



New Zealand Gazette

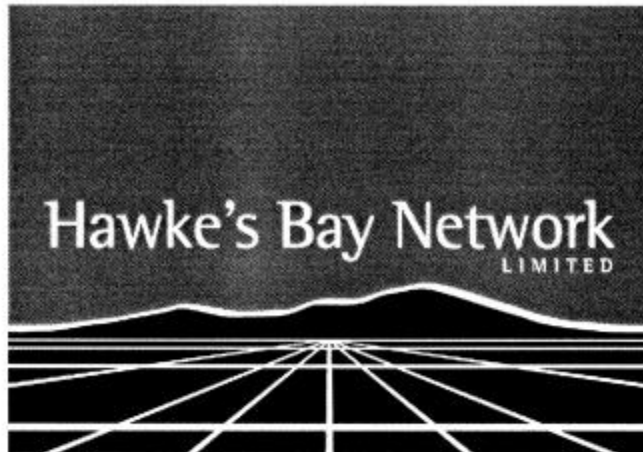
OF THURSDAY, 22 AUGUST 2002

WELLINGTON: WEDNESDAY, 28 AUGUST 2002 — ISSUE NO. 123

HAWKE'S BAY NETWORK LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001

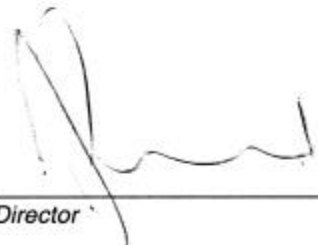


STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO SECRETARY

I, John Richard Palairt, 153 Avenue Road, Napier being a Director of Hawke's Bay Network Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public under the Electricity (Information Disclosure) Regulations 1999.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Declared at Napier this 22nd day of August 2002.

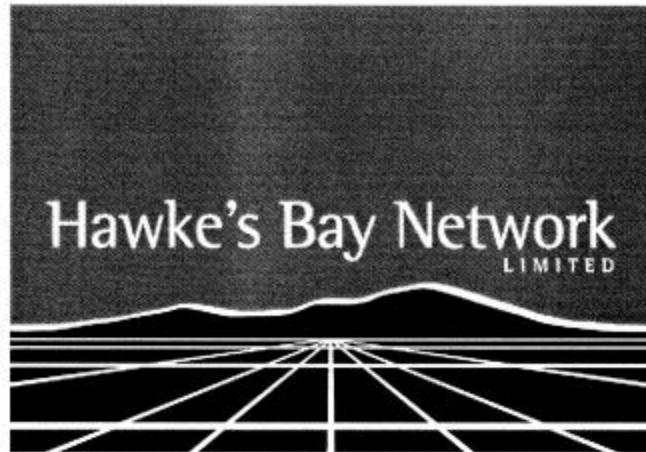


Director

Before me:



~~Justice of the Peace (or Solicitor or other person authorised to take a statutory declaration)~~



CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Forrest Miller and John Richard Palairé, Directors of Hawke's Bay Network Limited, certify that, having made all reasonable enquiry, to the best of our knowledge –

- a. The attached valuation report of Hawke's Bay Network Limited, 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 lines business system fixed assets of Hawke's Bay Network Limited is \$223,015,785; and
- c. The depreciated replacement cost of the line business system fixed assets of Hawke's Bay Network Limited is \$121,359,353; and
- d. The optimised depreciated replacement cost of the line business system fixed assets of Hawke's Bay Network Limited is \$116,350,756; and
- e. The optimised deprival valuation of the line business system fixed assets of Hawke's Bay Network Limited is \$116,347,895; 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.

Declared at *Hastings* this *23rd* day of *August* 2002.

[Signature]

Director
[Signature]

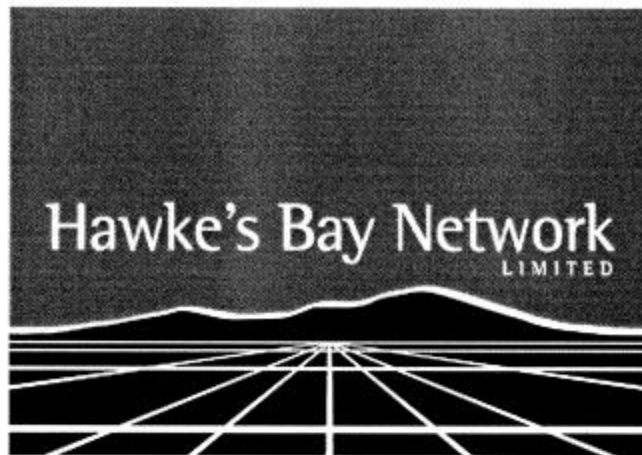
Director

23 August 2002

Date

23 August 2002

Date



CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower

We, Forrest Miller and John Richard Palairret, Directors of Hawke's Bay Network Limited, certify that, having made all reasonable enquiry, to the best of our knowledge –

- a. The attached audited financial statements of Hawke's Bay Network 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, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Hawke's Bay Network Limited, 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 2001.

Declared at *Hastings* this *23rd* day of *August* 2002.

Director

Date

Director

Date



PricewaterhouseCoopers
23-29 Albert Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Hawkes Bay Network Limited and dated 31 May 2001, which report contains valuations of system fixed assets as at 31 March 2001.

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 \$116,347,895, have been made in accordance with the ODV Handbook.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'. The signature is written in dark ink and is positioned above a horizontal line.

