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NELSON ELECTRICITY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

NELSON ELECTRICITY LIMITED**Statement of Financial Performance for the Year Ended 31 March 2004**

	Notes	2004 Line Business \$000	2003 Line Business \$000
<u>INCOME</u>			
Interest received		68	87
Network revenue		6,532	6,610
Other income		308	210
		<u>6,908</u>	<u>6,907</u>
<u>EXPENDITURE</u>			
Operations and maintenance		481	688
Transmission charges		1,759	1,797
Directors fees		52	52
Audit fees		16	17
Other administration		863	656
Interest expense		86	65
Depreciation		591	575
		<u>3,848</u>	<u>3,850</u>
<u>SURPLUS BEFORE TAXATION</u>		3,060	3,057
Provision for Taxation	3	860	1,180
<u>SURPLUS AFTER TAXATION</u>		<u>2,200</u>	<u>1,877</u>

Statement of Movements in Equity for the Year Ended 31 March 2004

	2004 Line Business \$000	2003 Line Business \$000
<u>Equity at Beginning of Year</u>	14,603	14,426
<u>Surplus and Revaluations</u>		
Revaluations	0	0
Net Surplus for Period	2,200	1,877
Total Recognised Revenue and Expenses	<u>2,200</u>	<u>1,877</u>
<u>Other Movements</u>		
Distributions to Owners	(1,900)	(1,700)
Total Other Movements	<u>(1,900)</u>	<u>(1,700)</u>
<u>Equity at End of Year</u>	<u>14,903</u>	<u>14,603</u>

The Accompanying Notes form an Integral part of These Financial Statements

NELSON ELECTRICITY LIMITED**Statement of Financial Position as at 31 March 2004**

		2004 Line Business \$000	2003 Line Business \$000
<u>EQUITY</u>			
Share Capital	5	1	1
Revaluation Reserves	7	11,219	11,219
Pre Acquisition Reserves	7	1,291	1,291
Retained Earnings	6	2,392	2,092
		<u>14,903</u>	<u>14,603</u>
<i>Represented by</i>			
<u>CURRENT ASSETS</u>			
Bank and Cash		863	1,134
Accounts Receivable		683	716
Tax Refund Due		(60)	138
Inventories		110	101
		<u>1,596</u>	<u>2,089</u>
<u>CURRENT LIABILITIES</u>			
Creditors and Accruals		696	564
		<u>696</u>	<u>564</u>
Working Capital		900	1,525
<u>NON CURRENT ASSETS</u>			
Fixed Assets	8	14,994	14,378
		<u>14,994</u>	<u>14,378</u>
<u>NON CURRENT LIABILITIES</u>			
Deferred Taxation	4	(9)	300
Term Loans	9	1,000	1,000
		<u>991</u>	<u>1,300</u>
NET ASSETS		<u>14,903</u>	<u>14,603</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 2004**

	2004 Line Business	2003 Line Business
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash was Provided From		
Receipts from Customers	6,873	6,468
Interest Received	68	87
	<u>6,941</u>	<u>6,555</u>
Cash was Applied to		
Payments to Suppliers	(3,288)	(2,892)
Interest Paid	(86)	(65)
Net GST Paid	(21)	60
Taxation Paid	(970)	(1,112)
	<u>(4,365)</u>	<u>(4,009)</u>
Net Cash Flow From Operating Activities	<u>2,576</u>	<u>2,546</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Cash was Provided From		
Proceeds From Sale of Fixed Assets	0	8
Cash was Applied to		
Purchase of Fixed Assets	(947)	(494)
Net Cash Flow From Investing Activities	<u>(947)</u>	<u>(486)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Cash was Applied to		
Settlement Of Term Debt	(1,900)	(1,700)
Payment of Dividends	(1,900)	(1,700)
Net Cash Flow From Financing Activities	<u>(1,900)</u>	<u>(1,700)</u>
Net Increase in Cash Held	(271)	360
Opening Cash Brought Forward	1,134	774
Cash Balance at End of Year	<u>863</u>	<u>1,134</u>

Reconciliation of Surplus After Taxation With Cash Flow From Operating Activities

