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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 2002

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 2002**

REVENUE	Note	2002 \$	2001 \$
Operating revenue			
Revenue from line/access charges		7,385,600	8,861,138
Revenue returned as Customer Discount		(2,165,542)	(1,963,784)
Revenue from "Other" business for services carried out by the line business		0	0
Interest on cash, bank balances and short term investments		355,442	371,631
AC loss-rental rebates		434,495	427,655
Other revenue not listed above			
Capital Contributions	246,832		155,680
Use of Money Interest	0		0
Other	0		0
		<u>246,832</u>	<u>155,680</u>
Total operating revenue		<u>6,256,827</u>	<u>7,852,320</u>
EXPENDITURE		2002 \$	2001 \$
Operating expenditure			
Payment for transmission charges		2,050,764	2,897,659
Transfer payments to the "Other" business for			
Asset maintenance	3	685,205	480,543
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		0	0
Total transfer payment to the "Other" business		<u>685,205</u>	<u>480,543</u>
Expense to entities that are not related parties for			
Asset maintenance		74,173	88,709
Consumer disconnection/reconnection services		0	0
Meter data		0	0
Consumer-based load control services		0	0
Royalty and patent expenses		0	0
Total of specified expenses to non-related parties		<u>74,173</u>	<u>88,709</u>
Employee salaries, wages and redundancies		0	84,504
Consumer billing and information system expense		19,200	37,633
Depreciation on			
System fixed assets		1,394,886	1,478,450
Other assets		15,467	34,112
Total depreciation		<u>1,410,353</u>	<u>1,512,562</u>
Amortisation of			
Goodwill		0	0
Other intangibles		0	0
Total amortisation of intangibles		<u>0</u>	<u>0</u>
Corporate and administration		714,889	666,230
Human resource expenses		0	19,366
Marketing/advertising		7,756	3,700
Merger and acquisition expenses		0	0
Takeover defence expenses		0	0
Research and development expenses		0	0
Consultancy and legal expenses		5,992	30,837
Donations		0	0
Directors' fees		41,727	50,000
Auditors' fees			
Audit fees paid to principal auditors		11,056	19,000
Audit fees paid to other auditors		0	0
Fees paid for other services provided by principal and other auditors		0	0
Total auditors' fees		<u>11,056</u>	<u>19,000</u>

Statement of Financial Performance for the Year Ended 31 March 2002 - Continued

	Note	2002 \$	2001 \$
Costs of offering credit			
Bad debts written off	0	0	0
Increase in estimated doubtful debts	0	0	0
Total cost of offering credit		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		67,227	49,223
Total operating expenditure		5,088,342	5,939,966
Operating surplus before interest and income tax		1,168,486	1,912,354
Interest expense			
Interest expense on borrowings		0	0
Financing charges related to finance leases		0	0
Other interest expense		0	10,890
Total interest expense		0	10,890
Operating surplus before income tax		1,168,486	1,901,464
Income tax	5	769,560	1,063,997
Net surplus after tax		398,926	837,467

Network Waitaki Limited (Lines)**Statement of Movements in Equity for the Year Ended 31 March 2002**

	Note	2002 \$	2001 \$
Equity at the Beginning of the Year		43,739,990	42,887,368
Net Surplus (Deficit) for the Period		398,926	837,467
Revaluation		(1,560,000)	125,155
Total Recognised Revenue and Expenses		(1,161,075)	962,622
Dividends Paid		(45,000)	(110,000)
Equity at the End of the Year		42,533,916	43,739,990

Network Waitaki Limited (Lines)**Statement of Financial Position as at 31 March 2002**