PricewaterhouseCoopers
Chartered Accountants
Auckland
27 June 2001

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
For The Year Ended 31 March 2002

	Notes	2002 \$000	2001 \$000
Operating Revenue Pre Discounts	4,15	34,394	37,164
Discounts		(7,670)	(3,877)
Operating Revenue		26,724	33,287
Operating Surplus before Non Operating Benefits (Costs)	4,15	755	4,551
Non Operating Benefits (Costs)	4	(40)	(933)
Surplus Before Taxation		715	3,618
Taxation Benefit (Expense)	3	494	(964)
NET SURPLUS FOR THE YEAR		1,209	2,654

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
For The Year Ended 31 March 2002

	2002 \$000	2001 \$000
Equity at beginning of year	131,484	114,870
Net Surplus (Deficit)	1,209	2,654
Land and Building Revaluations**	(15)	-
Revaluation Of Network Assets	-	13,960
Total recognised revenues and expenses for the year	1,194	16,614
Dividends Paid	(167)	-
Equity at end of year	132,511	131,484

*** As per the Transitional Provisions of Financial Reporting Standard 3

The accompanying Statement of Significant Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1999.

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL POSITION
As at 31 March 2002

	Notes	2002 \$000	2001 \$000
EQUITY			
Share Capital	5	66,661	66,661
Asset Revaluation Reserve	10	63,643	63,643
Retained Earnings	11	2,207	1,180
		<u>132,511</u>	<u>131,484</u>
Represented by:			
NON CURRENT ASSETS			
Property, Plant and Equipment	9	128,633	124,575
Capital Work In Progress		2,638	1,816
		<u>131,271</u>	<u>126,391</u>
CURRENT ASSETS			
Cash and Short Term Investments		3,500	5,608
Receivables and Prepayments	6	1,952	3,477
Inventories		569	603
Properties Intended For Sale	17	1,313	1,502
		<u>7,334</u>	<u>11,190</u>
TOTAL ASSETS		<u>138,605</u>	<u>137,581</u>
NON CURRENT LIABILITIES			
Employee Entitlements		438	540
Term Debt	7	1,000	1,000
		<u>1,438</u>	<u>1,540</u>
CURRENT LIABILITIES			
Accounts Payable and Accruals		3,808	2,968
Taxation Payable	3	40	960
Employee Entitlements		808	629
		<u>4,656</u>	<u>4,557</u>
TOTAL LIABILITIES		<u>6,094</u>	<u>6,097</u>
NET ASSETS EMPLOYED		<u>132,511</u>	<u>131,484</u>

The accompanying Statement of Significant Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1999.

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS
STATEMENT OF CASH FLOWS
For The Year Ended 31 March 2002

	Notes	2002 \$000	2001 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts From Customers		26,504	32,050
Contributions For Capital Works		1,204	1,195
Taxation Refunds		474	
GST		-	7
Interest Received		529	316
		<u>28,711</u>	<u>33,568</u>
Cash was disbursed to:			
Payments To Suppliers		14,889	19,118
Payments To Employees		4,597	4,484
Interest Paid On Loans		60	60
Income Taxes Paid		900	4
GST		-	-
		<u>20,446</u>	<u>23,666</u>
Net cash flows from operating activities	12	<u>8,265</u>	<u>9,902</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds From Sale Of Property,Plant and Equipment		155	2,053
		<u>155</u>	<u>2,053</u>
Cash was applied to:			
Purchase and Construction Of Property,Plant and Equipment		(10,361)	(10,085)
		<u>(10,361)</u>	<u>(10,085)</u>
Net cash flows from investing activities		<u>(10,206)</u>	<u>(8,032)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Payment of Dividends		(167)	-
Net cash from financing activities		<u>(167)</u>	<u>0</u>
Net Increase (Decrease) in Cash Held		(2,108)	1,870
Cash balances at beginning of year		5,608	3,738
CASH BALANCES AT END OF YEAR		<u>3,500</u>	<u>5,608</u>

The accompanying Statement of Significant Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1999.

HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

1. ENTITY STATEMENT

These financial statements for Hawke's Bay Network Limited (LINES BUSINESS) for the year 1 April 2001 to 31 March 2002, and the financial position of the Company as at 31 March 2002 have been completed in accordance with the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

Hawke's Bay Network Limited is registered as a Company under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993. Hawke's Bay Network is an Energy Company in terms of the Energy Companies Act 1992.

Basis of Preparation

These statements have been prepared **solely** for the purpose of complying with the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

• **Measurement System**

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historic cost basis is followed by the Company, with the exception that certain property, plant and equipment have been revalued.

• **Specific Accounting Policies**

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

a. *Property, Plant and Equipment*

Owned Assets

All owned items of Property, Plant and Equipment are initially recorded at cost and, except for land, depreciated. These costs include the purchase consideration plus, where appropriate, site preparation costs, installation costs and all relevant overheads. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to the location and condition it is intended for are complete.

The Electrical Distribution Network is valued at Optimised Depreciated Replacement Cost (ODRC) as determined by PriceWaterhouse Coopers. These valuations were completed as at 31 March 2001 and have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 2002.

Land and Buildings not included in the Electrical Distribution Network are stated at valuation determined by Telfer Young Ltd, Napier, an independent registered valuation company, as at 31 March 2002. The basis of valuation was fair value as defined under the Financial Reporting Standard 3 (FRS-3).

HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

All other items of Property, Plant and Equipment are initially stated at cost and depreciated as outlined in note 2(b) below.

Revaluations

The Electrical Distribution Network is revalued on a cyclical basis with no components being recognised at a valuation undertaken more than three years previously.

Land and Buildings are revalued on a cyclical basis at no more than 5 yearly intervals.

Land and Buildings intended for sale are stated at their 31 March 2000 valuation. These properties within this class have been transferred to Current Assets to reflect their pending sale.

