

# New Zealand Gazette

OF THURSDAY, 9 DECEMBER 2004

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WELLINGTON: WEDNESDAY, 15 DECEMBER 2004 — ISSUE NO. 164

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## WAIPA NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

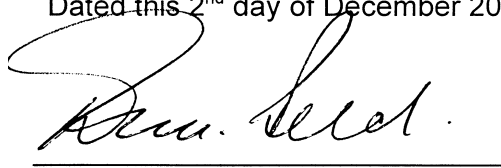
**Certification of Financial Statements, Performance Measures,  
and Statistics Disclosed by Disclosing Entities (other than Transpower).**

We, Diane Reed and Richard Kadziolka, Directors of Waipa Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge –

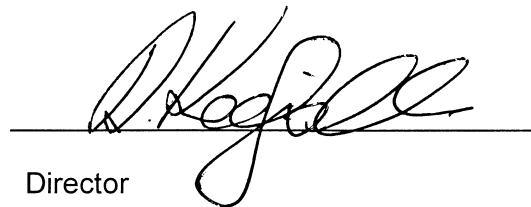
- (a) The attached audited financial statements of Waipa Networks Limited prepared for the purposes of regulation 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Waipa Networks Limited, and having been prepared for the purposes of regulations 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 as at 31 March 2004.

Dated this 2<sup>nd</sup> day of December 2004.



Director



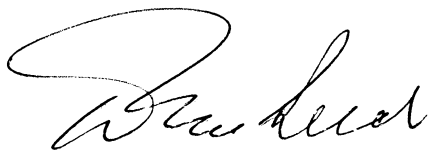
Director

**Certification of Valuation Report of Disclosing Entities**

We, Diane Reed and Richard Kadziolka, Directors of Waipa Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge –

- (a) The attached valuation report of Waipa Networks Limited, prepared for the purposes of regulation 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004, complies with the Requirements; and
- (b) The replacement cost of the line business system fixed assets of Waipa Networks Limited is \$98,366,316; and
- (c) The depreciated replacement cost of the line business system fixed assets of Waipa Networks Limited is \$56,540,820; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Waipa Networks Limited is \$ 56,540,820; and
- (e) The optimised deprival valuation of the line business system fixed assets of Waipa Networks Limited is \$ 56,540,820; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.

Dated this 2<sup>nd</sup> day of December 2004.



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Director



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Director

## WAIPA NETWORKS LIMITED - LINES BUSINESS

**STATEMENT OF FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 31 MARCH 2004

	<b>Note</b>	<b>2004</b> \$	<b>2003</b> \$
Revenue		12,809,089	12,596,571
Less Discounts		3,039,795	3,177,215
Net Revenue		<u>9,769,294</u>	<u>9,419,356</u>
Net Operating Surplus Before Taxation	<b>2</b>	1,052,186	870,651
Less Taxation Expense	<b>3</b>	239,833	232,126
Net Surplus		<u>812,353</u>	<u>638,525</u>

**STATEMENT OF MOVEMENTS IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2004

		<b>2004</b> \$	<b>2003</b> \$
Equity as at 1 April 2003		<u>40,860,693</u>	<u>40,222,168</u>
Net Surplus		812,353	638,525
Revaluation of Assets	<b>5</b>	-	-
Total Recognised Revenue and Expenses for the Year		<u>812,353</u>	<u>638,525</u>
Equity as at 31 March 2004		<u>41,673,046</u>	<u>40,860,693</u>

The accompanying notes form part of these financial statements.

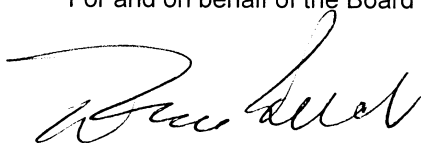
## WAIPA NETWORKS LIMITED - LINES BUSINESS

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2004

	Note	2004 \$	2003 \$
<b>EQUITY</b>			
Share capital	4	-	-
Reserves	5	34,862,235	34,862,235
Retained earnings	6	6,810,811	5,998,458
<b>TOTAL EQUITY</b>		<u>41,673,046</u>	<u>40,860,693</u>
Represented By:			
<b>CURRENT ASSETS</b>			
Cash and Bank		960,664	682,009
Receivables and prepayments	7	1,227,429	1,276,021
Tax refund due		101,323	1,981
Inventories		<u>244,565</u>	<u>388,028</u>
		2,533,981	2,348,039
<b>CURRENT LIABILITIES</b>			
Creditors	8	<u>646,153</u>	<u>652,392</u>
		<u>646,153</u>	<u>652,392</u>
<b>NET CURRENT ASSETS</b>		1,887,828	1,695,647
<b>NON - CURRENT ASSETS</b>			
Fixed assets	9	47,807,151	47,185,404
<b>NON - CURRENT LIABILITIES</b>			
Employee entitlements		21,933	20,358
Term Liabilities	10	8,000,000	8,000,000
<b>NET ASSETS</b>		<u>41,673,046</u>	<u>40,860,693</u>

