



# New Zealand Gazette

OF THURSDAY, 9 AUGUST 2001

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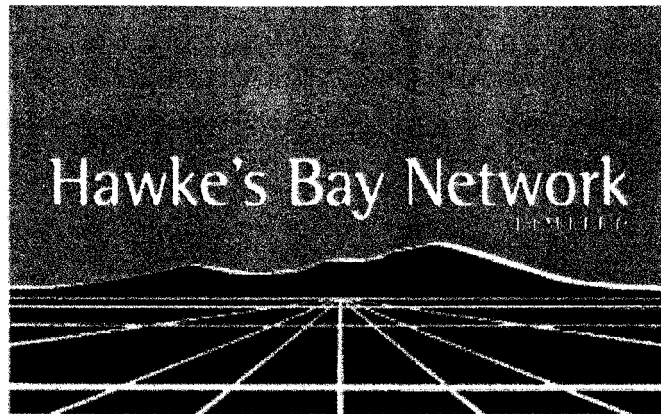
WELLINGTON: FRIDAY, 10 AUGUST 2001 — ISSUE NO. 85

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## HAWKE'S BAY NETWORK LIMITED

### INFORMATION FOR DISCLOSURE

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



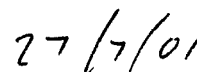
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

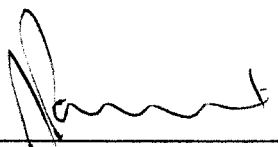
We, Forrest Miller and John Richard Palaire, Directors of Hawke's Bay Network Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, -

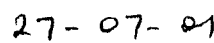
- a. The attached audited financial statements of Hawke's Bay Network Ltd, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; and
- b. The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Hawke's Bay Network Ltd, 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.

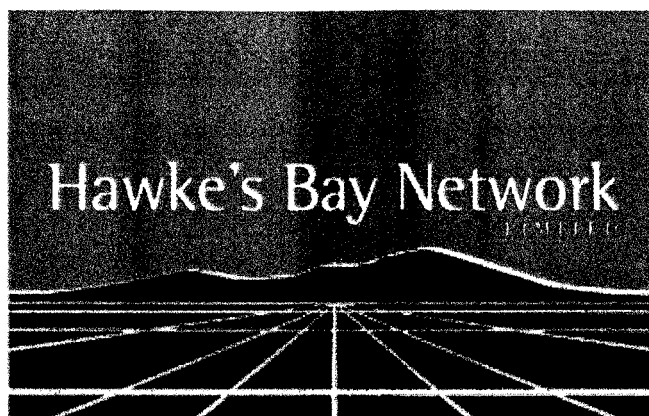
The valuations on which those financial performance measures are based are as at 31 March 2001.

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Date



### CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Forrest Miller and John Richard Palaret, 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.

Dated this \_\_\_\_\_ day of \_\_\_\_\_

2001.

Director

Date

Director

Date



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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***

**INFORMATION DISCLOSURE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2001**

**IMPORTANT NOTE**

The information disclosed in these financial statements has been prepared solely for the purpose of the Electricity (Information Disclosure) Regulations 1999. The Regulations require the information to be disclosed in the manner it is presented.

**THIS INFORMATION SHOULD NOT BE USED FOR ANY PURPOSE  
OTHER THEN THAT INTENDED UNDER THE REGULATIONS**

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For The Year Ended 31 March 2001

	Notes	2001 \$000	2000 \$000
<b>OPERATING REVENUE</b>	4,18	33,287	32,055
<b>OPERATING SURPLUS BEFORE NON OPERATING COSTS AND TAXATION</b>	4,18	<u>4,551</u>	<u>5,605</u>
Non Operating Costs	4	(933)	(2,113)
<b>OPERATING SURPLUS (DEFICIT) BEFORE TAXATION</b>		<u>3,618</u>	<u>3,492</u>
Taxation Expense	3	964	20
<b>NET SURPLUS</b>		<u>2,654</u>	<u>3,472</u>

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
For The Year Ended 31 March 2001

	2001 \$000	2000 \$000
Equity at 1 April 2000	<u>114,870</u>	<u>103,169</u>
Net Surplus (Deficit)	2,654	3,472
Revaluation Of Network Assets	13,960	-
Revaluation Of Land	-	(154)
Deferred Taxation in Respect Of Revaluation	-	8,383
Total recognised revenues and expenses for the year	<u>16,614</u>	<u>11,701</u>
Dividends Paid	-	-
<b>Equity at 31 March</b>	<u><b>131,484</b></u>	<u><b>114,870</b></u>