Any revaluation surplus arising on the revaluation of a class of property, plant or equipment is transferred directly to the Asset Revaluation Reserve. A revaluation deficit in excess of the Asset Revaluation Reserve balance for the class of property, plant or equipment is recognised in the Statement of Financial Performance in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the Statement of Financial Performance are recognised as revenue in the Statement of Financial Performance.

Disposal of Property, Plant and Equipment

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the asset.

The carrying values of Property, Plant and Equipment do not exceed their estimated recoverable value.

b. Depreciation

Depreciation is provided on a straight line basis on all tangible items of property, plant and equipment other than freehold land, at rates calculated to allocate the assets' cost or valuation less any residual value, over their estimated useful lives. Depreciation on the Electrical Distribution Network for the financial year ending 31 March 2001 was based on the Optimised Deprival Value methodology as at March 1997, adjusted for additions and depreciation to 31 March 2001. From 1 April 2001 depreciation has been calculated for the Electrical Distribution Network valued at Optimised Depreciated Replacement Cost (ODRC).

The estimated useful lives of Property, Plant and Equipment are as follows:

Electrical Distribution Network

33kV Sub Transmission	35 - 70 Years
Zone Substations, Structures and Equipment	15 - 60 Years
Distribution Transformers	40 - 45 Years
Distribution Switchgear	35 - 55 Years
Overhead Lines	45 - 60 Years
Underground Cables	45 - 70 Years
Other Distribution Equipment	5 - 70 Years

HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

Other Plant, Property and Equipment

Freehold Buildings	60 - 100 Years
Land	Indefinite
Motor Vehicles	3 - 15 Years
Plant and Equipment.....	5 - 10 Years
Office Furniture and Equipment	5 - 20 Years
Information Technology	3 - 10 Years

c. Investments

Investments are stated at the lower of cost or net realisable value.

d. Receivables

Receivables are stated at their estimated realisable value.

e. Inventories

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

f. Capital Work in Progress

Capital Work in Progress includes the cost of materials and other direct and indirect costs incurred as at balance date.

g. Income Tax

The Company adopts the liability method of accounting for deferred taxation.

The taxation charge against the surplus for the period is the estimated liability in respect of that surplus after allowance for all the permanent differences and timing differences not expected to reverse in the foreseeable future. This is the partial basis for the calculation of deferred tax.

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. The subsequent realisation of such income tax benefits is subject to the requirements of income tax legislation being met.

h. Financial Instruments

Financial instruments such as bank balances, bank investments, receivables, accounts payable and term debt are included in the accounts at their estimated fair value.

i. Capitalisation

Capital expenditure is defined as all expenditure incurred in the creation of a new asset, replacement of an asset that has reached the end of its economic life, or increased service potential of an existing asset. Constructed assets are included in property, plant and equipment as each becomes operational and available for use.

j. Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held on call with banks, and investments in money market instruments.

k. Employee Entitlements

A liability for annual leave, long service leave and retirement gratuities is accrued and recognised in the Statement of Financial Position. Liabilities for annual and

HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2002

long service leave are calculated on an entitlement basis at current rates. Retirement gratuity liability is calculated using current rates and appropriate probabilities for all qualifying staff aged 50 years or over.

I. Property, Plant and Equipment Intended for Sale

Property, Plant and Equipment Intended for Sale are recognised at the lower of valuation and net realisable value.

Changes in Accounting Policies

The Company has changed its accounting policy for the valuation of Land and Buildings in order to comply with FRS-3: Property, Plant and Equipment. This standard came into effect for periods ending on or after 31 March 2002. It requires assets to be revalued at fair value, which has been determined by reference to their highest and best use. The previous policy had been to determine the value of those items by reference to their existing use. In accordance with the transitional provisions of FRS-3, the adjustment to the asset has been made in the Statement of Movements in Equity.

There have been no other changes from the accounting policies adopted in the last audited financial statements. All policies, other than the one change noted above, have been applied consistently with the previous period.

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002****3 INCOME TAX**

	2002 \$000	2001 \$000
a) Taxation		
Operating Surplus Before Taxation	715	3,618
Prima Facie Tax @ 33%	236	1,194
Permanent differences	(232)	(340)
Timing Differences not recognised	177	110
Prior Period Adjustments	(675)	-
Current Taxation Expense	(494)	964

Taxation Expense (Benefit) is represented by:

Current Taxation	(494)	964
Deferred Tax	-	-
Taxation Payable	(494)	964

b) Movement in Deferred Taxation Liability (Timing Differences)

The Company has not recognised deferred taxation liabilities on cumulative timing differences of \$39,847,000 (2001:\$35,207,000) as these are not expected to reverse in the foreseeable future. The tax effect of timing differences not recognised is \$13,149,510 (2001:\$11,618,310).

c) Taxation Payable

Opening Balance	960	-
Current year taxation expense (benefit)	(494)	964
Taxation paid	(900)	(4)
Taxation Refunded Prior Periods	474	-
	40	960

d) Imputation Credit Account

Opening Balance	2,502	2,498
Taxation Refund Received	(474)	-
Imputation Credits attached to Dividends Paid in the reporting period	(83)	-
Taxation Paid	900	4
	2,845	2,502

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002****4 SURPLUS BEFORE TAXATION**

	2002	2001
	\$000	\$000
Surplus Before Taxation	715	3,618

After Charging:**Depreciation:**

Electrical Distribution System	4,640	4,020
Freehold Buildings	89	61
Motor Vehicles	123	152
Plant and Equipment	110	122
Office Furniture and Equipment	61	57
Information Technology	535	496
Total Depreciation	5,558	4,908

Other Costs:

Interest Expense	60	60
Audit New Zealand - Audit Services	20	33
Audit New Zealand - Disclosure Accounts	3	4
Remuneration Paid to Directors	140	135
Bad Debts Written Off	40	88
Change In Provision for Doubtful Debts	11	(88)
Loss on Sale of Assets	8	141

