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BULLER ELECTRICITY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

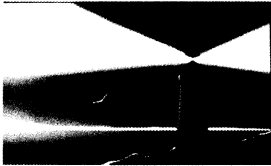
BULLER ELECTRICITY LIMITED INFORMATION DISCLOSURE

Information Disclosure Disclaimer

The information disclosed has been prepared in accordance with and for the specific use intended in the Electricity Act and information disclosure requirements. No responsibility will be accepted for any third party that may use or rely on this report or any part thereof without the express written permission of Buller Electricity Limited.

Except as allowed for by the Electricity Act 1992 and information disclosure requirements promulgated by the Act, neither the whole or any part of the information disclosed or any reference thereto may be included in any published document, circular or statement or published in any way without Buller Electricity's written approval of the form and context in which it may appear.

The information disclosed is for the line business as described in the Electricity Information Disclosure Requirements 2004. There are also additional activities of the company that are not required to be reported under the Requirements.



BULLER ELECTRICITY LIMITED

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**IN ACCORDANCE WITH
THE ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004**

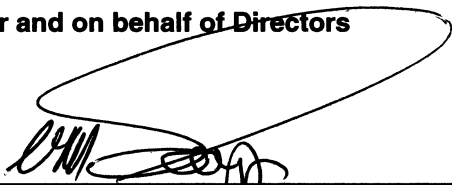
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND
STATISTICS DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPower)**

WE, William Henry Martin Sawyers and Coraleen Patricia White, directors of Buller Electricity Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

- (a) The attached audited financial statements of Buller 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 Buller 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 2005.

For and on behalf of Directors



W H M SAWYERS
Director

Date: 29 July 2005



C P WHITE
Director

Date: 29 July 2005

Buller Electricity Limited Line Business Financial Statements

Statement of Financial Performance for the year ended 31 March 2005

| | Note | 2005 \$ | 2004 \$ |
|---|------|----------------|----------------|
| Total Operating Revenue | | 5,074,548 | 5,448,417 |
| Total Operating Expenditure | | 4,402,919 | 4,200,778 |
| Operating Surplus before Interest Expense and Income Tax | | 671,629 | 1,247,639 |
| Interest Expense | | 209,048 | 65,635 |
| Operating Surplus before Income Tax | | 462,581 | 1,182,004 |
| Income Tax | 2 | (36,000) | 334,748 |
| Net Surplus after Tax | | <u>498,581</u> | <u>847,256</u> |

Statement of Movements in Equity for the year ended 31 March 2005

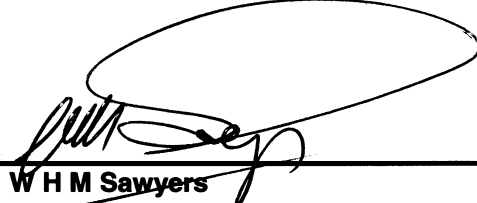
| | Note | 2005 \$ | 2004 \$ |
|--|------|-------------------|-------------------|
| Equity as at 1 April 2004 | | 18,932,773 | 17,629,393 |
| Net Surplus after Tax for the Year | | 498,581 | 847,256 |
| Revaluation Reserve Movements | | 0 | 1,696,639 |
| Total Recognised Revenues and Expenses for the Year | | <u>498,581</u> | <u>2,543,895</u> |
| Reallocation of Equity | | | |
| Dividend | | 0 | 1,240,515 |
| Equity as at 31 March 2005 | | <u>19,431,354</u> | <u>18,932,773</u> |

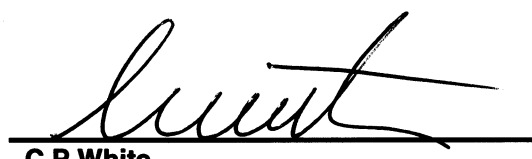
**Buller Electricity Limited
Line Business Financial Statements**

Statement of Financial Position as at 31 March 2005

| | Note | 2005 \$ | 2004 \$ |
|-------------------------------|------|-------------------|-------------------|
| Equity | | | |
| Share Capital | | 4,964,358 | 4,964,358 |
| Retained Earnings | | 3,785,522 | 3,286,942 |
| Reserves | 3 | 10,681,474 | 10,681,473 |
| Total Equity | | 19,431,354 | 18,932,773 |
| Represented by: | | | |
| Current Assets | | | |
| Cash at Bank and on Hand | | 102,017 | 23,845 |
| Term Deposits | | 0 | 0 |
| Receivables and Prepayments | | 499,079 | 494,718 |
| Tax Refund Due | | 300,092 | 0 |
| Other | | 261,609 | 0 |
| | | 1,162,797 | 518,563 |
| Current Liabilities | | | |
| Creditors | | 412,729 | 398,155 |
| Provision for Dividend | | 0 | 0 |
| Taxation Payable | | 0 | 5,382 |
| Other Current Liabilities | | 45,064 | 81,252 |
| Total Liabilities | | 457,793 | 484,789 |
| Net Current Assets | | 705,004 | 33,774 |
| Non Current Assets | | | |
| Property, Plant and Equipment | 4 | 21,259,892 | 19,680,656 |
| Long Term Investments | | 756,973 | 758,858 |
| | | 22,016,865 | 20,439,514 |
| Term Liabilities | | | |
| Loans | | 3,290,515 | 1,540,515 |
| Net Assets | | 19,431,354 | 18,932,773 |