For and on behalf of the Board



D M Reed Director  
2 December 2004



R Z Kadziolka Director  
2 December 2004

The accompanying notes form part of these financial statements.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 \$	2003 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers		8,743,181	8,576,609
Interest received		43,059	23,616
Net GST		8,276	8,276
		<u>8,794,516</u>	<u>8,608,501</u>
Cash was disbursed to:			
Payments to suppliers and employees		5,890,127	7,700,391
Interest Paid		798,181	796,000
Taxes paid		339,175	108,648
		<u>7,027,483</u>	<u>8,605,039</u>
Net cash flows from operating activities	15	<u>1,767,033</u>	<u>3,462</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from sale of assets		29,548	51,862
Capital Contributions		516,551	407,996
		<u>546,099</u>	<u>459,858</u>
Cash was applied to:			
Purchase of assets		2,034,477	1,927,368
		<u>2,034,477</u>	<u>1,927,368</u>
Net cash flows from investing activities		<u>(1,488,378)</u>	<u>(1,467,510)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Net increase in cash held		278,655	(1,464,048)
Add opening cash brought forward		682,009	2,146,057
Ending cash carried forward		<u>960,664</u>	<u>682,009</u>
<b>CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION</b>			
Cash and Bank		<u>960,664</u>	<u>682,009</u>

The accompanying notes form part of these financial statements.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2004

**1 STATEMENT OF ACCOUNTING POLICIES****Reporting Entity**

Waipa Networks Limited is a company registered under the Companies Act 1993. The financial statements have been prepared for the purpose of complying with the requirements of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

**Measurement Basis**

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

**Accounting Policies**

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

**a) Network Charges**

Income from Network charges includes an estimated amount for accrued sales from meters unread as at 31 March 2004.

**b) Fixed Assets**

The Line Business has five classes of fixed assets as follows:

- Freehold Land
- Freehold Buildings
- Reticulation Assets
- Motor Vehicles
- Plant, Furniture & Fittings

The Reticulation Assets were revalued on an optimised depreciated replacement cost basis by independent valuers on 31 March 2001 and subsequently will be revalued at least every 3 years. Additions to the Reticulation Assets since revaluation are stated at cost.

Assets constructed by the line business are capitalised at direct cost plus a proportion of indirect overheads.

All other fixed assets are recorded at cost less accumulated depreciation.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

**c) Capital Contributions**

Contributions towards the cost of additions to the Reticulation Assets are recognised as income when received.

**d) Depreciation**

Land is not depreciated. Depreciation has been provided on other fixed assets using the straight line method at rates which amortise the cost or valuation less estimated residual value over their economic lives.

Depreciation on assets purchased during the year has been charged on a monthly basis from month of purchase.

Buildings	3.0%
Reticulation Assets	2.5%
Motor Vehicles	20.0%
Computers Equipment & Software	20.0%
Plant, Furniture & Fittings	10.0%

**e) Receivables**

Receivables are stated at their estimated realisable value after adequate provision for doubtful debts. Bad debts are written off in the period they are identified.

**f) Income Tax**

The income tax expense charged to the Statement of Financial Performance includes both current and deferred tax. Deferred tax is calculated using the liability method, and is accounted for using the partial basis.

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.

**g) Inventories**

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.



## WAIPA NETWORKS LIMITED - LINES BUSINESS

**h) Financial Instruments**

The Line Business includes all financial instrument arrangements in the statement of financial position using the concepts of accrual accounting. These instruments arise as a result of everyday operations and include: cash, receivables, creditors and investments.

Revenues and expenses in relation to all financial instruments are recognised in the statement of financial performance. Financial instruments are shown at their fair values.

**i) Employee entitlements**

Provision is made in respect of the Line Businesses liability for annual leave, long service leave and retirement gratuities. Where the qualifying criteria has been met these have been calculated on an actual entitlement basis at current rates of pay. Further provision has been made for long service and retirement gratuities where the qualifying criteria has not yet been met, bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until the 31 March 2004

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies. All policies have been consistently applied during the year.

