

# **Nelson Electricity Ltd**



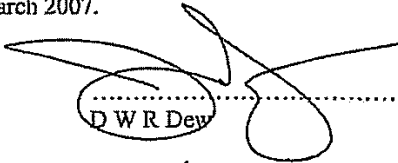
**Financial Statements for the  
Year Ended 31 March 2007**


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

We, David William Richard Dew 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 2007.

Signed:  .....  
DWR Dew

Signed:  .....  
KJ Forrest

Date: 7/12/07 .....

**REPORT OF THE AUDITOR-GENERAL****TO THE READERS OF THE FINANCIAL STATEMENTS OF  
NELSON ELECTRICITY LIMITED - LINES BUSINESS  
FOR THE YEAR ENDED 31 MARCH 2007**

We have audited the financial statements of Nelson Electricity Limited - Lines Business on pages 1 to 11. The financial statements provide information about the past financial performance of Nelson Electricity Limited and its financial position as at 31 March 2007. 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 Limited - Lines Business as at 31 March 2007, 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 Graeme 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 Nelson Electricity Limited - Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with 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 Nelson Electricity Limited.

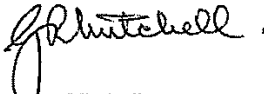
### Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by Nelson Electricity Limited as far as appears from our examination of those records; and
- the financial statements of Nelson Electricity Limited on pages 1 to 11:
  - (a) comply with generally accepted accounting practice in New Zealand; and
  - (b) give a true and fair view of Nelson Electricity Limited - Lines Business' financial position as at 31 March 2007 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 7 December 2007 and our unqualified opinion is expressed as at that date.



Graeme Mitchell  
Deloitte  
On behalf of the Auditor-General  
Wellington, New Zealand

This audit report relates to the electricity information disclosure requirements of Nelson Electricity Limited - Lines Business for the year ended 31 March 2007 included on Nelson Electricity Limited's website. The Nelson Electricity Limited - Lines Business's Board of Directors is responsible for the maintenance and integrity of Nelson Electricity Limited's website. We have not been engaged to report on the integrity of the Nelson Electricity Limited - Lines Business's website. We accept no responsibility for any changes that may have occurred to the electricity information disclosure requirements since it was initially presented on the website.

The audit report refers only to the electricity information disclosure requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or form these electricity information disclosure requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited electricity information disclosure requirements and related audit report dated [date] to confirm the information included in the audited electricity information disclosure requirements published in the New Zealand Gazette or on the New Zealand Gazette's website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

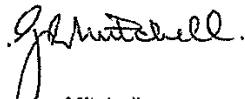
**AUDITOR-GENERAL'S OPINION ON THE  
PERFORMANCE MEASURES OF NELSON ELECTRICITY LIMITED – LINES BUSINESS**

We have examined the information on pages 1 to 11, 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 – Lines Business and dated 31 March 2007 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.



Graeme Mitchell  
Deloitte  
On behalf of the Auditor-General  
Wellington, New Zealand  
7 December 2007

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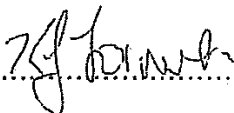
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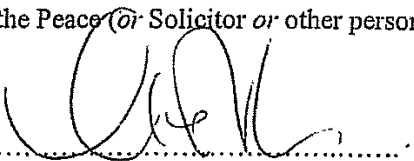
STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND  
INFORMATION SUPPLIED TO COMMERCE COMMISSION

I, Kenneth John Forrest of 148 Wither Road, Blenheim, being a director of Nelson Electricity Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by Nelson Electricity Limited under the Commerce Commission's Electricity Information Disclosure Requirements 2004.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957. Declared at this day.....30..... of  
JANUARY... 2008.