For and on Behalf of the Board


W H M Sawyers
 Chairman
 29 July 2005


C P White
 Director
 29 July 2005

Buller Electricity Limited Line Business Financial Statements

Statement of Cashflows for the year ended 31 March 2005

| | Note | 2005 \$ | 2004 \$ |
|---|------|--------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 4,923,519 | 4,963,689 |
| Interest received | | 437 | 166,416 |
| Taxation Refund | | 0 | 0 |
| | | <u>4,923,956</u> | <u>5,130,105</u> |
| Cash was disbursed to: | | | |
| Payment to Suppliers & Employees | | 3,890,818 | 4,117,032 |
| Interest Paid | | 209,047 | 65,635 |
| Income Tax Paid | | 269,474 | 370,422 |
| | | <u>4,369,339</u> | <u>4,553,089</u> |
| Net cash inflow from operating activities | 11 | <u>554,617</u> | <u>577,016</u> |
| Cash Flows from Investing Activities | | | |
| Cash was provided from: | | | |
| Sale of Property, Plant and Equipment | | 0 | 167,308 |
| Sale of Investments | | 2,386 | 0 |
| | | <u>2,386</u> | <u>167,308</u> |
| Cash was applied to: | | | |
| Purchase of Investments | | | 242,710 |
| Purchase of Property, Plant and Equipment | | 2,228,830 | 4,492,023 |
| | | <u>2,228,830</u> | <u>4,734,733</u> |
| Net cash outflow from investing activities | | <u>(2,226,444)</u> | <u>(4,567,425)</u> |
| Cash Flow from Financing Activities | | | |
| Cash was provided from: | | | |
| Borrowing | | 2,600,000 | 2,240,515 |
| | | <u>2,600,000</u> | <u>2,240,515</u> |
| Cash was applied to: | | | |
| Dividend Paid | | 0 | 1,240,515 |
| Loan Payments | | 850,000 | 700,000 |
| | | <u>850,000</u> | <u>1,940,515</u> |
| Net cash inflow (outflow) from financing activities | | <u>1,750,000</u> | <u>300,000</u> |
| Net Increase/(Decrease) in cash held | | 78,172 | (3,690,409) |
| Add opening cash brought forward | | 23,845 | 3,714,254 |
| Ending Cash and Term Deposits carried forward | | <u>102,017</u> | <u>23,845</u> |
| End of Year Balance Represented By: | | | |
| Cash at Bank and on Hand | | 102,017 | 23,845 |
| Short Term Deposits | | 0 | 0 |
| | | <u>102,017</u> | <u>23,845</u> |

Buller Electricity Limited Line Business Financial Statements

Notes to and forming part of the Financial Statements for the year ended 31 March 2005

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Buller Electricity Limited is a company registered under the Companies Act 1993 and owns 100% of Buller Energy Limited and 100% of Buller Communications Limited.

These financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993 and Section 44 of the Energy Companies Act 1992.

Measurement Base

The general accounting policies recognised as appropriate for the measurement and reporting of performance, cash flows and financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed by the Company.

Specific Accounting Policies

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

- a) **Revenue**
Fixed and variable line charges are recognised as actual amounts invoiced during the period. Contributions received from customers towards the cost of reticulating subdivisions and constructing line extensions are recognised as revenue in the year received.
- b) **Receivables**
Receivables are stated at their estimated realisable value after providing for doubtful debts. All known bad debts have been written off during the year.
- c) **Investments**
Investments are recorded at the lower of cost or net realisable value.
- d) **Property, Plant and Equipment**
The Distribution System Assets were revalued as at 31 March 2004 on an optimised deprival valuation basis by independent valuers. This valuation is not materially different from depreciated replacement cost.

Land and buildings were revalued by Coast Valuations Limited an independent registered valuer as at 31 March 2004 in accordance with the New Zealand Institute of Valuers Asset Valuation Standards at net current value.

All other fixed assets are recorded at cost less accumulated depreciation.
- e) **Depreciation**
Depreciation is provided on a straight line basis so as to write off the cost of the fixed assets to their expected residual value over their estimated useful lives as follows:

| | |
|----------------------------|---------------|
| Buildings | 40 – 50 years |
| Distribution System Assets | 3 – 60 years |
| Other | 3 – 10 years |

Depreciation has been charged on a monthly basis on assets acquired and which became operational during the month.

Buller Electricity Limited Line Business Financial Statements

f) Employee Entitlements

Employee entitlements to salaries and wages, annual and long service leave and other benefits are recognised when they accrue to employees. Allowance is also made for the present value of future staff retirement and gratuity benefits.

g) Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST with the exception of receivables and creditors which include GST.

h) Income Tax

Income tax expense is recognised on the surplus before taxation adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the partial basis under the liability method. This basis is applied by considering the cumulative income tax effect of all timing differences, but recognising in the financial statements, as deferred tax, the income tax effect only to the extent that it can be foreseen to crystallise in the future. Deferred tax assets are only recognised to the extent that there is virtual certainty of realisation.

i) Financial Instruments

Financial instruments carried in the Statement of Financial Position include cash and bank balances, investments, receivables and trade creditors. These instruments are carried at their estimated fair value.

j) Statement of Cash Flows

The following are the definitions of the terms used in the Statements of Cash Flows.

- (i) Cash means all cash balances, bank accounts and demand deposits which the company invests as part of its day to day cash management.
- (ii) Operating activities include cash received from all revenue sources of the company and records all cash payments made by the company for the supply of goods and services.
- (iii) Investing activities are those activities relating to the ownership of shares in investment companies and disposal/acquisition of fixed assets.
- (iv) Financing activities are those activities which change the debt and equity structure of the company.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies this year.