<u>Net Surplus After Taxation</u>	2,200	1,877
<u>Add/(Less) Non Cash Items</u>		
Depreciation	591	575
Amortisation of Lease Buy-out	0	0
Movement in Deferred Taxation	(309)	141
	<u>282</u>	<u>716</u>
<u>Add/(Less) Movements in Working Capital</u>		
(Increase)/Decrease in Receivables	33	(174)
(Increase)/Decrease in Inventories	(9)	0
Increase/(Decrease) in Creditors and Accruals	131	175
Increase/(Decrease) in Taxation	199	(73)
	<u>354</u>	<u>(72)</u>
<u>Less Items Classified as Investing activities</u>		
New Land Vested	0	0
Capital Expenditure in Creditors (net movement)	(260)	25
<u>Net cash Flow from Operating Activities</u>	<u>2,576</u>	<u>2,546</u>

NELSON ELECTRICITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2004

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 Requirement 6 of the Electricity (Information Disclosure) Requirements 2004.

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

The measurement base adopted is that of historic cost with the exception of certain items for which specific accounting policies are disclosed.

2.3 Depreciation

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

Buildings	2% SL
Distribution System	1.43% to 6.67% SL
Plant and Equipment	14.4% - 60% DV

2.4 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.

2.5 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.

2.6 Plant Property and Equipment

Land assets were revalued as at 31 July 2001 in accord with values provided by Mr Tony Gowans, FNZIV of Telfer Young (Nelson) Ltd

Distribution system assets were revalued as at 1 April 2001 to depreciated replacement cost (DRC) as assessed by independent valuers PricewaterhouseCoopers and certified in their advice of 25 march 2002.

Revaluation surpluses are transferred directly to the asset revaluation reserve.

It is intended that network and land assets will be revalued five yearly. Subsequent additions are recorded at cost. All other assets are recorded at cost less depreciation.

NELSON ELECTRICITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2004

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on bases consistent with those used in other years.

3. Taxation

	Year Ended 31-Mar-04	Year Ended 31-Mar-03
	\$000	\$000
Surplus Before Taxation	3,060	3,057
Taxation @ 33 %	1,010	1,009
Under Provision from Prior Year	0	(2)
Effect of Permanent Differences	(150)	173
	860	1,180
Tax Expense as per Statement of Financial Performance		
<i>Comprising:</i>		
Current Taxation	1,169	1,038
Deferred Taxation	(309)	142
	860	1,180
Imputation Credit Account		
Balance 1 April	725	451
Imputation Credits Attached to Dividends Paid in the Year	(936)	(837)
Income Tax Payments During the Year	970	1,111
Refunds Received From Inland Revenue	0	0
Balance 31 March	759	725
4. Deferred Taxation		
Balance 1 April	300	158
Adjustment Prior Period	(306)	0
Current Period Provision	(3)	142
Balance 31 March	(9)	300

NELSON ELECTRICITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2004

5. Share Capital	31-Mar-04	31-Mar-03
	\$ooo	\$ooo
Share Capital	1	1

As at 31 March 2004 Marlborough Lines Ltd and Network Tasman Ltd each held 500 shares.

6. Retained Earnings	31-Mar-04	31-Mar-03
	\$ooo	\$ooo
Opening Balance 1 April	2,092	1,915
Net Surplus for Year	2,200	1,877
Dividends Paid	(1,900)	(1,700)
Closing Balance 31 March	2,392	2,092

7. Reserves	31-Mar-04	31-Mar-03
	\$ooo	\$ooo
Pre acquisition Reserves (Retained earnings accumulated to 19.06.96 when the company was purchased by Marlborough Lines Ltd and Network Tasman Ltd)	1,291	1,291
Revaluation Reserves - Credits to Revaluation Reserves		
Land	665	665
Distribution System assets	10,554	10,554
	11,219	11,219

There were no credits to revaluation reserves during the period. (2003 Nil)

Distribution system assets were revalued as at 1 April 2001 to depreciated replacement cost (DRC). The valuation was completed in accord with the requirements of FRS 3 by PricewaterhouseCoopers and their valuation report is dated 25 March 2002. The company's Haven Road land was also revalued to net current value as at 31 July 2001.