	2004	2003
	\$	\$
<b>2 NET SURPLUS BEFORE TAXATION</b>		
After Charging:		
Direct Expenditure	1,911,216	1,927,280
Audit fees for these financial statements	5,960	4,875
Audit fees for other Company financial statements	29,900	25,008
Directors' fees	113,424	106,665
Electricity Reform Costs	30,869	21,826
Other Indirect expenditure	971,381	949,483
Depreciation	1,321,665	1,293,294
Buildings	12,155	11,834
Reticulation Assets	1,233,583	1,189,865
Motor Vehicles	26,090	22,182
Plant, Furniture and Fittings	49,837	69,413
Net Gain on Disposal of Assets	(12,689)	(30,363)
Interest Paid	798,181	796,000
After Crediting:		
Interest Received	43,120	23,131

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004 \$	2003 \$
<b>3 TAXATION</b>		
Net surplus before taxation	1,052,186	870,651
Prima facie taxation at 33%	347,221	287,315
Plus Tax effect of permanent differences	407,082	392,655
Less Tax effect of timing differences not Recognised	(514,470)	(447,844)
Total Taxation Expense	239,833	232,126
The Taxation charge comprises:		
- current taxation	239,833	232,126
- deferred taxation	-	-
	239,833	232,126

A deferred tax liability of \$4,076,136 (2003 \$3,714,025), has not been recognised. This liability primarily relates to asset revaluations of the reticulation assets which would only crystallise on disposal.

Imputation credit memorandum account.

Balance at the beginning of the year	1,325,888	1,217,240
Dividends Allocated	-	-
Taxation paid	339,175	108,648
Balance at end of year	1,665,063	1,325,888

**4 SHARE CAPITAL**

Balance at end of year	-	-
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At 31 March 2004 the company has 6,800,000 fully paid issued shares.

All shares carry equal voting rights and share in any surplus on winding up of the company equally.

None of the shares carry fixed dividend rights.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004 \$	2003 \$
<b>5 REVALUATION OF ASSETS RESERVE</b>		
Revaluation of Assets Reserve		
Balance at end of year	<u>34,862,235</u>	<u>34,862,235</u>
<b>6 RETAINED EARNINGS</b>		
Balance at beginning of year	5,998,458	5,359,933
Net Surplus after Taxation	812,353	638,525
Balance at end of year	<u>6,810,811</u>	<u>5,998,458</u>
<b>7 RECEIVABLES</b>		
Trade debtors	1,179,448	1,228,648
Accrued Interest Income	81	20
Prepayments	47,900	47,353
	<u>1,227,429</u>	<u>1,276,021</u>
<b>8 CREDITORS</b>		
Accounts payable and accruals - trade	571,496	589,669
Employee entitlements	74,657	62,723
Payables to Directors	-	-
	<u>646,153</u>	<u>652,392</u>

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004 \$	2003 \$
<b>9 FIXED ASSETS</b>		
<b>Freehold Land</b>		
Cost	1,610	1,610
<b>Freehold Buildings</b>		
Cost	895,861	895,861
Accumulated Depreciation	182,521	170,824
Net Book Value	713,340	725,037
<b>Reticulation Assets</b>		
Cost - additions since 1 April 2001	5,509,032	3,641,763
Valuation	44,944,031	44,944,031
	50,453,063	48,585,794
Accumulated Depreciation at cost	195,505	75,075
Accumulated Depreciation at valuation	3,370,802	2,247,202
Net Book Value	46,886,756	46,263,517
<b>Motor Vehicles</b>		
Cost	176,654	152,406
Accumulated Depreciation	96,085	109,227
Net Book Value	80,569	43,179
<b>Plant, Furniture and Fittings</b>		
Cost	1,149,856	1,105,243
Accumulated Depreciation	1,024,980	953,182
Net Book Value	124,876	152,061
Total Net Book Value	47,807,151	47,185,404

The Reticulation Assets were revalued by E W Graham, B.E. (Elect), F.I.P.E.N.Z. and PriceWaterhouseCoopers on 31 March 2001 to a value of \$44,944,031 on a optimised depreciated replacement cost basis.

The fair value of Land and Buildings is assessed at \$700,000 based on a valuation by Quotable Value New Zealand as at 1 September 2002 for GV purposes.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004 \$	2003 \$
<b>10 TERM LIABILITIES</b>		
Inter-business Loan - Other Business (9.95%)	8,000,000	8,000,000
Repayable between 2 and 5 years		

**11 FINANCIAL INSTRUMENTS**

## Credit Risk

In the normal course of its business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 61% (2003 68%) of total sales and 83% (2003 89%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

Waipa Networks places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

## Currency Risk

Waipa Networks has no exposure to currency risk.

## Interest Rate Risk

Waipa Networks has no significant exposure to interest rate risk as its term loan has fixed interest rates. The interest rate on the term loan is disclosed in note 10.

## Fair Value

The estimated fair value of Waipa Networks financial instruments at 31 March 2004 are stated in the Statement of Financial Position.