Buller Electricity Limited Line Business Financial Statements

| | 2005 \$ | 2004 \$ |
|--|-----------------|----------------|
| 2 INCOME TAX | | |
| Operating Surplus before Income Tax | 462,581 | 1,182,004 |
| Prima Facie Taxation at 33% | 152,651 | 390,061 |
| Plus tax losses offset | (107,651) | 0 |
| Plus Tax effect of permanent differences | (45,000) | 0 |
| Less Tax effect of timing differences not Recognised | (36,000) | (55,313) |
| Less Prior Year Adjustment | 0 | 0 |
| Total Income Tax Expense (Benefit) | <u>(36,000)</u> | <u>334,748</u> |
| The income tax expense comprises: | | |
| - current taxation | <u>(36,000)</u> | <u>334,748</u> |
| | <u>(36,000)</u> | <u>334,748</u> |

A deferred tax liability of \$1,887,712 has not been recognised (2004 \$1,732,712). This liability primarily relates to asset revaluations of the reticulation assets which would only crystallise on disposal.

3 RESERVES

| | | |
|--|-------------------|-------------------|
| Share Premium Reserve | 255,796 | 255,796 |
| Revaluation Reserve Land and Buildings | 93,454 | 93,454 |
| Revaluation Distribution System | 10,298,174 | 10,298,174 |
| Revaluation other Assets | 34,050 | 34,050 |
| | <u>10,681,474</u> | <u>10,681,474</u> |

4 PROPERTY, PLANT & EQUIPMENT

Distribution System Assets

| | | |
|--|-------------------|-------------------|
| ODV Valuation – end of previous year | 18,653,438 | 13,592,610 |
| System Fixed Assets acquired during the year | 2,193,435 | 4,545,747 |
| Less Disposal of Stock | 0 | 0 |
| Less Depreciation on System Fixed Assets | (718,228) | (365,360) |
| ODV Revaluation Movement | 0 | 880,441 |
| System Fixed Assets at ODV – end of financial year | <u>20,128,645</u> | <u>18,653,438</u> |

Land and Buildings

| | | |
|-------------------------------|----------|---------|
| Net Book Value at Valuation | 913,232 | 886,000 |
| Accumulated Depreciation | (15,328) | 0 |
| Net Book Value at end of year | 897,904 | 886,000 |

Customer Billing and IS

| | | |
|-------------------------------|-----------|-----------|
| Cost | 329,458 | 230,444 |
| Accumulated Depreciation | (279,427) | (186,689) |
| Net Book Value at end of year | 50,031 | 43,755 |

Office Equipment

| | | |
|--------------------------|----------|----------|
| Cost | 94,044 | 68,146 |
| Accumulated Depreciation | (52,162) | (26,416) |
| Net Book Value | 41,882 | 41,730 |

Buller Electricity Limited Line Business Financial Statements

| | 2005 \$ | 2004 \$ |
|--------------------------|-------------------|-------------------|
| Motor Vehicles | | |
| Cost | 128,771 | 88,818 |
| Accumulated Depreciation | <u>(41,921)</u> | <u>(38,408)</u> |
| Net Book Value | 86,850 | 50,410 |
| Other | | |
| Cost | 184,430 | 50,119 |
| Accumulated Depreciation | <u>(129,850)</u> | <u>(44,796)</u> |
| Net Book Value | <u>54,580</u> | <u>5,323</u> |
| Total Net Book Value | <u>21,259,892</u> | <u>19,680,656</u> |

The system fixed assets were revalued on 31 March 2004 to a value of \$18,653,438 using Optimised Deprival Valuation methodology. This methodology is consistent with a Depreciated Replacement Cost valuation, adjusted for system asset impairment.

Land and Buildings were revalued by Coast Valuation Limited on 31 March 2004.

5 SEGMENTAL REPORTING

Buller Electricity operates predominantly in one industry, distribution of electricity. All its core functions are carried out within the Buller region conveying electricity and managing and operating assets of the line business.

6 RELATED PARTIES

The related parties of Buller Electricity Limited are the Buller Electric Power Trust, Buller Energy Limited, Buller Communications Limited and ThePacific.Net Limited.

The Buller Electric Power Trust owns 100% of Buller Electricity Limited who owns 100% of Buller Communications Limited and Buller Energy Limited.

The Buller Electric Power Trust loaned to Buller Electricity Limited \$1,740,515 by way of an interest bearing, unsecured loan, repayable on demand. Buller Electricity Limited has on loan to Buller Communications Limited a total amount of \$756,873.

Transactions between Related Parties

The Line Business purchased line construction and maintenance services at cost including overheads from its contracting division for the period 1 April 2004 to 31 March 2005. At year end there was an outstanding debtor of \$261,609 for related parties and no debts were written off or forgiven during the year. The following Table lists the value of the related party transactions.

| | 2005 \$ | 2004 \$ |
|---|------------|------------|
| Construction of subtransmission assets | 0 | 64,816 |
| Construction of zone substations | 549,562 | 7,047 |
| Construction of distribution lines and cables | 173,487 | 159,459 |
| Construction of medium voltage switchgear | 71,431 | 219,331 |
| Construction of distribution transformers | 46,503 | 115,634 |
| Construction of distribution substations | 46,462 | 65,430 |
| Construction of low voltage reticulation | 49,954 | 27,001 |
| Construction of other system fixed assets | 0 | 156,562 |
| Maintenance of assets | 552,788 | 797,826 |
| Consumer connections and disconnections | 0 | 0 |
| Other Services | 4,601 | 0 |

Buller Electricity Limited Line Business Financial Statements

7 FINANCIAL INSTRUMENTS

(a) Credit Risk

- i) In the normal course of business the company incurs credit risks being cash, bank deposits and debtors transactions with electricity retailers and financial institutions.
- ii) The company has a credit evaluation policy and requires a bond or a guarantee from customers.
- iii) The company has concentrations of credit risk in accounts receivable balances. Of total electricity line charges receivable, 100% are due from TrustPower Limited, Meridian Energy Limited, Genesis Power Limited, Mercury Energy Limited and Contact Energy Limited.
- iv) The company has a policy that minimises its credit risk to financial institutions by limiting the amount of cash and short term investments placed with any one financial institution at any one time.

