

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

We have examined the attached information, being:

- (a) the derivation table in regulation 16;
- (b) the annual ODV reconciliation report in regulation 16A;
- (c) the time-weighted averages calculations in regulation 33;
- (d) the financial performance measures specified in clause 1 of Part 3 of Schedule 1; and
- (e) the financial components of the efficiency performance measures specified in clause 2 of Part 3 of Schedule 1,

that were prepared by Marlborough Lines Limited and dated 31 March 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



G. R. Mitchell
Deloitte Touche Tohmatsu
On behalf of the Auditor General
Wellington, New Zealand
18 September 2003

REPORT OF THE AUDITOR-GENERAL**TO THE READERS OF THE FINANCIAL STATEMENTS OF MARLBOROUGH LINES LIMITED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2003**

We have audited the attached financial statements of Marlborough Lines Limited – Lines Business (“Marlborough Lines”) prepared in accordance with the Electricity (Information Disclosure) Regulations 1999 and Amendment Regulations 2000 and 2002 (the Regulations). The financial statements provide information about the past financial performance of Marlborough Lines and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors’ Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements that give a true and fair view of the financial position of Marlborough Lines as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date.

Auditor’s Responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed G R Mitchell of Deloitte Touche Tohmatsu 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 performance information; and
- whether the accounting policies are appropriate to Marlborough Lines’ circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give 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 auditors, acting on behalf of the Auditor-General, we have no relationship with or interests in Marlborough Lines.

Qualified Opinion

As more fully explained in Note 1 in the Notes to the Financial Statements, these financial statements have been prepared in accordance with the Regulations and as such represent a 100% consolidation of Marlborough Lines – Lines Business financial statements for the year with OtagoNet's financial statements for the nine months from 1 July 2002 to 31 March 2003. While required by the Regulations this treatment does not comply with generally accepted accounting practice.

The statutory financial statements published with the company's annual report reflected a proportional (51%) consolidation of OtagoNet as required by SSAP-25 – "Accounting for Joint Ventures".

The adjustments required in order to comply with generally accepted accounting practice in New Zealand are disclosed in note 1.1.

As stated in Note 1.1, the activities of the Parent have not been separately disclosed in these financial statements as that would be inconsistent with the requirements of the Regulations. Again this represents a departure from generally accepted accounting practice.

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

In our opinion:

- proper accounting records have been kept by Marlborough Lines as far as appears from our examination of those records;
- because of the effect of the above, the attached financial statements of Marlborough Lines:
 - (a) do not comply with generally accepted accounting practice in New Zealand;
 - (b) do not give a true and fair view of Marlborough Lines' 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 financial statements comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 18 September 2003 and our qualified opinion is expressed as at that date.



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

Certification of Financial Statements, Performance Measures, and Statistics Disclosed by Line Owners Other Than Transpower

We, Kenneth John Forrest and Geoffrey John Hoare, principals of Marlborough Lines Ltd certify that, having made all reasonable enquiry, to the best of our knowledge, —

- (a) the attached audited financial statements of Marlborough Lines Ltd (including OtagoNet), prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; 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 Marlborough Lines Ltd (including OtagoNet), and having been prepared for the purposes of regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2003.



Kenneth John Forrest
Managing Director

18 September 2003



Geoffrey John Hoare
Company Secretary

Certification of Valuation Report of Line Owners

We, Kenneth John Forrest and Geoffrey John Hoare, principals of Marlborough Lines Ltd certify that, having made all reasonable enquiry, to the best of our knowledge—

- (a) the attached valuation report of Marlborough Lines Ltd (including OtagoNet), prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) the replacement cost of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$305,773,606 and
- (c) the depreciated replacement cost of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$149,628,129 and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$147,170,946, and
- (e) the optimised deprival valuation of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$143,700,284; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2003.



Kenneth John Forrest
Managing Director

18 September 2003



Geoffrey John Hoare
Company Secretary

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Marlborough Lines Limited dated 8 September 2003, which contains valuations of system fixed assets as at 31 March 2003.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$143,700,284, have been made in accordance with the ODV Handbook.



PricewaterhouseCoopers
Chartered Accountants
Auckland
9 September 2003