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

Waipa Networks is currently under review by the Inland Revenue Department for the 1999, 2000 and 2001 income years. Any additional tax or penalties that may arise from this review cannot be quantified. (2003 Nil)

There are no commitments for future capital expenditure as at 31 March 2004 (2003 Nil).

## WAIPA NETWORKS LIMITED - LINES BUSINESS

**13 SEGMENTAL REPORTING**

Waipa Networks operates predominantly in one industry, distribution of electricity. All operations are carried out within New Zealand, and are therefore within one geographical segment for reporting purposes.

**14 RELATED PARTIES**

At balance date, the Waipa Networks Trust held 100 per cent of the shares in Waipa Networks Limited

All related party transactions in the accounts of Waipa Networks have been conducted on a commercial and arms length basis.

The contracting department of Waipa Networks has provided the following services at cost, including overheads, for the year ended 31 March 2004

	<b>2004</b>	<b>2003</b>
Construction of distribution lines & cables	466,628	477,052
Construction of medium voltage switchgear	193,407	107,482
Construction of distribution transformers	360,255	378,285
Construction of distribution substations	227,021	23,376
Construction of low voltage lines and cables	281,533	170,179
Construction of other system fixed assets	338,425	151,697
Maintenance of assets	1,248,027	1,262,862
Consumer connections and reconnections	5,376	6,196
Other services	34,825	44,346

The following transactions occurred between the line business and other business.

Interest paid to Other	798,181	796,000
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The line business has a loan from the other business refer note 10.

The amount outstanding at balance date was \$8,000,000 (2003 \$8,000,000).

At year end there were no other outstanding balances for related parties (2003 Nil).

No related party debt has been written off or forgiven during 2004 or 2003.

No provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust. (2003 Nil). No Interim dividends have been paid (2003 Nil).

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004 \$	2003 \$
<b>15 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Reported Net Surplus after tax	812,353	638,525
Add (Less) Non Cash Items:		
Depreciation	1,321,665	1,293,294
Increase in Non-current Liabilities Leave Provisions	1,575	1,583
	<u>2,135,593</u>	<u>1,933,402</u>
Add (Less) Movements in Working Capital Items		
Decrease (Increase) in Tax Receivable	(99,342)	123,478
Decrease (Increase) in Receivables	48,592	(70,230)
Decrease (Increase) in Inventories	143,463	(82,219)
Increase in Accounts Payable	(18,173)	(1,533,246)
Increase (Decrease) in Leave Provisions	11,934	(3,570)
	<u>86,474</u>	<u>(1,565,787)</u>
	2,222,067	367,615
Add (Less) Items Classified as Investing Activities		
Net Loss (Gain) on Disposal of Assets	(12,689)	(30,363)
Increase in Creditors for Fixed Assets	74,206	74,206
Capital Contributions	<u>(516,551)</u>	<u>(407,996)</u>
	<u>(455,034)</u>	<u>(364,153)</u>
Net Cash Inflows from Operating Activities	<u><u>1,767,033</u></u>	<u><u>3,462</u></u>
 <b>16 ODV RECONCILIATION REPORT</b>		
System fixed assets at ODV at beginning of year	46,177,952	45,472,246
Add system fixed assets acquired during the year at ODV	1,958,001	2,165,508
Less system fixed assets disposed of during the year at ODV	10,960	7,141
Less depreciation system fixed assets at ODV	1,480,494	1,452,661
Add revaluations of system fixed assets	9,896,321	-
System fixed assets at ODV at end of year	<u><u>56,540,820</u></u>	<u><u>46,177,952</u></u>

## WAIPA NETWORKS LIMITED - LINES BUSINESS

- 17 Disclosure of Information to be Disclosed in Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999 Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

	2004 \$	2003 \$
<b>Statement of Financial Position Disclosure (Schedule 1, Part 2)</b>		
<b>1 Current Assets</b>		
(a) Cash and Bank balances	960,664	682,009
(b) Short-term investments	-	-
(c) Inventories	244,565	388,028
(d) Accounts receivable	1,179,448	1,228,648
(e) Other currents assets not listed in (a) to (d)	149,304	49,354
(f) Total current assets	2,533,981	2,348,039
<b>2 Fixed Assets</b>		
(a) System fixed assets	46,886,756	46,263,517
(b) Customer billing and information system assets	53,576	73,088
(c) Motor vehicles	80,569	43,179
(d) Office Equipment	71,300	78,973
(e) Land & Buildings	714,950	726,647
(f) Capital works under construction	-	-
(g) Other fixed assets not listed in (a) to (f)	-	-
(h) Total fixed assets	47,807,151	47,185,404
<b>3 Other tangible assets not listed above</b>	-	-
<b>4 Total tangible assets</b>	50,341,132	49,533,443
<b>5 Intangible assets</b>		
(a) Goodwill	-	-
(b) Other intangible not listed in (a)	-	-
(c) Total intangible assets	-	-
<b>6 Total Assets</b>	50,341,132	49,533,443
<b>7 Current Liabilities</b>		
(a) Bank Overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	646,153	652,392
(d) Provision for dividend payable	-	-
(e) Provision for income tax	-	-
(f) Other Current Liabilities not listed in (a) to (e)	-	-
(g) Total Current Liabilities	646,153	652,392
<b>8 Non-current liabilities</b>		
(a) Payables and accruals	21,933	20,358
(b) Borrowings	8,000,000	8,000,000
(c) Deferred tax	-	-
(d) Other Non-current Liabilities not listed in (a) to (c)	-	-
(e) Total Non-current Liabilities	8,021,933	8,020,358



