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OTAGONET JOINT VENTURE

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

LexisNexis

OTAGONET JOINT VENTURE LINES BUSINESS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004

INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this 2004 Information Disclosure package issued by OtagoNet Joint Venture has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

The information should not be used for any other purposes than that intended under the Requirements.

The financial information presented is for the line business as described within the Electricity Information Disclosure Requirements 2004.

APPROVAL BY MANAGEMENT COMMITTEE

The Management Committee have approved for issue the Lines Business Financial Statements of OtagoNet Joint Venture for the year ended 31 March 2004 on pages 2 to 20.

Alan Harper
Chairman

Neil Boniface
Member

For and on behalf of the
Management Committee

22 December 2004

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2004

	Note	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Operating Revenue	(1)	13,524	9,757
Operating Expenses	(2)	(10,231)	(7,739)
Operating Surplus/(Deficit)		**3,293**	**2,018**

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

OtagoNet Joint Venture Lines Business
Statement of Movements in Equity
For the Year Ended 31 March 2004

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Total Recognised Revenues and Expenses		
Net Surplus/(Deficit) for the Period	3,293	2,018
	3,293	2,018
Contributions from Joint Venture Parties		
Capital Introduced	-	108,500
	-	108,500
Distributions to Joint Venture Parties		
Withdrawals	(4,519)	(2,900)
	(4,519)	(2,900)
Movements in Equity for the Period	**(1,226)**	107,618
Equity at Beginning of Period	**107,618**	-
Equity at End of Period	**106,392**	**107,618**

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2004

	Note	As At 31 March 2004 $000	As At 31 March 2003 $000
Equity			
Capital		108,500	108,500
Accumulated Deficit		(2,108)	(882)
Total Equity		**106,392**	**107,618**
Represented By:			
Current Assets			
Cash and Bank Deposits	(3)	269	65
Receivables and Prepayments	(4)	1,188	1,354
Taxation Refundable		-	8
Total Current Assets		**1,457**	**1,427**
Non Current Assets			
Property, Plant and Equipment	(5)	91,876	92,007
Capital Work in Progress		381	808
Intangibles	(6)	13,816	14,572
Total Non Current Assets		**106,073**	**107,387**
Total Assets		**107,530**	**108,814**
Current Liabilities			
Creditors, Accruals and Provisions	(7)	1,138	1,196
Total Current Liabilities		**1,138**	**1,196**
Total Liabilities		**1,138**	**1,196**
Net Assets		**106,392**	**107,618**

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

OtagoNet Joint Venture Lines Business
Statement of Cash Flows
For the Year Ended 31 March 2004

	Note	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts from Customers		13,680	8,375
Taxation Refunded		9	-
Interest Received		9	28
		13,698	8,403
Cash Was Applied To:			
Payments to Suppliers and Employees		6,146	3,470
Taxes Paid		-	9
Interest Paid		1	17
		6,147	3,496
Net Cash Flows From Operating Activities	(8)	**7,551**	**4,907**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Applied To:			
Purchase of Property, Plant and Equipment		2,828	95,302
Purchase of Goodwill		-	15,140
		2,828	110,442
Net Cash Flows Used in Investing Activities		**(2,828)**	**(110,442)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Provided From:			
Contribution from Owners		-	108,500
		-	108,500
Cash Was Applied To:			
Withdrawals by Owners		4,519	2,900
		4,519	2,900
Net Cash Flows From/(Used in) Financing Activities		**(4,519)**	**105,600**
Net Increase/(Decrease) in Cash Held		204	65
Add Opening Cash Brought Forward		65	-
Closing Cash Carried Forward		**269**	**65**

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FOR THE YEAR ENDED 31 MARCH 2004

GENERAL ACCOUNTING POLICIES

Reporting Entity

OtagoNet is an unincorporated Joint Venture. The parties to the Joint Venture are Marlborough Lines Limited (51%), Electricity Invercargill Limited (24.5%) and The Power Company Limited (24.5%). These interests are represented through their wholly owned subsidiaries Southern Lines Limited, Pylon Limited and Last Tango Limited. Effective control of the Joint Venture is shared by all investors through the Joint Venture Agreement; for this reason OtagoNet is treated as a Joint Venture.