(b) Interest Rate Risk

- i) All term loans are unsecured and subject to negative pledge undertakings. The term loans are not hedged and are at the floating 90 day bill rate. The company currently has \$5million rolling loan facilities.
- ii) The company has a loan of \$1,740,515 that is interest bearing (8%), unsecured and repayable on demand.
- iii) Deposit interest rates range from 5.8% pa – 7.05% pa at balance date 31 March 2005.

(c) Fair Values

The directors consider that the carrying amount of financial instruments in the statement of financial position is equal to their fair value.

8 COMMITMENTS

There are no capital commitments at 31 March 2005. (2004 \$Nil)

9 CONTINGENT LIABILITIES

There is a contingent liability for discrepancies that may arise on the reconciliation of energy transported versus energy charged by the various energy retailers. The potential or maximum liability is not able to be estimated. (2004 Nil)

10 PRICE THRESHOLD COMPLIANCE

Buller Electricity Limited was in breach of the price path thresholds set by the Commerce Commission in September 2004. Directors believe that any liability arising from this breach will not be material. The company was not in breach of the price and quality thresholds at March 2005.

| | 2005 | 2004 |
|--|----------------|------------------|
| | \$ | \$ |
| 11 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES | | |
| Reported Net Surplus after tax | 498,581 | 847,256 |
| Add (Less) Non Cash Items: | | |
| Depreciation | 796,311 | 384,159 |
| Vested Assets | (146,716) | (157,485) |
| Add (Less) Movements in Working Capital Items: | | |
| Decrease (Increase) in Tax Receivable | (305,474) | 0 |
| Decrease (Increase) in Receivables | (4,360) | (64,451) |
| (Decrease) Increase in Creditors | (22,116) | (293,252) |
| (Decrease) Increase in Tax Payable | 0 | (35,674) |
| Decrease (Increase) in other Current Assets | 0 | 53,063 |
| Decrease (Increase) in Interdivisional Balance | (261,609) | 0 |
| | <u>554,617</u> | <u>733,616</u> |
| Add (Less) Movements in Non-current Items: | | |
| Net Loss (Gain) on Disposal of Assets | <u>0</u> | <u>(156,600)</u> |
| Net Cash Inflows from Operating Activities | <u>554,617</u> | <u>577,016</u> |

Buller Electricity Limited

Line Business Financial Statements

12 Information to be Disclosed in Financial Statements under requirement 6 of the Electricity Information Disclosure Requirements 2004.

| Statement of Financial Position Disclosure (Schedule 1, Part 2) | | 2005 | 2004 |
|---|--|-------------------|-------------------|
| | | \$ | \$ |
| 1 | Current Assets | | |
| (a) | Cash & Bank balances | 102,017 | 23,845 |
| (b) | Short term investments | 0 | 0 |
| (c) | Inventories | 0 | 0 |
| (d) | Accounts receivable | 499,079 | 494,718 |
| (e) | Other current assets not listed in (a) to (d) | 561,701 | 0 |
| (f) | Total current assets | 1,162,797 | 518,563 |
| 2 | Fixed Assets | | |
| (a) | System fixed assets | 20,128,645 | 18,653,438 |
| (b) | Customer billing and information system assets | 50,030 | 43,755 |
| (c) | Motor Vehicles | 86,851 | 50,410 |
| (d) | Office Equipment | 41,882 | 41,730 |
| (e) | Land and Buildings | 897,904 | 886,000 |
| (f) | Capital works under construction | 0 | 0 |
| (g) | Other fixed assets not listed in (a) to (f) | 54,580 | 5,323 |
| (h) | Total fixed assets | 21,259,892 | 19,680,656 |
| 3 | Other tangible assets not listed above | 756,973 | 758,859 |
| 4 | Total tangible assets | 23,179,662 | 20,958,078 |
| 5 | Intangible assets | | |
| (a) | Goodwill | 0 | 0 |
| (b) | Other intangible not listed in (a) | 0 | 0 |
| (c) | Total intangible assets | 0 | 0 |
| 6 | Total Assets | 23,179,662 | 20,958,078 |
| 7 | Current Liabilities | | |
| (a) | Bank Overdraft | 0 | 0 |
| (b) | Short term borrowings | 0 | 0 |
| (c) | Payables and accruals | 412,729 | 398,155 |
| (d) | Provision for dividend payable | 0 | 0 |
| (e) | Provision for income tax | 0 | 5,382 |
| (f) | Other Current Liabilities not listed in (a) to (e) | 45,064 | 81,253 |
| (g) | Total Current Liabilities | 457,793 | 484,790 |
| 8 | Non-current Liabilities | | |
| (a) | Payables and accruals | 0 | 0 |
| (b) | Borrowings | 3,290,515 | 1,540,515 |
| (c) | Deferred tax | 0 | 0 |
| (d) | Other Non-current Liabilities not listed in (a) to (e) | 0 | 0 |
| (e) | Total Non-current Liabilities | 3,290,515 | 1,540,515 |
| 9 | Equity | | |
| (a) | Shareholders equity | | |
| (i) | Share Capital | 4,964,358 | 4,964,358 |
| (ii) | Retained Earnings | 3,785,522 | 3,286,942 |
| (iii) | Reserves | 10,681,474 | 10,681,474 |
| (iv) | Total Shareholders equity | 19,431,354 | 18,932,773 |
| (b) | Minority interests in subsidiaries | | 0 |
| (c) | Total Equity | 19,431,354 | 18,932,773 |
| (d) | Capital Notes | | 0 |
| (e) | Total capital funds | 19,431,354 | 18,932,773 |
| 10 | Total equity and liabilities | 23,179,662 | 20,958,078 |