The accompanying Statement of 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 2001**

	Notes	2001 \$000	2000 \$000
<b>EQUITY</b>			
Share Capital	7	66,661	66,661
Asset Revaluation Reserve	13	63,643	49,964
Retained Earnings	14	1,180	(1,755)
		<u>131,484</u>	<u>114,870</u>
<b>Represented by:</b>			
<b>NON CURRENT ASSETS</b>			
Fixed Assets	11	124,575	110,240
Capital Work In Progress		1,816	710
		<u>126,391</u>	<u>110,950</u>
<b>CURRENT ASSETS</b>			
Cash and Short Term Investments		5,608	3,738
Receivables and Prepayments	8	3,477	3,751
Inventories		603	751
Fixed Assets Intended For Sale	20	1,502	-
		<u>11,190</u>	<u>8,240</u>
<b>TOTAL ASSETS</b>		<u><b>137,581</b></u>	<u><b>119,190</b></u>
<b>NON CURRENT LIABILITIES</b>			
Term Debt	9	1,000	1,000
		<u>1,000</u>	<u>1,000</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accruals		2,968	2,703
Taxation Payable	3	960	-
Employee Entitlements		1,169	617
		<u>5,097</u>	<u>3,320</u>
<b>TOTAL LIABILITIES</b>		<u><b>6,097</b></u>	<u><b>4,320</b></u>
<b>NET ASSETS EMPLOYED</b>		<u><b>131,484</b></u>	<u><b>114,870</b></u>

The accompanying Statement of 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 2001**

	Notes	2001 \$000	2000 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts From Customers		32,050	30,631
Contributions For Capital Works		1,195	779
GST		7	-
Interest Received		316	95
		<u>33,568</u>	<u>31,505</u>
Cash was disbursed to:			
Payments To Suppliers		19,118	19,270
Payments To Employees		4,484	3,985
Interest Paid On Loans		60	60
Income Taxes Paid		4	848
GST		-	93
		<u>23,666</u>	<u>24,256</u>
Net cash flows from operating activities	15	<u>9,902</u>	<u>7,249</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds From Sale Of Assets		<u>2,053</u>	<u>124</u>
		2,053	124
Cash was applied to:			
Repayment of Inter Company Advance		-	3,000
Purchase and Construction Of Fixed Assets		10,085	6,438
		<u>10,085</u>	<u>9,438</u>
Net cash used in investing activities		<u>(8,032)</u>	<u>(9,314)</u>
<b>CASH FLOWS FROM FINANCING</b>			
Net cash used in financing activities		-	-
Net Increase (Decrease) in Cash Held		1,870	(2,065)
Add Opening Cash Brought Forward		<u>3,738</u>	<u>5,803</u>
<b>ENDING CASH CARRIED FORWARD</b>		<u>5,608</u>	<u>3,738</u>

The accompanying Statement of 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 2001**

**1. ENTITY STATEMENT**

These financial statements for Hawke's Bay Network Limited (LINES BUSINESS) for the year 1 April 2000 to 31 March 2001, and the financial position of the Company as at 31 March 2001 have been completed in accordance with Regulation 6 of the Electricity (Information Disclosure) Regulations 1999.

Hawke's Bay Network Limited is registered as a company under the Companies Act 1993, and is an energy company in terms of the Energy Companies Act 1992.

These financial statements have been prepared in accordance with the Electricity Disclosure Guidelines as issued by the Ministry of Economic Development in June 2000 and are presented *solely* for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1999.

**2. STATEMENT OF 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 are followed by the Company, with the exception that certain fixed assets have been revalued.

**PARTICULAR ACCOUNTING POLICIES**

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

**a. Fixed Assets**

Network Assets are valued at Optimised Deprival Value (ODV) which is the lower of Optimised Depreciated Replacement Cost (ODRC) or Economic Value as determined by appropriately qualified valuers. These valuations were completed as at 31 March 2001.

Network assets are revalued on a cyclical basis with no components being recognised at a valuation undertaken more than three years previously.

Land and Buildings not included in Network Assets are stated at valuation determined by an independent registered valuer as at 31 March 2000 and have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 2001. The basis of valuation was market value on an existing use basis.

Land and Buildings are revalued annually, except that for the 31 March 2001 year, Land and Buildings intended for sale are stated at their March 31 2000 valuation. The Company's new premises at Omahu Road, Hastings is undergoing renovations as at 31 March 2001 and will therefore not be subject to the cyclical revaluation policy until 31 March 2002. These new premises are included at purchase cost plus additions to 31 March 2001. Certain properties within this asset class have been transferred to Current Assets to reflect their pending sale

All other Fixed Assets are initially stated at cost and depreciated as outlined in note 2(b)

**HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2001**

Any revaluation surplus arising on the revaluation of a class of fixed assets is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of fixed assets 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.