Signature: ..... KJ Forrest

Justice of the Peace (or Solicitor or other person authorised to take a statutory declaration)

Signature: .....  
*Claire Amanda Mills*  
*Solicitor*  
*Blenheim*

# Commerce Commission Disclosures 2007

## NELSON ELECTRICITY LIMITED

### Statement of Financial Performance for the Year Ended 31 March 2007

	Notes	2007 Line Business \$000	2006 Line Business \$000
<b><u>INCOME</u></b>			
Interest received		41	29
Network revenue		7,402	7,057
Other income		258	401
		<u>7,701</u>	<u>7,487</u>
<b><u>EXPENDITURE</u></b>			
Operations and maintenance		658	601
Transmission charges		2,111	1,782
Directors fees		63	63
Audit fees		26	22
Other administration		1,050	873
Interest expense		256	76
Depreciation		991	973
		<u>5,155</u>	<u>4,390</u>
		2,546	3,097
<b><u>SURPLUS BEFORE TAXATION</u></b>			
Provision for Taxation	3	942	1,127
		<u>1,604</u>	<u>1,970</u>
<b><u>SURPLUS AFTER TAXATION</u></b>			

### Statement of Movements in Equity for the Year Ended 31 March 2007

	2007 Line Business \$000	2006 Line Business \$000
<b><u>Equity at Beginning of Year</u></b>	21,406	23,236
<b><u>Surplus and Revaluations</u></b>		
Revaluations	0	0
Net Surplus for Period	1,604	1,970
Total Recognised Revenue and Expenses	<u>1,604</u>	<u>1,970</u>
<b><u>Other Movements</u></b>		
Distributions to Owners	(2,120)	(3,800)
Total Other Movements	<u>(2,120)</u>	<u>(3,800)</u>
<b><u>Equity at End of Year</u></b>	<u>20,890</u>	<u>21,406</u>

*The Accompanying Notes form an Integral part of These Financial Statements*

**NELSON ELECTRICITY LIMITED****Statement of Financial Position as at 31 March 2007**

		2007 Line Business \$000	2006 Line Business \$000
<b><u>EQUITY</u></b>			
Share Capital	5	1	1
Revaluation Reserves	7	19,982	19,982
Pre Acquisition Reserves	7	1,291	1,291
Retained Earnings	6	(384)	132
		<u>20,890</u>	<u>21,406</u>
<b><i>Represented by</i></b>			
<b><u>CURRENT ASSETS</u></b>			
Bank and Cash		21	36
Accounts Receivable		594	608
Inventories		90	137
Tax Refund Due		121	70
		<u>826</u>	<u>851</u>
<b><u>CURRENT LIABILITIES</u></b>			
Bank Overdraft		0	0
Creditors and Accruals		735	531
		<u>735</u>	<u>531</u>
<b>Working Capital</b>		91	320
<b><u>NON CURRENT ASSETS</u></b>			
Deferred Tax Benefit	4	11	11
Fixed Assets	8	24,258	24,575
		<u>24,269</u>	<u>24,586</u>
<b><u>NON CURRENT LIABILITIES</u></b>			
Term Loans	9	3,470	3,500
		<u>3,470</u>	<u>3,500</u>
<b>NET ASSETS</b>		<u>20,890</u>	<u>21,406</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 2007**

	2007 Line Business \$ooo	2006 Line Business \$ooo
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>Cash was Provided From</b>		
Receipts from Customers	7,676	7,486
Interest Received	40	29
	<u>7,716</u>	<u>7,515</u>
<b>Cash was Applied to</b>		
Payments to Suppliers	(3,667)	(3,372)
Interest Paid	(256)	(76)
Net GST Paid	11	2
Taxation Paid	(993)	(1,170)
	<u>(4,905)</u>	<u>(4,616)</u>
Net Cash Flow From Operating Activities	<u>2,811</u>	<u>2,899</u>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
<b>Cash was Provided From</b>		
Proceeds From Sale of Fixed Assets	4	4
<b>Cash was Applied to</b>		
Purchase of Fixed Assets	(680)	(1,517)
Net Cash Flow From Investing Activities	<u>(676)</u>	<u>(1,513)</u>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
<b>Cash was Provided From</b>		
Term Debt Raised	0	2,400
<b>Cash was Applied to</b>		
Payment of Dividends	(2,120)	(3,800)
Term Debt Retired	(30)	0
Net Cash Flow From Financing Activities	<u>(2,150)</u>	<u>(1,400)</u>
Net Increase in Cash Held	(15)	(14)
Opening Cash Bought Forward	36	50
<b>Cash Balance at End of Year</b>	<u>21</u>	<u>36</u>
<b><u>Cash Balance at End of Year Comprises</u></b>		
Bank	21	36
Short Term Deposits	0	0
<b><u>Reconciliation of Surplus After Taxation With Cash Flow From Operating Activities</u></b>		
<b>Net Surplus After Taxation</b>	1,604	1,970
<b><u>Add/(Less) Non Cash Items</u></b>		
Depreciation	991	973
Movement in Deferred Taxation	1	(1)
	<u>992</u>	<u>972</u>
<b><u>Add/(Less) Movements in Working Capital</u></b>		
(Increase)/Decrease in Receivables	14	28
(Increase)/Decrease in Inventories	48	(45)
Increase/(Decrease) in Creditors and Accruals	290	(6)
Increase/(Decrease) in Taxation	(51)	(42)
	<u>301</u>	<u>(65)</u>
<b><u>Less Items Classified as Investing activities</u></b>		
Capital Expenditure in Creditors (net movement)	(86)	22
<b>Net cash Flow from Operating Activities</b>	<u>2,811</u>	<u>2,899</u>