	2004 \$	2003 \$
<b>9 Equity</b>		
(a) Shareholders' equity		
(i) Share Capital	-	-
(ii) Retained Earnings	6,810,811	5,998,458
(iii) Reserves	34,862,235	34,862,235
(iv) Total Shareholders' equity	41,673,046	40,860,693
(b) Minority interests in subsidiaries	-	-
(c) Total Equity	41,673,046	40,860,693
(d) Capital notes	-	-
(e) Total capital funds	41,673,046	40,860,693
<b>10 Total equity and liabilities</b>	<b>50,341,132</b>	<b>49,533,443</b>

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

<b>11 Operating revenue</b>		
(a) Revenue from line/access charges	8,693,981	8,616,156
(b) Revenue from "Other" business (transfer payment)	-	-
(c) Income from interest on bank & short-term investments	43,120	23,131
(d) AC loss-rental rebates	486,405	372,073
(e) Other operating revenue not listed in (a) to (d)	545,788	407,996
(f) Total operating revenue	9,769,294	9,419,356
<b>12 Operating expenditure</b>		
(a) Transmission Charges	3,517,964	3,454,636
(b) Transfer payments to "Other " business		
(i) Asset maintenance	1,248,027	1,262,862
(ii) Consumer disconnections and reconnections	5,376	6,196
(iii) Meter data	-	-
(iv) Consumer-based load control	34,825	44,346
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges for own generation	-	-
(vii) Other goods & services not listed in (i) to (vi) above	-	-
(viii) Total transfer payment to the "Other" business	1,288,228	1,313,404
(c) Payments to non-related entities		
(i) Asset maintenance	210,275	214,561
(ii) Consumer disconnections and reconnections	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control	-	-
(v) Royalty and patent expenses	-	-
(vi) Total of specified expenses to non-related parties	210,275	214,561
(d) Employee salaries, wages and redundancies	819,173	767,410
(e) Consumer billing and information system expense	36,131	43,980
(f) Depreciation on		
(i) System fixed assets	1,233,583	1,189,865
(ii) Other assets not listed in (i)	88,082	103,429
(iii) Total depreciation expense	1,321,665	1,293,294

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004 \$	2003 \$
(g) Amortisation of		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate and administration	184,437	169,670
(i) Human resource expenses	41,716	42,678
(j) Marketing and advertising	104,632	105,041
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy and legal expenses	17,414	35,792
(o) Donations	-	-
(p) Directors fees	113,424	106,665
(q) Audit fees		
(i) Audit fees paid to principal auditors	35,860	29,883
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors fees	35,860	29,883
(r) Costs of offering credit		
(i) Bad debts written off	-	-
(ii) Increase in estimated doubtful debts	-	-
(iii) Total costs of offering credit	-	-
(s) Local authority rates	84,276	63,102
(t) AC loss-rental (distribution of) expense	29,237	-
(u) Rebates to customers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	114,495	112,589
<b>13 Total operating expenditure</b>	<b>7,918,927</b>	<b>7,752,705</b>
<b>14 Operating surplus before interest and income tax</b>	<b>1,850,367</b>	<b>1,666,651</b>
<b>15 Interest</b>		
(a) Interest expense on borrowings	798,181	796,000
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
(d) Total interest expense	798,181	796,000
<b>16 Operating surplus before income tax</b>	<b>1,052,186</b>	<b>870,651</b>
<b>17 Income Tax</b>	<b>239,833</b>	<b>232,126</b>
<b>18 Net surplus after tax</b>	<b>812,353</b>	<b>638,525</b>

## WAIPA NETWORKS LIMITED - LINES BUSINESS

2004

2003

2002

2001

**18 PERFORMANCE MEASURES**

Disclosure of financial performance measures and efficiency performance measures under regulation 15 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

## 1. Financial performance measures

(a) Return on funds	2.93%	2.94%	3.25%	8.61%
(b) Return on equity	1.23%	0.93%	1.06%	5.27%
(c) Return on investment	22.73%	1.90%	2.02%	10.44%

