



# New Zealand Gazette

OF THURSDAY, 21 AUGUST 2003

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WELLINGTON: FRIDAY, 22 AUGUST 2003 — ISSUE NO. 111

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## THE LINES COMPANY LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999  
AND SUBSEQUENT AMENDMENTS

**Deloitte  
Touche  
Tohmatsu**

**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE LINES COMPANY LIMITED  
FOR THE YEAR ENDED 31 MARCH 2003**

We have audited the financial statements of The Lines Company Limited on pages 1 to 12. The financial statements provide information about the past financial performance of The Lines Company Limited and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

**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 2003, and results of operations and cash flows for the year then ended.

**Auditor's Responsibilities**

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that 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 the Auditing Standards published by the Auditor-General, which incorporate 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 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 Auditor-General, we have no relationship with or interest in The Lines Company Limited.

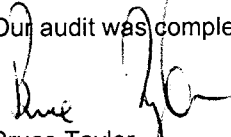
**Unqualified Opinion**

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 12:
  - (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 2003 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 12 August 2003 and our unqualified opinion is expressed as at that date.

  
Bruce Taylor  
**Deloitte Touche Tohmatsu**  
**On behalf of the Auditor-General**  
**Hamilton, New Zealand**

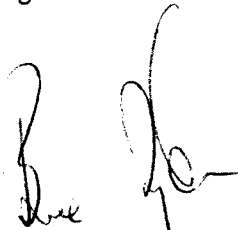
**AUDITOR-GENERAL'S OPINION  
ON THE PERFORMANCE MEASURES OF  
THE LINES COMPANY LIMITED**

We have examined the attached information on pages 12 to 14, 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 31 March 2003 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 Auditor-General**  
**Hamilton, New Zealand**  
**12 August 2003**



**PricewaterhouseCoopers**  
188 Quay 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 The Lines Company Limited and dated 28 July 2003, which report contains valuations of system fixed assets as at 31 March 2003.

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 \$77,123,081, have been made in accordance with the ODV Handbook.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style and is underlined with a single horizontal line.

PricewaterhouseCoopers  
Chartered Accountants  
Auckland  
11 August 2003

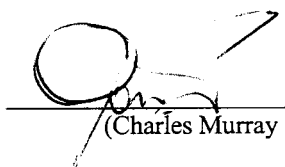
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,  
AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

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,

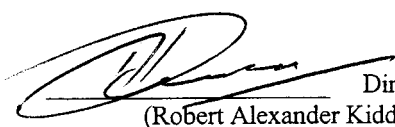
- (a) The attached Audited financial statements of The Lines Company Limited, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations; and
- (b) The attached information, being the derivation table, financial 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 31<sup>st</sup> March 2003.

Signature:

  
Director  
(Charles Murray Loewenthal)

Signature:

  
Director  
(Robert Alexander Kidd)

Date:

12/08/03

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Financial Performance  
For the Year Ended 31 March 2003

	Note	2003 \$000's	2002 \$000's
Operating Revenue	2	19,280	18,724
Customer discount		<u>(6,000)</u>	<u>(6,600)</u>
<b>Net Revenue after Discount</b>		13,280	12,124
Operating Expenditure	3	<u>(11,436)</u>	<u>(10,593)</u>
<b>Operating surplus before Interest &amp; Tax</b>		1,844	1,531
Interest Expense on Borrowings		<u>1,181</u>	<u>808</u>
<b>Operating surplus before income tax</b>		664	723
Tax Expense	4	(127)	(153)
<b>Net surplus after Tax</b>		<u><u>790</u></u>	<u><u>875</u></u>

Statement of Movement of Equity  
For the Year Ended 31 March 2003

	2003 \$000's	2002 \$000's
<b>Equity at Beginning of Year</b>	42,365	47,355
Surplus retained for the Year	790	875
Revaluation of fixed assets	3,358	(5,733)
Deferred tax adjustment on line asset revaluations	<u>(4,594)</u>	<u>-</u>
<b>Total Recognised Revenue and Expenses</b>	(446)	(4,858)
Dividends	<u>(131)</u>	<u>(132)</u>
<b>Total Distribution to Owners</b>	(131)	(132)
<b>Equity at Year End</b>	<u><u>41,788</u></u>	<u><u>42,365</u></u>

