

NELSON ELECTRICITY LIMITED



**Financial Statements for the
Year Ended 31 March 2003**

NELSON ELECTRICITY LIMITED

DIRECTORY

DIRECTORS

Brian Lawrence Rhoades	Chair
David William Richard Dew	From 9 July 2002
David Scott Ferraby	To 9 July 2002
Kenneth John Forrest	
Michael John Glover	
Ian Francis Kearney	

MANAGEMENT

P L Goodall	Commercial Manager
G J Hoare	Company Secretary

REGISTERED OFFICE

c/- Marlborough Lines Limited
1-3 Alfred Street, PO Box 144
Blenheim
New Zealand

NELSON OFFICE

Haven Road
PO Box 7083
Nelson
New Zealand

AUDITOR

Audit New Zealand (on behalf of the Controller and Auditor General)

BANKER

WestpacTrust, Richmond

SOLICITORS

Buddle Findlay, Wellington
Rout Milner & Fitchett, Nelson



Audit New Zealand

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

We have audited the financial statements and performance information on pages 4 to 11. The financial statements provide information about the past financial performance of Nelson Electricity Limited and its financial position as at 31 March 2003. The performance information specifies the performance targets and other measures by which the performance of the Nelson Electricity Limited can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

Responsibilities of the Board of Directors

The Energy Companies Act 1992 and the Financial Reporting Act 1993 require the Board of Directors (the Board) to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Nelson Electricity Limited as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date. The Energy Companies Act 1992 also requires the Board to report the performance targets and other measures by which the performance of Nelson Electricity Limited can be judged in relation to its objectives.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Section 45(1) of the Energy Companies Act 1992 require the Auditor-General to audit the financial statements and the performance information presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and the performance information and report its opinion to you.

The Auditor-General has appointed B F Kearney, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and performance information. It also includes assessing:

- ▲ the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information; and
- ▲ whether the accounting policies are appropriate to Nelson Electricity Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with that 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 give reasonable assurance that the financial statements and performance information 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 carried out an audit related assignment for Nelson Electricity Limited. This involved issuing an audit certificate pursuant to the Electricity (Information Disclosure) Regulations 1999. Other than this assignment and in our capacity as auditor acting on behalf of the Auditor-General, we have no other relationship with or interests in Nelson Electricity Limited.

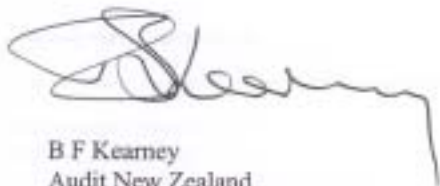
Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by Nelson Electricity Limited as far as appears from our examination of those records;
- ▲ the financial statements of Nelson Electricity Limited on pages 4 to 11:
 - comply with generally accepted accounting practice; and
 - give a true and fair view of:
 - the financial position as at 31 March 2003; and
 - the results of its operations and cash flows for the year ended on that date; and
- ▲ the performance information of Nelson Electricity Limited on page 11 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 31 March 2003.

Our audit was completed on 13 June 2003 and our unqualified opinion is expressed as at that date.



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

NELSON ELECTRICITY LIMITED

DIRECTORS' REPORT 2003

The Directors have pleasure in submitting their 2003 annual report.

DIRECTORS HOLDING OFFICE

The Company's Directors at 31 March 2003 were:

David William Richard Dew (from 9 July 2002)
Kenneth John Forrest
Michael John Glover
Ian Francis Kearney
Brian Lawrence Rhoades

PRINCIPAL ACTIVITY

The Company's principal activity during the year ended 31 March 2003 was the management and operation of the electricity distribution network for the Nelson City area.

ENTRIES MADE IN THE INTERESTS REGISTER

General Notice of Interests

David William Richard Dew	Director Marlborough Lines Ltd
Kenneth John Forrest	Director Marlborough Lines Ltd
Michael John Glover	Director Network Tasman Ltd
Ian Francis Kearney	Director Network Tasman Ltd

Remuneration of Directors

Directors' remuneration in respect of the year ended 31 March 2003 was:

David William Richard Dew	\$6,239
David Scott Ferraby	\$2,361
Kenneth John Forrest	\$8,600 (paid to Marlborough Lines Ltd)
Michael John Glover	\$8,600
Ian Francis Kearney	\$8,600
Brian Lawrence Rhoades	\$18,000

No loans have been made by the Company to any Director nor has the Company guaranteed any debts incurred by Directors.