8. Plant Property and Equipment	As At 31-Mar-04	As At 31-Mar-03
	\$ooo	\$ooo
Land (at valuation)	773	773
Buildings (at cost)	175	175
Accumulated Depreciation	79	75
Book Value	96	100
Distribution System Assets (at valuation)		
Subtransmission Assets	1,372	1,372
Accumulated Depreciation	120	80
Book Value	1,252	1,292
Zone Substations	1,027	934
Accumulated Depreciation	173	122
Book Value	854	812
Distribution Assets	11,539	11,129
Accumulated Depreciation	1,259	832
Book Value	10,280	10,297
Other System Fixed Assets	1,293	1,027
Accumulated Depreciation	132	85
Book Value	1,161	942
Plant and Equipment (at cost)	202	176
Accumulated Depreciation	142	121
Book Value	60	55
Capital Work in Progress	518	107
Total Fixed Assets	14,994	14,378

NELSON ELECTRICITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2004

Note 8 Continued

The most recent Optimised Deprival Valuation for the Nelson Electricity Ltd network system assets was dated 31 March 2004 and the total value recorded was **\$19.393m.**

Land assets were revalued as at 31 July 2001 in accord with valuations provided by Telfer Young (Nelson) Ltd. The directors consider that the above values represent fair value for land and buildings. The current rating valuation for improvements is \$130,000 (2003 \$138,500)

9. Term Loans

	As At 31-Mar-04 \$ooo	As At 31-Mar-03 \$ooo
Westpac Trust Multi Option Credit Facility	1,000	1,000

The effective interest rate at 31 March 2004 is 6.04% (2003, 6.36%) This is a three year revolving facility reviewed and able to be extended annually. The facility limit is \$1.8m and the company has granted a negative pledge as an alternative to issuing security. The agreement expires on 26 March 2006.

10. Related Party Transactions

Marlborough Lines Limited and Network Tasman each own 50% of the shares in Nelson Electricity Limited and have in the past year provided management and administrative services to the following value:

	2004 \$	2003 \$
Marlborough Lines Ltd	167,705	167,705
Network Tasman Ltd	132,502	132,502
Payable to Marlborough Lines at 31 March.	13,958	Nil
Payable to Network Tasman at 31 March.	11,042	11,042

Nelson Electricity reimburses Marlborough Lines for salaries paid to staff on their behalf. Salaries totalling \$29,110 remained payable to Marlborough Lines as at 31 March 2004. (2003 Nil)

Network Tasman oncharged to Nelson Electricity Transpower national grid charges during the year totalling \$1,759,300. (2003, \$1,797,674). As at 31 March 2004 Nelson Electricity owed Network Tasman \$134,673 for transmission charges. (2003, \$134,547)

	2004 \$	2003 \$
Directors fees paid to Marlborough Lines in respect of Mr K Forrest	8,600	8,600

There were no related party transactions at nil or nominal value.

There were no related party debts written off or forgiven during the year. (2003 Nil)

11. 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 contrations of credit risk.

NELSON ELECTRICITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year to 31 March 2004

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 9.

Currency Risk

The company has no present exposure to risks arising from movement in exchange rates. (2003, Nil)

12. Commitments and Contingent Liabilities

As at 31 March 2004 the company had no commitments or contingent liabilities that are not included in these financial statements. (2003, Nil)
 Capital expenditure committed to at balance date but not recognised in the financial statements totalled \$486,079. (2003 Nil)

13. Events Subsequent to Balance Date

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

Schedule 1 Part 8	31-Mar-04	31-Mar-03
Annual Valuation Reconciliation Report for Year ending 31 March 2004	\$000	\$000
System Fixed Assets at ODV at 31 March 2003	13,531	13,837
<i>Add</i> System Fixed Assets Acquired During the Year at ODV	443	297
<i>Less</i> System Fixed Assets Disposed of During the Year At ODV	(50)	(90)
<i>Less</i> Depreciation on System Fixed Assets	(720)	(513)
<i>Add</i> Revaluations of System Fixed Assets	6,189	0
<i>Equals</i> System Fixed Assets at ODV at 31 March 2004	19,393	13,531

