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## NETWORK WAITAKI LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 (AS AMENDED)

# **NETWORK WAITAKI LIMITED**

## **LINES BUSINESS**

## **FINANCIAL STATEMENTS**

For the Year Ended 31 March 2003

Prepared for the Purposes of the Electricity (Information Disclosure) Regulations 1999 (as amended).

### **IMPORTANT NOTE**

The financial information presented is for the 'line business' activity of Network Waitaki Limited as described within the Electricity (Information Disclosure) Regulations. Additional activities of the Company, that are not required to be reported under the Regulations, have been excluded.

This information should not be used for any other purposes than that intended under the Regulations. The Regulations require the information to be disclosed in the manner it is presented.

**Network Waitaki Limited (Lines)****Statement of Financial Performance for the Year Ended 31 March 2003**

REVENUE	Note	2003	2002
		\$	\$
<b>Operating revenue</b>			
Revenue from line/access charges		7,297,562	7,385,600
Revenue returned as Customer Discount		(1,221,561)	(2,165,542)
Revenue from "Other" business for services carried out by the line business		0	0
Interest on cash, bank balances and short term investments		368,473	355,442
AC loss-rental rebates		209,957	434,495
Other revenue not listed above			
Capital Contributions	149,543		246,832
Use of Money Interest	0		0
Other	0		0
		149,543	246,832
<b>Total operating revenue</b>		<u>6,803,974</u>	<u>6,256,827</u>
<b>EXPENDITURE</b>		<b>2003</b>	<b>2002</b>
		\$	\$
<b>Operating expenditure</b>			
Payment for transmission charges		2,222,878	2,050,764
Transfer payments to the "Other" business for			
Asset maintenance	3	629,791	685,205
Consumer disconnection/reconnection services		0	0
Meter data		0	0
Consumer-based load control services		0	0
Royalty and patent expenses		0	0
Avoided transmission charges on account of own generation		0	0
Other goods and services		686,153	0
<b>Total transfer payment to the "Other" business</b>		1,315,944	685,205
Expense to entities that are not related parties for			
Asset maintenance		143,701	74,173
Consumer disconnection/reconnection services		0	0
Meter data		0	0
Consumer-based load control services		0	0
Royalty and patent expenses		0	0
<b>Total of specified expenses to non-related parties</b>		143,701	74,173
Employee salaries, wages and redundancies		30,346	0
Consumer billing and information system expense		19,257	19,200
Depreciation on			
System fixed assets		2,156,486	1,394,886
Other assets		7,410	15,467
<b>Total depreciation</b>		2,163,896	1,410,353
Amortisation of			
Goodwill		0	0
Other intangibles		0	0
<b>Total amortisation of intangibles</b>		0	0
Corporate and administration		182,540	714,889
Human resource expenses		551	0
Marketing/advertising		1,389	7,756
Merger and acquisition expenses		0	0
Takeover defence expenses		0	0
Research and development expenses		0	0
Consultancy and legal expenses		0	5,992
Donations		0	0
Directors' fees		54,731	41,727
Auditors' fees			
Audit fees paid to principal auditors		13,876	11,056
Audit fees paid to other auditors		0	0
Fees paid for other services provided by principal and other auditors		0	0
<b>Total auditors' fees</b>		13,876	11,056

**Statement of Financial Performance for the Year Ended 31 March 2003 - Continued**

	Note	2003 \$	2002 \$
<b>Costs of offering credit</b>			
Bad debts written off	0	0	0
Increase in estimated doubtful debts	0	0	0
<b>Total cost of offering credit</b>		0	0
Local authority rates expense		0	0
AC loss-rentals (distribution to retailers/customers) expense		0	0
Rebates to consumers due to ownership interest		0	0
Subvention payments		0	0
Unusual expenses		0	0
Other expenditure not listed above		134,052	67,227
<b>Total operating expenditure</b>		6,283,161	5,088,342
 <b>Operating surplus before interest and income tax</b>		<b>520,813</b>	<b>1,168,486</b>
 <b>Interest expense</b>			
Interest expense on borrowings		0	0
Financing charges related to finance leases		0	0
Other interest expense		0	0
<b>Total interest expense</b>		0	0
 <b>Operating surplus before income tax</b>		<b>520,813</b>	<b>1,168,486</b>
 <b>Income tax</b>	5	836,605	769,560
 <b>Net surplus after tax</b>		<b>-315,792</b>	<b>398,926</b>