These financial statements have been prepared for the purpose of complying with the Electricity Information Disclosure Requirements 2004 and relate to the Joint Venture's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Requirement 6 of the Requirements.

The principal activity of OtagoNet Joint Venture is that of an electricity lines business.

Measurement Base

The accounting principles applied to the measurement and reporting of earnings and financial position is the historical cost basis.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

a) ***Receivables***

Receivables are stated at their estimated realisable value. All known losses are written off in the period in which it becomes apparent that the debts are not collectable.

b) ***Revenue***

Goods and Services
Revenue comprised the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Investment Income
Interest and rental income are accounted for as earned.

Customer Contributions
Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which they are received.

c) ***Property, Plant and Equipment***

All property, plant and equipment is initially recorded at cost less accumulated depreciation. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Valuation

The network assets were valued at 1 July 2002 to Depreciated Replacement Cost (DRC) as assessed by independent valuers Meritec Consultants Limited. This valuation is based on fair value as defined under Financial Reporting Standard 3 and is based on current construction costs. Subsequent additions are recorded at cost. Network assets are revalued on a cyclical basis with no asset being recognised at a valuation more than five years previously.

d) ***Depreciation***

Depreciation is provided on a straight line basis on all tangible property, plant and equipment with the exception of land, easements and information system data at rates calculated to allocate the costs of the assets, less any estimated residual value, over their estimated useful lives.

The primary annual rates used are:

Buildings	1.0-1.4%	Straight Line
Network Assets (excluding land)	1.4-15.0%	Straight Line
Plant and Equipment	6.79%	Straight Line

e) ***Capital Work in Progress***

Capital work in progress is stated at cost and is not depreciated.

f) ***Intangibles***

Goodwill arising on the acquisition of a business represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. The carrying value will be reviewed annually by the Management Committee and adjusted where it is considered necessary.

Goodwill is amortised to the Statement of Financial Performance over 20 years.

g) ***Impairment***

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Financial Performance.

h) ***Taxation***

All amounts in the financial statements are shown exclusive of Goods and Services Tax, with the exception of receivables and payables which are shown inclusive. The Income Tax liability is the responsibility of the Joint Venture parties and therefore is not reflected in the financial statements of the Joint Venture.

i) ***Operating Leases***

Leases where the lessor effectively 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 are incurred.

j) ***Avoidable Cost Allocation Methodology***

The Avoidable Cost Allocation Methodology is able to be used to separate 'other' activities from the Lines Business. Other activities or non Lines Business activity has not been excluded from these accounts as they represent less than 5% of the Lines Business' total assets and revenues.

k) ***Comparatives***

OtagoNet Joint Venture purchased the assets of Otago Power Limited on 1 July 2002. Therefore comparative figures for March 2003 are for a nine month period.

Changes in Accounting Policies

There have been no changes in Accounting Policies. These have been applied on a consistent basis throughout the period.

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
1. Operating Revenue		
Network/External Revenue	13,466	9,695
Interest Revenue	9	27
Rental	45	34
Other Income	4	1
Total Operating Revenue	**13,524**	**9,757**

2. Operating Expenses

Amortisation of Goodwill	756	568
Audit Fees (statutory) – Deloitte	32	29
Audit Fees (regulatory) - PricewaterhouseCoopers	19	-
Depreciation		
- Buildings	13	10
- Plant and Equipment	16	12
- Network Assets	3,349	2,465
Direct Costs	1,717	1,261
Legal Fees/Consultant Fees	152	31
Loss on Disposal of Property, Plant and Equipment	8	11
Management Committee Members' Fees	43	34
Management Fees	412	343
Operating Lease Expenses:		
- Telephone Lease	4	9
- Tenancy and Repeater Site Leases	2	1
Transmission Charges	4,149	3,220
Transmission Rebate	(566)	(293)