## **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 and Nelson Electricity now contracts with the electricity retailers (Trustpower, Meridian etc) who supply electricity across the Nelson network.

### **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.

#### **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 income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

A debit balance in the deferred taxation account arising from timing differences or income tax losses is only recognised when 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**

Distribution system assets were revalued as at 1 April 2004 to current depreciated replacement cost (DRC) as assessed by independent valuers PricewaterhouseCoopers and certified in their advice of 6 May 2005.

Revaluation surpluses are transferred directly to the asset revaluation reserve.

Land assets are carried at current market value.

It is intended that network and land assets will be revalued every three years. 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 2007

**2.7 Good and Services Tax**

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 exclusive of GST with the exception of receivables and payables which include GST invoiced.

**2.8 Receivables**

Receivables are stated at the amount they are expected to realise. Bad debts will be written off in the year in which they are identified.

**2.9 Inventories**

Inventories are valued on the basis of the lower of cost (on a weighted average basis) and net realisable value. Allowance is made for damaged or obsolete items.

**2.10 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.

**2.11 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.

**2.12 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.

**2.13 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.

**2.14 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-07 \$ooo	Year Ended 31-Mar-06 \$ooo
Surplus Before Taxation	2,546	3,097
Taxation @ 33 %	840	1,022
Over Provision from Prior Year	1	(15)
Effect of Permanent Differences	101	120
	<hr/>	<hr/>
Tax Expense as per Statement of Financial Performance	942	1,127
<i>Comprising:</i>		
Current Taxation	972	1,128
Deferred Taxation	-	(1)
	<hr/>	<hr/>
	972	1,127
	<hr/>	<hr/>
<b>Imputation Credit Account</b>		
Balance 1 April	119	823
Imputation Credits Attached to Dividends Paid in the Year	(1,044)	(1,871)
Income Tax Payments During the Year	1,050	1,179
Refunds Received From Inland Revenue	(56)	(12)
<b>Balance 31 March</b>	<hr/>	<hr/>
	69	119

**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year to 31 March 2007

	31-Mar-07	31-Mar-06
	\$ooo	\$ooo
<b>4. Deferred Taxation</b>		
Balance 1 April	(11)	(10)
Current Period Provision		(1)
<b>Balance 31 March</b>	<b>(11)</b>	<b>(11)</b>

	31-Mar-07	31-Mar-06
	\$ooo	\$ooo
<b>5. Share Capital</b>		
Share Capital	1	1

As at 31 March 2007 Marlborough Lines Ltd and Network Tasman Ltd each held 500 shares. (2006 500 shares each)

	31-Mar-07	31-Mar-06
	\$ooo	\$ooo
<b>6. Retained Earnings</b>		
Opening Balance 1 April	132	1,962
Net Surplus for Year	1,604	1,970
Dividends Paid	(2,120)	(3,800)
<b>Closing Balance 31 March</b>	<b>(384)</b>	<b>132</b>

	31-Mar-07	31-Mar-06
	\$ooo	\$ooo
<b>7. Reserves</b>		
<b>Pre acquisition Reserves</b> (Retained earnings accumulated to 19.06.96 when the company was purchased by Marlborough Lines Ltd and Network Tasman Ltd)	1,291	1,291
<b>Revaluation Reserves</b> - Credits to Revaluation Reserves		
Land and Buildings	1,054	1,054
Distribution System assets	18,928	18,928
	<b>19,982</b>	<b>19,982</b>

Distribution system assets were revalued as at 1 April 2004 to current depreciated replacement cost (DRC). The valuation was completed in accord with the requirements of FRS 3 by PricewaterhouseCoopers and their valuation report is dated 6 May 2005. The company's Haven Road land was also revalued to net current value as at 1 April 2004.