**Network Waitaki Limited (Lines)****Statement of Movements in Equity for the Year Ended 31 March 2003**

	Note	2003 \$	2002 \$
<b>Equity at the Beginning of the Year</b>		42,533,916	43,739,990
Net Surplus (Deficit) for the Period		(315,792)	398,926
Revaluation		366,649	(1,560,000)
Total Recognised Revenue and Expenses		50,857	(1,161,075)
Dividends Paid		(75,000)	(45,000)
 <b>Equity at the End of the Year</b>		<b>42,509,773</b>	<b>42,533,916</b>

**Network Waitaki Limited (Lines)****Statement of Financial Position as at 31 March 2003**

	Note	2003	2002
		\$	\$
<b>Current assets</b>			
Cash and bank balances		409,322	431,651
Short-term investments		6,900,000	6,250,000
Inventories		165,167	91,258
Accounts receivable		289,087	342,202
GST		0	346
Provisional Tax		296,231	319,971
Other current assets		0	8,306
<b>Total current assets</b>		<b>8,059,807</b>	<b>7,443,734</b>
<b>Fixed assets</b>			
System fixed assets		37,744,279	38,511,744
Consumer billing and information system assets		0	0
Motor vehicles		0	0
Office equipment		0	0
Land and buildings		0	0
Capital works under construction (system fixed assets)		272,851	98,411
Other fixed assets		9,435	14,904
<b>Total fixed assets</b>		<b>38,026,565</b>	<b>38,625,059</b>
Other tangible assets not listed above		0	0
<b>Total tangible assets</b>		<b>46,086,372</b>	<b>46,068,793</b>
<b>Intangible assets</b>			
Goodwill		0	0
Other intangibles		0	0
<b>Total intangible assets</b>		<b>0</b>	<b>0</b>
<b>Total assets</b>		<b>46,086,372</b>	<b>46,068,793</b>
<b>Current liabilities</b>			
Bank overdraft		0	0
Short-term borrowings		0	0
Payables and accruals		689,719	996,733
Provision for dividends payable		0	0
Provision for taxation		0	0
GST		3,950	0
Other current liabilities		13,181	0
<b>Total current liabilities</b>		<b>706,850</b>	<b>996,733</b>
<b>Non-current liabilities</b>			
Payables and accruals		0	0
Borrowings		0	0
Deferred tax	6	2,869,749	2,538,144
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<b>2,869,749</b>	<b>2,538,144</b>
<b>Equity</b>			
Shareholders' equity			
Share capital		7,368,870	7,368,870
Retained earnings		5,991,108	6,381,900
Reserves		29,149,795	28,783,146
<b>Total Shareholders' equity</b>		<b>42,509,773</b>	<b>42,533,916</b>
Minority interests in subsidiaries		0	0
<b>Total equity</b>		<b>42,509,773</b>	<b>42,533,916</b>
Capital notes		0	0
<b>Total capital funds</b>		<b>42,509,773</b>	<b>42,533,916</b>
<b>Total equity and liabilities</b>		<b>46,086,372</b>	<b>46,068,793</b>

**Network Waitaki Limited (Lines)****Statement of Cash Flows for the Year Ended 31 March 2003**

	Note	2003 \$	2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from Customers		6,504,201	8,581,470
Interest		368,473	355,442
GST		0	234,202
Income Tax		0	0
<i>Cash was disbursed to:</i>			
Customer Discounts		(1,221,561)	(2,165,542)
Payments to Suppliers		(3,244,514)	(3,548,902)
Employees		0	0
Income Tax		(481,260)	(511,422)
GST		(23,915)	0
FBT		0	0
Interest Paid		0	0
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7</b>	<b>1,901,424</b>	<b>2,945,248</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Proceeds from sales of Fixed Assets		0	0
Collection on Loans		0	0
<i>Cash was applied to:</i>			
Cash Outflows for Fixed Assets		(1,198,753)	(1,519,210)
Investments		0	0
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(1,198,753)</b>	<b>(1,519,210)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Loan transferred from other activities		0	0
<i>Cash was applied to:</i>			
Dividend paid		(75,000)	(45,000)
Loan repaid		0	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(75,000)</b>	<b>(45,000)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>627,671</b>	<b>1,381,038</b>
Add Opening Cash Brought Forward		6,681,651	5,300,613
Equity Transferred From (To) Other		0	0
<b>ENDING CASH CARRIED FORWARD</b>		<b>7,309,322</b>	<b>6,681,651</b>