## 2. Efficiency performance measures:

(a) Direct line costs per kilometre	\$1,005	\$1,090	\$821	\$793
Direct Expenditure	\$1,911,216	\$1,927,280	\$1,448,878	\$1,387,316
System Length	1,902	1,768	1,764	1,749
(b) Indirect line costs per electricity customer	\$55	\$54	\$54	\$54
Indirect Expenditure	\$1,151,534	\$1,107,857	\$1,093,645	\$1,086,717
Total consumers	20,773	20,510	20,293	20,050

Disclosure of energy delivery efficiency performance measures under regulation 21 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

## 1. Energy Delivery efficiency performance measures:

(a) Load factor ( $=a/b \times 100$ )	64.98	66.79	65.23 *	62.41 *
a = kWh of electricity entering system	323,352,769	323,000,166	320,374,899 *	302,279,611 *
b = Maximum demand	56,808	55,206	56,064 *	55,290
c = Total number of hours in year	8,760	8,760	8,760	8,760
* Restated to adjust for Transpower metering error.				
(b) Loss ratio ( $=a/b \times 100$ )	6.23	6.23	6.19 *	6.40 *
a = losses in electricity in kWh	20,134,172	20,113,092	19,821,669 *	19,341,474 *
b = kWh of electricity entering system	323,352,769	323,000,166	320,374,899 *	302,279,611 *
* Restated to adjust for Transpower metering error.				
(c) Capacity utilisation ( $=a/b \times 100$ )	33.43	33.51	34.97 *	35.41
a = Maximum demand	56,808	55,206	56,064 *	55,290
b = Transformer Capacity	169,941	164,753	160,298	156,163
* Restated to adjust for Transpower metering error.				

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004	2003	2002	2001
2. Statistics				
(a) System Length				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,307	1,326	1,324	1,314
Circuit Kilometres 400V	595	442	440	435
Total	<u>1,902</u>	<u>1,768</u>	<u>1,764</u>	<u>1,749</u>
(b) System Length - Overhead				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,254	1,291	1,289	1,283
Circuit Kilometres 400V	475	361	361	360
Total Overhead	<u>1,729</u>	<u>1,652</u>	<u>1,650</u>	<u>1,643</u>
(c) System Length - Underground				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	53	35	35	31
Circuit Kilometres 400V	120	81	79	75
Total Underground	<u>173</u>	<u>116</u>	<u>114</u>	<u>106</u>
(d) Transformer Capacity (In Kilovolt Amperes)	169,941	164,753	160,298	156,163
(e) Maximum Demand	56,808	55,206	56,064 *	55,290
* Restated to adjust for Transpower metering error.				
(f) Total electricity entering the system before losses (in Kilowatt Hours)	323,352,769	323,000,166	320,374,899 *	302,279,611 *
* Restated to adjust for Transpower metering error.				
(g) Electricity conveyed from the system after losses for each retailer.				
Retailer 1	181,228,143	201,619,872	204,646,933 *	212,414,520 *
Retailer 2	17,486,319	8,937,740	6,999,505	4,003,304
Retailer 3	0	0	0	2,361,623
Retailer 4	67,541,673	75,576,369	65,328,222	56,868,568
Retailer 5	417,203	334,276	242,002	148,391
Retailer 6	18,651,418	5,605,676	1,966,284	1,155,591
Retailer 7	9,648,851	8,962,294	8,252,342	2,412,099
Retailer 8	8,244,990	1,850,847	13,117,942	3,574,041
	<u>303,218,597</u>	<u>302,887,074</u>	<u>300,553,230 *</u>	<u>282,938,137 *</u>
* Restated to adjust for Transpower metering error.				
(h) Total Customers	20,773	20,510	20,293	20,050

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2004	2003	2002	2001
Disclosure of reliability performance measures under regulation 22 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.				
1 Total number of interruptions				
Class A - Planned - by Transpower	1	0	0	0
Class B - Planned - by Waipa Networks	50	122	149	140
Class C - Unplanned - by Waipa Networks	133	111	103	109
Class D - Unplanned - by Transpower	1	1	1	1
Class E - Unplanned - by Line Owner genera	0	0	0	0
Class F - Unplanned - by other generation	0	0	0	0
Class G - Unplanned - by another line owner	2	3	2	6
Class H - Planned - by another line owner	0	0	0	0
Class I - Any other loss of supply	0	0	0	0
Total	<u>187</u>	<u>237</u>	<u>255</u>	<u>256</u>
2 Interruption targets for 2004 / 2005				
Class B - Planned - by Waipa Networks	75			
Class C - Unplanned - by Waipa Networks	103			
3 Average interruption targets for 2004 / 2005 to 2008 / 2009 years				
Class B - Planned - by Waipa Networks	66			
Class C - Unplanned - by Waipa Networks	98			
4 Proportion of Class C interruptions not restored within: (=a/b*100)				
3 Hours	29%	23%	30%	18%
a = number of interruptions restored within 3	39	25	31	20
b = Total number of Class C interruptions	133	111	103	109
24 Hours	1%	0%	0%	0%
a = number of interruptions restored within 24	1	0	0	0
b = Total number of Class C interruptions	133	111	103	109
5 (a) The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
11kV	10.18	8.37	7.78	8.30
(b) Target for 2004 / 2005 year				
11kV	7.88			
(c) Average Target for 2004 / 2005 to 2008 / 2009 years				
11kV	7.50			
6 The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line				
11kV	0.00	0.00	0.00	3.23
7 The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
11kV	10.61	8.60	7.99	8.42