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Financial Position  
For the Year Ended 31 March 2003

	Note	2003 \$000's	2002 \$000's
<b>Equity</b>			
Share Capital		6,021	6,021
Retained Earnings		10,068	9,409
Revaluation Reserve		25,699	26,935
		<u>41,788</u>	<u>42,365</u>
<b>Fixed Assets</b>			
Fixed Assets	5	<u>78,265</u>	<u>70,548</u>
<b>Total Fixed Assets</b>		78,265	70,548
<b>Current Assets</b>			
Cash		(2,684)	571
Receivables & prepayments		2,136	2,374
Inventory		773	503
<b>Total Current Assets</b>		<u>225</u>	<u>3,448</u>
<b>Total Tangible Assets</b>		78,490	73,996
<b>Intangible Assets</b>			
Goodwill		-	-
<b>Total Intangible Assets</b>		-	-
<b>Total Assets</b>		78,490	73,996
<b>Non-current Liabilities</b>			
Loans	6	20,763	21,763
Deferred Tax	7	6,366	1,117
<b>Total Non-current Liabilities</b>		<u>27,129</u>	<u>22,880</u>
<b>Current Liabilities</b>			
Accounts Payable		4,321	4,038
Provisions		250	254
Short Term Loan	8	2,000	1,000
Customer Discount Provision		3,002	3,459
<b>Total Current Liabilities</b>		<u>9,573</u>	<u>8,751</u>
<b>Total Liabilities</b>		36,702	31,631
<b>Net Assets Employed</b>		<u>41,788</u>	<u>42,365</u>

Chairman

Date:

12/8/03

Director

Date:

12/08/03

**THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY**

**Statement of Cashflows  
For the Year Ended 31 March 2003**

	2003 \$000's	2002 \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Receipts from customers	19,519	19,650
Less special discounts	<u>(6,457)</u>	<u>(5,947)</u>
	13,062	13,703
Cash was distributed to:		
Payment to suppliers & employees	8,024	7,966
Taxes paid	-	-
Interest paid	<u>790</u>	<u>808</u>
	8,814	8,774
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>4,248</u></u>	<u><u>4,929</u></u>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Cash was provided from:		
Proceeds from sale of fixed assets	<u>-</u>	<u>-</u>
	-	-
Cash was applied to:		
Fixed asset purchase	<u>7,503</u>	<u>5,106</u>
	7,503	5,106
<b>NET CASHFLOWS TO INVESTING ACTIVITIES</b>	<u><u>(7,503)</u></u>	<u><u>(5,106)</u></u>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
Economic Energy Ltd.	<u>-</u>	<u>117</u>
	-	117
Cash was provided for:		
Loan - BNZ	<u>-</u>	<u>1,000</u>
	-	1,000
<b>NET CASHFLOWS TO FINANCING ACTIVITIES</b>	<u><u>-</u></u>	<u><u>(883)</u></u>
Net cashflow from operating	4,248	4,929
Net cashflow to investing	(7,503)	(5,106)
Net cashflow to financing	<u>-</u>	<u>(883)</u>
<b>Net increase in cash held</b>	(3,255)	(1,060)
Nominal cash carried forward	571	1,631
<b>Total Cash</b>	<u><u>(2,684)</u></u>	<u><u>571</u></u>



**THE LINES COMPANY LIMITED**  
**Lines Business Activity**  
**Notes to the Financial Statements**  
**For the Year Ended 31st March 2003**

**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 Doyle Valuations on 31st March 2003 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 2003.

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 2003**

**(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) 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 2003**

**(h) Basis of Allocations to Business Units**

In general the Ministry of Economic Development 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.

**(i) 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 Economic Development.

**(j) Changes in Accounting Policies**

The group has changed the policy with regard to deferred tax. Whereas now adopted the comprehensive method of recording deferred tax. The effect of this has been to increase the deferred tax liability by \$ 6,267,649.