Schedule 1, Part 2

Items required to be separately listed in financial statements required under requirement 5(1) or requirement 6(1):

Statement of Financial Position

		2004 \$(000)	2003 \$(000)
1	Current assets		
(a)	Cash and bank balances:	13	14
(b)	Short-term investments:	850	1,120
(c)	Inventories:	110	101
(d)	Accounts receivable:	683	716
(e)	Other current assets not listed in (a) to (d):	0	0
(f)	Total current assets (sum of (a) to (e)).	1,656	1,951
2	Fixed assets		
(a)	System fixed assets:	13,547	13,343
(b)	Consumer billing and information system assets:	0	0
(c)	Motor Vehicles:	15	22
(d)	Office equipment:	45	33
(e)	Land and buildings:	869	873
(f)	Capital works under construction:	518	107
(g)	Other fixed assets not listed in (a) to (f):	0	0
(h)	Total fixed assets (sum of (a) to (g)).	14,994	14,378
3	Other tangible assets not listed above	0	0
4	Total tangible assets (1(f)+2(h)+3).	16,650	16,329
5	Intangible assets		
(a)	Goodwill:	0	0
(b)	Other intangibles not listed in (a):	0	0
(c)	Total intangible assets (sum of (a) and (b)).	0	0
6	Total assets (4+5(c)).	16,650	16,329
7	Current liabilities		
(a)	Bank overdraft:	0	0
(b)	Short-term borrowings:	0	0
(c)	Payables and accruals:	668	544
(d)	Provision for dividends payable:	0	0
(e)	Provision for income tax:	60	(138)
(f)	Other current liabilities not listed in (a) to (e):	28	20
(g)	Total current liabilities (sum of (a) to (f)).	756	426
8	Non-current liabilities		
(a)	Payables and accruals:	0	0
(b)	Borrowings:	1,000	1,000
(c)	Deferred tax:	(9)	300
(d)	Other non-current liabilities not listed in (a) to (c):	0	0
(e)	Total non-current liabilities (sum of (a) to (d)).	991	1,300
9	Equity		
(a)	Shareholders' equity-		
(i)	Share capital:	1	1
(ii)	Retained earnings:	2,392	2,092
(iii)	Reserves:	12,510	12,510
(iv)	Total Shareholders' equity (sum of (i) to (iii)).	14,903	14,603
(b)	Minority interests in subsidiaries:	0	0
(c)	Total equity (sum of (a) and (b)).	14,903	14,603
(d)	Capital notes:	0	0
(e)	Total capital funds (sum of (c) and (d)).	14,903	14,603
10	Total equity and liabilities (7(g)+8(e)+9(e)).	16,650	16,329

Statement of Financial Performance

		2004 \$(000)	2003 \$(000)
11	Operating revenue		
(a)	Revenue from line / access charges:	6,532	6,610
(b)	Revenue from "Other" business for services carried out by the line business (transfer payment):	0	0
(c)	Interest on cash, bank balances and short term investments:	68	87
(d)	AC loss-rental rebates:	230	176
(e)	Other revenue not listed in (a) to (d):	78	34
(f)	Total operating revenue (sum of (a) to (e)).	6,908	6,907