## WAIPA NETWORKS LIMITED - LINES BUSINESS

		2004	2003	2002	2001
8	The SAIDI for the total number of interruption	491.04	247.32	374.96	280.18
9	SAIDI targets for 2004 / 2005				
	Class B - Planned - by Waipa Networks	38			
	Class C - Unplanned - by Waipa Networks	168			
10	Average SAIDI target for 2004 / 2005 to 2008 / 2009 years				
	Class B - Planned - by Waipa Networks	34			
	Class C - Unplanned - by Waipa Networks	154			
11	The SAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	204.14	0.00	0.00	0.00
	Class B - Planned - by Waipa Networks	19.02	73.74	150.46	93.97
	Class C - Unplanned - by Waipa Networks	244.74	162.40	198.80	151.68
	Class D - Unplanned - by Transpower	20.57	4.49	20.17	26.90
	Class E - Unplanned - by Line Owner genera	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Unplanned - by another line owner	2.57	6.69	5.53	7.63
	Class H - Planned - by another line owner	0.00	0.00	0.00	0.00
	Class I - Any other loss of supply	0.00	0.00	0.00	0.00
12	The SAIFI for the total number of interruption	5.58	4.21	3.88	4.05
13	SAIFI targets for 2004 / 2005				
	Class B - Planned - by Waipa Networks	0.15			
	Class C - Unplanned - by Waipa Networks	2.54			
14	Average SAIFI target for 2004 / 2005 to 2008 / 2009 years				
	Class B - Planned - by Waipa Networks	0.14			
	Class C - Unplanned - by Waipa Networks	2.40			
15	The SAIFI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0.56	0.00	0.00	0.00
	Class B - Planned - by Waipa Networks	0.08	0.32	0.62	0.44
	Class C - Unplanned - by Waipa Networks	4.31	3.23	2.62	2.85
	Class D - Unplanned - by Transpower	0.56	0.56	0.58	0.58
	Class E - Unplanned - by Line Owner genera	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Unplanned - by another line owner	0.07	0.10	0.06	0.18
	Class H - Planned - by another line owner	0.00	0.00	0.00	0.00
	Class I - Any other loss of supply	0.00	0.00	0.00	0.00

## WAIPA NETWORKS LIMITED - LINES BUSINESS

		2004	2003	2002	2001
16	The CAIDI for the total number of interruption	88	59	97	69
17	CAIDI targets for 2004 / 2005				
	Class B - Planned - by Waipa Networks	250			
	Class C - Unplanned - by Waipa Networks	66			
18	Average CAIDI Target for 2004 / 2005 to 2008 / 2009 years				
	Class B - Planned - by Waipa Networks	250			
	Class C - Unplanned - by Waipa Networks	64			
19	The CAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	366	0	0	0
	Class B - Planned - by Waipa Networks	253	232	245	215
	Class C - Unplanned - by Waipa Networks	57	50	76	53
	Class D - Unplanned - by Transpower	37	8	35	46
	Class E - Unplanned - by Line Owner genera	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Unplanned - by another line owner	35	65	92	42
	Class H - Planned - by another line owner	0	0	0	0
	Class I - Any other loss of supply	0	0	0	0