3. Cash and Bank Deposits

Current Account	9	25
Bank Deposits (short term)	260	40
Total Cash and Bank Deposits	**269**	**65**

4. Receivables and Prepayments

Trade Debtors	1,178	1,341
Prepayments	10	13
Total Receivables and Prepayments	**1,188**	**1,354**

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
5. PROPERTY, PLANT AND EQUIPMENT		
Land (At Valuation)	87	87
Buildings (At Valuation and Cost)	812	812
Accumulated Depreciation	(23)	(10)
	789	802
Plant and Equipment (At Valuation and Cost)	188	188
Accumulated Depreciation	(28)	(12)
	160	176
Network Assets (At Valuation and Cost)	96,661	93,407
Accumulated Depreciation	(5,821)	(2,465)
	90,840	90,942
Total Property, Plant and Equipment	**91,876**	**92,007**

Property, plant and equipment is recorded at fair value at the date of acquisition. Subsequent additions are recorded at cost.

6. INTANGIBLES

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Opening Goodwill Arising on Acquisition	14,572	15,140
Amortised During the Period	(756)	(568)
Total Intangibles	**13,816**	**14,572**

Goodwill has been amortised over 20 years as prescribed by FRS36 Accounting for Acquisitions Resulting in Combinations of Entities.

It is the view of the Management Committee that amortisation of goodwill as prescribed by FRS36 is inappropriate. The assets purchased have an average life of 53 years and were valued and purchased on the basis that they would continue in perpetuity.

The Management Committee believe that amortisation of goodwill over a 20 year period results in the understatement of the operating surplus in these accounts by an amount of $756,000 (2003: $568,000).

There is considerable industry concern that the acquisition of monopoly assets is not appropriately treated under FRS36, particularly in relation to the establishment of goodwill and the minimum amortisation requirements for goodwill. The adoption of international accounting standards (optional from 2005) will require amortisation on the basis of an annual impairment test. The Management Committee will consider adopting the international standard at the first opportunity.

7. Creditors, Accruals and Provisions

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Otago Power Services Limited	310	345
Other Trade Creditors & Accruals	675	558
GST Payable	56	73
Provision for Site Restoration	97	220
Total Creditors, Accruals and Provisions	**1,138**	**1,196**

Provision for site restoration represents the Management Committee's estimate of the remaining costs to clean up residual contamination associated with a capacitor explosion and fire at a substation site. This event took place under the ownership of Otago Power Limited; the liability to restore the site was assigned to OtagoNet under the Sale and Purchase Agreement. It is anticipated restoration work will be completed in the year ended 31 March 2005.

8. Reconciliation of Net Surplus After Taxation with Cash Flows From Operating Activities

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Net Surplus After Taxation	3,293	2,018
Plus/(Less) Non Cash Items:		
Depreciation	3,386	2,487
Amortisation of Goodwill	757	568
	4,143	3,055
Plus/(Less) Movements in Working Capital Items:		
(Increase)/Decrease in Receivables and Prepayments	166	(1,354)
(Decrease)/Increase in Accounts Payable and Provisions	(59)	1,196
(Decrease)/Increase in Provision for Taxation	8	(8)
	115	166
Net Cash Flows from Operating Activities	**7,551**	**4,907**

9. Commitments

No contractual commitments exist at 31 March 2004 (2003: Nil).

10. Contingent Liabilities

OtagoNet Joint Venture has no contingent liabilities as at 31 March 2004 (2003: Nil) other than any shortfall in the provision for site restoration (refer Note 7).