	Note	2002 \$	2001 \$
Current assets			
Cash and bank balances		431,651	230,613
Short-term investments		6,250,000	5,070,000
Inventories		91,258	135,634
Accounts receivable		342,202	879,780
GST		346	158,681
Provisional Tax		319,971	276,029
Other current assets		8,306	626
Total current assets		<u>7,443,734</u>	<u>6,751,363</u>
Fixed assets			
System fixed assets		38,511,744	39,768,268
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)		98,411	282,648
Other fixed assets		14,904	25,285
Total fixed assets		<u>38,625,059</u>	<u>40,076,201</u>
Other tangible assets not listed above		0	0
Total tangible assets		<u>46,068,793</u>	<u>46,827,564</u>
Intangible assets			
Goodwill		0	0
Other intangibles		0	0
Total intangible assets		<u>0</u>	<u>0</u>
Total assets		<u>46,068,793</u>	<u>46,827,564</u>
Current liabilities			
Bank overdraft		0	0
Short-term borrowings		0	0
Payables and accruals		996,733	851,510
Provision for dividends payable		0	0
Provision for taxation		0	0
GST		0	0
Other current liabilities		0	0
Total current liabilities		<u>996,733</u>	<u>851,510</u>
Non-current liabilities			
Payables and accruals		0	0
Borrowings		0	0
Deferred tax	6	2,538,144	2,236,064
Other non-current liabilities		0	0
Total non-current liabilities		<u>2,538,144</u>	<u>2,236,064</u>
Equity			
Shareholders' equity			
Share capital		7,368,870	7,368,870
Retained earnings		6,381,900	6,027,974
Reserves		28,783,146	30,343,146
Total Shareholders' equity		<u>42,533,916</u>	<u>43,739,990</u>
Minority interests in subsidiaries		0	0
Total equity		<u>42,533,916</u>	<u>43,739,990</u>
Capital notes		0	0
Total capital funds		<u>42,533,916</u>	<u>43,739,990</u>
Total equity and liabilities		<u>46,068,793</u>	<u>46,827,564</u>

Network Waitaki Limited (Lines)**Statement of Cash Flows for the Year Ended 31 March 2002**

	Note	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from Customers		8,581,470	9,406,454
Interest		355,442	371,631
GST		234,202	0
Income Tax		0	0
<i>Cash was disbursed to:</i>			
Customer Discounts		(2,165,542)	(1,963,784)
Payments to Suppliers		(3,548,902)	(3,867,877)
Employees		0	(84,504)
Income Tax		(511,422)	(1,043,408)
GST		0	(247,481)
FBT		0	(4,623)
Interest Paid		0	(10,890)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7	<u>2,945,248</u>	<u>2,555,518</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from sales of Fixed Assets		0	230,307
Collection on Loans		0	0
<i>Cash was applied to:</i>			
Cash Outflows for Fixed Assets		(1,519,210)	(1,619,199)
Investments		0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(1,519,210)</u>	<u>(1,388,892)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Loan transferred from other activities		0	0
<i>Cash was applied to:</i>			
Dividend paid		(45,000)	(110,000)
Loan repaid		0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(45,000)</u>	<u>(110,000)</u>
NET INCREASE (DECREASE) IN CASH HELD		1,381,038	1,056,626
Add Opening Cash Brought Forward		5,300,613	4,243,987
Equity Transferred From (To) Other		0	0
ENDING CASH CARRIED FORWARD		<u>6,681,651</u>	<u>5,300,613</u>

Network Waitaki Limited (Lines)

Notes to and Forming Part of the Financial Statements

for the Year Ending 31 March 2002

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 2002 of \$298,120 (2001 \$103,046). The Lines Business has no contingent liabilities at the end of the period (2001 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 2001 to 31 March 2002. These services are charged on a fixed contract basis.

During the period, this charge totalled \$712,501. The outstanding amount as at 31 March 2002 was \$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 2001 to 31 March 2002. Services were charged on both a fixed price basis or "time and materials" basis.

During the period, this charge totalled \$1,434,621. The outstanding amount as at 31 March 2002 was \$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 31/3/2002	9 Months to 31/3/2001
Subtransmission assets	\$10,901	\$10,368
Zone substations	\$49,300	\$67,956
Distribution lines	\$310,861	\$307,989
Medium voltage switchgear	\$96,735	\$137,834
Distribution transformers	\$7,554	\$0
Distribution substations	\$49,842	\$38,934
Low voltage lines	\$149,041	\$41,486
Other System Fixed Assets	\$75,182	\$64,893

Other transactions totalled:

Maintenance of System Fixed Assets	\$685,205	\$316,256
Cost of customer connections and disconnections	\$0	\$0

Internal Division: Network Waitaki Contracting (for prior year comparison only)

Network Waitaki Limited operated an internal contracting division that provided asset maintenance and construction services for the period to 30 June 2000 and it was dissolved on this date. Services were charged on both a fixed price basis or "time and materials" basis.