	As At 31-Mar-07	As At 31-Mar-06
	\$ooo	\$ooo
<b>8. Plant Property and Equipment</b>		
Land (at valuation)	1,163	1,163
Buildings (at cost)	175	175
Accumulated Depreciation	89	86
Book Value	<b>86</b>	<b>89</b>
<u>Distribution System Assets (at valuation)</u>		
Subtransmission Assets	3,959	3,928
Accumulated Depreciation	1,787	1,710
Book Value	<b>2,172</b>	<b>2,218</b>
Zone Substations	3,273	3,253
Accumulated Depreciation	2,083	1,999
Book Value	<b>1,190</b>	<b>1,254</b>
Distribution Assets	36,289	35,885
Accumulated Depreciation	18,533	17,807
Book Value	<b>17,756</b>	<b>18,078</b>
Other System Fixed Assets	3,525	3,350
Accumulated Depreciation	1,714	1,637
Book Value	<b>1,811</b>	<b>1,713</b>
Plant and Equipment (at cost)	270	252
Accumulated Depreciation	208	192
Book Value	<b>62</b>	<b>60</b>
Capital Work in Progress	18	0
<b>Total Fixed Assets</b>	<b>24,258</b>	<b>24,575</b>

**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year to 31 March 2007**

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.**

**9. Term Loans**

	As At 31-Mar-07 \$000	As At 31-Mar-06 \$000
Westpac Trust Multi Option Credit Facility	3,470	3,500

The effective interest rate at 31 March 2007 is 8.17% (2006, 7.70%). This is a three year revolving facility reviewed and able to be extended annually. The facility limit is \$8.1m and the company has granted a negative pledge as an alternative to issuing security in respect of the facility. The agreement expires on 31 October 2008.

**10. Related Party Transactions**

Marlborough Lines Limited and Network Tasman Limited 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:

	2007 \$	2006 \$
Marlborough Lines Ltd	257,496	167,496
Network Tasman Ltd	170,496	132,502
Payable to Marlborough Lines at 31 March.	21,458	13,958
Payable to Network Tasman at 31 March.	14,208	11,042

Nelson Electricity reimburses Marlborough Lines for salaries paid to staff on their behalf. Salaries totalling \$23,546 remained payable to Marlborough Lines as at 31 March 2007. (2006 \$31,510)

Network Tasman oncharged to Nelson Electricity Transpower national grid charges during the year totalling \$2,111,171 (net). (2006, \$1,782,305). As at 31 March 2007 Nelson Electricity owed Network Tasman \$176,637 (net) for transmission charges. (2006, \$148,735)

Network Tasman credited Nelson Electricity with loss rental rebates (from Transpower) totalling \$224,926 (net). (2006, \$280,506) As at 31 March 2007 Network Tasman owed Nelson Electricity \$6,162 (net) for loss rental rebates. (2006, \$22,200)

During the year Nelson Electricity paid dividends totalling \$1,060,000 to each of Marlborough Lines limited and Network Tasman Limited. (2006, \$1,900,000 each)

During the year Network Tasman provided Nelson Electricity with access to its fibre optic network to a value of \$6,144 (2006 Nil). As at 31 March 2007 the value outstanding to network Tasman was \$549.