## WAIPA NETWORKS LIMITED - LINES BUSINESS

SCHEDULE 1 - PART 7  
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,850,367				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	1,850,367				
Interest on cash, bank balances, and short-term investments (ISTI)	43,120				
OSBIIT minus ISTI	1,807,247	a	1,807,247		1,807,247
Net surplus after tax from financial statements	812,353				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	812,353	n		812,353	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	1,233,583				
Depreciation of SFA at ODV (y)	1,480,494				
ODV depreciation adjustment	-246,911	d	add -246,911	add -246,911	add -246,911
Subvention payment tax adjustment	0	s <sup>t</sup>		deduct 0	deduct 0
Interest tax shield	249,170	q			deduct 249,170
Revaluations	9,896,321	r			add 9,896,321
Income tax	239,833	p			deduct 239,833
<b>Numerator</b>			1,560,336 OSBIIT <sup>ADJ</sup> = a + g + s + d	565,442 NSAT <sup>ADJ</sup> = n + g + s - s <sup>t</sup> + d	10,967,654 BIIT <sup>ADJ</sup> = a + g - q + r + s + d - p - s <sup>t</sup>
Fixed assets at end of previous financial year (FA <sub>0</sub> )	47,185,404				
Fixed assets at end of current financial year (FA <sub>1</sub> )	47,807,151				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	1,011,637				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	825,760				
Average total funds employed (ATFE)	48,414,976 (or regulation 33 time-weighted average)	c	48,414,976		48,414,976
Total equity at end of previous financial year (TE <sub>0</sub> )	40,860,693				
Total equity at end of current financial year (TE <sub>1</sub> )	41,673,046				
Average total equity	41,266,870 (or regulation 33 time-weighted average)	k		41,266,870	
WUC at end of previous financial year (WUC <sub>0</sub> )	0				
WUC at end of current financial year (WUC <sub>1</sub> )	0				
Average total works under construction	0 (or regulation 33 time-weighted average)	e	deduct 0	deduct 0	deduct 0
Revaluations	9,896,321	r			
Half of revaluations	4,948,161	r/2			deduct 4,948,161
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add 0	
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA <sub>bv0</sub> )	46,263,517				
System fixed assets at end of current financial year at book value (SFA <sub>bv1</sub> )	46,886,756				
Average value of system fixed assets at book value	46,575,137 (or regulation 33 time-weighted average)	f	deduct 46,575,137	deduct 46,575,137	deduct 46,575,137
System Fixed assets at year beginning at ODV value (SFA <sub>odv0</sub> )	46,177,952				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv1</sub> )	56,540,820				
Average value of system fixed assets at ODV value	51,359,386 (or regulation 33 time-weighted average)	h	add 51,359,386	add 51,359,386	add 51,359,386
<b>Denominator</b>			53,199,225 ATFE <sup>ADJ</sup> = c - e - f + h	46,051,119 Ave TE <sup>ADJ</sup> = k - e - m + v - f + h	48,251,064 ATFE <sup>ADJ</sup> = c - e - ½r - f + h
<b>Financial Performance Measure:</b>			2.93 ROF = OSBIIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100	1.23 ROE = NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	22.73 ROI = OSBIIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 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





## Audit New Zealand

### REPORT OF THE AUDITOR-GENERAL

#### TO THE READERS OF THE FINANCIAL STATEMENTS OF WAIPA NETWORKS LIMITED FOR THE YEAR ENDED 31 MARCH 2004

We have audited the financial statements of Waipa Networks Limited on pages 1 to 15. The financial statements provide information about the past financial performance of Waipa Networks Limited and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

#### **Directors' responsibilities**

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Waipa Networks Limited as at 31 March 2004, 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 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 B H Halford 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. 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 Waipa Networks Limited's 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 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 Waipa Networks Limited.

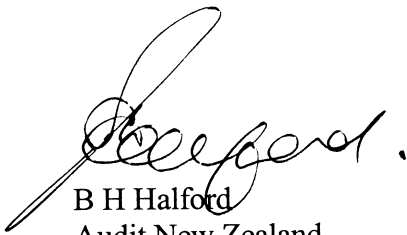
### Unqualified opinion

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

In our opinion:

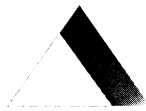
- ▲ proper accounting records have been maintained by Waipa Networks Limited as far as appears from our examination of those records; and
- ▲ the financial statements of Waipa Networks Limited on pages 1 to 15:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of Waipa Networks Limited's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and
  - comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 3 December 2004 and our unqualified opinion is expressed as at that date.



B H Halford  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand





Audit New Zealand

**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF  
WAIPA NETWORKS LIMITED**

We have examined the information on pages 12, 16, and 21, 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 Waipa Networks Limited and dated 3 December 2004 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.

B H Halford  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
3 December 2004



PricewaterhouseCoopers  
188 Quay Street  
Private Bag 92162  
Auckland, New Zealand  
DX CP24073  
[www.pwc.com/nz](http://www.pwc.com/nz)  
Telephone +64 9 355 8000  
Facsimile +64 9 355 8001

#### CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Waipa Networks Limited and dated 30 November 2004, which report contains valuations of system fixed assets as at 31 March 2004.

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 \$56,540,820, have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers', with a long horizontal flourish underneath.

PricewaterhouseCoopers  
Chartered Accountants  
Auckland  
30 November 2004