

# LAYING IT ON THE LINE

## ANNUAL REPORT 2005

Marlborough Lines' financial results for the year ended March 31 2005 were released at the Annual General Meeting on Tuesday 20 September. The following is an overview of our performance over this 12 month period.

Note: Now that Marlborough Lines has expanded to encompass other networks the company is required to report on a Group and Parent basis. Information and graphs that refer to Parent results relate specifically to Marlborough Lines activity in Marlborough whereas Group information includes Marlborough Lines' Marlborough operations as well as the company's investments in Nelson and Otago companies.

You can review a full account of our annual results by requesting a copy of the Marlborough Lines Annual Report 2005 from our Alfred Street premises.

### Highlights

- Group operating revenue **\$33.099m** (up 6.99%).
- Group earnings before interest, tax and depreciation of **\$11.613m**.
- Discounts totalling **\$4.62m** inclusive of GST paid to Marlborough customers — an average domestic customer as defined by the Ministry of Economic Development received **\$160**.
- Total Marlborough network connections increased by **339** to **22,547**.
- Nelson Electricity dividends paid to Marlborough Lines increased to **\$1.1m**.
- Otago Power Services profit increased by **35%**.
- Total cashflows of **\$3.567m** were received from investments.

### SUPPORTING A GROWING REGIONAL ECONOMY

Marlborough is one of the few provincial areas in the South Island predicted by Statistics New Zealand to achieve sustained population growth over the next 10-15 years. The regional economy is flourishing with significant increased activity particularly in the wine, aquaculture (mussel) and forestry sectors. These industries have a strong trickle-down effect creating further employment in service industries such as transport, engineering, irrigation and farm supplies.

Additionally, unemployment is currently lower in Marlborough than at any time in the last 30 years and seasonal labour shortages are attracting new residents to the province. This has resulted in considerable subdivision activity in and around Blenheim, requiring new underground electricity reticulation, transformers and increased zone substation (33/11kV) capacity.

Tourism is a continuing positive economic driver, with the number of tourist overnight stays expected to rise by 18% over the next five years with emerging drawcards such as the Classic Fighters Airshow at Omaka and the Aviation Museum also planned for Omaka. Marlborough

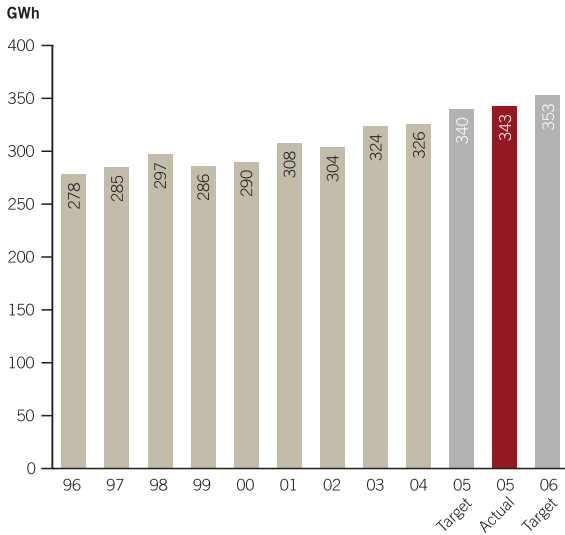
Lines is supporting the economic boom, powering new regional infrastructure (water supply, sewerage, street lighting) and new homes. In the coming year we will be keenly monitoring demand and anticipating growth in the commercial areas of Blenheim and Picton to ensure that an adequate electricity supply is available as housing gives way to commercial premises.

Our Asset Management Plan is updated annually and provides for network development over the next 10 years. Projected capital expenditure over the period totals \$63 million, allowing for extension and development of the network, based on current projections for population growth and load growth (which is running ahead of population growth at 5.6% for the last year).