	2007 \$	2006 \$
Directors fees paid to Marlborough Lines in respect of Mr K Forrest	10,800	10,080

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

There were no related party debts written off or forgiven during the year. (2006 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 2007*

**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. (2006, Nil)

**12. Commitments and Contingent Liabilities**

As at 31 March 2007 the company had no commitments or contingent liabilities that are not included in these financial statements. (2006, 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**

**Annual Valuation Reconciliation Report for Year ending 31 March 2007**

	31-Mar-07	31-Mar-06
	\$000	\$000
System Fixed Assets at ODV at 31 March 2006	20,290	19,522
<i>Add</i> System Fixed Assets Acquired During the Year at ODV	762	1,684
<i>Less</i> System Fixed Assets Disposed of During the Year At ODV	(152)	(248)
<i>Less</i> Depreciation on System Fixed Assets	(676)	(668)
<i>Add</i> Revaluations of System Fixed Assets	0	0
<b><i>Equals</i> System Fixed Assets at ODV at 31 March 2007</b>	<b>20,224</b>	<b>20,290</b>

## 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

		2007 \$(000)	2006 \$(000)
1	<b>Current assets</b>		
(a)	Cash and bank balances:	21	36
(b)	Short-term investments:	0	0
(c)	Inventories:	90	137
(d)	Accounts receivable:	594	608
(e)	Other current assets not listed in (a) to (d):	0	0
(f)	<b>Total current assets</b> (sum of (a) to (e)).	705	781
2	<b>Fixed assets</b>		
(a)	System fixed assets:	22,930	23,263
(b)	Consumer billing and information system assets:	0	0
(c)	Motor Vehicles:	23	18
(d)	Office equipment:	39	42
(e)	Land and buildings:	1,248	1,252
(f)	Capital works under construction:	18	0
(g)	Other fixed assets not listed in (a) to (f):	0	0
(h)	<b>Total fixed assets</b> (sum of (a) to (g)).	24,258	24,575
3	<b>Other tangible assets not listed above</b>	0	0
4	<b>Total tangible assets</b> (1(f)+2(h)+3).	24,963	25,356
5	<b>Intangible assets</b>		
(a)	Goodwill:	0	0
(b)	Other intangibles not listed in (a):	0	0
(c)	<b>Total intangible assets</b> (sum of (a) and (b)).	0	0
6	<b>Total assets</b> (4+5(c)).	24,963	25,356
7	<b>Current liabilities</b>		
(a)	Bank overdraft:	0	0
(b)	Short-term borrowings:	0	0
(c)	Payables and accruals:	735	531
(d)	Provision for dividends payable:	0	0
(e)	Provision for income tax:	(121)	(70)
(f)	Other current liabilities not listed in (a) to (e):	0	0
(g)	<b>Total current liabilities</b> (sum of (a) to (f)).	614	461
8	<b>Non-current liabilities</b>		
(a)	Payables and accruals:	0	0
(b)	Borrowings:	3,470	3,500
(c)	Deferred tax:	(11)	(11)
(d)	Other non-current liabilities not listed in (a) to (c):	0	0
(e)	<b>Total non-current liabilities</b> (sum of (a) to (d)).	3,459	3,489
9	<b>Equity</b>		
(a)	Shareholders' equity-		
(i)	Share capital:	1	1
(ii)	Retained earnings:	(384)	132
(iii)	Reserves:	21,273	21,273
(iv)	<b>Total Shareholders' equity</b> (sum of (i) to (iii)):	20,890	21,406
(b)	Minority interests in subsidiaries:	0	0
(c)	<b>Total equity</b> (sum of (a) and b)):	20,890	21,406
(d)	Capital notes:	0	0
(e)	<b>Total capital funds</b> (sum of (c) and (d)).	20,890	21,406
10	<b>Total equity and liabilities</b> (7(g)+8(e)+9(e)).	24,963	25,356