Buller Electricity Limited

Line Business Financial Statements

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

| | 2005 | 2004 |
|--|------------------|------------------|
| | \$ | \$ |
| 11 Operating revenue | | |
| (a) Revenue from line/access charges | 4,848,060 | 4,991,323 |
| (b) Revenue from "Other" business (transfer payment) | 6,327 | 84 |
| (c) Income from interest on bank & short term investments | 437 | 113,353 |
| (d) AC loss rental rebates | 70,474 | 113,343 |
| (e) Other operating revenue not listed in (a) to (d) | 149,251 | 230,314 |
| (f) Total operating revenue | 5,074,549 | 5,448,417 |
| 12 Operating expenditure | | |
| (a) Transmission Charges | 1,944,759 | 1,804,057 |
| (b) Transfer payments to "Other" business | | |
| (i) Asset maintenance | 551,574 | 910,144 |
| (ii) Consumer disconnections and reconnections | 0 | 0 |
| (iii) Meter data | 0 | 0 |
| (iv) Consumer based load control | 0 | 0 |
| (v) Royalty and patent expenses | 0 | 0 |
| (vi) Avoided transmission charges for own generation | 0 | 0 |
| (vii) Other goods & services not listed in (i) to (vi) above | 0 | 0 |
| (viii) Total transfer payment to the "Other" business | 551,574 | 910,144 |
| (c) Payments to non-related entities | | |
| (i) Asset maintenance | 91,770 | 135,820 |
| (ii) Consumer disconnections and reconnections | 0 | 0 |
| (iii) Meter data | 0 | 0 |
| (iv) Consumer based load control | 0 | 0 |
| (v) Royalty and patent expenses | 0 | 0 |
| (vi) Total of specified expenses to non-related parties | 91,770 | 135,820 |
| (d) Employee salaries, wages and redundancies | 451,245 | 503,577 |
| (e) Consumer billing and information system expense | 0 | 0 |
| (f) Depreciation on | | |
| (i) System fixed assets | 713,143 | 323,384 |
| (ii) Other assets not listed in (i) | 83,167 | 60,775 |
| (iii) Total depreciation expense | 796,310 | 384,159 |
| (g) Amortisation of | | |
| (i) Goodwill | 0 | 0 |
| (ii) Other intangibles | 0 | 0 |
| (iii) Total amortisation of intangibles | 0 | 0 |
| (h) Corporate and administration | 257,062 | 202,463 |
| (i) Human resource expense | 32,824 | 29,692 |
| (j) Marketing and 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 | 2,660 | 26,516 |
| (o) Donations | 38,263 | 35,304 |
| (p) Directors fees | 77,917 | 78,000 |
| (q) Audit fees | | |
| (i) Audit fees paid to principal auditors | 29,000 | 25,879 |
| (ii) Audit fees paid to other auditors | 0 | 0 |
| (iii) Fees paid for other services provided by auditors | 117,983 | 54,306 |
| (iv) Total auditors fees | 146,983 | 80,185 |
| (r) Costs of offering credits | | |
| (i) Bad debts written off | 0 | 0 |
| (ii) Increase in estimated doubtful debts | 0 | 0 |
| (iii) Total costs of offering credit | 0 | 0 |
| (s) Local authority rates | 11,553 | 10,861 |
| (t) AC loss-rental rebates expense | 0 | 0 |

Buller Electricity Limited Line Business Financial Statements

| | 2005 | 2004 |
|--|-------------------|-------------------|
| | \$ | \$ |
| (u) Rebates to customers due to ownership interest | | |
| (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 | 4,402,919 | 4,200,778 |
| 14 Operating surplus before interest and income tax | 671,629 | 1,247,639 |
| 15 Interest | | |
| (a) Interest expense on borrowings | 209,048 | 65,635 |
| (b) Financing charges related to finance leases | 0 | 0 |
| (c) Other interest expense | 0 | 0 |
| (d) Total interest expense | 209,048 | 65,635 |
| 16 Operating surplus before income tax | 462,581 | 1,182,004 |
| 17 Income Tax | (36,000) | 334,748 |
| 18 Net surplus after tax | 498,581 | 847,256 |
| 19 Annual Valuation Reconciliation Report for the year ending 31 March 2005 | | |
| System fixed assets at ODV – end of the previous financial year | 18,653,438 | 13,592,610 |
| Add system fixed assets acquired during the year at ODV | 2,193,435 | 4,545,747 |
| Less depreciation on system fixed assets at ODV | (718,228) | (365,360) |
| Add revaluations of system fixed assets at 31 st March 2004 | 0 | 880,441 |
| Equals system fixed assets at ODV – end of financial year | 20,128,645 | 18,653,438 |

Buller Electricity Limited Line Business Financial Statements

13 PERFORMANCE MEASURES

Disclosure of financial performance measures and efficiency performance measures under requirement 14 of the Electricity Information Disclosure Requirements 2004.

| | 2005 | 2004 | 2003 | 2002 |
|--|-------------|-------------|-------------|-------------|
| 1 Financial Performance Measures | | | | |
| (a) Return on Funds | 3.34% | 6.8% | 5.1% | 4.5% |
| (b) Return on Equity | 2.67% | 4.6% | 3.6% | 3.8% |
| (c) Return on Investment | 3.14% | 4.9% | 3.6% | 2.9% |
| 2 Efficiency Performance Measures | | | | |
| (a) Direct line costs per kilometre | \$1,830 | \$2,548 | \$2,494 | \$2,082 |
| System Length Km | 598 | 608 | 598 | 595 |
| (b) Indirect line costs per electricity customer | \$136 | \$111 | \$135 | \$144 |
| Total consumers | 4,178 | 4,171 | 4,187 | 4,108 |