**Network Waitaki Limited (Lines)****Notes to and Forming Part of the Financial Statements**

for the Year Ending 31 March 2003

**1. Statement of Accounting Policies**

- a) Reporting Entity
  - (i) The Financial Statements presented here are for the Line Business of Network Waitaki Limited.
  - (ii) The Financial Statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.
  - (iii) These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999, as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and the Electricity (Information Disclosure) Amendment Regulations 2001.
  - (iv) The Line Business operates a line business activity, as defined by Regulation 2 of the Electricity (Information Disclosure) Regulations, in the Waitaki area.
- b) Measurement Base
  - (i) The Financial Statements have been prepared on the basis of Historical Cost with the exception of certain items for which specific accounting policies are identified.
  - (ii) Accrual accounting is used to match expenses and revenues.
  - (iii) Reliance is placed on the fact that the Company is a going concern.
- c) Accounting Policies
  - (i) Accounts Receivable are shown at expected realisable value after providing for doubtful debts.
  - (ii) Inventories are valued at the lower of cost or net realisable value. Serial numbered stock is recorded at the appropriate individual value, while other stock is recorded at weighted average cost.
  - (iii) Fixed assets
    - The network system assets are revalued at least every three years by independent valuers to Optimised Deprival Value (ODV) – the lower of Optimised Depreciated Replacement Cost and Economic Value. The last revaluation was undertaken as at 31 March 2001.
    - All other assets are valued at cost less accumulated depreciation:

Radio Equipment	15 yrs SL	Buildings	40-100 yrs SL
Distribution System	40-70 yrs SL	Office Equipment	12%-50% DV
Substation Transformers etc	50 yrs SL	Plant & Machinery	10%-50% DV
Substation Load Control	20 Yrs SL		
Distribution Transformers	40 yrs SL		
  - (iv) These accounts are exclusive of GST except for Accounts Receivable and Accounts Payable.
  - (v) Income tax expense has been 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 recognised only if there is virtual certainty of realisation.
  - (vi) Investments are stated at cost.
  - (vii) Contributions received toward Capital Works are recorded in the Statement of Financial Performance and shown as income earned in the year in which they are received.
- d) Changes in Accounting Policy: There have been no changes in accounting policies.
- e) Methodology of Separation of Business: The basis of allocation adopted is the avoidable cost methodology.

## 2. Commitments and Contingent Liabilities

There were capital commitments at 31 March 2003 of \$302,475 (2002 \$298,120). The Lines Business has no contingent liabilities at the end of the period (2002 Nil).

## 3. Related Party Transactions

### **Associated Entity:** Networks South Limited

Networks South Limited is 50% owned by Network Waitaki Limited and provided administrative, engineering and planning functions for the network from 1 April 2002 to 31 March 2003. These services are charged on a fixed contract basis.

During the period, this charge totalled \$865,000 (2002 \$712,501). The outstanding amount as at 31 March 2003 was \$Nil (2002 \$235) payable on normal commercial terms.

No debts were written off or forgiven and no transactions took place at nil or nominal value. Transactions do not relate to the categories specified in the Disclosure Regulations.

### **Associated Entity:** NetCon Limited

NetCon is wholly owned by Networks South Limited and provided asset maintenance and construction services for the network from 1 April 2002 to 31 March 2003. Services were charged on both a fixed price basis or "time and materials" basis.

During the period, this charge totalled \$1,161,711 (2002 \$1,434,621). The outstanding amount as at 31 March 2003 was \$87,125 (2002 \$266,903) payable on normal commercial terms.

No debts were written off or forgiven and no transactions took place at nil or nominal value.