During the period capital construction transactions totalled the following:

	3 Months to 30/6/2000
Subtransmission assets	\$0
Zone substations	\$7,285
Distribution lines	\$204,259
Medium voltage switchgear	\$0
Distribution transformers	\$68,085
Distribution substations	\$3,884
Low voltage lines	\$5,411
Other System Fixed Assets	\$27,125
Maintenance of System Fixed Assets	\$164,287
Cost of customer connections and disconnections	\$0

4. Annual Valuation Reconciliation Report

	2002	2001*
	\$	\$
System Fixed Assets at ODV (start of period)	39,768,266	40,230,942
Adjustment following Commerce Commission Comprehensive Audit Process (under Commerce Act 1986)	(1,559,982)	0
Restated System Fixed Assets at ODV (start of period)	38,208,284	40,230,942
Add System Fixed Assets acquired during the period at ODV	1,805,180	1,641,942
Less System Fixed Assets disposed of during the period at ODV	(251,647)	(108,277)
Less depreciation on System Fixed Assets at ODV	(1,394,886)	(1,478,450)
Add revaluations of System Fixed Assets	0	(517,891)
Gives System Fixed Assets at ODV (end of period)	38,366,931	39,768,266

*Comparative figures have been restated to include Land and Buildings System Fixed Assets (\$560,650).

5. Taxation

	2002	2001
	\$	\$
Surplus (Deficit) Before Taxation	<u>1,168,486</u>	<u>1,901,464</u>
Income tax expense at 33 cents in the dollar	385,600	627,483
Plus (Less) the Effect of:		
Realised capital gains	0	0
Non-assessable receipts	(81,455)	(51,374)
Non-deductible expenses	465,415	487,888
Unrecognised timing differences	0	0
	<u>769,560</u>	<u>1,063,997</u>
Taxation Charge is Represented by:		
Income Tax Liability (Benefit) in respect of the current year	467,480	767,379
Deferred Taxation	302,080	296,618
	<u>769,560</u>	<u>1,063,997</u>

6. Movement in Deferred Tax Account

	2002	2001
	\$	\$
Opening Balance	2,236,064	2,356,010
Movement in Deferred Tax	302,080	296,618
Future Income Tax Benefit	0	0
Deferred Tax on Revalued Assets	0	(416,564)
Closing Balance	<u>2,538,144</u>	<u>2,236,064</u>

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

	2002	2001
	\$	\$
Surplus after Taxation	398,926	837,467
Add Non-cash Items		
Depreciation	1,410,353	1,512,562
Asset Revaluation	0	0
Deferred Tax	302,080	296,618
Transfers	0	0
	<u>1,712,433</u>	<u>1,809,180</u>
 Add (Less) Movements in Working Capital Items		
Accounts Receivable	529,898	(38,019)
Inventories	44,376	(83,804)
GST	158,335	(247,481)
Tax Asset	(43,942)	(276,029)
Other Current Assets	0	968
Payables and Accruals	145,222	582,652
Other Current Liabilities	0	(29,416)
	<u>833,889</u>	<u>(91,129)</u>
	<u>2,945,248</u>	<u>2,555,518</u>

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

	2002	2001	2000	1999
Accounting return on funds	2.09%	3.79%	6.39%	2.93%
Accounting return on equity	0.93%	1.94%	4.14%	1.72%
Accounting return on investments	4.20%	0.28%	4.38%	1.77%

Efficiency Performance Measures - 31 March

	2002	2001	2000	1999
Direct line costs per kilometre	\$717.43	\$676.30	\$640.25	\$525.45
Direct expenditure	\$1,370,989	\$1,285,824	\$1,212,534	\$990,589
System length (km)	1,910.98	1,901.27	1,893.85	1,885.22

Indirect line costs per consumer*	\$22.60	\$21.45	\$42.21	\$41.18
Indirect expenditure	\$256,336	\$243,921	\$481,522	\$468,786
Total consumers	11,341	11,372**	11,409**	11,385**

Energy Delivery Efficiency Performance Measures - 31 March

	2002	2001	2000	1999
Load Factor (= a/b/c x 100)	70.41%	63.50%	70.28%	64.25%
a = kWh of electricity entering system	179,024,561	174,420,448*	177,930,085*	168,982,164*
b = Maximum Demand (kW)	29,026	31,356*	28,824*	30,024*
c = Total number of hours	8,760	8,760	8,784	8,760