Buller Electricity Limited Line Business Performance Measures

Disclosure of energy delivery efficiency performance measures under requirement 20 of the Electricity Information Disclosure Requirements 2004.

| | 2005 | 2004 | 2003 | 2002 |
|--|-------------|-------------|-------------|-------------|
| 1 Energy Delivery efficiency performance measures: | | | | |
| (a) Load Factor (=a/b*c*100) | 66% | 64%* | 63%* | 63%* |
| a = kWh of electricity entering system | 45,629,456 | 44,037,981* | 42,764,385* | 44,532,248* |
| b = Maximum demand | 7,903 | 7,820* | 7,749* | 8,062* |
| c = Total number of hours in year | 8,760 | 8,784 | 8,760 | 8,760 |
| (b) Loss Ratio (=a/b*100) | 9.78% | 8.98%* | 11.44%* | 9.63%* |
| a = losses in electricity in kWh | 4,460,951 | 3,955,387* | 4,893,797* | 4,289,870* |
| b = kWh of electricity entering system | 45,629,456 | 44,037,981* | 42,764,385* | 44,532,248* |
| (c) Capacity Utilisation (=a/b*100) | 27% | 27%* | 27%* | 29%* |
| a = Maximum demand | 7,903 | 7,820* | 7,749* | 8,062* |
| b = Transformer Capacity | 28,735 | 28,550 | 28,775 | 27,650 |
| 2 Statistics | | | | |
| (a) System Length (Total) (kms) | | | | |
| Circuit Kilometres 110kV | 2 | 1 | 0 | 0 |
| Circuit Kilometres 33kV | 101 | 103 | 111 | 111 |
| Circuit Kilometres 11kV | 367 | 374 | 357 | 355 |
| Circuit Kilometres 400V | 128 | 130 | 130 | 129 |
| Total | <u>598</u> | <u>608</u> | <u>598</u> | <u>595</u> |
| (b) Circuit Length (Overhead) (kms) | | | | |
| Circuit Kilometres 110kV | 2 | 1 | 0 | 0 |
| Circuit Kilometres 33kV | 101 | 103 | 111 | 111 |
| Circuit Kilometres 11kV | 360 | 370 | 351 | 350 |
| Circuit Kilometres 400V | 118 | 118 | 118 | 117 |
| Total Overhead | <u>581</u> | <u>592</u> | <u>580</u> | <u>578</u> |
| (c) Circuit Length (Underground) (kms) | | | | |
| Circuit Kilometres 110kV | 0.0 | 0.0 | 0.0 | 0.0 |
| Circuit Kilometres 33kV | 0.2 | 0.2 | 0.2 | 0.2 |
| Circuit Kilometres 11kV | 7.0 | 4.2 | 5.0 | 4.7 |
| Circuit Kilometres 400V | 10.0 | 11.8 | 11.6 | 11.5 |
| Total Underground | <u>17.2</u> | <u>16.2</u> | <u>16.8</u> | <u>16.4</u> |
| (d) Transformer Capacity (In Kilovolt Amperes) | 28,735 | 28,550 | 28,775 | 27,650 |
| (e) Maximum Demand (kW) | 7,903 | 7,820* | 7,749* | 8,062* |

Buller Electricity Limited Line Business Performance Measures

| | 2005 | 2004 | 2003 | 2002 |
|---|-------------------|---------------------|---------------------|--------------------|
| (f) Total Electricity Entering the system (before losses of electricity, kWh) | 45,629,456 | 44,037,981 * | 42,764,385 * | 44,532,248* |
| (g) Electricity conveyed for each retailer including losses | | | | |
| Retailer 1 | 23,506,625 | 23,626,294 | 27,950,508 | 33,742,055 |
| Retailer 2 | 12,559,755 | 12,559,535 | 7,341,546 | 4,199,511 |
| Retailer 3 | 3,017,768 | 3,073,096 | 2,578,535 | 2,295,022 |
| Retailer 4 | 0 | 0 | 0 | 5,790 |
| Retailer 5 | 2,044,202 | 823,668 | 0 | 0 |
| Retailer 6 | 40,155 | | | |
| | <u>41,168,505</u> | <u>40,082,593 *</u> | <u>37,870,589 *</u> | <u>40,242,378*</u> |
| (h) Total Customers | 4,178 | 4,171 | 4,187 | 4,108 |

* Restated to remove previous information that related to one customer supplied directly from the Transpower Grid Exit Point that had previously been included as though it was supplied from the Buller Electricity Limited network.

Buller Electricity Limited Line Business Performance Measures

Disclosure of reliability performance measures under requirement 21 of the Electricity Information Disclosure Requirements 2004.