During the period capital construction transactions totalled the following:

	Year to 31/3/2003	Year to 31/3/2002
Subtransmission assets	\$0	\$10,901
Zone substations	\$34,045	\$49,300
Distribution lines	\$285,839	\$310,861
Medium voltage switchgear	\$48,657	\$96,735
Distribution transformers	\$8,126	\$7,554
Distribution substations	\$34,819	\$49,842
Low voltage lines	\$92,878	\$149,041
Other System Fixed Assets	\$27,556	\$75,182

Other transactions totalled:

Maintenance of System Fixed Assets	\$629,791	\$685,205
Cost of customer connections and disconnections	\$0	\$0

## 4. Annual Valuation Reconciliation Report

	2003 \$	2002 \$
<b>System Fixed Assets at ODV (start of period)</b>	<b>38,366,931</b>	<b>39,768,266</b>
Adjustment following Commerce Commission Comprehensive Audit Process (under Commerce Act 1986)	0	(1,559,982)
<b>Restated System Fixed Assets at ODV (start of period)</b>	<b>38,366,931</b>	<b>38,208,284</b>
Add System Fixed Assets acquired during the period at ODV	1,240,915	1,805,180
Less System Fixed Assets disposed of during the period at ODV	(147,989)	(251,647)
Less depreciation on System Fixed Assets at ODV	(2,156,486)	(1,394,886)
Add revaluations of System Fixed Assets	0	0
<b>Gives System Fixed Assets at ODV (end of period)</b>	<b>37,303,371</b>	<b>38,366,931</b>

**5. Taxation**

	2003 \$	2002 \$
<b>Surplus (Deficit) Before Taxation</b>	<b>520,813</b>	<b>1,168,486</b>
Income tax expense at 33 cents in the dollar	171,868	385,600
<b>Plus (Less) the Effect of:</b>		
Realised capital gains	0	0
Non-assessable receipts	(49,349)	(81,455)
Non-deductible expenses	714,086	465,415
Unrecognised timing differences	0	0
	<b>836,605</b>	<b>769,560</b>
<b>Taxation Charge is Represented by:</b>		
Income Tax Liability (Benefit) in respect of the current year	505,000	467,480
Deferred Taxation	331,605	302,080
	<b>836,605</b>	<b>769,560</b>

**6. Movement in Deferred Tax Account**

	2003 \$	2002 \$
<b>Opening Balance</b>	<b>2,538,144</b>	<b>2,236,064</b>
Movement in Deferred Tax	331,605	302,080
Future Income Tax Benefit	0	0
Deferred Tax on Revalued Assets	0	0
<b>Closing Balance</b>	<b>2,869,749</b>	<b>2,538,144</b>

**7. Reconciliation of Net Surplus (Deficit) after Taxation with Net Cash Flow from Operating Activities**

	2003 \$	2002 \$
<b>Surplus after Taxation</b>	<b>(315,792)</b>	<b>398,926</b>
Add Non-cash Items		
Depreciation	2,163,896	1,410,353
Asset Revaluation	0	0
Deferred Tax	331,605	302,080
Transfers	0	0
	<hr/> 2,495,501	<hr/> 1,712,433
Add (Less) Movements in Working Capital Items		
Accounts Receivable	74,602	529,898
Inventories	(73,909)	44,376
GST	4,296	158,335
Tax Asset	23,740	(43,942)
Other Current Assets	0	0
Payables and Accruals	(307,014)	145,222
Other Current Liabilities	0	0
	<hr/> (278,285)	<hr/> 833,889
	<hr/> <b>1,901,424</b>	<hr/> <b>2,945,248</b>

**Network Waitaki Limited (Lines)****Financial Performance Measures - 31 March**

	2003	2002	2001	2000
Accounting return on funds	0.40%	2.09%	3.79%	6.39%
Accounting return on equity	-0.75%	0.93%	1.94%	4.14%
Accounting return on investments	-1.80%	-3.81%#	0.28%	4.38%

# Corrected - refer to the Form for the Derivation of Financial Performance Measures From Financial Statements  
- Year Ended 31 March 2002

**Efficiency Performance Measures - 31 March**

	2003	2002	2001	2000
Direct line costs per kilometre	\$757.17	\$717.43	\$676.30	\$640.25
Direct expenditure	1,459,645	\$1,370,989	\$1,285,824	\$1,212,534
System length (km)	1,927.75	1,910.98	1,901.27	1,893.85
Indirect line costs per consumer	\$38.31	\$22.60	\$21.45	\$42.21
Indirect expenditure	436,742	\$256,336	\$243,921	\$481,522
Total consumers	11,400	11,341	11,372	11,409