**(k) 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**

Disclosure of information to be disclosed in Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999 Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000:

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

	<b>2003</b>	<b>2002</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>1 Current assets</b>		
(a) Cash and bank balances	(2,684)	571
(b) short term investments	-	-
(c) Inventories	773	503
(d) Accounts receivable	2,136	2,374
(e) Other current assets not listed in (a) to (d)	-	-
(f) <b>Total current assets</b>	<u>225</u>	<u>3,448</u>
<b>2 Fixed assets</b>		
(a) System fixed assets	77,123	65,456
(b) consumer billing and information systems	12	20
(c) Motor vehicles	158	288
(d) Office equipment	131	166
(e) Land and buildings	675	670
(f) Capital works under construction	158	3,872
(g) Other fixed assets not listed in (a) to (f)	8	75
(h) <b>Total fixed assets</b>	<u>78,265</u>	<u>70,548</u>
<b>3 Other tangible assets not listed above</b>	-	-
<b>4 Total tangible assets</b>	<u>78,490</u>	<u>73,996</u>
<b>5 Intangible assets</b>		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a)	-	-
(c) <b>Total intangible assets</b>	<u>-</u>	<u>-</u>
<b>6 Total assets</b>	<u>78,490</u>	<u>73,996</u>
<b>7 Current liabilities</b>		
(a) Bank overdraft	-	-
(b) Short-term borrowings	2,000	1,000
(c) Payables and accruals	4,439	4,160
(d) Provision for dividend payable	132	132
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e)	3,002	3,459
(g) <b>Total current liabilities</b>	<u>9,573</u>	<u>8,751</u>
<b>8 Non-current liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	20,763	21,763
(c) Deferred tax	6,366	1,117
(d) Other non-current liabilities not listed in (a) to (c)	-	-
(e) <b>Total non-current liabilities</b>	<u>27,129</u>	<u>22,880</u>

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2003 \$000's	2002 \$000's
<b>9 Equity</b>		
(a) Shareholders' equity		
(i) Share capital	6,021	6,021
(ii) Retained earnings	10,068	9,409
(iii) Reserves	25,699	26,935
(iv) Total shareholders' equity	<u>41,788</u>	<u>42,365</u>
(b) Minority interests in subsidiaries	-	-
(c) <b>Total equity</b>	<u>41,788</u>	<u>42,365</u>
(d) Capital notes	-	-
(e) <b>Total capital funds</b>	<u>41,788</u>	<u>42,365</u>
<b>10 Total equity and liabilities</b>	<u><u>78,490</u></u>	<u><u>73,996</u></u>

## Statement of Financial Performance Disclosure (Schedule 1, Part 2)

## NOTE 2 : OPERATING REVENUE

<b>11 Operating Revenue</b>		
(a) Revenue from line/access charges	18,909	17,887
(b) Revenue from 'Other' business (transfer payment)	-	-
(c) Income from Interest on bank & short term investments	48	59
(d) AC loss-rental Rebates	323	778
(e) Other operating revenue not listed in (a) to (d)	-	-
(f) <b>Total operating revenue</b>	<u><u>19,280</u></u>	<u><u>18,724</u></u>

## NOTE 3 : OPERATING EXPENDITURE

<b>12 Operating Expenditure</b>		
(a) Transmission costs	3,843	4,276
(b) Transfer payments to the "Other" business for:		
(I) Asset Maintenance Services	2,043	1,853
(ii) Disconnection/Reconnection Services	2	2
(iii) Meter Data	-	-
(iv) Consumer Based Load control	9	-
(v) Royalty and patent expenses	-	-
(vi) Avoided Transmission Charges	-	-
(vii) Other	27	35
(viii) Total transfer payments to the "Other" business	<u>2,081</u>	<u>1,890</u>
(c) Expenses to entities that are non-related parties for:		
(I) Asset Maintenance Services	370	23
(ii) Disconnection/Reconnection Services	-	-
(iii) Meter Data	-	-
(iv) Consumer Based Load control	13	-
(v) Avoided Transmission Charges	-	-
(vi) Royalty and patent expenses	-	-
(vii) Total of specified expenses to non-related entities	<u>383</u>	<u>23</u>
(d) Employee salaries/redundances	1,179	853
(e) Consumer Billing and Information System	41	42
(f) Depreciation on:		
(I) System Fixed Assets	2,849	2,273
(ii) Other assets not listed in (I)	295	388
(iii) Total Depreciation	<u><u>3,144</u></u>	<u><u>2,661</u></u>