11. Operating Lease Commitments

OtagoNet Joint Venture has the following operating lease commitments for tenancy and repeater sites payable as follows:

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Not later than one year	2	6
Later than one year and not later than two years	2	2
Later than two years and not later than five years	4	4
Later than five years	8	9

12. Financial Instruments

Off Balance Sheet Financial Instruments

The Company does not have any off balance sheet financial instruments.

Credit Risk -

Credit risk is the risk that a third party will default on its obligation to the Joint Venture, causing the Joint Venture to incur a loss.

Financial instruments which potentially subject the Joint Venture to credit risk principally consist of cash and short term deposits and accounts receivables. Bank deposits are placed with high credit quality financial institutions. The Joint Venture performs credit evaluations on all customers requiring credit, and the Joint Venture may in some circumstances require collateral. No collateral is held at 31 March 2004.

Maximum exposures to credit risk at balance date are:

	31 March 2004 $000	30 March 2003 $000
Current Account	9	25
Short Term Bank Deposits	260	40
Receivables	1,178	1,341
	1,447	**1,406**

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

Concentrations of Credit Risk -

The Joint Venture has a concentration of credit risk with regard to the amounts owing by energy retailers at balance date for Line Charges as disclosed in Note 4 Receivables and Prepayments (amongst Trade Debtors). However, these entities are considered to be high credit quality entities.

Foreign Exchange Risk -

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Joint Venture does not use foreign exchange instruments for speculative purposes.

Interest Rate Risk -

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Joint Venture is exposed to normal fluctuations in market interest rates.

Fair Values -

The estimated fair value of the Joint Venture's financial instruments is represented by the carrying values.

13. Related Parties

The parties to the OtagoNet Joint Venture consist of Marlborough Lines Limited, Electricity Invercargill Limited and The Power Company Limited through their respective subsidiaries Southern Lines Limited, Pylon Limited and Last Tango Limited. All transactions between OtagoNet Joint Venture and its joint venture parties relate to normal trading conditions and have been conducted on an "arms length" basis.

Pylon Limited and Last Tango Limited. All transactions between OtagoNet Joint Venture and its joint venture parties relate to normal trading conditions and have been conducted on an "arms length" basis.

Otago Power Services Limited has the same ownership as the OtagoNet Joint Venture, and its control is governed by the same Joint Venture Agreement. All transactions between the OtagoNet Joint Venture and Otago Power Services Limited relate to normal trading conditions and have been conducted on an "arms length" basis.

No related party debts have been written off or forgiven during the year.

Goods and Services Provided by Otago Power Services Limited were:

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Construction of:		
➢ Subtransmission assets	134	358
➢ Zone substations	246	35
➢ Distribution lines and cables	814	430
➢ Medium voltage switchgear	32	10
➢ Distribution transformers	120	88
➢ Distribution substations	-	-
➢ Low voltage lines and cables	117	54
➢ Other system fixed assets	-	-
Maintenance of assets	1,289	799
Consumer connections and disconnections	-	-

Capital work is subject to open tender or competitive pricing.

Maintenance work is charged in accordance with a competitively priced facilities management contract established for a fixed term.

At year end $309,520 (2003 $258,000) was owing to Otago Power Services Limited.

Goods and Services Provided to Otago Power Services Limited were:

	31 March 2004 $000	31 March 2003 $000
Rent	5	5

At year end $1,000 (2003 $1,000) was owing by Otago Power Services Limited.

No related party debts have been written off or forgiven during 2004 or 2003.