Related Party Transactions

The Company has been invoiced for management services by its shareholding companies as follows:

Marlborough Lines Ltd	\$167,705
Network Tasman Ltd	\$132,502

DIRECTOR'S REPORT CONTINUED

Directors' Insurance

The company has arranged a policy of Directors and Officers liability insurance cover to a value of \$5m.

Use of Company Information

During the year the Board received no notices from the Company's Directors requesting use of company information received in their capacity as Directors which would not otherwise have been available to them.

RESULTS

The Company's after tax profit for the period was \$1,876,960. The Directors consider the result is satisfactory.

DIVIDENDS

During the year the Directors recommended and paid fully imputed dividends totalling \$1,700,000.

REMUNERATION OF EMPLOYEES

During the 2002/03 financial year the Company employed four full time staff. There were no payments to staff which exceeded the publication threshold of \$100,000.

DONATIONS

The Company did not make any donations during the year ended 31 March 2003

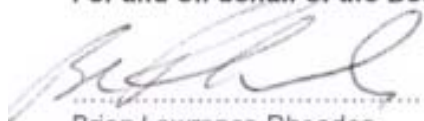
CHANGES IN ACCOUNTING POLICIES

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

AUDITORS

As required by the Energy Companies Act 1992 the Auditor General will appoint the Company's Auditors. The Directors negotiate their fee and terms of audit. Details of audit fees paid are disclosed in the financial statements.

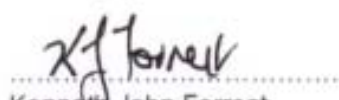
For and on behalf of the Board.



Brian Lawrence Rhoades
Chairman

12 June 2003

For Nelson Electricity Limited



Kenneth John Forrest
Director

12 June 2003

Nelson Electricity Limited
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2003

	NOTES	YEAR ENDED 31-Mar-03 \$	YEAR ENDED 31-Mar-02 \$
INCOME			
Network revenue		6,609,668	6,783,954
Rental income		0	5,280
Interest income		86,798	78,217
Miscellaneous income		24,806	142,421
Surplus (deficit) on disposal of assets		1,480	(110)
Other income		8,299	3,273
		6,731,051	7,013,035
EXPENDITURE			
Operations and maintenance		2,189,783	1,588,306
Administration costs		774,929	470,751
Audit fees		13,275	6,200
Other fees paid to auditors		3,500	3,500
Directors' fees		52,400	44,508
Leasing costs		0	13,851
Interest expense		64,913	63,062
Depreciation		574,763	606,290
Amortisation of lease buy-out		0	610,890
		3,673,563	3,407,358
SURPLUS BEFORE TAXATION		3,057,488	3,605,677
Provision for taxation	2	1,180,528	1,521,917
SURPLUS AFTER TAXATION		1,876,960	2,083,760

Nelson Electricity Limited
STATEMENT OF MOVEMENTS IN EQUITY
for the year ended 31 March 2003

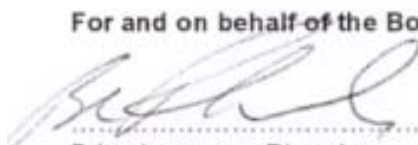
	NOTES	YEAR ENDED 31-Mar-03 \$	YEAR ENDED 31-Mar-02 \$
EQUITY AT BEGINNING OF YEAR		14,425,597	3,322,579
Increase in revaluation reserves		0	11,219,258
Net surplus for period		1,876,960	2,083,760
Total recognised revenues and expenses		1,876,960	13,303,018
Distributions to owners	4	(1,700,000)	(2,200,000)
EQUITY AT END OF YEAR		14,602,557	14,425,597

This statement should be read in conjunction with the Notes to the Financial Statements