**Energy Delivery Efficiency Performance Measures - 31 March**

	2003	2002	2001	2000
Load Factor (= a/b/c x 100)	71.04%	69.15%	65.18%	68.89%
a = kWh of electricity entering system	194,539,566	175,814,935	179,024,561	174,420,448
b = Maximum Demand (kW)	31,260	29,026	31,356	28,824
c = Total number of hours	8,760	8,760	8,760	8,784
Loss Ratio (= a/b x 100)	5.64%	6.39%	7.69%	5.77%
a = Total Electricity lost in the Network (kWh)*	10,964,858	11,239,979	13,762,867	10,060,459
b = Total Electricity entering the Network before losses (kWh)	194,539,566	175,814,935	179,024,561	174,420,448
Capacity Utilisation (= a/b x 100)	24.56%	23.20%	25.98%	24.52%
a = Maximum Demand (kW)	31,260	29,026	31,356	28,824
b = Transformer Capacity (kVA)	127,270	125,113	120,693	117,570

\*Network Waitaki relies on sales information reported by electricity retailers to calculate this value.

**Network Waitaki Limited (Lines)****Network Statistics - 31 March**

		2003	2002	2001	2000
<b>Total System Length (kms)</b>	33kV	138.31	138.13	138.12	138.12
	11kV	1,570.22	1,554.33	1,543.61	1,538.00
	230/400 V	219.23	218.52	219.54	217.73
	<b>Total</b>	<b>1,927.75</b>	<b>1,910.98</b>	<b>1,901.27</b>	<b>1,893.85</b>
<b>Overhead Circuit Length (kms)</b>	33kV	138.02	137.85	137.84	137.84
	11kV	1,535.51	1,522.80	1,515.06	1,518.52
	230/400 V	193.12	192.36	193.37	187.53
	<b>Total</b>	<b>1,866.65</b>	<b>1,853.00</b>	<b>1,846.27</b>	<b>1,843.89</b>
<b>Underground Circuit Length (kms)</b>	33kV	0.29	0.28	0.28	0.28
	11kV	34.71	31.54	28.56	19.49
	230/400 V	26.11	26.16	26.17	30.20
	<b>Total</b>	<b>61.10</b>	<b>57.98</b>	<b>55.00</b>	<b>49.96</b>
<b>Transformer Capacity (kVA)</b>	11,000/400V	127,145	124,988	120,568	117,445
	33,000/400V	125	125	125	125
	<b>Total</b>	<b>127,270</b>	<b>125,113</b>	<b>120,693</b>	<b>117,570</b>
<b>Maximum Demand (kW)</b>		31,260	29,026	31,356	28,824
<b>Total Electricity entering the Network- before losses (kWh)</b>		194,539,566	175,814,935	179,024,561	174,420,448
<b>Amount of electricity supplied from the system (kWh)*</b>	Retailer A	163,386,098	134,961,945	122,868,367	134,251,417
	Retailer B	4,180,152	13,792,718	25,881,199	24,331,042
	Retailer C	10,028,620	10,695,532	10,429,825	3,056,287
	Retailer D	0	3,616,764	5,319,863	2,627,240
	Retailer E	3,214,192	1,120,555	755,202	94,003
	Retailer F	2,765,646	387,442	7,238	0
	<b>Total</b>	<b>183,574,708</b>	<b>164,574,956</b>	<b>165,261,694</b>	<b>164,359,989</b>
<b>Total number of Consumers</b>	Number	11,400	11,341	11,372	11,409

\*Network Waitaki relies on sales information reported by electricity retailers to calculate these amounts.

**Network Waitaki Limited (Lines)****Reliability and Performance Measures**

<u>Interruptions</u>	Class	2004/08 (Target)	2004 (Target)	2003	2002	2001	2000
<b>Number of Interruptions</b>							
Planned Interruptions	Class A	0	0	0	0	0	0
Unplanned Interruptions	Class B	65	70	68	70	28	9
	Class C	80	80	75	75	79	49
	Class D	0	0	0	0	0	0
	Class E - I	0	0	0	0	0	0
	<b>Total</b>	<b>145</b>	<b>150</b>	<b>143</b>	<b>145</b>	<b>107</b>	<b>58</b>

<b>Proportion of Total Class C Interruptions not restored:</b>						
Within 3 Hours			13.3%	8.1%	5.1%	6.1%
Within 24 Hours			0.0%	0.0%	0.0%	0.0%