14. ANNUAL VALUATION RECONCILIATION REPORT

	31 March 2004 $000	31 March 2003 $000
System fixed assets at ODV – end of the previous financial year	66,709	53,143
Add system fixed assets acquired during the year at ODV	3,040	1,945
Less system fixed assets disposed of during the year at ODV	(8)	(69)
Less depreciation on system fixed assets at ODV	(2,474)	(1,958)
Add revaluations of system fixed assets	24,105	13,648
System fixed assets at ODV – end of the financial year	**91,372**	**66,709**

15. DISCLOSURE OF INFORMATION

PURSUANT TO REQUIREMENT 6(1) OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 2

	As At 31 March 2004 $000	As At 31 March 2003 $000
Current Assets		
(a) Cash and bank balances	9	25
(b) Short-term investments	260	40
(c) Inventories	-	-
(d) Accounts receivable	1,178	1,341
(e) Other current assets not listed in (a) to (d)	10	21
Total Current Assets	**1,457**	**1,427**
Fixed Assets		
(a) System fixed assets	91,000	91,117
(b) Consumer billing and information system assets	-	-
(c) Motor vehicles	-	-
(d) Office equipment	-	-
(e) Land and buildings	876	890
(f) Capital works under construction	381	808
(g) Other fixed assets not listed in (a) to (f)	-	-
Total Fixed Assets	**92,257**	**92,815**
Other tangible assets not listed above	-	-
Total Tangible Assets	**93,714**	**94,242**
Intangible Assets		
(a) Goodwill	13,816	14,572
(b) Other intangibles not listed in (a) above	-	-
Total Intangible Assets	13,816	14,572
TOTAL ASSETS	**107,530**	**108,814**
Current Liabilities		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,138	1,196
(d) Provision for dividends payable	-	-
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e) above	-	-
Total Current Liabilities	**1,138**	**1,196**
Non-Current Liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
Total Non-Current Liabilities	-	-
Equity		
(a) Shareholders' equity:		
(i) Share capital	108,500	108,500
(ii) Retained earnings	(2,108)	(882)
(iii) Reserves	-	-
Total Shareholders' equity	106,392	107,618
(b) Minority interests in subsidiaries	-	-
Total Equity	**106,392**	**107,618**
(c) Capital notes	-	-
Total Capital Funds	**106,392**	**107,618**
TOTAL EQUITY AND LIABILITIES	**107,530**	**108,814**

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
Operating Revenue		
(a) Revenue from line/access charges.	12,166	9,088
(b) Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
(c) Interest on cash, bank balances and short-term investments	9	27
(d) AC loss-rental rebates	566	293
(e) Other revenue not listed in (a) to (d)	1,348	641
Total Operating Revenue	**14,089**	**10,049**
Operating Expenditure		
(a) Payment for transmission charges	4,149	3,220
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges on account of own generation	-	-
(vii) Other goods and services not listed in (i) to (vi) above	-	-
Total transfer payment to the "Other" business	-	-
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	1,674	1,236
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
Total of specified expenses to non-related parties	**1,674**	**1,236**
(d) Employee salaries, wages and redundancies	-	-
(e) Consumer billing and information system expense	-	-
(f) Depreciation on:		
(i) System fixed assets:	3,373	2,478
(ii) Other assets not listed in (i)	13	10
Total depreciation	**3,386**	**2,488**
(g) Amortisation of:		
(i) Goodwill:	757	568
(ii) Other intangibles:	-	-
Total Amortisation of Intangibles	757	568
(h) Corporate and administration:	527	384
(i) Human resource expenses:	-	-
(j) Marketing/advertising:	-	-
(k) Merger and acquisition expenses:		-
(l) Takeover defence expenses:		-
(m) Research and development expenses:		-
(n) Consultancy and legal expenses:	153	31
(o) Donations:	-	-
(p) Directors' fees:	43	34

	Twelve Months Ended 31 March 2004 $000	Nine Months Ended 31 March 2003 $000
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	32	29
(ii) Audit fees paid to other auditors:	19	-
(iii) Fees paid for other services provided by principal and other auditors:	-	-
Total Auditors' fees:	51	29
(r) Costs of offering credit:		
(i) Bad debts written off:	-	-
(ii) Increase in estimated doubtful debts:	-	-
Total cost of offering credit:	-	-
(s) Local authority rates expense:	56	26
(t) AC loss-rentals (distribution to retailers/customers) expense:	-	-
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	-	-
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	-	229
Total operating expenditure	**10,796**	**8,015**
Operating surplus before interest and income tax	**3,293**	**2,034**
Interest expense		
(a) Interest expense on borrowings	-	-
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	16
Total interest expense	-	16
Operating surplus before income tax	**3,293**	**2,018**
Income tax	-	-
Net surplus after tax	**3,293**	**2,018**