Nelson Electricity Limited
STATEMENT OF FINANCIAL POSITION
as at 31 March 2003

	NOTES	AS AT 31-Mar-03 \$	AS AT 31-Mar-02 \$
EQUITY			
Share capital	3	1,000	1,000
Revaluation reserves	3	11,219,258	11,219,258
Pre-acquisition reserves	4	1,290,564	1,290,564
Retained earnings	4	2,091,735	1,914,775
		14,602,557	14,425,597
Represented By			
CURRENT ASSETS			
Bank		14,143	23,591
Short term deposits		1,120,000	750,000
Accounts receivable		715,787	542,278
Stock		101,189	101,634
Tax refund due		138,316	65,679
		2,089,435	1,483,182
CURRENT LIABILITIES			
Creditors and accruals		544,652	365,103
Employee entitlements		20,007	24,047
		564,659	389,150
WORKING CAPITAL			
		1,524,776	1,094,032
NON-CURRENT ASSETS			
Fixed assets	5	14,377,623	14,489,754
		14,377,623	14,489,754
NON-CURRENT LIABILITIES			
Deferred tax	6	299,842	158,189
Term loan	7	1,000,000	1,000,000
		1,299,842	1,158,189
NET ASSETS			
		14,602,557	14,425,597

For and on behalf of the Board.

For and on behalf of the Board.

.....
Brian Lawrence Rhoades
Chairman
12 June 2003
For Nelson Electricity Limited


.....
Kenneth John Forrest
Director
12 June 2003

This statement should be read in conjunction with the Notes to the Financial Statements

Nelson Electricity Limited
STATEMENT OF CASH FLOWS
for the year ended 31 March 2003

	NOTES	YEAR ENDED 31-Mar-03 \$	YEAR ENDED 31-Mar-02 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		6,469,108	6,960,176
Interest received		86,954	77,882
		6,556,062	7,038,058
Cash was applied to			
Payments to suppliers		(2,892,611)	(2,313,273)
Interest paid		(64,772)	(62,361)
Net GST paid		59,760	11,698
Taxation paid		(1,111,512)	(1,442,553)
		(4,009,135)	(3,806,489)
Net cash inflow from operating activities	8	2,546,927	3,231,569
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Disposal of fixed assets		7,994	1,694
Cash was applied to			
Purchase of fixed assets		(494,369)	(345,545)
Net cash outflow from investing activities		(486,375)	(343,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to			
Term debt repaid			
Share repurchase			
Dividends paid		(1,700,000)	(2,200,000)
Net cash outflow from financing activities		(1,700,000)	(2,200,000)
Net increase in cash held		360,552	687,718
Opening cash brought forward		773,591	85,873
Cash at end of year		1,134,143	773,591
CASH BALANCES IN STATEMENT OF FINANCIAL POSITION			
Bank		14,143	23,591
Short term deposits		1,120,000	750,000
		1,134,143	773,591

This statement should be read in conjunction with the Notes to the Financial Statements

Nelson Electricity Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003

1. STATEMENT OF ACCOUNTING POLICIES

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.

The Nelson City Council corporatised its electrical distribution assets on 1 September 1993 in the name of Nelson Electricity Limited. The Nelson City Council disposed of its 100% shareholding in Nelson Electricity on 19 June 1996, to Tasman Energy Limited and Marlborough Electric Limited. In December 1991 the distribution system assets were leased to Citipower Limited (a fully owned subsidiary of Capital Power Limited) for a period of ten years.

As a result of restructuring required in accord with the Energy Industry Restructuring Act 1998 the lease was terminated on 1 April 1999. These financial statements have been prepared pursuant to the Energy Companies Act 1992 and in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Measurement Base

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are disclosed.

Accounting Policies

(a) 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 payables which include GST invoiced.

(b) Fixed Assets

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

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

Revaluation surpluses are transferred directly to the asset revaluation reserve.

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

All other assets are stated at cost less depreciation.

(c) Depreciation

Fixed assets have been depreciated in order to write off cost less estimated residual value over their estimated useful life on the following basis:

Buildings	2.00% straight line
Distribution System	1.43% to 6.67% straight line
Plant and Equipment	14.40% to 60.00% diminishing value

Work in progress is not depreciated. The total cost of capital works or plant items is transferred to fixed assets on completion and then depreciated.