<u>Faults</u>	Voltage	2004/08 (Target)	2004 (Target)	2003	2002	2001	2000
<b>Overall System</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line		4.68	4.68	4.39	4.43	4.70	2.92
Faults per 100 circuit kilometres	33kV	1.00	1.00	0.72	0.72	0.72	0.00
	11kV	5.00	5.00	4.71	4.76	5.05	3.19
<b>Overhead</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line				4.48	4.46	4.78	2.90
Faults per 100 circuit kilometres	33kV			0.72	0.73	0.73	0.00
	11kV			4.82	4.79	5.15	3.16
<b>Underground</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line				0.00	3.14	0.00	5.06
Faults per 100 circuit kilometres	33kV			0.00	0.00	0.00	0.00
	11kV			0.00	3.17	0.00	5.13

**Network Waitaki Limited (Lines)****Reliability and Performance Measures****System Average Interruption Duration Index (SAIDI)**

	Class	2004/08 (Target)	2004 (Target)	2003	2002	2001	2000
<b>SAIDI for total number of interruptions</b>	Overall	77	80	91.6	78.1	72.2	46.1
<b>SAIDI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.0	0.0	0.0	0.0
	Class B	27	30	29.6	34.6	16.7	1.9
	Class C	50	50	62.1	43.5	55.5	44.2
	Class D			0.0	0.0	0.0	0.0
	Class E - I			0.0	0.0	0.0	0.0
<b>a = sum of interruption duration factors for all interruptions within the particular interruption class</b>	Class A			0	0	0	0
	Class B	297,000	336,000	337,116	392,644	189,510	21,820
	Class C	550,000	560,000	707,489	493,454	631,089	504,490
	Class D			0	0	0	0
	Class E - I			0	0	0	0
<b>b = Total Consumers</b>		11,000	11,200	11,400	11,341	11,372	11,409

**System Average Interruption Frequency Index (SAIFI)**

	Class	2004/08 (Target)	2004 (Target)	2003	2002	2001	2000
<b>SAIFI for total number of interruptions</b>	Overall	0.95	0.95	1.27	1.00	1.03	0.86
<b>SAIFI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.00	0.00	0.00	0.00
	Class B	0.12	0.12	0.15	0.20	0.12	0.01
	Class C	0.83	0.83	1.12	0.80	0.90	0.85
	Class D			0.00	0.00	0.00	0.00
	Class E - I			0.00	0.00	0.00	0.00
<b>a = sum of electricity consumers affected by all interruptions</b>	Class A			0	0	0	0
	Class B	1,320	1,344	1,687	2,293	1,380	169
	Class C	9,130	9,296	12,803	9,019	10,279	9,663
	Class D			0	0	0	0
	Class E - I			0	0	0	0
<b>b = Total Consumers</b>		11,000	11,200	11,400	11,341	11,372	11,409

**Connection Average Interruption Duration Index (CAIDI)**

	Class	2004/08 (Target)	2004 (Target)	2003	2002	2001	2000
<b>CAIDI for total number of interruptions</b>	Overall	81	84	72.09	78.33	70.38	53.53
<b>CAIDI for total number of interruptions within each interruption class</b>	Class A			0.00	0.00	0.00	0.00
	Class B	225	250	199.83	171.24	137.33	129.14
	Class C	60	60	55.26	54.71	61.40	52.21
	Class D			0.00	0.00	0.00	0.00
	Classes E-I			0.00	0.00	0.00	0.00