| | 2005 | 2004 | 2003 | 2002 |
|---|-----------|-----------|-----------|-----------|
| 1 Total Number of Interruptions | | | | |
| Class A - Planned by Transpower | 0 | 0 | 0 | 0 |
| Class B - Planned by Line Owners | 24 | 44 | 29 | 8 |
| Class C - Unplanned by Line Owners | 32 | 34 | 44 | 63 |
| Class D - Unplanned by Transpower | 0 | 0 | 0 | 0 |
| Class E - Unplanned by ECNZ | 0 | 0 | 0 | 0 |
| Class F - Unplanned by other generation | 0 | 0 | 0 | 0 |
| Class G - Any Other Loss of Supply | 0 | 0 | 1 | 0 |
| Class H - Planned - by another Line Owner | 0 | 0 | 0 | 0 |
| Class I - Any Other Loss of Supply | 1 | 1 | 0 | 0 |
| | <u>57</u> | <u>79</u> | <u>74</u> | <u>71</u> |
| 2 Interruption Targets for 2005/2006 | | | | |
| Class B - Planned by Line Owners | 40 | | | |
| Class C - Unplanned by Line Owners | 32 | | | |
| 3 Average Interruption Targets for 2006/2010 | | | | |
| Class B - Planned by Line Owners | 35 | | | |
| Class C - Unplanned by Line Owners | 26 | | | |
| 4 Proportion of Class C Interruptions not restored within: | | | | |
| 3 Hours | 12 | | | |
| 24 Hours | 0 | | | |
| 5 (a) The total number of faults per 100 circuit kilometres of prescribed voltage electric line | | | | |
| 11kV | 8.7 | 7.5 | 10.9 | 16.9 |
| 33kV | 2.0 | 3.9 | 4.5 | 3.6 |
| Total | 7.1 | 6.7 | 9.4 | 13.7 |
| (b) Target for 2005/2006 year | | | | |
| 11kV | 6.0 | | | |
| 33kV | 4.0 | | | |
| Total | 5.5 | | | |
| (c) Average Target for 2006/2010 years | | | | |
| 11kV | 5.2 | | | |
| 33kV | 3.2 | | | |
| Total | 4.7 | | | |
| 6 The total number of faults per 100 circuit kilometres of <u>underground</u> prescribed voltage electric line | | | | |
| 11kV | 0 | 0 | 0 | 21.3 |
| 33kV | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 20.5 |
| 7 The total number of faults per 100 circuit kilometres of <u>overhead</u> prescribed voltage electric line | | | | |
| 11kV | 8.5 | 7.5 | 11.1 | 16.9 |
| 33kV | 1.8 | 3.9 | 4.5 | 3.6 |
| Total | 6.9 | 6.7 | 9.5 | 13.7 |

Note: The totals in clauses 5, 6 and 7 are not designed to sum the figures above each total.

Buller Electricity Limited Line Business Performance Measures

| | 2005 | 2004 | 2003 | 2002 | |
|--------------|---|------|------|------|------|
| SAIDI | | | | | |
| 8 | SAIDI for the total number of interruptions | 134 | 256 | 370 | 290 |
| 9 | SAIDI targets for 2005/2006 | | | | |
| | Class B - Planned by Line Owners | 174 | | | |
| | Class C - Unplanned by Line Owners | 88 | | | |
| 10 | Average SAIDI targets for 2007/2010 years | | | | |
| | Class B - Planned by Line Owners | 155 | | | |
| | Class C - Unplanned by Line Owners | 81 | | | |
| 11 | SAIDI for the total number of interruptions within each interruption class | | | | |
| | Class A - Planned by Transpower | 0 | 0 | 0 | 0 |
| | Class B - Planned by Buller Electricity | 64 | 165 | 222 | 136 |
| | Class C - Unplanned by Buller Electricity | 65 | 84 | 144 | 154 |
| | Class D - Unplanned by Transpower | 0 | 0 | 0 | 0 |
| | Class E - Unplanned by Line Owner generation | 0 | 0 | 0 | 0 |
| | Class F - Unplanned by other generator | 0 | 0 | 0 | 0 |
| | Class G - Unplanned - by another line owner | 0 | 0 | 0 | 0 |
| | Class H - Planned - by another Line Owner | 0 | 0 | 0 | 0 |
| | Class I - Any Other Loss of Supply | 5 | 8 | 4 | 0 |
| | | 134 | 257 | 370 | 290 |
| SAIFI | | | | | |
| 12 | The SAIFI for the total number of Interruptions | 1.34 | 2.41 | 1.98 | 1.84 |
| 13 | SAIFI Targets for 2005/2006 | | | | |
| | Class B - Planned by Line Owners | 0.86 | | | |
| | Class C - Unplanned by Line Owners | 1.03 | | | |
| 14 | Average SAIFI targets for 2007/2010 years | | | | |
| | Class B - Planned by Line Owners | 0.70 | | | |
| | Class C - Unplanned by Line Owners | 1.14 | | | |
| 15 | The SAIFI for the total number of interruptions within each interruption class | | | | |
| | Class A - Planned by Transpower | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class B - Planned by Buller Electricity | 0.44 | 1.01 | 0.54 | 0.45 |
| | Class C - Unplanned by Buller Electricity | 0.78 | 1.22 | 1.32 | 1.39 |
| | Class D - Unplanned by Transpower | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class E - Unplanned by Line Owner generation | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class F - Unplanned by other generator | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class G - Unplanned - by another Line Owner | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class H - Planned - by another Line Owner | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class I - Any Other Loss of Supply | 0.12 | 0.17 | 0.12 | 0.00 |
| | | 1.34 | 2.41 | 1.98 | 1.84 |

Buller Electricity Limited Line Business Performance Measures

| | 2005 | 2004 | 2003 | 2002 |
|--------------|---|------|------|------|
| CAIDI | | | | |
| 16 | The CAIDI for the total number of interruption | | | |
| | 100 | 107 | 187 | 158 |
| 17 | CAIDI targets for 2005/2006 | | | |
| | Class B - Planned by Line Owners | 203 | | |
| | Class C - Unplanned by Line Owners | 86 | | |
| 18 | Average CAIDI Target for 2007/2010 years | | | |
| | Class B - Planned by Line Owners | 220 | | |
| | Class C - Unplanned by Line Owners | 71 | | |
| 19 | The CAIDI for the total number of interruptions within each interruption class | | | |
| | Class A - Planned by Transpower | 0 | 0 | 0 |
| | Class B - Planned by Buller Electricity | 145 | 163 | 411 |
| | Class C - Unplanned by Buller Electricity | 84 | 69 | 109 |
| | Class D - Unplanned by Transpower | 0 | 0 | 0 |
| | Class E - Unplanned by Line Owner generation | 0 | 0 | 0 |
| | Class F - Unplanned by other generator | 0 | 0 | 0 |
| | Class G – Unplanned – by another Line Owner | 0 | 0 | 30 |
| | Class H – Planned – by another Line Owner | 0 | 0 | 0 |
| | Class I - Any Other Loss of Supply | 40 | 45 | 0 |
| | 100 | 107 | 187 | 158 |

Note: The totals in clause 19 are not designed to sum the figures above each total.