(d) Taxation

The income taxation 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.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

(e) Receivables

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

Nelson Electricity Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003

(g) Financial Instruments

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to 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.

(h) 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.

(i) Network Revenue

The company's principal source of revenue arises from the supply of network services to electricity retailers 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.

(j) 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.

(l) 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 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.

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 the previous year.

2. TAXATION

	YEAR ENDED 31-Mar-03 \$	YEAR ENDED 31-Mar-02 \$
Surplus before taxation	3,057,488	3,605,677
Taxation @ 33%	1,008,971	1,189,873
Under provision from prior years	(1,796)	(9,900)
Plus effect of permanent differences	173,353	341,944
Taxation Expense	1,180,528	1,521,917

This taxation charge is represented by

Current taxation	1,038,875	1,421,236
Deferred taxation	141,653	100,681
	1,180,528	1,521,917

Imputation Credit Account

Balance 1 April	451,051	92,079
Imputation credits attached to dividends paid in the year	(837,313)	(1,083,582)
Income tax payments during the year	1,111,512	1,450,000
Refunds received from Inland Revenue	0	(7,446)

Nelson Electricity Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003

3.EQUITY

Subsequent to agreement of its two shareholders, Nelson Electricity repurchased a total of 4,999,000 \$1 shares on 22 March 2001. As at 31 March 2003 Marlborough Lines Ltd and Network Tasman Ltd each held 500 shares. (2002, 500 shares)

All shares carry equal voting rights and the right to share equally in any winding up of the company. None of the shares carry fixed dividend rights.

	31-Mar-03	31-Mar-02
	\$	\$
Share capital – 1,000 shares	1,000	1,000

ASSET REVALUATION RESERVES

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

Credits to Revaluation Reserves	\$	\$
Land	0	664,761
Distribution System Assets	0	10,554,497
Total	0	11,219,258

4.RETAINED EARNINGS / PRE ACQUISITION RESERVES

RETAINED EARNINGS	AS AT 31-Mar-03	AS AT 31-Mar-02
	\$	\$
Opening balance 1 April	1,914,775	2,031,015
Net surplus for year	1,876,960	2,083,760
Dividends paid	(1,700,000)	(2,200,000)
Closing balance 31 March	2,091,735	1,914,775

PRE-ACQUISITION RESERVES

	AS AT 31-Mar-03	AS AT 31-Mar-02
	\$	\$
Retained earnings accumulated to 19/06/96, when the company was purchased by Network Tasman Limited and Marlborough Lines Limited	1,290,564	1,290,564

5.NON CURRENT ASSETS	AS AT 31-Mar-03	AS AT 31-Mar-02
As At 31 March 2003	\$	\$
Land (at valuation)	772,800	772,800
Buildings (at cost)	175,284	175,284
Accumulated Depreciation	75,130	71,623
	100,154	103,661
Distribution System Assets (at valuation)		
Subtransmission Assets	1,371,630	1,361,955
Accumulated Depreciation	79,667	39,743
	1,291,963	1,322,212
Zone Substations	933,784	909,478
Accumulated Depreciation	121,533	70,584
	812,251	838,894
Distribution Assets	11,129,437	10,902,649
Accumulated Depreciation	832,418	413,853
	10,297,019	10,488,796
Other System Fixed Assets	1,026,906	901,820
Accumulated Depreciation	84,712	42,197
	942,194	859,623
Plant and Equipment (at cost)	175,681	157,425
Accumulated Depreciation	120,939	106,935
	54,742	50,490

Nelson Electricity Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003

The most recent Optimised Deprival Valuation for Nelson Electricity's network assets is \$13.837m. (2002, \$14.167m). This value was confirmed following audit by the Commerce Commission and their advice dated 31 March 2002.

Land assets were revalued as at 31 July 2001 in accord with valuations provided by Telfer Young (Nelson) Ltd.

The directors consider that the above values represent fair value for land and improvements. The current rating valuation for improvements is \$138,500 (2002 \$105,000).