Loss Ratio (= a/b x 100)	6.28%	7.89%	5.65%	6.12%
a = Total Electricity lost in the Network (kWh)	11,239,979	13,762,867	10,060,459	10,341,540
b = Total Electricity entering the Network before losses (kWh)	179,024,561	174,420,448*	177,930,085*	168,982,164*

Capacity Utilisation (= a/b x 100)	23.20%	25.98%	24.52%	25.57%
a = Maximum Demand (kW)	29,026	31,356*	28,824*	30,024*
b = Transformer Capacity (kVA)	125,113	120,693	117,570	117,428

* Demand and usage levels have been re-stated based on actual metered amounts.

** Comparative figures have been re-stated based on 'total consumers' rather than 'total connections' (which included de-energised connections).

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

		2002	2001	2000	1999
Total System Length (kms)	33kV	138.13	138.12	138.12	138.12
	11kV	1,554.33	1,543.61	1,538.00	1,530.01
	230/400 V	218.52	219.54	217.73	217.09
	Total	1,910.98	1,901.27	1,893.85	1,885.22
Overhead Circuit Length (kms)	33kV	137.85	137.84	137.84	137.84
	11kV	1,522.80	1,515.06	1,518.52	1,510.61
	230/400 V	192.36	193.37	187.53	187.57
	Total	1,853.00	1,846.27	1,843.89	1,836.02
Underground Circuit Length (kms)	33kV	0.28	0.28	0.28	0.28
	11kV	31.54	28.56	19.49	19.40
	230/400 V	26.16	26.17	30.20	29.52
	Total	57.98	55.00	49.96	49.20

Transformer Capacity (kVA)	11,000/400V	124,988	120,568	117,445	117,303
	33,000/400V	125	125	125	125
	Total	125,113	120,693	117,570	117,428

Maximum Demand (kW)		29,026	31,356*	28,824*	30,024*
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Total Electricity entering the Network- before losses (kWh)		175,814,935	179,024,561*	174,420,448*	177,930,085*
Amount of electricity supplied from the system (kWh)	Retailer A	134,961,945	122,868,367^	134,251,417^	151,970,389^
	Retailer B	13,792,718	25,881,199^	24,331,042^	13,683,664^
	Retailer C	0	0	0	679,530^
	Retailer D	0	0	0	1,156,898^
	Retailer E	10,695,532	10,429,825^	3,056,287^	98,064^
	Retailer F	3,616,764	5,319,863^	2,627,240^	0
	Retailer G	1,120,555	755,202^	94,003^	0
	Retailer H	387,442	7,238^	0	0
	Total	164,574,956	165,261,694	164,359,989	167,588,545

Total number of Consumers	Number	11,341	11,372**	11,409**	11,385**
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* Demand and usage levels have been re-stated based on actual metered amounts.

** Number of Consumers has been re-stated to exclude sites that were de-energised.

^ Restated to exclude losses

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

	Class	2003/07 (Target)	2003 (Target)	2002	2001	2000	1999
Number of Interruptions	Class A	0	0	0	0	0	0
<i>Planned Interruptions</i>	Class B	24	24	70	28	9	8
<i>Unplanned Interruptions</i>	Class C	80	80	75	79	49	76
	Class D	0	0	0	0	0	0
	Class E - I	0	0	0	0	0	0
	Total	104	104	145	107	58	84

Proportion of Total Class C Interruptions not restored:

Within 3 Hours	8.1%	5.1%	6.1%	7.9%
Within 24 Hours	0.0%	0.0%	0.0%	0.0%

Faults

	Voltage	2003/07 (Target)	2003 (Target)	2002	2001	2000	1999
Overall System							
Faults per 100 circuit kilometres of prescribed voltage electric line		0.84	0.84	4.43	4.70	2.92	4.56
Faults per 100 circuit kilometres	33kV	0.72	0.72	0.72	0.72	0.00	0.72
	11kV	0.85	0.85	4.76	5.05	3.19	4.90
Overhead							
Faults per 100 circuit kilometres of prescribed voltage electric line				4.46	4.78	2.90	4.49
Faults per 100 circuit kilometres	33kV			0.73	0.73	0.00	0.73
	11kV			4.79	5.15	3.16	4.83
Underground							
Faults per 100 circuit kilometres of prescribed voltage electric line				3.14	0.00	5.06	10.16
Faults per 100 circuit kilometres	33kV			0.00	0.00	0.00	0.00
	11kV			3.17	0.00	5.13	10.31