Buller Electricity Limited Line Business Performance Measures

SCHEDULE 1 - PART 7
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 | 672 | | | | |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT) | 672 | | | | |
| Interest on cash, bank balances, and short-term investments (ISTI) | | | | | |
| OSBIT minus ISTI | 671 | a | 671 | | 671 |
| Net Surplus after tax from financial statements | 499 | | | | |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT) | 499 | n | | 499 | |
| Amortisation of goodwill and amortisation of other intangibles | | g | add - | add - | add - |
| Subvention payment | | s | add - | add - | add - |
| Depreciation of SFA at BV (x) | 713 | | | | |
| Depreciation of SFA at ODV (y) | 705 | | | | |
| ODV depreciation adjustment | 8 | d | add 8 | add 8 | add 8 |
| Subvention payment tax adjustment | - | s*t | | deduct - | deduct - |
| Interest tax shield | 69 | q | | | deduct 69 |
| Revaluations | | r | | | add |
| Income tax | -36 | p | | | deduct (36) |
| Numerator | | | 679 | 507 | 638 |
| | | | $OSBIT^{ADJ}=a+g+s+d$ | $NSAT^{ADJ}=n+g+s-s*t+d$ | $BIT^{ADJ}=a+g-q+r+s+d-p-s*t$ |
| Fixed asset at end of previous year (FA ₀) | 19,681 | | | | |
| Fixed assets at end of current financial year (FA ₁) | 21,260 | | | | |
| Adjusted net working capital at end of previous financial year (ANWC ₀) | 97 | | | | |
| Adjusted net working capital at end of current financial year (ANWC ₁) | 42 | | | | |
| Average total funds employed (ATFE) | 20,539 | c | 20,539 | | 20,539 |
| Total equity at end of previous financial year (TE ₀) | 18,933 | | | | |
| Total equity at end of current financial year (TE ₁) | 19,431 | | | | |
| Average total equity | 19,182 | k | | 19,182 | |
| WUC at end of previous financial year (WUC ₀) | | | | | |
| WUC at end of current financial year (WUC ₁) | | | | | |
| Average total works under construction | | e | deduct | deduct | deduct |
| Revaluations | | r | | | |
| Half of revaluations | | r/2 | | | deduct |
| Intangible assets at end of previous financial year (IA ₀) | - | | | | |
| Intangible assets of end of current financial year (IA ₁) | - | | | | |
| Average total intangible asset | - | m | | add - | |
| 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 and related tax adjustment | - | v | | add - | |
| System fixed assets at end of previous year at book value (SFA _{bv0}) | 18,831 | | | | |
| System fixed assets at end of current financial year at book value (SFA _{bv1}) | 20,338 | | | | |
| Average value of system fixed assets at book value | 19,585 | f | deduct 19,585 | deduct 19,585 | deduct 19,585 |
| System fixed assets at year beginning at ODV value (SFA _{odv0}) | 18,653 | | | | |
| System fixed assets at end of current financial year at ODV value (SFA _{odv1}) | 20,129 | | | | |
| Average value of system fixed assets at ODV value | 19,391 | h | add 19,391 | add 19,391 | add 19,391 |
| Denominator | | | 20,346 | 18,988 | 20,346 |
| | | | $ATFE^{ADJ}=c-e-f+h$ | $AveTE^{ADJ}=k-e-m+v-f+h$ | $ATFE^{ADJ}=c-e-1/2r-f+h$ |
| Financial performance measure | | | 3.34% | 2.67% | 3.14% |
| | | | $ROF=OSBIT^{ADJ}/ATFE^{ADJ} \times 100$ | $ROE=NSAT^{ADJ}/AveTE^{ADJ} \times 100$ | $ROI=OSBIT^{ADJ}/ATFE^{ADJ} \times 100$ |

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



REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF BULLER ELECTRICITY LIMITED FOR THE YEAR ENDED 31 MARCH 2005

We have audited the financial statements of Buller Electricity Limited on pages 2 to 12. The financial statements provide information about the past financial performance of Buller Electricity and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 5 to 6.

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 Buller Electricity Limited as at 31 March 2005, 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 Bruce Loader of KPMG Christchurch 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 Buller Electricity Limited's circumstances, consistently applied and adequately disclosed.

We conducted the 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.



We have also performed taxation assignments for Buller Electricity Limited. Other than those assignments, we have no relationship with or interest in Buller Electricity Limited.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by Buller Electricity as far as appears from our examination of those records; and
- the financial statements of Buller Electricity Limited on pages 2 to 12:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Buller Electricity's financial position as at 31 March 2005 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 29 July 2005 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'Bruce Loader', with a long, sweeping horizontal line extending to the right.

Bruce Loader
KPMG Christchurch
On behalf of the Auditor-General
Christchurch, New Zealand
29 July 2005



**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
BULLER ELECTRICITY LIMITED**

We have examined the information on pages 12 to 19, being:

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (c) the time-weighted averages calculations in requirement 32;
- (d) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (e) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Buller Electricity Limited and dated 29 July 2005 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.

A handwritten signature in black ink, appearing to read 'Bruce Loader', with a long horizontal flourish extending to the right.

Bruce Loader
KPMG Christchurch
On behalf of the Auditor-General
Christchurch, New Zealand
29 July 2005