## Statement of Financial Performance

		2007 \$(000)	2006 \$(000)
11	<b>Operating revenue</b>		
(a)	Revenue from line / access charges:	7,402	7,057
(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:	41	29
(d)	AC loss-rental rebates:	225	281
(e)	Other revenue not listed in (a) to (d):	33	120
(f)	<b>Total operating revenue</b> (sum of (a) to (e)).	7,701	7,487
12	<b>Operating expenditure</b>		
(a)	Payment for transmission charges:	2,111	1,782
(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)	<b>Total transfer payment to the "Other" business</b> (sum of (i) to (vii)):	0	0
(c)	Expense to entities that are not related parties for-		
(i)	Asset maintenance:	658	601
(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)	<b>Total of specified expenses to non-related parties</b> (sum of (i) to (v)):	658	601
(d)	Employee salaries, wages, and redundancies:	340	308
(e)	Consumer billing and information system expense:	0	0
(f)	Depreciation on-		
(i)	System fixed assets:	963	940
(ii)	Other assets not listed in (i):	28	33
(iii)	<b>Total depreciation</b> (sum of (i) and (ii)):	991	973
(g)	Amortisation of-		
(i)	Goodwill:	0	0
(ii)	Other intangibles:	0	0
(iii)	<b>Total amortisation of intangibles</b> (sum of (i) and (ii)):	0	0
(h)	Corporate and administration:	634	504
(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:	63	43
(o)	Donations:	0	0
(p)	Directors' fees:	63	63
(q)	Auditors' fees:		
(i)	Audit fees paid to principal auditors:	23	22
(ii)	Audit fees paid to other auditors:	0	0
(iii)	Fees paid for other services provided by principal and other auditors:	3	3
(iv)	<b>Total auditors' fees</b> (sum of (i) to (iii)):	26	25
(r)	Costs of offering credit:		
(i)	Bad debts written off:	-1	3
(ii)	Increase in estimated doubtful debts:	0	0
(iii)	<b>Total cost of offering credit</b> (sum of (i) to (ii)):	-1	3

## Statement of Financial Performance

	<b>2007</b>	<b>2006</b>
	<b>\$(000)</b>	<b>\$(000)</b>
(s) Local authority rates expense:	14	12
(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
	0	0
<b>13 Total operating expenditure</b> (sum of 12(a) to 12(x)).	<b>4,899</b>	<b>4,314</b>
<b>14 Operating surplus before interest and income tax</b> (11(f)-13).	<b>2,802</b>	<b>3,173</b>
<b>15 Interest expense</b>		
(a) Interest expense on borrowings:	256	76
(b) Financing charges related to finance leases:	0	0
(c) Other interest expense not listed in (a) or (b):	0	0
(d) <b>Total interest expense (sum of (a) to (c)):</b>	<b>256</b>	<b>76</b>
<b>16 Operating surplus before income tax (14-15(d))</b>	<b>2,546</b>	<b>3,097</b>
<b>17 Income tax</b>	<b>942</b>	<b>1,127</b>
<b>18 Net surplus after tax (16-17)</b>	<b>1,604</b>	<b>1,970</b>

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	2,802								
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIT)	2,802								
Interest on cash, bank balances, and short-term investments (ISTI)	41								
OSBIT minus ISTI	2,761	a		2,761				2,761	
Net surplus after tax from financial statements	1,604								
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	1,604	n				1,604			
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)	963								
Depreciation of SFA at ODV (y)	676								
ODV depreciation adjustment	287	d	add	287	add	287	add	287	
Subvention payment tax adjustment	-	s*t			deduct	0	deduct	0	
Interest tax shield	71	q					deduct	71	
Revaluations	-	r					add	0	
Income tax	942	p					deduct	942	
<b>Numerator</b>				3,048		1,891		2,035	
				OSBIT <sup>ADJ</sup> = a + g + s + d		NSAT <sup>ADJ</sup> = n + g + s - s*t + d		FE <sup>ADJ</sup> = a + g - q + r + s + d - p - s*t	
Fixed assets at end of previous financial year (FA <sub>0</sub> )	24,575								
Fixed assets at end of current financial year (FA <sub>1</sub> )	24,258								
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	214								
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	(51)								
Average total funds employed (ATFE)	24,498 (or requirement 32 time-weighted average)	c		24,498				24,498	
Total equity at end of previous financial year (TE <sub>0</sub> )	21,406								
Total equity at end of current financial year (TE <sub>1</sub> )	20,890								
Average total equity	21,148 (or requirement 32 time-weighted average)	k				21,148			
WUC at end of previous financial year (WUC <sub>0</sub> )	-								
WUC at end of current financial year (WUC <sub>1</sub> )	18								
Average total works under construction	9 (or requirement 32 time-weighted average)	e	deduct	9	deduct	9	deduct	9	
Revaluations	-	r							
Half of revaluations	-	r/2					deduct	0	
Intangible assets at end of previous financial year (IA <sub>0</sub> )	-								
Intangible assets at end of current financial year (IA <sub>1</sub> )	-								
Average total intangible asset	- (or requirement 32 time-weighted average)	m			deduct	0			
Subvention payment at end of previous financial year (S <sub>0</sub> )	-								
Subvention payment at end of current financial year (S <sub>1</sub> )	-								
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	- (or requirement 32 time-weighted average)	v			add	0			
System fixed assets at end of previous financial year at book value (SFA <sub>bv0</sub> )	23,263								
System fixed assets at end of current financial year at book value (SFA <sub>bv1</sub> )	22,930								
Average value of system fixed assets at book value	23,097 (or requirement 32 time-weighted average)	f	deduct	23,097	deduct	23,097	deduct	23,097	
System Fixed assets at year beginning at ODV value (SFA <sub>odv0</sub> )	20,290								
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv1</sub> )	20,224								
Average value of system fixed assets at ODV value	20,257 (or requirement 32 time-weighted average)	h	add	20,257	add	20,257	add	20,257	
<b>Denominator</b>				21,650		18,300		21,650	
<b>Financial Performance Measure:</b>				14.1		10.3		9.4	
				ROF = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100		ROE = NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100		ROI = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100	
				ATFE <sup>ADJ</sup> = c - e - f + h		FE <sup>ADJ</sup> = c - e - 1/2r - f + h			