	2004 \$(000)	2003 \$(000)
12 Operating expenditure		
(a) Payment for transmission charges:	1,759	1,797
(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):	0	0
(viii) Total transfer payment to the "Other" business (sum of (i) to (vii)):	0	0
(c) Expense to entities that are not related parties for-		
(i) Asset maintenance:	348	560
(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)):	348	560
(d) Employee salaries, wages, and redundancies:	281	266
(e) Consumer billing and information system expense:	0	0
(f) Depreciation on-		
(i) System fixed assets:	566	552
(ii) Other assets not listed in (i):	25	23
(iii) Total depreciation (sum of (i) and (ii)):	591	575
(g) Amortisation of-		
(i) Goodwill:	0	0
(ii) Other intangibles:	0	0
(iii) Total amortisation of intangibles (sum of (i) and (ii)):	0	0
(h) Corporate and administration:	571	424
(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:	134	85
(o) Donations:	0	0
(p) Directors' fees:	52	52
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	13	13
(ii) Audit fees paid to other auditors:	0	0
(iii) Fees paid for other services provided by principal and other auditors:	4	4
(iv) Total auditors' fees (sum of (i) to (iii)):	17	17
(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 (sum of (i) to (ii)):	0	0
(s) Local authority rates expense:	9	9
(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 (sum of 12(a) to 12(x)):	3,762	3,785
14 Operating surplus before interest and income tax (11(f)-13):	3,146	3,122
15 Interest expense		
(a) Interest expense on borrowings:	86	65
(b) Financing charges related to finance leases:	0	0
(c) Other interest expense not listed in (a) or (b):	0	0
(d) Total interest expense (sum of (a) to (c)):	86	65
16 Operating surplus before income tax (14-15(d))	3,060	3,057
17 Income tax	860	1,180
18 Net surplus after tax (16-17)	2,200	1,877

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	3,146							
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIT)	3,146							
Interest on cash, bank balances, and short-term investments (ISTI)	68							
OSBIT minus ISTI	3,078	a		3,078				3,078
Net surplus after tax from financial statements	2,200							
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	2,200	n				2,200		
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)	566							
Depreciation of SFA at ODV (y)	720							
ODV depreciation adjustment	(154)	d	add	-154	add	-154	add	-154
Subvention payment tax adjustment	-	s*t			deduct	0	deduct	0
Interest tax shield	6	q					deduct	6
Revaluations	6,189	r					add	6,189
Income tax	860	p					deduct	860
Numerator				2,924		2,046		8,247
				OSBIT ^{ADJ} = a + g + s + d		NSAT ^{ADJ} = n + g + s - s*t + d		T ^{ADJ} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	14,378							
Fixed assets at end of current financial year (FA ₁)	14,994							
Adjusted net working capital at end of previous financial year (ANWC ₀)	254							
Adjusted net working capital at end of current financial year (ANWC ₁)	97							
Average total funds employed (ATFE)	14,862 <small>(or requirement 32 time-weighted average)</small>	c		14,862				14,862
Total equity at end of previous financial year (TE ₀)	14,603							
Total equity at end of current financial year (TE ₁)	14,903							
Average total equity	14,753 <small>(or requirement 32 time-weighted average)</small>	k				14,753		
WUC at end of previous financial year (WUC ₀)	107							
WUC at end of current financial year (WUC ₁)	518							
Average total works under construction	313 <small>(or requirement 32 time-weighted average)</small>	e	deduct	313	deduct	313	deduct	313
Revaluations	6,189	r						
Half of revaluations	3,095	r/2					deduct	3,095
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 requirement 32 time-weighted average)</small>	m				deduct	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 _{bv0})	13,343							
System fixed assets at end of current financial year at book value (SFA _{bv1})	13,547							
Average value of system fixed assets at book value	13,445 <small>(or requirement 32 time-weighted average)</small>	f	deduct	13,445	deduct	13,445	deduct	13,445
System Fixed assets at year beginning at ODV value (SFA _{odv0})	13,531							
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	19,393							
Average value of system fixed assets at ODV value	16,462 <small>(or requirement 32 time-weighted average)</small>	h	add	16,462	add	16,462	add	16,462
Denominator				17,566		17,457		14,471
				ATFE ^{ADJ} = c - e - f + h		DJ = k - e - m + v - f + h		TFE ^{ADJ} = c - e - 1/2r - f + h
Financial Performance Measure:				16.6		11.7		57.0
				ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100		ROE = NSAT ^{ADJ} /ATFE ^{ADJ} x 100		ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year
 subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