**Network Waitaki Limited (Lines)**  
**FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2002**

Derivation Table	Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,158,406				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	1,158,406				
Interest on cash, bank balances, and short-term investments (SITI)	355,442				
<b>OSBIT minus SITI</b>	<b>813,044</b>	<b>a</b>			
Net surplus after tax from financial statements					
<b>Net surplus after tax adjusted pursuant to regulation 18 (NSAT)</b>	<b>813,044</b>				
Subvention payment					
Depreciation of SF-A at BV (x)	398,926	n	add	add	add
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Depreciation of SF-A at ODV (y)	0	s	add	add	add
ODV depreciation adjustment	1,394,886				
Subvention payment tax adjustment	1,394,886				
Interest tax shield	0	d	add	add	add
Revaluations #	-1,560,000	r	deduct	deduct	deduct
Income tax	769,560	p			
<b>Numerator</b>					
Fixed assets at end of previous financial year (FA <sub>0</sub> )					
Fixed assets at end of current financial year (FA <sub>1</sub> )	40,076,201				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	38,625,059				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	323,211				
<b>Average total funds employed (ATFE)</b>	<b>39,234,925</b>	<b>c</b>			
Total equity at end of previous financial year (TE <sub>0</sub> )	43,739,990				
Total equity at end of current financial year (TE <sub>1</sub> )	42,533,916				
<b>Average total equity</b>	<b>43,136,953</b>	<b>k</b>			
WUC at end of previous financial year (WUC <sub>0</sub> )	282,648				
WUC at end of current financial year (WUC <sub>1</sub> )	98,411				
<b>Average total works under construction</b>	<b>190,530</b>	<b>e</b>			
Revaluations	-1,560,000	r	deduct	deduct	deduct
<b>Hair of revaluations</b>					
Intangible assets at end of previous financial year (IA <sub>0</sub> )	-780,000	r2			
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
<b>Average total intangible asset</b>	<b>0</b>				
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				
<b>Average subvention payment &amp; related tax adjustment</b>					
System fixed assets at end of previous financial year at book value (SF <sub>A0,00</sub> )	39,768,268				
System fixed assets at end of current financial year at book value (SF <sub>A1,00</sub> )	35,511,744				
<b>Average value of system fixed assets at book value</b>	<b>39,140,006</b>	<b>f</b>			
System Fixed assets at year beginning at ODV value (SF <sub>A0,ex0</sub> )	39,768,266				
System Fixed assets at end of current financial year at ODV value (SF <sub>A1,ex1</sub> )	38,366,931				
<b>Average value of system fixed assets at ODV value</b>	<b>39,067,599</b>	<b>h</b>			
<b>Denominator</b>					
ROF = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> × 100				<b>2.09</b>	
ATFE <sup>ADJ</sup> = c - e - f + h					<b>3.81</b>
ROI = NSAT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> × 100					
					<b>ROI = OSBIT<sup>ADJ</sup>/ATFE<sup>ADJ</sup> × 100</b>

<sup>t</sup> = maximum statutory income tax rate applying to corporate entities  
<sup>subscript '1'</sup> = end of the current financial year

<sup>av</sup> = average  
<sup>ROF</sup> = return on funds

<sup>subscript '0'</sup> = end of the previous financial year  
<sup>ROI</sup> = return on investment

<sup>#</sup> This value was incorrectly shown as +\$1,560,000 in the figures disclosed in August 2002. Consequently the ROI was incorrectly calculated.

Network Waitaki Limited (Lines)  
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2003

**FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2003**

Derivation Table		Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial state		520,813				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (NSAT)		520,813				
Interest on cash, bank balances, and short-term investments (ISTI)		368,473				
OSBIT minus (ISTI)		152,340	a			152,340
Net surplus after tax from financial statements		-315,792	n	add		
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)		-315,792	n	add		
Amortisation of goodwill and amortisation of other intangibles		0	g	0	add	0
Subvention payment		0	s	0	add	0
Depreciation of SFA at BV (x)		2,156,486				
Depreciation of SFA at ODV (y)		2,156,486				
ODV depreciation adjustment		0	d	add		
Subvention payment tax adjustment		0	s <sup>t</sup>	0	add	
Interest tax shield		0	q	deduct		
Revaluations		0	r		deduct	0
Income tax		836,605	p		deduct	836,605
Numerator				152,340		-684,265
Fixed assets at end of previous financial year (FA <sub>0</sub> )		38,625,059				
Fixed assets at end of current financial year (FA <sub>1</sub> )		38,025,365				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )		-234,650				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )		43,636				
Average total funds employed (ATFE)		38,230,305	c			38,230,305
Total equity at end of previous financial year (TE <sub>0</sub> )		42,533,916				
Total equity at end of current financial year (TE <sub>1</sub> )		42,509,473				
Average total equity		42,521,844	k			42,521,844
WUC at end of previous financial year (WUC <sub>0</sub> )		98,411				
WUC at end of current financial year (WUC <sub>1</sub> )		272,851				
Average total works under construction		185,631	e	deduct		185,631
Revaluations		0	r		deduct	0
Half of revaluations		0	r/2			
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	m			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			0
System fixed assets at end of previous financial year at book value (S <sub>0</sub> )		38,511,744				
System fixed assets at end of current financial year at book value (S <sub>1</sub> )		37,744,279				
Average value of system fixed assets at book value		38,128,012	f	deduct		38,128,012
System Fixed assets at year beginning at ODV value (SF <sub>0</sub> =n <sub>0</sub> )		38,287,608				
System Fixed assets at end of current financial year at ODV value (S <sub>1</sub> )		37,835,151				
Average value of system fixed assets at ODV value		38,061,379	h	add		38,061,379
Denominator				37,978,041		37,978,041
				ATFE <sup>ADJ</sup> = c - e - f + h	Ave TE <sup>ADJ</sup> = k - e - m + v - f + h	ATFE <sup>ADJ</sup> = c - e - 1/2f - f + h
					42,269,581	
						ROI = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100
						0.40%
						-0.75%
						ROE = NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100
						1.80%
						ROI = OSBIT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100