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

	2007	2006	2005	2004	2003
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	14.08%	16%	14.8%	16.6%	20.7%
(b) Return on Equity	10.33%	11.70%	10.0%	11.7%	13.0%
(c) Return on Investment	9.40%	10.60%	9.7%	57.0%	12.8%
2 Efficiency Performance Measures					
(a) Direct Line Costs per Kilometre	\$3,375	\$3,089	\$2,639	\$2,536	\$2,864
(b) Indirect line costs per Consumer	\$107	\$90	\$89	\$92	\$84
1 Energy Delivery Efficiency Performance Measures					
(a) Load Factor	56.60%	56.3%	58.5%	56.1%	57.7%
(b) Loss Ratio	4.46%	5.08%	5.0%	5.8%	5.8%
(c) Capacity Utilisation	36.50%	36.3%	37.2%	36.8%	37.6%
2 Statistics					
(a) System Length Break Down in Kilometres					
33kV	11	11	11	11	17
11kV	79	79	78	78	78
LV	155	154	153	151	147
Total	245	244	242	240	242
(b) Circuit Length of Overhead System in Kilometres					
33kV	1	1	1	1	7
11kV	8	8	8	8	9
LV	26	26	27	28	25
Total	35	35	36	37	41
(c) Circuit Length of Underground System in Kilometres					
33kV	10	10	10	10	10
11kV	71	71	70	69	69
LV	129	128	126	123	122
Total	210	209	206	202	201
(d) Transformer Capacity in kVA	86,870	85,485	80,920	81,005	79,100
(e) Maximum demand in kW	31,669	31,066	30,120	29,800	29,767
(f) Total Electricity supplied from the System in kWh	156,973,463	153,215,839	154,295,704	146,420,659	150,532,170
(g) Total Electricity Conveyed through the System on behalf of each generator and retailer in kWh					
Retailer A	85,573,792	91,315,743	98,252,944	98,433,829	110,038,068
Retailer B	33,397,547	28,753,864	23,913,677	21,734,016	20,725,835
Retailer C	27,615,195	22,058,579	20,455,452	15,066,831	8,381,913
Retailer D	2,336,745	2,712,092	3,389,660	1,961,175	1,969,082
Retailer E	1,055,953	592,717	623,124	474,878	1,219,138
(h) Total Consumers	8,900	8,915	8,876	8,735	8,614

Reliability Performance Measures

1	2007	2006	2005	2004	2003
Number of interruption by class					
Class Description	number of interruptions				
A Transpower Planned	-	-	-	-	-
B Nelson Electricity Planned	22	27	25	10	22
C Nelson Electricity Unplanned	8	4	13	7	13
D Transpower Unplanned	2	2	-	-	-
E ECNZ Unplanned	-	-	-	-	-
F Other Generation	-	-	-	-	-
G Unplanned Other Line Owner	-	-	-	-	-
H Planned Other Line Owner	-	-	-	-	-
I Other	-	-	-	-	-
<b>Total</b>	<b>32</b>	<b>33</b>	<b>38</b>	<b>17</b>	<b>35</b>