NELSON ELECTRICITY LIMITED
PERFORMANCE MEASURES

PREPARED IN ACCORDANCE WITH THE ELECTRICITY (INFORMATION DISCLOSURE) REQUIREMENTS 2004

	2004	2003	2002	2001
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.				
(a) Return on Funds	16.6%	20.7%	24.1%	17.4%
(b) Return on Equity	11.7%	13.0%	14.7%	10.6%
(c) Return on Investment	57.0%	12.8%	14.0%	8.8%
2 Efficiency Performance Measures				
(a) Direct Line Costs per Kilometre	\$2,536	\$2,864	\$1,884	\$2,261
(b) Indirect line costs per Consumer	\$92	\$84	\$118	\$149
1 Energy Delivery Efficiency Performance Measures				
(a) Load Factor	56.1%	57.7%	55.0%	58.7%
(b) Loss Ratio	5.8%	5.8%	2.5%	4.9%
(c) Capacity Utilisation	36.8%	37.6%	39.0%	37.6%
2 Statistics				
(a) System Length Break Down in Kilometres				
33kV	11	17	17	21
11kV	78	78	78	77
LV	151	147	146	145
Total	240	242	241	243
(b) Circuit Length of Overhead System in Kilometres				
33kV	1	7	8	11
11kV	8	9	9	9
LV	28	25	25	25
Total	37	41	42	45
(c) Circuit Length of Underground System in Kilometres				
33kV	10	10	10	10
11kV	69	69	68	68
LV	123	122	121	120
Total	202	201	199	198
(d) Transformer Capacity in kVA	81,005	79,100	78,190	76,540
(e) Maximum demand in kW	29,800	29,767	30,470	28,800
(f) Total Electricity supplied from the System in kWh	146,420,659	150,532,170	146,924,719	148,097,417
(g) Total Electricity Conveyed through the System on behalf of each generator and retailer in kWh				
Retailer A	98,433,829	110,038,068	116,967,198	126,945,263
Retailer B	21,734,016	20,725,835	17,346,953	7,793,122
Retailer C	15,066,831	8,381,913	3,294,004	4,463,743
Retailer D	1,961,175	1,969,082	2,723,393	1,390,788
Retailer E	474,878	1,219,138	3,049,344	298,065
(h) Total Consumers	8,735	8,614	8,575	8,579

Reliability Performance Measures

1	Number of interruption by class	2004	2003	2002	2001
	Class Description	number of interruptions			
	A Transpower Planned		-	-	-
	B Nelson Electricity Planned	10	22	9	9
	C Nelson Electricity Unplanned	7	13	7	6
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-
	Total	17	35	16	15
2/3	Interruption targets for the average of the next five years				2005-2009
	Class Description				
(a)	B Nelson Electricity Planned				25
(b)	C Nelson Electricity Unplanned				8
4	Percentage of Class C interruptions not restored within-	2004	2003	2002	2001
		% of total class interruptions			
(a)	Three hours	5.9%	7.7%	14.0%	0.0%
(b)	24 hours	0.0%	0.0%	0.0%	0.0%
5	Faults (Class C) per 100 kilometres				
(a)	Total number of faults per 100 km				
	Voltage	2004	2003	2002	2001
	33 kV	-	11.5	-	4.8
	11kV	9.1	14.0	3.9	2.6
	Total	8.0	13.6	3.9	3.1
(b/c)	Average total number of faults per 100 km for the next five years				2005-2009
	Voltage	average total number of faults per 100 kms each year over this period			
	33 kV				3.8
	11kV				3.8
	Total				3.8
6	Faults (Class C) per 100 kilometres underground				
	Voltage	2004	2003	2002	2001
	33 kV	-	-	-	-
	11kV	7.2	8.7	2.9	1.5
	Total	6.3	7.6	2.9	1.3
7	Faults (Class C) per 100 kilometres overhead				
	Voltage	2004	2003	2002	2001
	33 kV	-	26.8	-	9.1
	11kV	25.0	54.3	10.9	11.1
	Total	22.2	42.0	10.9	10.0
8	SAIDI	2004	2003	2002	2001
	Customer Minutes	53.2	99.6	38.7	41.0
9/10	SAIDI target				2005 to 2009
		average SAIDI for each year over this period			
(a)	Class B				10.0
(b)	Class C				20.0