When a fixed asset 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 fixed asset.

**b. Depreciation**

Depreciation is provided on a straight line basis on all tangible fixed assets other than freehold land, at rates calculated to allocate the asset's cost or valuation less any residual value, over their estimate useful lives.

*Useful lives are:*

• Network assets	10-70 years
• Transformers	20-60 years
• Freehold Buildings	60-100 years
• Motor Vehicles	5-10 years
• Plant and Equipment	5-10 years
• Office Furniture and Equipment	4-20 years

**c. Other Investments**

Other 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**

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.

**HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2001**

**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 fixed assets 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 at 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 actual accrued annual and long service leave are calculated on an entitlement basis at current rates. Future retirement gratuities are calculated using discounted rates and appropriate probabilities for all qualifying staff aged 50 years or over. Future long service liabilities for all qualifying staff have also been calculated using discounted rates and appropriate probabilities.

**n. Fixed Assets Intended for Sale**

Fixed Assets Intended for Sale are recognised at the lower of valuation and net realisable value.

**Changes in Accounting Policies**

There have been no changes to accounting policies during the period ending 31 March 2001.

## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

## 3 INCOME TAX

	2001 \$000	2000 \$000
<b>a) Taxation</b>		
Operating Surplus (Deficit) Before taxation	3,618	3,492
Prima Facie Tax @ 33%	1,194	1,152
Permanent differences	(340)	777
Timing Differences not recognised	110	185
Current Taxation Expense	964	2,114
Timing Differences recognised	-	-
Previous years timing differences now not recognised	-	(2,094)
<b>Current Taxation Expense (Tax Benefit)</b>	<b>964</b>	<b>20</b>
Taxation Expense (Benefit) is represented by:		
Current Taxation	964	2,114
Deferred Tax	-	(2,094)
<b>Taxation Payable</b>	<b>964</b>	<b>20</b>

**b) Movement in Deferred Taxation Liability (Timing Differences)**

Opening Balance	-	10,477
Revaluation of Network Assets	-	(8,383)
Net movement in recognised timing differences	-	-
Previous years timing differences now not recognised	-	(2,094)
	-	-

The Company has not recognised deferred taxation liabilities on cumulative timing differences of \$35,207,000 (2000:\$29,767,000) as these are not expected to reverse in the foreseeable future. The tax effect of timing differences not recognised is \$11,618,310 (2000:\$9,822,000). The Company changed to accounting for income tax using the part basis for the calculation of deferred taxation from 31 March 2000.

**c) Taxation (Loss) Payable**

Opening Balance	-	848
Current year taxation expense (benefit)	964	-
Taxation paid	(4)	(848)
	960	-

**d) Imputation Credit Account**

Opening Balance	2,498	1,650
Taxation Paid	4	848
	2,502	2,498

## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

## 4 OPERATING SURPLUS BEFORE TAX

	2001 \$000	2000 \$000
<b>After Charging:</b>		
Depreciation	4,908	4,688
Interest Costs	60	60
Bad Debts Written Off	88	-
Change in Provision for Doubtful Debts	(88)	63
Loss On Sale of Assets	141	-
<b>After Crediting:</b>		
Interest Revenue	316	95
Gain On Sale Of Assets	-	65
<b>Non Operating Costs</b>		
Building Revaluation	-	2,113
Stock Obsolescence	177	-
Gratuities and Long Service Provision	522	-
Restructuring	234	-
	<b>933</b>	<b>2113</b>

## 5 AUDITORS REMUNERATION

	2001 \$000	2000 \$000
Accounts payable or due and payable to the Auditors for:		
Auditing Financial Statements	33	34
Other Services	4	4

## 6 DIRECTORS REMUNERATION

	2001 \$000	2000 \$000
Remuneration Paid To Directors	135	150

## 7 SHARE CAPITAL

	2001	2000
Ordinary Shares	64,000,000	64,000,000

## 8 RECEIVABLES AND PREPAYMENTS

	2001 \$000	2000 \$000
Trade Debtors	3,577	3,839
Provision For Doubtful Debts	(100)	(88)
	<b>3,477</b>	<b>3,751</b>
Prepayments	-	-
	<b>3,477</b>	<b>3,751</b>

## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

	2001 \$000	2000 \$000
<b>9 TERM DEBT</b>		
Due For Repayment:		
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.