After Crediting:

Interest Revenue	529	316
Recovery of debt previously written off as bad	5	-
Dividends	-	-
Gain on Sale of Assets	66	-

Non Operating Benefits (Costs):

Stock Obsolescence	(38)	(177)
Gratuities and Long Service Provision	(2)	(522)
Restructuring	-	(234)
Total Non Operating (Costs)	(40)	(933)

5 SHARE CAPITAL

	2002	2001
Number of Ordinary Fully Paid Shares on Issue	64,000,000	64,000,000
	2002	2001
	\$000	\$000
Issued and Paid up Value	66,661	66,661

6 RECEIVABLES AND PREPAYMENTS

	2002	2001
	\$000	\$000
Trade Debtors	2,063	3,577
Provision For Doubtful Debts	(111)	(100)
	1,952	3,477

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002

	2002 \$000	2001 \$000
7 TERM DEBT		
Due For Repayment:		
1 June 2003	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

The Interest Rate on the loan is 6.0% and the debt is unsecured with the Hawke's Bay Power Consumers Trust.

8 COMMITMENTS & CONTINGENT LIABILITIES

A contingent liability exists for future Customer Service Guarantee payments in relation to continuity of supply. The Company has a rental guarantee in respect to the premises sold in January 2001. In the Directors view, it is unlikely that this guarantee will result in a liability to the Company (2001:\$0).

There were no other contingent liabilities existing at balance date (2001:\$0).

The value of contractual capital commitments as at 31 March 2002 is estimated at \$1,055,000 (2001:\$1,668,525).

9 PROPERTY PLANT AND EQUIPMENT

	2002 \$000	2001 \$000
<u>Electrical Distribution Network</u>		
33kV Subtransmission		
at valuation	8,105	8,102
additions at cost	102	-
accumulated depreciation	(283)	-
	<u>7,924</u>	<u>8,102</u>
Zone Substation Structures and Equipment		
at valuation	14,984	14,984
additions at cost	943	-
accumulated depreciation	(675)	-
	<u>15,252</u>	<u>14,984</u>
Distribution and Substation Transformers		
at valuation	21,010	21,010
additions at cost	1,234	-
accumulated depreciation	(855)	-
	<u>21,389</u>	<u>21,010</u>
Distribution Switchgear		
at valuation	4,525	4,525
additions at cost	268	-
accumulated depreciation	(384)	-
	<u>4,409</u>	<u>4,525</u>
Overhead Lines		
at valuation	37,677	37,677
additions at cost	1,519	-
accumulated depreciation	(1,226)	-
	<u>37,970</u>	<u>37,677</u>
Underground Cables		
at valuation	18,523	18,523
additions at cost	2,674	-
accumulated depreciation	(843)	-
	<u>20,354</u>	<u>18,523</u>
Other Distribution Equipment		
at valuation	11,524	11,527
additions at cost	536	-
accumulated depreciation	(375)	-
	<u>11,685</u>	<u>11,527</u>
Net carrying Value, Electricity Distribution Network	<u>118,983</u>	<u>116,348</u>

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002**9 PROPERTY PLANT AND EQUIPMENT...continued****Freehold Buildings**

at valuation	4,007	2,686
at cost	-	165
accumulated depreciation	-	(187)
	<u>4,007</u>	<u>2,664</u>

Land and Additions to Land

at valuation	836	281
at cost	-	340
accumulated depreciation	-	-
	<u>836</u>	<u>621</u>

Motor vehicles

at cost	2,712	2,640
accumulated depreciation	(1,835)	(1,734)
	<u>877</u>	<u>906</u>

Plant and Equipment

at cost	3,373	3,282
accumulated depreciation	(2,613)	(2,527)
	<u>760</u>	<u>755</u>

Office Furniture and Equipment

at cost	2,175	2,043
accumulated depreciation	(1,898)	(1,848)
	<u>277</u>	<u>195</u>

Information Technology

at cost	6,152	5,812
accumulated depreciation	(3,259)	(2,726)
	<u>2,893</u>	<u>3,086</u>

Net Carrying Value, Other items of Property, Plant and Equipment

	<u>9,650</u>	<u>8,227</u>
TOTAL NET CARRYING VALUE	<u>128,633</u>	<u>124,575</u>

Valuations

The Electrical Distribution Network is valued at Optimised Depreciated Replacement Cost (ODRC) as determined by PriceWaterhouse Coopers (based on a valuation produced by Meritec Consultants Ltd) as at 31 March 2001 and have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 2002.

All Non Network Land and Buildings (excluding the Omaha Road, Hastings and a portion of the Faraday Street, Napier properties) have been transferred to Current Assets Pending Sale, at the amounts independently valued by Logan Stone Ltd of Hastings as at 31 March 2000. They have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 2002.

These properties were not revalued as at 31 March 2002 due to their classification as Current Assets Pending Sale and are valued on the basis of market value on an existing use.

The Directors consider the carrying value of Properties Intended for Sale as at 31 March 2002 to be an indication of fair value.

All other Land and Buildings have been independently valued by Telfer Young Ltd of Napier as at 31 March 2002 on a fair value basis as defined under Financial Reporting Standard 3.

All other items of Property, Plant and equipment are recorded at cost.