OTAGONET JOINT VENTURE LINES BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 14 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 3

Financial Performance Measures

	2004	2003
Return on Funds	6.17%	5.09%
Return on Equity	6.08%	5.03%
Return on Investment	42.72%	31.21%
Return on Investment (excluding revaluation)	6.17%	5.11%

Efficiency Performance Measures

	2004	2003
Direct Line Costs per Kilometre	$534	$398
Indirect Line Costs per Electricity Customer	$33	$16

Financial and Efficiency Performance Measures for 2002 and 2001 are not included as the network was under the ownership of Otago Power Limited until 1 July 2002. Accordingly, the information disclosed for 2003 is for a nine month period only.

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS
SCHEDULE 1 – PART 7

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	3,292,514				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	3,292,514				
Interest on cash, bank balances, and short-term investments (ISTI)	9,192				
OSBIIT minus ISTI	3,283,322	a	3,283,322		3,283,322
Net surplus after tax from financial statements	3,292,514				
Net surplus after tax adjusted pursuant to Regulation 18 (NSAT)	3,292,514	n		3,292,514	
Amortisation of goodwill and amortisation of other intangibles	757,020	g	add 757,020	add 757,020	add 757,020
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,272,585				
Depreciation of SFA at ODV (y)	2,474,000				
ODV depreciation adjustment	898,585	d	add 898,585	add 898,585	add 898,585
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	3,033	q			deduct 3,033
Revaluations	24,105,000	r			add 24,105,000
Income tax	0	p			deduct 0
Numerator			4,938,927 $OSBIIT^{ADJ} = a+g+s+d$	4,948,119 $NSAT^{ADJ} = n+g+s-s*t+d$	29,040,894 $OSBIIT^{ADJ} = a+g-q+r+s+d-p-s*t$
Fixed assets at end of previous financial year (FA_0)	92,814,711				
Fixed assets at end of current financial year (FA_1)	92,257,169				
Adjusted net working capital at end of previous financial year ($ANWC_0$)	166,516				
Adjusted net working capital at end of current financial year ($ANWC_1$)	50,506				
Average total funds employed (ATFE)	92,644,451	c	92,644,451		92,644,451
Total equity at end of previous financial year (TE_0)	108,814,866				
Total equity at end of current financial year (TE_1)	107,530,193				
Average total equity	108,172,530	k		108,172,530	
WUC at end of previous financial year (WUC_0)	808,116				
WUC at end of current financial year (WUC_1)	380,990				
Average total works under construction	594,553	e	deduct 594,553	deduct 594,553	deduct 594,553
Revaluations	24,105,000	r			
Half of revaluations	12,052,500	r/2			deduct 12,052,500

Derivation Table	Input and Calculations	Symbol in Formula	ROF	ROE	ROI
Intangible assets at end of previous financial year (IA_0)	14,572,694				
Intangible assets at end of current financial year (IA_1)	13,815,674				
Average total intangible asset	14,194,184	m		deduct 14,194,184	
Subvention payment at end of previous financial year (S_0)	0				
Subvention payment at end of current financial year (S_1)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment and related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at BV (SFA_{bv0})	91,116,991				
System fixed assets at end of current financial year at BV (SFA_{bv1})	90,999,769				
Average value of system fixed assets at BV	91,058,380	f	deduct 91,058,380	deduct 91,058,380	deduct 91,058,380
System Fixed assets at year beginning at ODV value (SFA_{odv0})	66,709,000				
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	91,372,000				
Average value of system fixed assets at ODV value	79,040,500	h	add 79,040,500	add 79,040,500	add 79,040,500
Denominator			80,032,018 $ATFE^{ADJ} = c\text{-}e\text{-}f\text{+}h$	81,365,913 $Ave\ TE^{ADJ} = k\text{-}e\text{-}m\text{+}v\text{-}f\text{+}h$	67,979,518 $ATFE^{ADJ} = c\text{-}e\text{-}½r\text{-}f\text{+}h$
Financial Performance Measure			6.17 $ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$	6.08 $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	42.72 $ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