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

	Class	2003/07 (Target)	2003 (Target)	2002	2001	2000	1999
SAIDI for total number of interruptions	Overall	80	80	78.1	72.2	46.1	63.3
SAIDI for total number of interruptions within each interruption class (= a/b)	Class A			0.0	0.0	0.0	0.0
	Class B	30	30	34.6	16.7	1.9	12.7
	Class C	50	50	43.5	55.5	44.2	50.6
	Class D			0.0	0.0	0.0	0.0
	Class E - I			0.0	0.0	0.0	0.0
a = sum of interruption duration factors for all interruptions within the particular interruption class	Class A			0	0	0	0
	Class B	330,000	336,000	392,644	189,510	21,820	144,362
	Class C	550,000	560,000	493,454	631,089	504,490	576,081
	Class D			0	0	0	0
	Class E - I			0	0	0	0
b = Total Consumers		11,000	11,200	11,341	11,372	11,409	11,385

System Average Interruption Frequency Index (SAIFI)*

	Class	2003/07 (Target)	2003 (Target)	2002	2001	2000	1999
SAIFI for total number of interruptions	Overall	0.95	0.95	1.00	1.03	0.86	1.39
SAIFI for total number of interruptions within each interruption class (= a/b)	Class A	0.00	0.00	0.00	0.00	0.00	0.00
	Class B	0.12	0.12	0.20	0.12	0.01	0.06
	Class C	0.83	0.83	0.80	0.90	0.85	1.32
	Class D	0.00	0.00	0.00	0.00	0.00	0.00
	Class E - I			0.00	0.00	0.00	0.00
a = sum of electricity consumers affected by all interruptions	Class A	0	0	0	0	0	0
	Class B	1,320	1,344	2,293	1,380	169	711
	Class C	9,130	9,296	9,019	10,279	9,663	15,057
	Class D	0	0	0	0	0	0
	Class E - I			0	0	0	0
b = Total Consumers		11,000	11,200	11,341	11,372	11,409	11,385

Connection Average Interruption Duration Index (CAIDI)*

	Class	2003/07 (Target)	2003 (Target)	2002	2001	2000	1999
CAIDI for total number of interruptions	Overall	84	84	78.33	70.38	53.53	45.69
CAIDI for total number of interruptions within each interruption class	Class A			0.00	0.00	0.00	0.00
	Class B	250	250	171.24	137.33	129.14	202.94
	Class C	60	60	54.71	61.40	52.21	38.26
	Class D			0.00	0.00	0.00	0.00
	Classes E-I			0.00	0.00	0.00	0.00

* Comparative figures have been re-stated based on 'total consumers' rather than 'total connections' (which included de-energised connections).

Network Waitaki Limited (Lines)