6. DEFERRED TAXATION

	AS AT 31-Mar-03 \$	AS AT 31-Mar-02 \$
Balance 1 April 2002	158,189	57,508
Adjustment prior period	16,167	
Current period provision	125,486	100,681
Balance 31 March 2003	299,842	158,189

7. TERM LOANS

	AS AT 31-Mar-03 \$	AS AT 31-Mar-02 \$
Westpac Trust Multi Option Credit Facility.	1,000,000	1,000,000

Effective interest rate at 31 March 2003 is 6.356%. (2002, 6.53%)

Three year facility, reviewed and able to be extended annually.

The facility limit is \$1.8m. The company has granted a negative pledge as an alternative to issuing security in respect of the facility. The facility expires on 26 March 2005.

8. RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOW FROM OPERATING ACTIVITIES

	YEAR ENDED 31-Mar-03 \$	YEAR ENDED 31-Mar-02 \$
Net surplus after taxation	1,876,960	2,083,760
Add (less) non-cash items		
Depreciation	574,763	606,290
Movement in deferred taxation	141,653	100,681
Amortisation of lease buy-out costs.	0	610,890
	716,416	1,317,861
Add (less) movements in working capital		
(Increase)/Decrease in receivables	(173,509)	117,713
(Increase)/Decrease in stocks	445	(20,506)
Increase/(Decrease) in creditors and accruals	175,509	(155,893)
(Increase)/Decrease in taxation provision	(72,637)	(21,317)
	(70,192)	(80,003)
Less items classified as investing activities		
Surplus on disposal of assets	(1,480)	110
New land vested	0	(92,800)
Capital expenditure in creditors (net movement)	25,223	2,641
Net cash inflow from operating activities	2,546,927	3,231,569

9. RELATED PARTY TRANSACTIONS

9.1 Shareholding companies have in the past year provided management and operational support to Nelson Electricity to the following values:

	2003 \$	2002 \$
Marlborough Lines Ltd	167,705	15,600
Network Tasman Ltd	132,502	9,760
Payable to Marlborough Lines at 31 March	Nil	17,550
Payable to Network Tasman at 31 March	11,042	10,980

9.2 Nelson Electricity reimburses Marlborough Lines for salaries paid to Nelson Electricity staff on its behalf. There were no

Nelson Electricity Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003

	2003	2002
	\$	\$
9.4 Directors fees paid to Marlborough Lines Ltd in respect of Mr K Forrest.	8,600	8,207

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

9.6 There were no related party debts written off or forgiven during the year. (2002, Nil)

10. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2003 the company had no material commitments or contingent liabilities that are not included in the financial statements (2002 Nil).

11. FINANCIAL INSTRUMENTS

11.1 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 concentrations of credit risk.

11.2 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 7.

11.3 Currency Risk

The company has no present exposure to risks arising from movement in exchange rates. (2002, Nil)

12. STATEMENT OF CORPORATE INTENT TARGETS

The Directors adopted a Statement of Corporate Intent for the 2002/2003 year, which provided for the following targets.

Financial Targets	2003	2002
(a) Estimated "Return on Investment" from core business		
Target return	14.06%	10.93%
Actual return	13.90%	15.07%
(Ministry of Economic Development ROI formula used)		
(b) Profitability		
Target after tax profit	\$2.082m	\$1.687m
Actual after tax profit	\$1.877m	\$2.083m
(c) Dividends		
Target Dividend	\$1.923m	
Tax paid profit	\$1.877m	\$2.083m
Dividends declared	\$1.700m	\$2.200m
Declared dividends represent 90.57% of tax paid surplus.		