11	SAIDI per interruption class	2004	2003	2002	2001
	Class Description		customer minutes		
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	6.6	27.4	0.6	13.0
	C Nelson Electricity Unplanned	46.6	72.1	38.1	28.0
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-
12	SAIFI	2004	2003	2002	2001
	Total Interruptions	0.8	1.4	1.0	1.8
13/14	SAIFI target				2005-2009
					average SAIFI for each year over this period
(a)	Class B Planned				0.3
(b)	Class C Unplanned				0.6
15	SAIFI per interruption class	2004	2003	2002	2001
	Class Description		customer minutes		
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	0.3	0.0	0.1	0.1
	C Nelson Electricity Unplanned	0.5	1.0	1.7	1.2
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-
16	CAIDI	2004	2003	2002	2001
	Customer minutes	70.7	69.6	40.5	23.0
17	CAIDI target				2005-2009
					average CAIDI for each year over this period
(a)	Class B Planned				50.0
(b)	Class C Unplanned				41.7
19	CAIDI per interruption class	2004	2003	2002	2001
	Class Description		customer minutes		
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	23.4	171.1	134.5	217.5
	C Nelson Electricity Unplanned	99.5	57.0	40.1	16.4
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF NELSON ELECTRICITY LIMITED FOR THE YEAR ENDED 31 MARCH 2004

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 2004. This information is stated in accordance with the accounting policies set out on pages 4 and 5.

Directors' responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Nelson Electricity as at 31 March 2004, and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 30 of the Electricity (Information Disclosure) Requirements 2004 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 Auditor-General has appointed Scott Tobin 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:

- σ the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- σ whether the accounting policies are appropriate to Nelson Electricity 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 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 Auditor-General, we have no relationship with or interest in Nelson Electricity Limited.

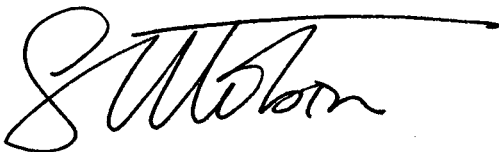
Unqualified opinion

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

In our opinion:

- σ proper accounting records have been maintained by Nelson Electricity Limited as far as appears from our examination of those records; and
- σ the financial statements of Nelson Electricity Limited on pages 1 to 10:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of Nelson Electricity Limited's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and
 - comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 17 December 2004 and our unqualified opinion is expressed as at that date.



Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand



Audit New Zealand

AUDITOR-GENERAL'S 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 requirement 15;
- b the annual ODV reconciliation report in requirement 16;
- 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 15 December 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with those Electricity (Information Disclosure) Requirements 2004.

S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
17 December 2004

Form 4

Requirement 31(1)

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPower)

We, Brian Lawrence Rhoades and Kenneth John Forrest, directors 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 requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; 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 Nelson Electricity Limited, and having been prepared for the purposes of requirements 14,15,20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2004.

Signed: [Signature]
B L Rhoades

Signed: [Signature]
K J Forrest

Date: 15 DECEMBER 2004

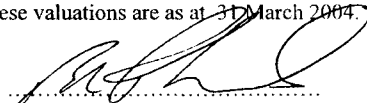
Form 6

Requirement 31(5)

CERTIFICATION OF VALUATION REPORT OF DISCLOSING ENTITIES

We, Brian Lawrence Rhoades and Kenneth John Forrest, directors 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 requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The replacement cost of the line business system fixed assets of Nelson Electricity Limited is \$39,795,843; and
- (c) The depreciated replacement cost of the line business system fixed assets of Nelson Electricity Limited is \$20,396,818
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Nelson Electricity Limited is \$19,392,721; and
- (e) The optimised deprival valuation of the line business system fixed assets of Nelson Electricity Limited is \$19,392,721; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.

Signed: 
 BL Rhoades

Signed: 
 KF Forrest

Date: 15 DECEMBER 2004.



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CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Nelson Electricity Limited and dated 13 December 2004, which report contains valuations of system fixed assets as at 31 March 2004.

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 \$19,392,721 have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

PricewaterhouseCoopers
Chartered Accountants
Auckland
13 December 2004