**10 COMMITMENTS & CONTINGENT LIABILITIES**

The value of contractual capital commitments as at 31 March 2001 is estimated at \$1,668,525 (2000: \$586,591).

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 to Hastings District Council. In the Directors view, it is unlikely that this guarantee will result in a liability to the company.

The company has a personnel grievance dispute with a former employee which carries a maximum exposure of \$45,000 (2000:\$0)

There were no other contingent liabilities existing at balance date.

**11 FIXED ASSETS**

	At Valuation \$000	At Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
<b>Lines Business 31 March 2001</b>				
Network	116,348	-	-	116,348
Freehold Land	281	340	-	621
Buildings	165	2,686	187	2,664
Vehicles, Plant and Equipment	-	13,554	8,612	4,942
	<u>116,794</u>	<u>16,580</u>	<u>8,799</u>	<u>124,575</u>

	At Valuation \$000	At Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
<b>Lines Business 31 March 2000</b>				
Network	100,583	4,780	3,929	101,434
Freehold Land	1,305	-	-	1,305
Buildings	2,647	-	-	2,647
Vehicles, Plant and Equipment	-	13,049	8,195	4,854
	<u>104,535</u>	<u>17,829</u>	<u>12,124</u>	<u>110,240</u>

**Valuations**

Network Assets are valued at Optimised Deprival Value (ODV) as determined by PriceWaterhouse Coopers (based on a valuation produced by Meritec Consultants Ltd) as at 31 March 2001.

All surplus Network Land and Buildings have been transferred to current assets pending sale, at the amounts independently valued by Logan Stone Ltd of Hastings as at 31 March 2000 and have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 2001. These properties were not revalued as at 31 March 2001 due to their classification as Current Assets Pending Sale.

The valuations dated 31 March 2000 were based on market value on an existing use basis at this date.

The Company's new premises at Omaha Road Hastings will be valued on a yearly cyclical basis commencing 31 March 2002.

The Directors consider the carrying value of Land and Buildings as at 31 March 2001 to be an indication of fair value.

All other assets have been recorded at cost.

**12 EVENTS SUBSEQUENT TO BALANCE DATE**

There have been no known events post 31 March 2001 that would have a material impact on the operation of the Company.

## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

## 13 RESERVES

	2001 \$000	2000 \$000
<b>Asset Revaluation Reserve</b>		
Balance at beginning of year	49,964	41,735
Revaluation Of Network Assets	13,960	-
Deferred taxation on asset revaluation	-	8,383
	<u>63,924</u>	<u>50,118</u>
Revaluation Of Land	-	-154
Asset Revaluation in Relation to Land Sold	(281)	-
Balance as at 31 March	<u>63,643</u>	<u>49,964</u>

## 14 RETAINED EARNINGS

	2001 \$000	2000 \$000
Balance at beginning of year	(1,755)	773
Net Surplus (Deficit)	2,654	3,472
Transfer to Share Capital (Refer Note 7)	-	(6,000)
Asset Revaluation in Relation to Land Sold	281	-
	<u>1,180</u>	<u>(1,755)</u>

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

	2001 \$000	2000 \$000
<b>NET OPERATING SURPLUS (DEFICIT) AFTER TAXATION</b>	2,654	3,472
<b>PLUS: Non Cash/ Non Operating Items</b>		
Building Revaluation	-	2,113
(Gain)/Loss On Asset Sales	141	(65)
Depreciation	4,908	4,688
	<u>7,703</u>	<u>10,208</u>
<b>PLUS (LESS) Movements in Working Capital:</b>		
Decrease (Increase) in Receivables and Prepayments	274	(551)
Decrease (Increase) in Inventories	148	(651)
Increase (Decrease) in Accounts Payable, Accruals and Employee Entitlements	817	1,166
Increase (Decrease) in Taxation Payable	960	(828)
<b>PLUS (LESS): Other Movements</b>		
Increase (Decrease) Deferred Taxation Liability	-	(2,095)
Net Cash Inflow From Operating Activities	<u>9,902</u>	<u>7,249</u>

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For The Year Ended 31 March 2001

**16 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 which relate primarily to Energy Traders. 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.

**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.

**e) 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.

**17 TRANSACTIONS WITH RELATED PARTIES**

For the first 7 Months of the 2000 financial year the company purchased maintenance and network construction services from its own in house service providers at commercial rates. From 01/11/99 all the inspections service, planned maintenance and major capital works has been contracted out.