System Reliability Targets

SAIDI	System average interruption duration index.	Target	40 Minutes
		Actual	99 Minutes
SAIFI	System average interruption frequency index.	Target	0.90
		Actual	1.43
CAIDI	Customer average interruption duration index.	Target	33.30 Minutes
		Actual	69.80 Minutes

**NELSON ELECTRICITY LIMITED
PERFORMANCE MEASURES**

**PREPARED IN ACCORDANCE WITH THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999
and AMENDMENT REGULATIONS 2000 and 2001**

	2003	2002	2001	2000
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	20.7%	24.1%	17.4%	16.1%
(b) Return on Equity	13.0%	14.7%	10.6%	8.8%
(c) Return on Investment	12.8%	14.0%	8.8%	7.4%
2 Efficiency Performance Measures				
(a) Direct Line Costs per Kilometre	\$2,864	\$1,884	\$2,261	\$1,909
(b) Indirect line costs per Consumer	\$84	\$118	\$149	\$152
1 Energy Delivery Efficiency Performance Measures				
(a) Load Factor	57.7%	55.0%	58.7%	59.4%
(b) Loss Ratio	5.45%	2.41%	4.9%	4.6%
(c) Capacity Utilisation	37.6%	39.0%	37.6%	39.1%
2 Statistics				
(a) System Length Break Down in Kilometres				
33kV	17	17	21	21
11kV	78	78	77	74
LV	147	146	145	144
Total	242	241	243	239
(b) Circuit Length of Overhead System in Kilometres				
33kV	7	8	11	11
11kV	9	9	9	8
LV	25	25	25	25
Total	41	42	45	44
(c) Circuit Length of Underground System in Kilometres				
33kV	10	10	10	10
11kV	69	68	68	66
LV	122	121	120	119
Total	201	199	198	195
(d) Transformer Capacity in kVA	79,100	78,190	76,540	72,270
(e) Maximum demand in kW	29,767	30,470	28,800	28,225
(f) Total Electricity supplied from the System in kWh	150,532,170	146,924,719	148,097,417	147,146,156

(g) Total Electricity Conveyed through the System on behalf of each generator and retailer in kWh				
Retailer A	110,038,068	116,967,198	126,945,263	109,650,064
Retailer B	20,725,835	17,346,953	7,793,122	4,363,289
Retailer C	8,381,913	3,294,004	4,463,743	1,750,965
Retailer D	1,969,082	2,723,393	1,390,788	416,420
Retailer E	1,219,138	3,049,344	298,065	24,197,830
(h) Total Consumers	8,614	8,575	8,579	8,476

Reliability Performance Measures

1	Number of interruption by class	2003	2002	2001	2000
	Class Description	number of interruptions			
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	22	9	9	22
	C Nelson Electricity Unplanned	13	7	6	8
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-
	Total	35	16	15	30

2/3 Interruption targets for the average of the next five years **2004 to 2008**

average number of interruptions each year over this period

	Class Description	
(a)	B Nelson Electricity Planned	25
(b)	C Nelson Electricity Unplanned	8

4	Percentage of Class C interruptions not restored within-	2003	2002	2001	2000
		% of total class interruptions			
(a)	Three hours	7.7%	14.0%	0.0%	12.5%
(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	2003	2002	2001	2000
	33 kV	11.5	-	4.8	9.7
	11kV	14.0	3.9	2.6	8.1
	Total	13.6	3.9	3.1	8.4

(b/c) Average total number of faults per 100 km for the next five years **2004 to 2008**
average total number of faults per 100 kms each year over this period

	Voltage	
	33 kV	3.8
	11kV	3.8
	Total	3.8

6 Faults (Class C) per 100 kilometres underground

	Voltage	2003	2002	2001	2000
	33 kV	-	-	-	10.3
	11kV	8.7	2.9	1.5	6.1
	Total	7.6	2.9	1.3	6.6