10 RESERVES

	2002	2001
	\$000	\$000
Asset Revaluation Reserve		
Balance at beginning of year	63,643	49,964
Revaluation Of Electrical Distribution Network	-	13,960
	<u>63,643</u>	<u>63,924</u>
Asset Revaluation in Relation to Land Sold	-	(281)
Balance at end of year	<u>63,643</u>	<u>63,643</u>

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002****11 RETAINED EARNINGS**

	2002 \$000	2001 \$000
Balance at beginning of year	1,180	(1,755)
Dividends Paid	(167)	-
Net Surplus (Deficit)	1,209	2,654
Land and Building Revaluations**	(15)	-
Asset Revaluation in Relation to Land Sold	-	281
Balance at end of year	2,207	1,180

*** As per the Transitional Provisions of Financial Reporting Standard 3

**12 RECONCILIATION OF REPORTED NET OPERATING SURPLUS AFTER TAX WITH NET CASH FLOWS
FROM OPERATING ACTIVITIES**

	2002 \$000	2001 \$000
NET OPERATING SURPLUS (DEFICIT) AFTER TAXATION	1,209	2,654
PLUS: Non Cash/ Non Operating Items		
Building Revaluation	-	-
(Gain)/Loss On Asset Sales	(58)	141
Depreciation	5,558	4,908
	6,709	7,703
PLUS (LESS) Movements in Working Capital:		
Decrease (Increase) in Receivables and Prepayments	1,525	274
Decrease (Increase) in Inventories	34	148
Increase (Decrease) in Accounts Payable, Accruals and Employee Entitlements	917	817
Increase (Decrease) in Taxation Payable	(920)	960
PLUS (LESS): Other Movements	-	-
Net Cash Inflow From Operating Activities	8,265	9,902

13 FINANCIAL INSTRUMENTS**a) Credit Risk**

Financial Instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivables. No collateral is held on these amounts.

Maximum exposure to credit risk is the amount stated in the Financial Statements and is net of any recognised provision for losses on these financial instruments.

b) Concentration of Credit Risk

The Company is exposed to a concentration of credit risk in that at certain times during each month Contact Energy may account for up to 65% of the accounts receivable balance outstanding, and any approved institution may hold up to 33% of the Company's bank balances at any given time.

c) Fair Values

The methods and assumptions used are that carrying amounts in the Financial Statements reflect the estimated fair value of the financial instruments including receivables, bank and investments, accounts payable and term debt. The average effective pre-tax interest rate on investments at balance date was 5.31%.

d) Currency Risk

The Company enters into forward exchange contracts for any transactions conducted in currency other than the New Zealand dollar to eliminate the effects of any currency fluctuations.

14 RELATED PARTY TRANSACTIONS

The establishment Plan of the Company provided for the formation of the Hawkes Bay Power Consumers Trust (the object of which is to hold the shares of the Company on behalf of the Consumers in their capacity as owners) and the issue of a \$1,000,000 debt security from the Company to the Trust. The debt security is repayable on 1 June, 2003 and carries an interest rate of 6% per pa. A fully imputed dividend of \$167,000 was paid to the Hawke's Bay Power Consumers Trust during the year.

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002****15 MANDATORY SPECIFIC DISCLOSURE**

The following information is required to be disclosed in the financial statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999.

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

	2002 \$000	2001 \$000
Current assets		
(a) Cash and bank balances:	1,000	2,008
(b) Short-term investments:	2,500	3,600
(c) Inventories:	569	603
(d) Accounts receivable:	1,952	3,477
(e) Other current assets not listed in (a) to (d):	1,313	1,502
(f) Total current assets	7,334	11,190
Fixed assets		
(a) System fixed assets:	118,983	116,348
(b) Consumer billing and information system assets:	0	0
(c) Motor vehicles:	877	906
(d) Office equipment:	277	3,174
(e) Land and buildings:	4,843	3,285
(f) Capital works under construction:	2,638	1,816
(g) Other fixed assets not listed in (a) to (f):	3,653	862
(h) Total fixed assets	131,271	126,391
Other tangible assets not listed above	0	0
Total tangible assets	138,605	137,581
Intangible assets		
(a) Goodwill:	0	0
(b) Other intangibles not listed in (a) above:	0	0
(c) Total intangible assets	0	0
Total assets	138,605	137,581
Current liabilities		
(a) Bank overdraft:	0	0
(b) Short-term borrowings:	0	0
(c) Payables and accruals:	4,616	3,597
(d) Provision for dividends payable:	0	0
(e) Provision for income tax:	40	960
(f) Other current liabilities not listed in (a) to (e) above:	0	0
(g) Total current liabilities	4,656	4,557
Non-current liabilities		
(a) Payables and accruals:	0	0
(b) Borrowings:	1,000	1,000
(c) Deferred tax:	0	0
(d) Other non-current liabilities not listed in (a) to (c) above:	438	540
(e) Total non-current liabilities	1,438	1,540
Equity		
(a) Shareholders' equity:		
Share capital:	66,661	66,661
Retained earnings:	2,207	1,180
Reserves:	63,643	63,643
Total Shareholders' equity:	132,511	131,484
(b) Minority interests in subsidiaries:	0	0
(c) Total equity:	132,511	131,484
(d) Capital notes:	0	0
(e) Total capital funds:	132,511	131,484
Total equity and liabilities	138,605	137,581

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002****15 FURTHER INFORMATION CONTINUED**

The following information is required to be disclosed in the financial statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999.