2/3 Interruption targets for the average of the next five years		2009-2012				2008
	Class Description					
(a)	B Nelson Electricity Planned				25	25
(b)	C Nelson Electricity Unplanned				8	8
4	Percentage of Class C interruptions not restored within:	2007	2006	2005	2004	2003
				% of total class interruptions		
(a)	Three hours	0	0	15.4%	5.9%	7.7%
(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	2007	2006	2005	2004	2003
	33 kV	0	0	-	-	11.5
	11kV	10	5	16.6	9.1	14.0
	Total	10	4.4	14.7	8.0	13.6
(b/c)	Average total number of faults per 100 km for the next five years			2009-2012		
	Voltage	average total number of faults per 100 kms each year over this period				2008
	33 kV					3.8
	11kV					3.8
	Total					3.8
6	Faults (Class C) per 100 kilometres underground					
	Voltage	2007	2006	2005	2004	2003
	33 kV	0	0	-	-	-
	11kV	8	4.2	15.7	7.2	8.7
	Total	8	3.7	13.8	6.3	7.6
7	Faults (Class C) per 100 kilometres overhead					
	Voltage	2007	2006	2005	2004	2003
	33 kV	0	0	-	-	26.8
	11kV	24	11.9	23.9	25.0	54.3
	Total	24	11	22.1	22.2	42.0
8	SAIDI	2007	2006	2005	2004	2003
	Customer Minutes	249.9	122	51.0	53.2	99.6
9/10	SAIDI target			2009-2012		2008
				average SAIDI for each year over this period		
(a)	Class B				15.0	15.0
(b)	Class C				30.0	30.0
11	SAIDI per interruption class	2007	2006	2005	2004	2003
	Class Description			customer minutes		
	A Transpower Planned	0	0	-	-	-
	B Nelson Electricity Planned	9.3	12.2	12.5	6.6	27.4
	C Nelson Electricity Unplanned	25.8	10.1	38.6	46.6	72.1
	D Transpower Unplanned	214.8	99.8	-	-	-
	E ECNZ Unplanned	0	0	-	-	-
	F Other Generation	0	0	-	-	-
	G Unplanned Other Line Owner	0	0	-	-	-
	H Planned Other Line Owner	0	-	-	-	-
	I Other	0	-	-	-	-
12	SAIFI	2007	2006	2005	2004	2003
	Total Interruptions	2.5	2.2	0.8	0.8	1.4
13/14	SAIFI target			2009-2012		2008
				average SAIFI for each year over this period		
(a)	Class B Planned				0.3	0.3
(b)	Class C Unplanned				0.6	0.6

15	SAIFI per interruption class	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	Class Description				customer minutes	
	A Transpower Planned	0	0	-	-	-
	B Nelson Electricity Planned	0.3	0.1	0.1	0.3	0.0
	C Nelson Electricity Unplanned	0.2	0.2	0.8	0.5	1.0
	D Transpower Unplanned	2	1.9	-	-	-
	E ECNZ Unplanned	0	0	-	-	-
	F Other Generation	0	0	-	-	-
	G Unplanned Other Line Owner	0	0	-	-	-
	H Planned Other Line Owner	0	0	-	-	-
	I Other	0	0	-	-	-
16	CAIDI	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	Customer minutes	94.5	54.8	61.1	70.7	69.6
17	CAIDI target				<b>2009-2012</b>	<b>2008</b>
					average CAIDI for each year over this period	
(a)	Class B Planned				50.0	50.0
(b)	Class C Unplanned				50.0	50.0
19	CAIDI per interruption class	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	Class Description				customer minutes	
	A Transpower Planned	0	0	-	-	-
	B Nelson Electricity Planned	28.1	161	142.3	23.4	171.1
	C Nelson Electricity Unplanned	77.1	61.8	51.6	99.5	57.0
	D Transpower Unplanned	107.4	50.2	-	-	-
	E ECNZ Unplanned	0	0	-	-	-
	F Other Generation	0	0	-	-	-
	G Unplanned Other Line Owner	0	0	-	-	-
	H Planned Other Line Owner	0	-	-	-	-
	I Other	0	-	-	-	-