| F | Other Generation | 0 | 0 | 0 | 0 |
| G | Other | 0 | 0 | 0 | 0 |
| | Total | 41 | 77 | 57 | 94 |
| 12 | SAIFI | 2001 | 2000 | 1999 | 1998 |
| | Total Interruptions | 1.78 | 1.30 | 1.33 | 1.93 |
| 13 | SAIFI target | | | | 2002 |
| (a) | Class B Planned | | | | 0.30 |
| (b) | Class C Unplanned | | | | 0.60 |
| 14 | SAIFI target | 2003 | 2004 | 2005 | 2006 |
| (a) | Class B Planned | 0.30 | 0.30 | 0.3 | 0.3 |
| (b) | Class C Unplanned | 0.60 | 0.60 | 0.6 | 0.6 |
| 15 | SAIFI per interruption class | 2001 | 2000 | 1999 | 1998 |
| | Class Description | customer minutes | | | |
| A | Transpower Planned | 0.00 | 0.00 | 0.00 | 0.00 |
| B | Nelson Electricity Planned | 0.06 | 0.09 | 0.19 | 0.20 |
| C | Nelson Electricity Unplanned | 1.72 | 1.21 | 0.74 | 0.33 |
| D | Transpower Unplanned | 0.00 | 0.00 | 0.41 | 1.40 |
| E | ECNZ Unplanned | 0.00 | 0.00 | 0.00 | 0.00 |
| F | Other Generation | 0.00 | 0.00 | 0.00 | 0.00 |
| G | Other | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total | 1.78 | 1.30 | 1.34 | 1.93 |
| 16 | CAIDI | 2001 | 2000 | 1999 | 1998 |
| | Customer minutes | 23.0 | 58.7 | 41.9 | 49.1 |
| 17 | CAIDI target | | | | 2002 |
| (a) | Class B Planned | | | | 50.0 |
| (b) | Class C Unplanned | | | | 41.7 |
| 18 | CAIDI target | 2003 | 2004 | 2005 | 2006 |
| (a) | Class B Planned | 50.0 | 33.3 | 33.3 | 33.3 |
| (b) | Class C Unplanned | 41.7 | 33.3 | 33.3 | 33.3 |
| 19 | CAIDI per interruption class | 2001 | 2000 | 1999 | 1998 |
| | Class Description | customer minutes | | | |
| A | Transpower Planned | 0.0 | 0.0 | 0.0 | 0.0 |
| B | Nelson Electricity Planned | 217.5 | 173.2 | 152.8 | 146.9 |
| C | Nelson Electricity Unplanned | 16.4 | 49.8 | 29.1 | 68.0 |
| D | Transpower Unplanned | 0.0 | 0.0 | 14.0 | 80.9 |
| E | ECNZ Unplanned | 0.0 | 0.0 | 0.0 | 0.0 |
| F | Other Generation | 0.0 | 0.0 | 0.0 | 0.0 |
| G | Other | 0.0 | 0.0 | 0.0 | 0.0 |



Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF NELSON ELECTRICITY LIMITED FOR THE YEAR ENDED 31 MARCH 2001

We have audited the financial statements of Nelson Electricity Limited on pages 1 to 10. The financial statements provide information about the past financial performance of Nelson Electricity Limited and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 4 and 5.

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 Nelson Electricity Limited as at 31 March 2001 and the results of its 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 Bede Kearney of Audit New Zealand 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 Nelson Electricity 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. 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 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 in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Nelson Electricity Limited.


Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by Nelson Electricity Limited as far as appears from our examination of those records; and
- the financial statements on pages 1 to 10 -
 - a) comply with generally accepted accounting practice; and
 - b) give a true and fair view of the financial position of Nelson Electricity 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 29 August 2001 and our unqualified opinion is expressed as at that date.



B F Kearney
Audit New Zealand
On behalf of the Controller and Auditor-General
Christchurch, New Zealand



Audit New Zealand

AUDIT OFFICE OPINION

ON THE PERFORMANCE MEASURES OF NELSON ELECTRICITY LIMITED

We have examined the information on pages 8, 11 and 12, 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 Nelson Electricity Limited and dated 28 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.

B F Kearney
Audit New Zealand
On behalf of the Controller & Auditor-General
Christchurch, New Zealand
29 August 2001



PricewaterhouseCoopers
23-29 Albert Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Nelson Electricity Limited dated 20 August 2001, which contains valuations of system fixed assets as at 31 March 2001.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$14,166,600, have been made in accordance with the ODV Handbook.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Chartered Accountants
Auckland
20 August 2001


**Certification of Financial Statements, Performance Measures,
and Statistics Disclosed by Line Owners other than Transpower.**

We, Kenneth John Forrest and Geoffrey John Hoare, principals of Nelson Electricity Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-


- (a) The attached audited financial statements of Nelson Electricity Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 and Amendment Regulations 2000 comply with the requirements of those regulations; and
- (b) The attached information, being from the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Nelson Electricity Limited, and having been prepared for the purposes of regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999 and Amendment Regulations 2000, comply with the requirements of those regulations.

The valuations on which those financial performance figures are based as at 31 March 2001.

Dated this 28th day of August 2001.



K.J. Forrest
Director



G.J. Hoare
Company Secretary

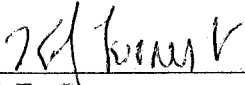
Certification of Valuation Report of Line Owners

We, Kenneth John Forrest and Geoffrey John Hoare, principals of Nelson Electricity Limited certify that, having made all reasonable enquiry, to the best of our knowledge: -


- (a) The attached valuation report of Nelson Electricity Limited, prepared for the purposes of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of those regulations; and
- (b) The Optimised Depreciation Replacement Cost of the line business system fixed assets of Nelson Electricity Limited is \$14,166,600; and
- (c) The Optimised Deprival Valuation of the line business system fixed assets of Nelson Electricity Limited is \$14,166,600; and
- (d) The valuation of the line business assets of Nelson Electricity Limited, including system and non-system fixed assets and net working capital, is \$14,545,888.07; and
- (e) The values in (b) and (c) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2001.

Dated this 28th day of August 2001.



K.J. Forrest
Director



G.J. Hoare
Company Secretary