	2002	2001
	\$000	\$000
Operating revenue		
(a) Revenue from line/access charges:	30,188	32,796
(b) Revenue from "Other" business for services carried out by the line business (transfer payment):	0	0
(c) Interest on cash, bank balances and short term investments:	529	316
(d) AC loss-rental rebates:	2,512	2,718
(e) Other revenue not listed in (a) to (d):	1,165	1,334
(f) Total operating revenue pre Discounts	34,394	37,164

Expenditure (Schedule 1, Part 2)

	2002	2001
	\$000	\$000
Operating expenditure		
(a) Payment for Transmission Charges	10,142	13,268
	10,142	13,268
(b) Transfer payments to the "other" business for:		
(i) Asset maintenance:	0	0
(ii) Consumer disconnection/reconnection services:	0	0
(iii) Meter data:	0	0
(iv) Consumer-based load control services:	0	0
(v) Royalty and patent expenses:	0	0
(vi) Avoided transmission charges on account of own generation	0	0
(vii) Other goods and services not listed in (i) to (vi) above	0	0
(viii) Total transfer payment to the "Other" business	0	0
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance:	3,185	2,948
(ii) Consumer disconnection/reconnection services	0	0
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0
(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	3,185	2,948
(d) Employee salaries, wages and redundancies	2,488	3,190
(e) Consumer billing and information system expense	0	0
(f) Depreciation on:		
(i) System fixed assets:	4,640	4,020
(ii) Other assets not listed in (i)	918	1,029
(iii) Total depreciation	5,558	5,049
(g) Amortisation of:		
(i) Goodwill:	0	0
(ii) Other intangibles:	0	0
(iii) Total amortisation of intangibles	0	0
(h) Corporate and administration:	620	560
(i) Human resource expenses:	100	85
(j) Marketing/advertising:	94	49
(k) Merger and acquisition expenses:	0	0
(l) Takeover defence expenses:	0	0
(m) Research and development expenses:	68	15
(n) Consultancy and legal expenses:	330	257
(o) Donations:	0	0
(p) Directors' fees:	140	135
	1,352	1,081

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2002****15 FURTHER INFORMATION CONTINUED**

The following information is required to be disclosed in the financial statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999.

	2002 \$000	2001 \$000
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	23	33
(ii) Audit fees paid to other auditors:	0	0
(iii) Fees paid for other services provided by principal and other auditors:	4	4
(iv) Total auditors' fees:	27	37
(r) Costs of offering credit:		
(i) Bad debts written off:	40	88
(ii) Increase in estimated doubtful debts:	11	-88
(iii) Total cost of offering credit:	51	0
(s) Local authority rates expense:	68	94
(t) AC loss-rentals (distribution to retailers/customers) expense:	2,512	2,718
(u) Rebates to consumers due to ownership interest:	7,670	3,877
(v) Subvention payments:	0	0
(w) Unusual expenses:	40	933
(x) Other expenditure not listed in (a) to (w)	526	291
	10,816	7,913
Total operating expenditure	33,619	33,486
Operating surplus before interest and income tax	775	3,678
Interest expense		
(a)		
(b) Interest expense on borrowings	0	0
(c) Financing charges related to finance leases	0	0
(d) Other interest expense	60	60
Total interest expense	60	60
Operating surplus before income tax	715	3,618
Income tax	(494)	964
Net Surplus after Tax	1,209	2,654

16 SEGMENT INFORMATION

The company operates predominantly in one industry - the ownership, management and operation of electricity networks.

17 PROPERTIES INTENDED FOR SALE

	2002 \$000	2001 \$000
Buildings	764	953
Land	549	549
Total Properties Intended for Sale	1,313	1,502

These properties are now included in Current Assets as at 31 March 2002 at the amounts valued by Logan Stone Ltd of Hastings as at 31 March 2000, adjusted for additions at cost and depreciation to 31 March 2002. These valuations were based on market value on an existing use basis as at 31 March 2000. The Directors consider this to reflect fair value.

18 EMPLOYEE ENTITLEMENTS

Employee entitlements expected to be taken within the 12 months following Balance Date are recorded as Current Liabilities. All other Employee Entitlements are recorded as Term Liabilities.

19 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no known events post 31 March 2002 that would have a material impact on the operation of the Company.

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**ELECTRICITY (INFORMATION DISCLOSURE)
REGULATIONS 1999****Regulation 15**

Disclosure by line owners of financial and efficiency performance measures

Financial Measures	2002	2001	2000	1999
Return On Funds	0.23%	2.83%	3.10%	4.98%
Return On Equity	0.93%	2.18%	3.21%	2.50%
Return On Investment	0.74%	14.62%	3.07%	46.62%

Note: These measures are net of Line Discounts

Efficiency Measures

Direct Line Cost Per Kilometre	\$1,293	\$1,339	\$1,443	\$1,880
Indirect Line Cost Per Customer	\$48	\$60	\$46	\$40

Note: The Indirect Line Cost for 2001 was influenced by \$16.38 per Customer as a result of the non operating items disclosed in Note 4.

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	815,350				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	815,350				
Interest on cash, bank balances, and short-term investments (ISTI)	529,000				
OSBIIT minus ISTI	286,350	a	286,350		286,350
Net surplus after tax from financial statements	1,209,151				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,209,151	n		1,209,151	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	0	s	add	add	add
Depreciation of SFA at BV (x)	4,640,000				
Depreciation of SFA at ODV (y)	4,640,000				
ODV depreciation adjustment	0	d	add	add	add
Subvention payment tax adjustment	0	s [†]	deduct	deduct	deduct
Interest tax shield	-154,770	q			-154,770
Revaluations	0	r			0
Income tax	-493,801	p			-493,801
Numerator			OSBIIT ^{ADJ} = a + g + s + d	NSAT ^{ADJ} = n + g + s - s [†] + d	OSBIIT ^{ADJ} = a + g - q + r + s + d - p - s [†]
Fixed assets at end of previous financial year (FA ₀)	126,391,000				
Fixed assets at end of current financial year (FA ₁)	131,271,000				
Adjusted net working capital at end of previous financial year (ANWC ₀)	483,000				
Adjusted net working capital at end of current financial year (ANWC ₁)	-2,095,000				
Average total funds employed (ATFE)	128,025,000 (or regulation 33 time-weighted average)	c	128,025,000		128,025,000
Total equity at end of previous financial year (TE ₀)	131,484,000				
Total equity at end of current financial year (TE ₁)	132,511,151				
Average total equity	131,997,576 (or regulation 33 time-weighted average)	k		131,997,576	
WUC at end of previous financial year (WUC ₀)	1,816,000				
WUC at end of current financial year (WUC ₁)	2,638,000				
Average total works under construction	2,227,000 (or regulation 33 time-weighted average)	e	deduct 2,227,000	deduct 2,227,000	deduct 2,227,000