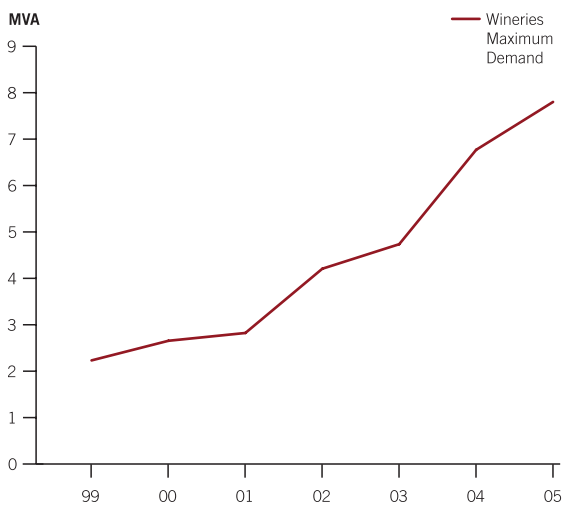
### Group Results in Brief

	ACTUAL 2005	TARGET 2005	PROJECTED 2006	2004	2003	2002
<b>Total revenue (Group)</b>	<b>\$33.099m</b>	<b>\$32.892m</b>	<b>\$35.891m</b>	<b>\$30.936m</b>	<b>\$25.969m</b>	<b>\$20.140m</b>
Consumer discount	\$4.1m	\$4.1m	\$4.2m	\$4.0m	\$4.0m	\$5.0m
Pre-tax pre-discount surplus	\$7.709m	\$9.0m	\$12.378m	\$7.8m	\$5.69m	\$5.0m
Surplus after taxation	\$2.369m	\$4.235m	\$6.419m	\$2.763m	\$1.401m	\$1.58m
Total value of Group assets	\$194.7m	\$191.2m	\$199.4m	\$189.3m	\$92.4m	\$67.54m
Share capital	\$29.026m	\$29.026m	\$29.026m	\$29.026m	\$29.026m	\$29.026m
Shareholder equity	\$163.74m	\$163.77m	\$170.0m	\$159.64m	\$66.56m	\$65.4m
Net asset backing per share	\$5.85	\$5.84	\$6.07	\$5.70	\$2.38	\$2.34
Pre discount return on shareholder funds	3.29%	4.26%	5.64%	3.41%	6.13%	7.41%
Energy carried on the Marlborough network	343GWh	340GWh	353GWh	326GWh	323GWh	304GWh
Net interest bearing debt	\$20.0m	\$20.0m	\$20.0m	\$20.0m	\$23.0m	Nil
Interest cover	3.92	4.70	6.76	4.16	2.71	N/A

**ENERGY SUPPLIED TO THE MARLBOROUGH NETWORK**

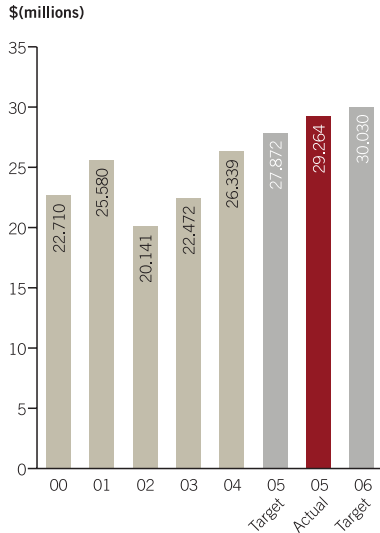


**WINERIES – MAXIMUM DEMAND**



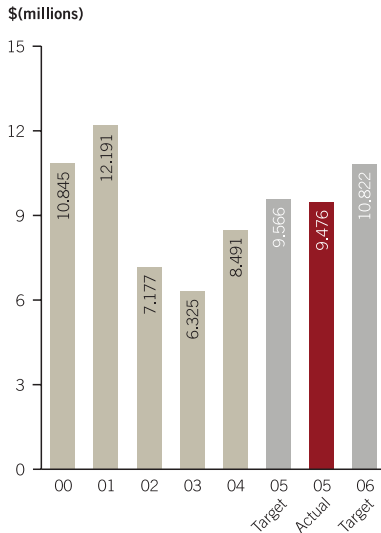
**\$29.264m**

**TOTAL REVENUE (PARENT COMPANY)**



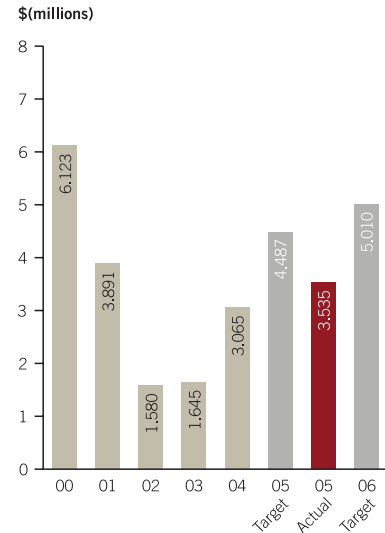
**\$9.476m**

**PRE-DISCOUNT, PRE-TAX PROFIT (PARENT COMPANY)**



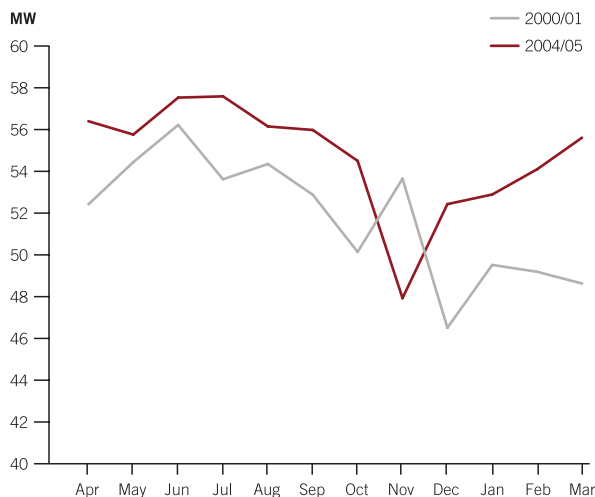
**\$3.535m**

**OPERATING SURPLUS AFTER TAX (PARENT COMPANY)**



**“We are committed to ensuring all customer requirements relative to growth in electricity capacity are met. To wait until the demand exists is too late.” Joe Ferraby, Chairman**

**SYSTEM MONTHLY MAXIMUM DEMAND**



**OUTAGES BETWEEN 10PM AND 4AM**