4/03/03

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2003 \$000's	2002 \$000's
(g) Amortisation of:		
(I) Goodwill	-	-
(ii) Other Intangibles	-	-
(iii) Total amortisation of intangibles	<u>-</u>	<u>-</u>
(h) Corporate & Administration	121	121
(I) Human Resource	20	20
(j) Marketing & Advertising	15	32
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy & legal expenses	6	12
(o) Donations	3	8
(p) Directors' fees	129	114
(q) Auditors' fees		
(I) Audit fees paid to principal auditors	22	22
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors' fees	<u>22</u>	<u>22</u>
(r) Cost of offering credit		
(I) Bad Debts written off	-	-
(ii) Increase in estimated doubtful debts	-	-
(iii) Total cost of offering credit	<u>-</u>	<u>-</u>
(s) Local Authority rates expense	79	2
(t) AC loss-rentals (distribution to customers) expense	-	-
(u) Rebate to consumers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other	370	517
<b>13 Total operating expenditure</b>	<u>11,436</u>	<u>10,593</u>
<b>14 Operating surplus before interest and income tax</b>	1,844	1,531
<b>15 Interest expense</b>		
(a) Interest Expense on Borrowings	790	808
(b) Financing Charges relating to Finance Leases	-	-
(c) Other Interest Expense	391	-
(d) Total interest expense	1,181	808
<b>16 Operating surplus before income tax</b>	664	723
<b>17 Income tax</b>	(127)	(153)
<b>18 Net surplus after tax</b>	790	875

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2003 \$'000'	2002 \$'000'
<b>NOTE 4 : TAXATION EXPENSE</b>		
Nominal Profit Before Tax	664	723
Prima Facie Taxation @ 33 %	219	239
Add/(Less) Effect of Permanent Tax Diff	(346)	(391)
Net Taxation Expense	(127)	(153)
Less Tax loss on Other	-	-
	<u>(127)</u>	<u>(153)</u>

**NOTE 5 : FIXED ASSETS 2002**

	at cost	at valuation	accumulated depreciation	carrying value
	\$	\$	\$	\$
Land and Buildings	721,694	260,302	311,859	670,137
Reticulation System	45,788,204	28,868,864	9,200,714	65,456,354
Customer billing and Information system	26,729		6,612	20,117
Motor Vehicles	671,544		383,963	287,581
Office Equipment	351,935		185,543	166,392
Other Plant & Equipment	377,805		302,452	75,353
Capital Work in Progress				
Zone Substations	2,023,220			
Distribution Lines & Cables	1,134,108			
Medium Voltage Switchgear	62,145			
Low Voltage Lines & Cables	-			
Other Capital Works	652,346			3,871,818
	<u>51,809,729</u>	<u>29,129,166</u>	<u>10,391,143</u>	<u>70,547,752</u>

**FIXED ASSETS 2003**

	at cost	at valuation	accumulated depreciation	carrying value
	\$	\$	\$	\$
Land and Buildings	-	674,843	-	674,843
Reticulation System	-	77,123,000	-	77,123,000
Customer billing and Information system	26,729		14,412	12,317
Motor Vehicles	676,591		518,363	158,228
Office Equipment	386,853		255,943	130,910
Other Plant & Equipment	381,883		374,052	7,831
Capital Work in Progress				
Zone Substations	-			
Distribution Lines & Cables	-			
Medium Voltage Switchgear	-			
Low Voltage Lines & Cables	-			
Other Capital Works	157,805			157,805
	<u>1,629,861</u>	<u>77,797,843</u>	<u>1,162,770</u>	<u>78,264,934</u>

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2003 \$'000'	2002 \$'000'
<b>NOTE 6 : LOANS</b>		
"Other" (The Lines Company Activities)	9,763	9,763
Perpetual	3,000	3,000
Bank of New Zealand Swaps	8,000	9,000
	<u>20,763</u>	<u>21,763</u>
<b>NOTE 7 : DEFERRED TAX</b>		
Fixed Assets	6,579	1,346
Accruals & Provisions	(213)	(229)
	<u>6,366</u>	<u>1,117</u>
<b>NOTE 8 : SHORT TERM LOANS</b>		
Bank of New Zealand Swaps	2,000	1,000
	<u>2,000</u>	<u>1,000</u>
<b>NOTE 9 : SEGMENTAL INFORMATION</b>		
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.		
<b>NOTE 10 : CAPITAL COMMITMENT</b>		
As at year end the company had no capital commitment (2002: \$484,000).		
<b>NOTE 11 : CASHFLOW RECONCILIATION WITH NET PROFIT</b>		
Net Profit after Tax and Customer Discount	790	875
Add: Non cash items		
Depreciation	3,144	2,661
	<u>3,934</u>	<u>3,537</u>
Add/Less: Movements in Working Capital		
(Increase)/Decrease in Receivables	238	926
(Increase)/Decrease in Stock	(270)	(226)
Increase/(Decrease) in Creditors	148	(154)
Increase/(Decrease) in Provisions	(457)	387
Increase/(Decrease) in Other	655	459
	<u>314</u>	<u>1,392</u>
Net cashflows from operating activities	<u>4,248</u>	<u>4,929</u>



**THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY**

**NOTE 12 : 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 2002 to 31st March 2003.
- c) There are no outstanding balances and no debts have been written off.
- c) Maintenance work is recorded on the basis of material at cost plus 15% and labour & plant at \$45 per hour. Capital expenditure is recorded at ODV values.
- d) Construction of the following types of assets were undertaken for the lines business.

	<b>2003</b>	<b>2002</b>
	<b>\$000's</b>	<b>\$000's</b>
(I) Construction of Subtransmission Assets	998	240
(ii) Construction of Zone Substations	540	109
(iii) Construction of Distribution Lines and Cables	1,497	1,310
(iv) Construction of Medium Voltage Switchgear	101	51
(v) Construction of Distribution Substations	259	283
(vi) Construction of Low Voltage Reticulation	304	225
(vii) Construction of Other Assets	44	391
(viii) Consumer connections & disconnections	286	115
(ix) Maintenance of distribution system	2,043	1,853
	<u>6,072</u>	<u>4,577</u>

During the year company paid Waitomo Energy Services Customer Trust \$46,083 of interest on a subordinated debenture.

**NOTE 13 : ODV RECONCILIATION**

System Fixed Assets at ODV (at the end of the previous year)	65,456	70,796
New Revaluation of System Fixed Assets (previous year)	<u>-</u>	<u>(5,733)</u>
System Fixed Assets at ODV (Beginning of Year)	65,456	65,063
System Fixed Assets Acquired during year at ODV	11,157	2,667
System Fixed Assets Disposed of during year at ODV	-	-
Depreciation on System Fixed Assets at ODV	(2,849)	(2,273)
Revaluations of Systems Fixed Assets	3,358	-
System Fixed Assets at ODV (at the end of the current year)	<u>77,123</u>	<u>65,456</u>

As at 31st March 2003 the ODV Valuation of the lines business as certified by PricewaterhouseCoopers was \$77.123 million.

## THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Form for the derivation of Financial Performance Measures from Financial Statements-Schedule 1, Part 7

<i>Derivation Table</i>	<i>Input and Calculat.</i>	<i>Symbol in form.</i>	<i>ROF</i>	<i>ROE</i>	<i>ROI</i>
Operating surplus before interest and tax (OSBIIT)	1,844				
Interest on cash,bank & short term investments (ISTI)	48				
OSBIIT minus ISTI	1,796	<i>a</i>	1,796		1,796
Net surplus after tax from financial statements	790	<i>n</i>		790	
Amortised Goodwill	-	<i>g</i>	-	-	-
Subvention Payment	-	<i>s</i>	-	-	-
Depreciation of SFA at BV (x)	2,849				
Depreciation of SFA at ODV (y)	2,849				
ODV Depreciation adjustment	-	<i>d</i>	-	-	-
Subvention Payment tax adjustment	-	<i>s*t</i>		-	-
Interest Tax Shield	390	<i>q</i>			390
Revaluations	3,358	<i>r</i>			3,358
Income Tax	(127)	<i>p</i>			(127)
<b>Numerator</b>			<b>1,796</b>	<b>790</b>	<b>4,891</b>
Fixed Assets at Start of Year	70,548				
Fixed Assets at Year End	78,265				
Net Working Capital at end of previous financial year	(5,302)				
Net Working Capital at end of current financial year	(9,348)				
Average Total Funds Employed (ATFE)	67,081	<i>c</i>	67,081		67,081
Total Equity at end of previous financial year	42,365				
Total Equity at end of current financial year	41,788				
Average Total Equity	42,076	<i>k</i>		42,076	
Works Under Construction at end of previous year	3,872				
Works Under Construction at end of current year	158				
Average Total Works Under Construction	2,015	<i>e</i>	2,015	2,015	2,015
Revaluations	3,358	<i>r</i>			
Half of revaluations	1,679	<i>r/2</i>			1,679
Intangible assets at end of previous financial year	-				
Intangible assets at end of current financial year	-				
Average total intangible asset	-	<i>m</i>		-	
Subvention Payment at end of previous financial year	-				
Subvention Payment at end of current financial year	-				
Subvention Payment Tax Adjustment previous year	-				
Subvention Payment Tax Adjustment current year	-				
Average Subvention payment and tax adjustment	-	<i>v</i>		-	
System Fixed Assets at end of previous year at BV	65,456				
System Fixed Assets at end of current year at BV	77,123				
Average value of system fixed assets at BV	71,290	<i>f</i>	71,290	71,290	71,290
System Fixed Assets at year beginning at ODV	65,456				
System Fixed Assets at end of current year at ODV	77,123				
Average value of system fixed assets at ODV	71,290	<i>h</i>	71,290	71,290	71,290
<b>Denominator</b>			<b>65,066</b>	<b>40,062</b>	<b>63,387</b>
<b>Financial Performance Measure</b>			<b>2.76%</b>	<b>1.97%</b>	<b>7.72%</b>

**THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY**

Disclosure of financial performance measures and efficiency performance measures under regulation 15 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

	2003	2002	2001	2000
<b>1 Financial performance measures</b>				
(a) Accounting return on funds	2.76%	2.26%	3.85%	5.57%
(b) Accounting return on equity	1.97%	2.09%	3.64%	5.83%
(c) Accounting return on investment	7.72%	-6.44%	10.46%	7.21%
<b>2 Efficiency performance measures</b>				
(a) Direct line costs per kilometer	\$629	\$605	\$529	\$539
(b) Indirect line costs per electricity customer.	\$42	\$34	\$33	\$37

Disclosure of energy delivery efficiency performance measures under regulation 21 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

<b>1 (a) Load Factor</b>	51.92%	52.63%	62.81%	60.25%
(b) Loss Ratio	6.77%	7.20%	7.37%	7.31%
(c) Capacity Utilisation	33.96%	32.89%	27.87%	32.20%
<b>2 (a) System lengths (kms)</b>				
- 33kV	466	399	404	396
- 11kV	3,674	3,573	3,714	3,863
- LV	691	630	347	509
- Total	<u>4,831</u>	<u>4,602</u>	<u>4,465</u>	<u>4,768</u>
<b>(b) Circuit length (overhead) (kms)</b>				
- 33kV	465	398	404	396
- 11kV	3,588	3,498	3,622	3,766
- LV	520	462	242	350
- Total	<u>4,573</u>	<u>4,359</u>	<u>4,268</u>	<u>4,512</u>
<b>(c) Circuit length (underground) (kms)</b>				
- 33 kV	0	0	0	0
- 11 kV	86	75	92	97
- LV	171	168	104	159
- Total	<u>258</u>	<u>243</u>	<u>196</u>	<u>256</u>
<b>(d) Transformer capacity (kVA)</b>	192,122	188,798	185,050	167,675
<b>(e) Maximum demand (kW)</b>	65,240	62,090	51,581	53,990
<b>(f) Total electricity supplied (kWH)(000's)</b>	296,727	286,248	283,817	285,972
<b>(g) Total electricity conveyed on behalf of other persons.</b>				
Retailer A	0	59	59	0
Retailer B	4,717	4,646	4,041	6,726
Retailer C	1,847	1,944	1,037	900
Retailer D	10,052	4,811	4,986	1,280
Retailer E	0	259	179	0
Retailer F	11,456	21,093	21,988	0
Retailer G	11,015	8,568	6,226	0
Retailer H	1,349	719	461	0
Retailer I	236,204	223,538	223,921	255,942
	<u>276,640</u>	<u>265,637</u>	<u>262,898</u>	<u>264,848</u>
<b>(h) Total customer</b>	25,045	25,712	25,846	25,259