7	Faults (Class C) per 100 kilometres overhead				
	Voltage	2003	2002	2001	2000
	33 kV	26.76	0.00	9.10	9.10
	11kV	54.34	10.87	11.10	24.50
	Total	41.97	10.87	10.00	15.60
8	SAIDI	2003	2002	2001	2000
	Customer Minutes	99.56	38.66	41.00	77.00
9/10	SAIDI target				2004 to 2008
					average SAIDI for each year over this period
(a)	Class B				15.00
(b)	Class C				25.00
11	SAIDI per interruption class	2003	2002	2001	2000
	Class Description				customer minutes
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	27.43	0.57	13.00	16.00
	C Nelson Electricity Unplanned	72.13	38.10	28.00	60.00
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-
12	SAIFI	2003	2002	2001	2000
	Total Interruptions	1.43	0.95	1.78	1.30
13/14	SAIFI target				2004 to 2008
					average SAIFI for each year over this period
(a)	Class B Planned				0.30
(b)	Class C Unplanned				0.60
15	SAIFI per interruption class	2003	2002	2001	2000
	Class Description				customer minutes
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	0.16	0.00	0.06	0.09
	C Nelson Electricity Unplanned	1.27	0.95	1.72	1.21
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-
16	CAIDI	2003	2002	2001	2000
	Customer minutes	69.60	40.50	23.00	58.70
17	CAIDI target				2004 to 2008
					average CAIDI for each year over this period
(a)	Class B Planned				50.00
(b)	Class C Unplanned				41.67
19	CAIDI per interruption class	2003	2002	2001	2000
	Class Description				customer minutes
	A Transpower Planned	-	-	-	-
	B Nelson Electricity Planned	171.14	134.53	217.50	173.20
	C Nelson Electricity Unplanned	57.00	40.08	16.40	49.80
	D Transpower Unplanned	-	-	-	-
	E ECNZ Unplanned	-	-	-	-
	F Other Generation	-	-	-	-
	G Unplanned Other Line Owner	-	-	-	-
	H Planned Other Line Owner	-	-	-	-
	I Other	-	-	-	-

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	3,122				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	3,122				
Interest on cash, bank balances, and short-term investments (ISTI)	87				
OSBIIT minus ISTI	3,035	a	3,035		3,035
Net surplus after tax from financial statements	1,877				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,877	n		1,877	
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)	552				
Depreciation of SFA at ODV (y)	513				
ODV depreciation adjustment	39	d	add 39	add 39	add 39
Subvention payment tax adjustment	-	s*t		deduct 0	deduct 0
Interest tax shield	(7)	q			deduct -7
Revaluations	-	r			add 0
Income tax	1,180	p			deduct 1,180
Numerator			3,074	1,916	1,901
			$OSBIIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s*t + d$	$I^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of previous financial year (FA ₀)	14,489				
Fixed assets at end of current financial year (FA ₁)	14,378				
Adjusted net working capital at end of previous financial year (ANWC ₀)	255				
Adjusted net working capital at end of current financial year (ANWC ₁)	253				
Average total funds employed (ATFE) <small>(or regulation 33 time-weighted average)</small>	14,688	c	14,688		14,688
Total equity at end of previous financial year (TE ₀)	14,426				
Total equity at end of current financial year (TE ₁)	14,603				
Average total equity <small>(or regulation 33 time-weighted average)</small>	14,515	k		14,515	
WUC at end of previous financial year (WUC ₀)	53				
WUC at end of current financial year (WUC ₁)	107				
Average total works under construction <small>(or regulation 33 time-weighted average)</small>	80	e	deduct 80	deduct 80	deduct 80
Revaluations	-	r			
Half of revaluations	-	r/2			deduct 0
Intangible assets at end of previous financial year (IA ₀)	-				
Intangible assets at end of current financial year (IA ₁)	-				
Average total intangible asset <small>(or regulation 33 time-weighted average)</small>	-	m		add 0	
Subvention payment at end of previous financial year (S ₀)	-				
Subvention payment at end of current financial year (S ₁)	-				
Subvention payment tax adjustment at end of previous financial year	-				
Subvention payment tax adjustment at end of current financial year	-				
Average subvention payment & related tax adjustment	-	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	13,510				

System fixed assets at end of current financial year at book value (SFA_{bv1})	13,343					
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	13,427	f	deduct	13,427	deduct	13,427
System Fixed assets at year beginning at ODV value (SFA_{odv0})	13,837					
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	13,531					
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	13,684	h	add	13,684	add	13,684
Denominator				14,865	14,692	14,865
				$ATFE^{ADJ} = c - e - f + h$	$^{DJ} = k - e - m + v - f + h$	$FE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:				20.7	13.0	12.8
				$ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	$ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