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table		Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements		1,168,486				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)		1,168,486				
Interest on cash, bank balances, and short-term investments (STI)		355,442				
OSBIT minus STI		813,044	a	813,044		813,044
Net surplus after tax from financial statements		398,926				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)		398,926	n			
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 (v)		1,394,886				
Depreciation of SFA at ODV (y)		1,394,886	d	add	add	add
ODV depreciation adjustment		0	s ¹	deduct	deduct	deduct
Subvention payment tax adjustment		0	q			
Interest tax shield		1,560,000	r			
Revaluations		769,560	p			
Income tax						
Numerator				OSBIT ^{ADU} = a + g + s + d	NSAT ^{ADU} = n + g + s - s ¹ + d	OSBIT ^{ADU} = a + g - q + r + s + d - p - s ¹
Fixed assets at end of previous financial year (FA ₀)		40,076,201				
Fixed assets at end of current financial year (FA ₁)		38,625,059				
Adjusted net working capital at end of previous financial year (ANWC ₀)		323,211				
Adjusted net working capital at end of current financial year (ANWC ₁)		-554,621				
Average total funds employed (ATFE)		39,234,925	c	39,234,925		39,234,925
Total equity at end of previous financial year (TE ₀)		43,739,980				
Total equity at end of current financial year (TE ₁)		42,533,916				
Average total equity		43,136,953	k		43,136,953	
WUC at end of previous financial year (WUC ₀)		282,648				
WUC at end of current financial year (WUC ₁)		98,411				
Average total works under construction		190,530	e	deduct	deduct	deduct
Revaluations		1,560,000	r			
Half of revaluations		780,000	r/2			
Intangible assets at end of previous financial year (IA ₀)		0				
Intangible assets at end of current financial year (IA ₁)		0				
Average total intangible asset		0	m	add	add	add
Subvention payment at end of previous financial year (S ₀)		0				
Subvention payment at end of current financial year (S ₁)		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	add	add
System fixed assets at end of previous financial year at book value (SFA _{bw0})		39,768,268				
System fixed assets at end of current financial year at book value (SFA _{bw1})		38,511,744				
Average value of system fixed assets at book value		39,140,006	f	deduct	deduct	deduct
System Fixed assets at year beginning at ODV value (SFA _{odv0})		39,768,268				
System Fixed assets at year end at ODV value (SFA _{odv1})		38,366,931				
Average value of system fixed assets at ODV value		39,067,599	h	add	add	add
Denominator				ATFE ^{ADU} = c - e - f + h	Ave TE ^{ADU} = k - e - m + v - f + h	ATFE ^{ADU} = c - e - 1/2r - f + h
Financial Performance Measure:				ROF = OSBIT ^{ADU} /ATFE ^{ADU} x 100	ROE = NSAT ^{ADU} /ATE ^{ADU} x 100	ROI = OSBIT ^{ADU} /ATFE ^{ADU} x 100
				2.09	0.93	4.20

t = maximum statutory income tax rate applying to corporate entities bw = book value ave = average odv = optimised deprival valuation
subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

Explanation of Terms***General***

km	kilometres
kV	kilovolts
kVA	kilovolt amperes
kW	kilowatts
kWh	kilowatt hours (also referred to as <i>units</i>)
ODV	Optimised Deprival Valuation
GXP	Grid Exit Point

Reliability and Performance Measures

Class A	planned interruptions by Transpower.
Class B	planned interruptions by Network Waitaki.
Class C	unplanned interruptions by Network Waitaki.
Class D	unplanned interruptions by Transpower.
Class E	unplanned interruptions on 'generation' lines used by Network Waitaki.
Class F	unplanned interruptions on 'generation' lines used by another line owner.
Class G	unplanned interruptions caused by another line owner.
Class H	planned interruptions caused by another line owner.
Class I	an interruption not referred to in Classes A to H.

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

We, Lindsay Mitchell Malcolm and Anthony John Brady, 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



Anthony John Brady

12 August 2002

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

We, Lindsay Mitchell Malcolm and Anthony John Brady, 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



Anthony John Brady

12 August 2002



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Clarendon Tower
78 Worcester Street
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New Zealand

Mail address
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New Zealand

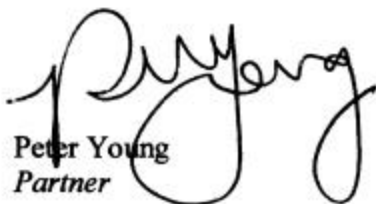
Telephone (03) 363-5764
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AUDITORS OPINION IN RELATION TO ODV VALUATION

NETWORK WAITAKI LIMITED

I have examined the valuation report of Network Waitaki Limited prepared by KPMG and dated 23 May 2001, which contains valuations of system fixed assets as at 31 March 2001.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$39,768,000 have been made in accordance with the ODV Handbook.



Peter Young
Partner

23 May 2001



PricewaterhouseCoopers
119 Armagh Street
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Christchurch, New Zealand
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Facsimile +64 3 374 3001

Auditors' Opinion of Performance Measures

Network Waitaki Limited – Lines Business

We have examined the attached information, being –

- (a) the derivation table in regulation 16; 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 9 August 2002 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).

A handwritten signature in black ink, appearing to read 'M.G. Noone', written over the printed name.

M.G. Noone

Partner

PricewaterhouseCoopers

On behalf of the Controller and Auditor General

Christchurch

9 August 2002



PricewaterhouseCoopers
 119 Armagh Street
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 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 2002. 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 2002, 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 2002 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 9 August 2002 and our unqualified opinion is expressed as at that date.


 MG Noone
 Partner
 PricewaterhouseCoopers
 On behalf of the Controller and Auditor General
 Christchurch
 9 August 2002