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

OTAGONET JOINT VENTURE LINES BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 20 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 4

Energy Delivery Efficiency Performance Measures Years Ending 31 March 2001, 2002, 2003 and 2004

	2004	2003	2002	2001
Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	76.0%	79.0%	77.3%	77.5%
Loss Ratio (Transmission losses over energy entering the system)	7.4%	6.2%	6.2%	6.0%
Capacity Utilisation (Maximum demand over total transformer capacity)	39.3%	39.4%	39.4%	39.1%

Statistics

		66kV	33kV	22kV	11kV	6.6kV	400V	Total
System Length (km's)	2000/01	74	528	251	2,853	62	392	4,160
	2001/02	74	528	252	2,881	60	396	4,191
	2002/03	74	531	253	2,897	59	396	4,210
	2003/04	74	550	251	2,912	52	516	4,355
Overhead Lines (km's)	2000/01	74	528	251	2,848	61	377	4,139
	2001/02	74	528	252	2,876	58	381	4,169
	2002/03	74	530	253	2,891	58	381	4,187
	2003/04	74	550	251	2,906	51	511	4,343
Underground Cables (km's)	2000/01	-	0.3	-	5	1	16	22
	2001/02	-	0.3	-	5	1	16	22
	2002/03	-	0.3	-	6	1	16	23
	2003/04	-	0.3	-	6	1	5	12

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
2000/01	127,837	49,946	338,969,936	318,765,114	14,297
2001/02	130,633	51,442	348,372,353	326,638,060	14,434
2002/03	134,890	53,161	368,064,390	345,194,498	14,502
2003/04	140,301	55,134	366,923,353	339,953,778	14,542

Retailer	KWh (2003/04)	KWh (2002/03)	KWh (2001/02)	KWh (2000/01)
Retailer A	-	-	1,381,632	12,590,717
Retailer B	115,660,621	125,737,703	147,813,380	168,558,852
Retailer C	10,650,070	6,598,767	1,781,495	64,062
Retailer D	212,633,760	211,948,253	174,815,243	157,435,972
Retailer E	153,326	162,239	155,136	26,439
Retailer F	856,001	747,536	470,103	293,894
Retailer G	-	-	221,071	-
Total	**339,953,778**	**345,194,498**	**326,638,060**	**338,969,936**

Energy Delivery Efficiency Performance Measures and Statistics for 2001, 2002 and three months of 2003 to 30 June 2002 are those achieved by the previous owner, Otago Power Limited.

OTAGONET JOINT VENTURE LINES BUSINESS RELIABILITY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 21 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 5