t = maximum statutory income tax rate applying to corporate entities

bv = book value

ave = average

odv = optimised deprival valuation

subscript '0' = end of the previous financial year

subscript '1' = end of the current financial year

ROF = return on funds

ROE = return on equity

ROI = return on investment

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

para

	2003	2002		
	\$	\$		
1	Current assets			
(a)	14	24		
(b)	1,120	750		
(c)	101	102		
(d)	716	542		
(e)	0	0		
(f)	1,951	1,418	817	644
2	Fixed assets			
(a)	13,343	13,510		
(b)	0	0		
(c)	22	9		
(d)	33	41		
(e)	873	876		
(f)	107	53		
(g)	0	0		
(h)	14,378	14,489		
3	0	0		
4	16,329	15,907		
5	Intangible assets			
(a)	0	0		
(b)	0	0		
(c)	0	0		
6	16,329	15,907		
7	Current liabilities			
(a)	0	0		
(b)	0	0		
(c)	544	365		
(d)	0	0		
(e)	-138	-66		
(f)	20	24		
(g)	426	323	564	389
8	Non-current liabilities		253	255
(a)	0	0		
(b)	1,000	1,000		
(c)	300	158		
(d)	0	0		
(e)	1,300	1,158		
9	Equity			
(a)	Shareholders' equity:			
(i)	1	1		
(ii)	2,092	1,915		
(iii)	12,510	12,510		
(iv)	14,603	14,426		
(b)	0	0		
(c)	14,603	14,426		
(d)	0	0		
(e)	14,603	14,426		
10	16,329	15,907		

para
11

Operating Revenue (Schedule 1, Part 2)

Operating revenue	
(a)	(a) Revenue from line/access charges:
(b)	(b) Revenue from "Other" business for services carried out by the line business (transfer payment):
(c)	(c) Interest on cash, bank balances and short term investments:
(e)	(d) AC loss-rental rebates:
(f)	(e) Other revenue not listed in (a) to (d):
(g)	Total operating revenue

2002	2002
\$	\$
6,610	6,784
0	0
0	0
87	78
176	413
34	151
6,907	7,426

para

Expenditure (Schedule 1, Part 2)

12 Operating expenditure

(a)	Payment for transmission charges
(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
(viii)	Total transfer payment to the "Other" business
(c)	Expense to entities that are not related parties for:
(i)	Asset maintenance:
(ii)	Consumer disconnection/reconnection services
(iii)	Meter data
(iv)	Consumer-based load control services
(v)	Royalty and patent expenses
(vi)	Total of specified expenses to non-related parties (sum of (i) to (v))
(d)	Employee salaries, wages and redundancies
(e)	Consumer billing and information system expense
(f)	Depreciation on:
(i)	System fixed assets:
(ii)	Other assets not listed in (i)
(iii)	Total depreciation
(g)	Amortisation of:
(i)	Goodwill:
(ii)	Other intangibles:
(iii)	Total amortisation of intangibles
(h)	Corporate and administration:
(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:
(o)	Donations:
(p)	Directors' fees:
(q)	Auditors' fees:
(i)	Audit fees paid to principal auditors:
(ii)	Audit fees paid to other auditors:
(iii)	Fees paid for other services provided by principal and other auditors:
(iv)	Total auditors' fees:
(r)	Costs of offering credit:
(i)	Bad debts written off:
(ii)	Increase in estimated doubtful debts:
(iii)	Total cost of offering credit:
(s)	Local authority rates expense:
(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)
13	Total operating expenditure

2002	2002
\$	\$
1,797	1,684
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
560	311
0	0
0	0
0	0
0	0
560	311
266	272
0	0
552	566
23	40
575	606
0	0
0	611
0	611
424	146
0	0
0	0
0	0
0	0
0	0
85	60
0	0
52	45
13	6
0	0
4	4
17	10
0	0
0	0
0	0
9	12
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
3,785	3,757
3,122	3,669

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Operating surplus before interest and income tax

15 Interest expense		
(a) Interest expense on borrowings	65	63
(b) Financing charges related to finance leases	0	0
(c) Other interest expense	0	0
(d) Total interest expense	65	63
16 Operating surplus before income tax	3,057	3,606
17 Income tax	1,180	1,522
18 Net surplus after tax	1,877	2,084