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

	2003	2002	2001	2000	1999
Planned (Transpower)	3	3	1	0	0
Planned (TLC)	659	546	435	309	271
Unplanned (TLC)	587	375	447	357	273
Unplanned (Transpower)	2	9	5	7	6
Generation (Others)	0	0	2	0	0
Total	1251	933	890	673	550

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

	2004	2005	2006	2007	2008	Average 2004/08
Planned (TLC)	450	450	450	450	450	450
Unplanned (TLC)	412	398	385	373	361	386

**4 Percentage of total number for faults not restored in 3 or 24 hours****Unplanned (TLC) faults for 2002/03**

	Number	% of Outages
Not Restored in 3 hours	175	29.81%
Not Restored in 24 hours	7	1.19%

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

Faults per 100km	2003	2002	2001	2000
33kV	15.7	7.4	9.9	8.7
11kV	14.0	7.0	7.8	8.2
Total	14.2	7.1	8.0	8.2

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

Faults per 100km	2004	2005	2006	2007	2008	Average 2004/08
33kV	11.0	10.5	10.1	9.7	9.2	10.1
11kV	9.8	9.5	9.2	8.9	8.6	9.2
Total	10.0	9.6	9.3	9.0	8.7	9.3

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

Faults per 100km	2003	2002	2001	2000
33kV	0.0	0.0	0.0	0.0
11kV	6.9	2.7	3.3	8.3
Total	6.9	2.7	3.3	8.3

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

Faults per 100km	2004	2005	2006	2007	2008	Average 2004/08
33kV	0.0	0.0	0.0	0.0	0.0	0.0
11kV	5.8	4.6	3.5	3.5	2.3	3.9
Total	5.8	4.6	3.5	3.5	2.3	3.9

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

Faults per 100km	2003	2002	2001	2000
33kV	15.7	7.4	9.9	8.7
11kV	14.2	7.1	7.9	8.2
Total	14.3	7.2	8.1	8.2

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

Faults per 100km	2004	2005	2006	2007	2008	Average 2004/08
33kV	11.0	10.5	10.1	9.7	9.2	10.1
11kV	9.9	9.6	9.3	9.1	8.8	9.3
Total	10.0	9.7	9.4	9.1	8.8	9.4

**8 SAIDI for total of interruptions during :**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
SAIDI	729.0	564.2	573.6	472.8

**9 SAIDI targets for the following year****10 and for the subsequent four financial years**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Average 2004/08</b>
Planned (TLC)	168.7	130.6	117.0	105.6	96.8	123.8
Unplanned (TLC)	320.7	265.4	241.0	221.4	203.2	250.3

**11 SAIDI according to class**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Planned (Transpower)	48.9	41.0	13.3	0
Planned (TLC)	226.2	199.3	207.7	203.4
Unplanned (TLC)	450.4	265.0	321.2	242.4
Unplanned (Transpower)	3.5	58.9	28.0	27.0
Generation (Others)	0.0	0.0	3.4	0.0

**12 SAIFI for total of interruptions during :**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
SAIFI	7.15	6.55	6.51	7.34

**13 SAIFI targets for the following year****14 and for the subsequent four financial years**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Average 2004/08</b>
Planned (TLC)	0.7	0.6	0.6	0.5	0.5	0.6
Unplanned (TLC)	4.3	3.8	3.6	3.5	3.4	3.7

**15 SAIFI according to class**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Planned (Transpower)	0.16	0.21	0.06	0.00
Planned (TLC)	1.12	0.95	1.12	0.91
Unplanned (TLC)	5.71	4.44	4.42	5.25
Unplanned (Transpower)	0.15	0.95	0.78	1.18
Generation (Others)	0.00	0.00	0.13	0.00

**16 CAIDI for total of interruptions during :**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
CAIDI	102.0	86.1	88.1	64.4

**17 CAIDI targets for the following year****18 and for the subsequent four financial years**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>Average 2004/08</b>
Planned (TLC)	252.5	226.9	208.1	195.6	184.4	213.5
Unplanned (TLC)	74.3	70.7	66.2	63.4	60.2	67.0

**19 CAIDI according to class**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Planned (Transpower)	300.3	193.1	240.0	0.0
Planned (TLC)	202.5	210.2	184.8	223.5
Unplanned (TLC)	78.8	59.7	72.7	46.2
Unplanned (Transpower)	22.6	62.3	35.8	22.9
Generation (Others)	0.0	0.0	25.5	0.0