Reliability Statistics For Years Ending 31 March 2001, 2002, 2003 and 2004

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2000/01	2	107	216	3	-	-	-	-	-	328
	2001/02	-	119	178	2	-	-	-	-	-	299
	2002/03	-	107	171	1	-	-	-	-	-	279
	2003/04	2	115	197	1	-	-	-	-	-	315
Predicted 2004/2005			110	180							
5-Year Average Target			106	173							
SAIDI	2000/01	125.9	64.0	133.4	8.9	-	-	-	-	-	332.2
	2001/02	-	65.5	106.4	50.7	-	-	-	-	-	222.6
	2002/03	-	54.0	161.8	9.1	-	-	-	-	-	224.9
	2003/04	45.2	59.0	395.4	4.3	-	-	-	-	-	503.9
Predicted 2004/2005			57.6	246.5							
5-Year Average Target			55.5	197.1							
SAIFI	2000/01	0.43	0.48	1.95	0.26	-	-	-	-	-	3.12
	2001/02	-	0.31	1.45	0.83	-	-	-	-	-	2.59
	2002/03	-	0.29	2.33	0.16	-	-	-	-	-	2.78
	2003/04	0.23	0.29	2.87	0.10	-	-	-	-	-	3.49
Predicted 2004/2005			0.29	2.62							
5-Year Average Target			0.28	2.10							
CAIDI	2000/01	292.7	133.4	68.4	34.4	-	-	-	-	-	528.9
	2001/02	-	211.2	73.4	61.1	-	-	-	-	-	345.7
	2002/03	-	186.3	69.5	56.6	-	-	-	-	-	312.4
	2003/04	196.5	203.6	137.8	42.6	-	-	-	-	-	580.5
Predicted 2004/2005			200.0	94.0							
5-Year Average Target			200.0	94.0							

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2000/01	-	2.27	6.58	5.85
	2001/02	-	1.52	5.30	4.67
	2002/03	-	1.32	5.15	4.52
	2003/04	1.35	1.66	5.83	5.16
UG per 100km	2000/01	-	-	-	-
	2001/02	-	-	-	-
	2002/03	-	-	-	-
	2003/04	-	-	-	-
Total per 100km	2000/01	-	2.27	6.57	5.84
	2001/02	-	1.51	5.29	4.66
	2002/03	-	1.32	5.14	4.51
	2003/04	1.35	1.66	5.82	5.15
Predicted 2002/2003		0.41	1.48	5.40	4.70
5-Year Average Target		0.34	1.48	5.10	4.50

Class C Interruptions Not Restored in	3 hours	14.7%
Class C Interruptions Not Restored in	24 hours	0.5%

Reliability Statistics for 2001, 2002 and three months of 2003 to 30 June 2002 are those achieved by the previous owner, Otago Power Limited.

OtagoNet Joint Venture
Certification of Financial Statements Performance Measures and Statistics Disclosed by Disclosing Entities (Other Than Transpower)

We, Alan Bertram Harper and Neil Douglas Boniface, Directors of companies that are party to the OtagoNet Joint Venture certify that, having made all reasonable enquiry, to the best of our knowledge:

a) The attached audited financial statements of OtagoNet Joint Venture, 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 OtagoNet Joint Venture, 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: .... [Director] .... [Director]

Dated: 22 December 2004

Deloitte.

AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF OTAGONET JOINT VENTURE

We have examined the attached information being:

(a) the derivation table in Requirement 15; and

(b) the annual ODV reconciliation report in Requirement 16; 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 OtagoNet Joint Venture and dated 31 March 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

G R Mitchell.

G. R. Mitchell
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand
22 December 2004

Deloitte.

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF OTAGONET JOINT VENTURE LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2004

We have audited the attached financial statements of OtagoNet Joint Venture Lines Business ("OtagoNet Joint Venture"). The financial statements provide information about the past financial performance of OtagoNet Joint Venture and its financial position as at 31 March 2004. This information is stated in accordance with the Statement of Accounting Policies.

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 OtagoNet Joint Venture 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 Requirement 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 G R Mitchell of Deloitte 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 OtagoNet Joint Venture'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 interests in OtagoNet Joint Venture.

Deloitte.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by OtagoNet Joint Venture as far as appears from our examination of those records; and

- the attached financial statements of OtagoNet Joint Venture;
  a) comply with generally accepted accounting practice; and
  b) give a true and fair view of OtagoNet Joint Venture'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
  c) comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 22 December 2004 and our unqualified opinion is expressed as at that date.

G. R. Mitchell
Deloitte,
On behalf of the Auditor-General
Wellington, New Zealand

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