**Certificate of Financial Statements, Performance Measures, and Statistics  
Disclosed by Line Owners other than Transpower**

We, Lindsay Mitchell Malcolm and David John Douglas, Directors of Network Waitaki Limited certify that, having made all reasonable enquiry, to the best of our knowledge,

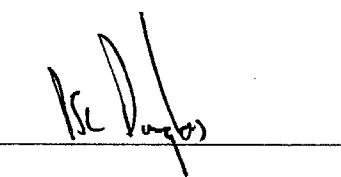
- (a) the attached audited financial statements of Network Waitaki Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; and
- (b) the attached information, being the derivation table, financial performance measures, efficiency performance measures, statistics, and reliability performance measures in relation to Network Waitaki Limited, and having been prepared for the purpose 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 2001.



Lindsay Mitchell Malcolm

24 July 2003



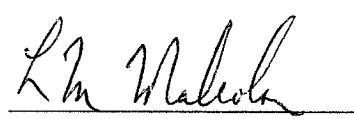
David John Douglas

**Certification of Valuation Report of Line Owners  
(Adjusted following Commerce Commission Comprehensive Audit Process  
under the Commerce Act 1986)**

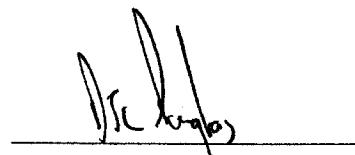
We, Lindsay Mitchell Malcolm and David John Douglas, Directors of Network Waitaki Limited certify that, having made all reasonable enquiry, to the best of our knowledge,

- (a) the attached valuation report of Network Waitaki Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of those regulation; and
- (b) the replacement cost of the line business system fixed assets of Network Waitaki is \$77,601,604; and
- (c) The depreciated replacement cost of the line business system fixed assets of Network Waitaki is \$38,919,769; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Network Waitaki is \$38,208,284; and
- (e) The optimised deprival valuation of the line business system fixed assets of Network Waitaki is \$38,208,284; 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 2001.



Lindsay Mitchell Malcolm



David John Douglas

24 July 2003



PricewaterhouseCoopers  
119 Armagh Street  
PO Box 13244  
Christchurch, New Zealand  
Telephone +64 3 374 3000  
Facsimile +64 3 374 3001

## Auditors' Report

### To the readers of the financial statements of Network Waitaki Limited – Lines Business

We have audited the accompanying financial statements of Network Waitaki Limited – Lines Business. The financial statements provide information about the past financial performance and cash flows of Network Waitaki Limited – Lines Business 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 which give a true and fair view of the financial position of Network Waitaki Limited – Lines Business as at 31 March 2003, and the results of operations and cash flows for the year then ended.

#### Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### 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 Network Waitaki Limited – Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary 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 capacities as auditors we have no relationship with or interests in Network Waitaki Limited.

#### Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by Network Waitaki Limited as far as appears from our examination of those records; and
- (b) the financial statements referred to above:
  - (i) comply with generally accepted accounting practice; and
  - (ii) give a true and fair view of the financial position of Network Waitaki Limited – Lines Business as at 31 March 2003 and the results of its operations and cash flows for the year then ended; and
  - (iii) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 24 July 2003 and our unqualified opinion is expressed as at that date.

MG Noone

Partner

PricewaterhouseCoopers  
On behalf of the Controller and Auditor General  
Christchurch  
24 July 2003

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## **Auditors' Opinion of Performance Measures**

### **Network Waitaki Limited – Lines Business**

We have examined the attached information, being –

- (a) the derivation table in regulation 16 for the 31 March 2002 year and 31 March 2003 financial year; and
- (b) the annual ODV reconciliation report in regulation 16A; and
- (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 Network Waitaki Limited – Lines Business and dated 24 July 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999 (as amended).

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 (as amended).



MG Noone  
Partner  
PricewaterhouseCoopers  
On behalf of the Controller and Auditor General  
Christchurch