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Revaluations	0	r			
Half of revaluations	0	r/2			
Intangible assets at end of previous financial year (IA_0)	0				
Intangible assets at end of current financial year (IA_t)	0				
Average total intangible asset (or regulation 33 time-weighted average)	0	m		add	0
Subvention payment at end of previous financial year (S_0)	0				
Subvention payment at end of current financial year (S_t)	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 ($SFA_{b,0}$)	116,348,000				
System fixed assets at end of current financial year at book value ($SFA_{b,t}$)	118,983,000				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	117,665,500	t	deduct	117,665,500 deduct	117,665,500
System Fixed assets at year beginning at ODV value ($SFA_{od,0}$)	116,348,000				
System Fixed assets at end of current financial year at ODV value ($SFA_{od,t}$)	118,983,000				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	117,665,500	h	add	117,665,500 add	117,665,500
Denominator					
			125,798,000 $ATFE^{ADV} = c - e - f + h$	129,770,576 $Ave TE^{ADV} = k - e - m + v - f + h$	125,798,000 $ATFE^{ADV} = c - e - \frac{1}{2}f + h$
Financial Performance Measure:			ROF = $OSBIT^{ADV} / ATFE^{ADV} \times 100$ 0.23	ROE = $NSAT^{ADV} / ATE^{ADV} \times 100$ 0.93	ROI = $OSBIT^{ADV} / ATFE^{ADV} \times 100$ 0.74

t = maximum statutory income tax rate applying to corporate entities
 subscript 't' = end of the current financial year
 subscript '0' = end of the previous financial year
 bv = book value
 ave = average
 odv = optimised deprival valuation
 ROF = return on funds
 ROE = return on equity
 ROI = return on investment

HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**ELECTRICITY (INFORMATION DISCLOSURE)
REGULATIONS 1999****Regulation 16A****Annual Valuation Reconciliation Report****For The Year Ending 31 March:**

	2002 \$000	2001 \$000
System fixed assets at ODV - end of the previous financial year	116,348	101,434
Add system fixed assets acquired during the year at ODV	7,275	4,974
Less system fixed assets disposed of during the year at ODV	-	-
Less depreciation on system fixed assets at ODV	(4,640)	(4,020)
Add revaluation of system fixed assets	-	13,960
Equals system fixed assets at ODV - end of financial year	118,983	116,348

REGULATION 21
YEAR ENDED 31 MARCH 2002

	Note	2002	2001	2000	1999
1) Energy Delivery Efficiency Performance Measures & Statistics					
a) Load Factor		58.62%	59.57%	61.13%	59.33%
b) Loss Ratio		5.5%	5.47%	5.39%	5.33%
c) Capacity Utilisation		30.3%	30.1%	28.81%	28.87%
2) STATISTICS					
a) Systems Length (kms)					
~ 33Kv		271	271	263	248
~ 11kV		2,325	2,311	2,273	2,164
~ 230/400V		1,307	1,290	1,282	1,262
Total		3,903	3,872	3,824	3,674
b) Circuit Length (Overhead) (kms)					
~ 33kV		248	247	246	228
~ 11kV		1,941	1,937	1,932	1,838
~ 230/400V		480	479	474	641
Total		2,669	2,663	2,652	2,707
c) Circuit Length (Underground) (kms)					
~ 33kV		24	24	17	20
~ 11kV		384	374	347	326
~ 230/400V		826	811	808	621
Total		1,234	1,209	1,172	967
d) Transformer Capacity (kVA)		557,000	538,831	536,485	531,253
e) Maximum Demand (kW)		168,896	162,200	154,587	153,370
f) Total electricity entering the system (before losses) (kWh) Comparative figures are for total electricity supplied from the system after losses of electricity)		867,332,224	801,999,537	783,161,169	754,644,983
g) Total amount of electricity supplied from the system (after losses of electricity) on behalf of each person (kWh)		819,612,086	848,445,966	828,806,626	797,132,126
Retailer A		546,396,753	563,985,132	583,355,709	
Retailer B		15,398,575	98,491,123	98,444,884	
Retailer C		79,612,884	74,172,364	66,824,649	
Retailer D		96,928,433	60,083,396	54,210,978	
Retailer E		17,108,509	30,331,255	25,441,206	
Retailer F		49,694,020	7,224,965	486,864	
Retailer G		8,842,173	12,928,576	21,168	
Retailer H		0	887,729	21,168	
Retailer I		0	11,904	-	
Retailer J		3,410,362	-	-	
Retailer K		2,220,377	329,522	-	
		819,612,086	848,445,966	828,806,626	
(Comparative figures are for the total amount of electricity conveyed through the system before the losses of electricity)					
h) Total customers		58,070	57,331	56,594	56,000

REGULATION 22
RELIABILITY PERFORMANCE MEASURES
YEAR ENDED 31 MARCH 2002

	2002	2001	2000	1999
1) Total Interruptions				
a) Planned Interruptions by Line Owner (Class B)	281	360	342	492
b) Unplanned Interruptions by Line Owner (Class C)	195	193	152	243
c) Unplanned - Transpower (Class D)	1	1		
	<u>477</u>	<u>554</u>	<u>494</u>	<u>735</u>
2) Next Year's Target				
a) Planned Interruptions by Line Owner (Class B)	300	360	400	450
b) Unplanned Interruptions by Line Owner (Class C)	180	170	200	225
c) Unplanned				
3) Next 5 Year Average Target				
a) Planned Interruptions by Line Owner (Class B)	300	340	400	430
b) Unplanned Interruptions by Line Owner (Class C)	150	150	200	220
4) Unplanned Interruptions (Class C) not restored within:				
a) 3 Hours (%)	58	30	20	27
b) 24 Hours (%)	1	7	NIL	NIL
5) Faults/100km				
a) Total No. of Faults	7.51	7.5	5.98	10.07
b) Next Year's Targets	7.1	6.6	8	9.3
c) Next 5 Year Average Target	6.8	6	7	9.1
d) i) 33kV Line Voltage				
a) Total no. of Faults	2.57	6.96	1.9	4.3
b) Next Year's Target	2.00	6.2	3.5	3.5
c) Next 5 Year Target	1.50	6	3.0	3.0
ii) 11kV Line Voltage				
a) Total no. of Faults	7.91	7.48	6.45	10.77
b) Next Year's Target	7	6.7	8	10
c) Next 5 Year Target	6	6.2	8	9.9
6) Faults/100km of Underground Line				
a) Total	11.65	10.6	14.56	12.14
b) 33kV	0	0	0	0
c) 11kV	11.46	10.87	15.27	12.88
7) Faults/100km of Overhead Line				
a) Total	6.73	7.1	4.55	9.73
b) 33kV	2.82	7.7	2.03	4.39
c) 11kV	7.21	6.9	4.87	10.39
8) TOTAL SAIDI (with Transpower)	101.63	385.03	103.99	162.4
9) SAIDI Classification for 31 March 2002				
a) Planned Interruptions by Line Owner (Class B)	31.66	58.43	56.6	80.47
b) Unplanned Interruptions by Line Owner (Class C)	69.10	81.60	47.3	81.96
c) Unplanned Interruptions – Transpower (Class D)	.87	245.00	-	-
10) SAIDI Targets Next Year				
a) Planned Interruptions by Line Owner (Class B)	37	58	60	75
b) Unplanned Interruptions by Line Owner (Class C)	60	68	80	75

REGULATION 22
RELIABILITY PERFORMANCE MEASURES
YEAR ENDED 31 MARCH 2002 (Cont'd)

	2002	2001	2000	1999
11) SAIDI Targets Next 5 Years				
a) Planned Interruptions by Line Owner (Class B)	30	55	50	70
b) Unplanned Interruptions by Line Owner (Class C)	40	51	70	70
12) TOTAL SAIFI	2.14	4.75	1.48	2.38
13) SAIFI Classification for 31 March 2002				
a) Planned Interruptions by Line Owner (Class B)	.25	0.41	0.41	0.51
b) Unplanned Interruptions by Line Owner (Class C)	1.89	2.34	1.06	1.87
c) Unplanned Interruptions – Transpower (Class D)	.39	2.00	-	-
14) SAIFI Targets Next Year				
a) Planned Interruptions by Line Owner (Class B)	.3	.50	0.5	0.5
b) Unplanned Interruptions by Line Owner (Class C)	1.86	1.90	2	1.5
15) SAIFI Target Next 5 Years				
a) Planned Interruptions by Line Owner (Class B)	.3	.50	0.42	0.45
b) Unplanned Interruptions by Line Owner (Class C)	1.4	1.70	1.8	1.4
16) Total CAIDI	47.49	81.06	70.3	68.16
17) CAIDI Classification for 31 March 2002				
a) Planned Interruptions by Line Owner (Class B)	126.64	143.00	136.7	158
b) Unplanned Interruptions by Line Owner (Class C)	36.56	34.80	44.5	44
c) Unplanned Interruptions – Transpower (Class D)	2.23	123.00	-	-
18) CAIDI Targets Next Year				
a) Planned Interruptions by Line Owner (Class B)	123	115	120	150
b) Unplanned Interruptions by Line Owner (Class C)	32	36	40	40
19) CAIDI Targets Next 5 Years				
a) Planned Interruptions by Line Owner (Class B)	100	110	120	150
b) Unplanned Interruptions by Line Owner (Class C)	28	30	40	40



REPORT OF THE AUDIT OFFICE

READERS OF THE FINANCIAL STATEMENTS OF HAWKE'S BAY NETWORK LIMITED FOR THE YEAR ENDED 31 MARCH 2002

We have audited the financial statements of Hawke's Bay Network Limited on pages 2 to 16. The financial statements provide information about the past financial performance of Hawke's Bay Network Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 5 to 8.

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 Hawke's Bay Network Limited as at 31 March 2002, and results of 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 Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed V F Sears, 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 Hawke's Bay Network 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 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 auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Hawke's Bay Network Limited.

Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by Hawke's Bay Network Limited as far as appears from our examination of those records *and*
- ▲ the financial statements on pages 2 to 16:
 - (a) comply with generally accepted accounting practice *and*
 - (b) give a true and fair view of the financial position of Hawke's Bay Network Limited as at 31 March 2002 and the results of its operations and cash flows for the year ended on that date; *and*
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 23 August 2002 and our unqualified opinion is expressed as at that date.



V F Sears
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand



Audit New Zealand

**AUDITOR-GENERAL'S OPINION
ON THE PERFORMANCE MEASURES OF
HAWKE'S BAY NETWORK LIMITED**

We have examined the information on pages 17 to 20 being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulations 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 Hawke's Bay Network Limited and dated 31 March 2002 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.

V F Sears
Audit New Zealand
On behalf of the Controller and Auditor-General
Napier, New Zealand

23 August 2002