	2001	1/04/1999 to 30/10/1999
	\$000	\$000
Construction of subtransmission assets	-	-
Construction of zone substations	-	1,037
Construction of distribution lines and cables	-	1,019
Construction of medium voltage switchgear	-	-
Construction of distribution transformers	-	340
Construction of distribution substations	-	-
Construction of low voltage lines and cables	-	395
Construction of other fixed assets	-	2
Maintenance of Assets	-	2,031
Consumer connections and disconnections	-	-

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.



## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

## 18 FURTHER INFORMATION

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)

	2001 \$000	2000 \$000
<b>Current assets</b>		
(a) Cash and bank balances:	2,008	1,738
(b) Short-term investments:	3,600	2,000
(c) Inventories:	603	751
(d) Accounts receivable:	3,477	3,751
(e) Other current assets not listed in (a) to (d):	1,502	0
(f) <b>Total current assets</b>	<b>11,190</b>	<b>8,240</b>
<b>Fixed assets</b>		
(a) System fixed assets:	116,348	101,434
(b) Consumer billing and information system assets:	0	0
(c) Motor vehicles:	906	842
(d) Office equipment:	3,174	3,046
(e) Land and buildings:	3,285	3,952
(f) Capital works under construction:	1,816	710
(g) Other fixed assets not listed in (a) to (f):	862	966
(h) <b>Total fixed assets</b>	<b>126,391</b>	<b>110,950</b>
<b>Other tangible assets not listed above</b>	<b>0</b>	<b>0</b>
<b>Total tangible assets</b>	<b>137,581</b>	<b>119,190</b>
<b>Intangible assets</b>		
(a) Goodwill:	0	0
(b) Other intangibles not listed in (a) above:	0	0
(c) <b>Total intangible assets</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>137,581</b>	<b>119,190</b>
<b>Current liabilities</b>		
(a) Bank overdraft:	0	0
(b) Short-term borrowings:	0	0
(c) Payables and accruals:	4,137	3,320
(d) Provision for dividends payable:	0	0
(e) Provision for income tax:	960	0
(f) Other current liabilities not listed in (a) to (e) above:	0	0
(g) <b>Total current liabilities</b>	<b>5,097</b>	<b>3,320</b>
<b>Non-current liabilities</b>		
(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:	0	0
(e) <b>Total non-current liabilities</b>	<b>1,000</b>	<b>1,000</b>
<b>Equity</b>		
(a) Shareholders' equity:		
Share capital:	66,661	66,661
Retained earnings:	1,180	-1,755
Reserves:	63,643	49,964
Total Shareholders' equity:	131,484	114,870
(b) Minority interests in subsidiaries:	0	0
(c) Total equity:	131,484	114,870
(d) Capital notes:	0	0
(e) <b>Total capital funds:</b>	<b>131,484</b>	<b>114,870</b>
<b>Total equity and liabilities</b>	<b>137,581</b>	<b>119,190</b>

## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

## 18 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.

	2001 \$000	2000 \$000
(a) <b>Operating revenue</b>		
(b) (a) Revenue from line/access charges:	32,796	31,361
(u) Rebates to consumers due to ownership interest:	(3,877)	(1,400)
(b) Revenue from "Other" business for services carried out by	0	0
(c) the line business (transfer payment):	0	0
(e) (c) Interest on cash, bank balances and short term investments:	316	95
(f) (d) AC loss-rental rebates:	2,718	773
(g) (e) Other revenue not listed in (a) to (d):	1,334	1,226
<b>Total operating revenue</b>	<b>33,287</b>	<b>32,055</b>

**Expenditure (Schedule 1, Part 2)**

	2001 \$000	2000 \$000
<b>Operating expenditure</b>		
(a) Payment for Transmission Charges	13,268	12,972
	<b>13,268</b>	<b>12,972</b>
(b) Transfer payments to the "other" business for:		
(i) Asset maintenance:	0	2,030
(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) <b>Total transfer payment to the "Other" business</b>	<b>0</b>	<b>2,030</b>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance:	2,948	679
(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) <b>Total of specified expenses to non-related parties (sum of (i) to (vi))</b>	<b>2,948</b>	<b>679</b>
(d) Employee salaries, wages and redundancies	3,190	3,985
(e) Consumer billing and information system expense	0	0
(f) Depreciation on:		
(i) System fixed assets:	4,020	3,929
(ii) Other assets not listed in (i)	1,029	694
(iii) <b>Total depreciation</b>	<b>5,049</b>	<b>4,623</b>
(g) Amortisation of:		
(i) Goodwill:	0	0
(ii) Other intangibles:	0	0
(iii) <b>Total amortisation of intangibles</b>	<b>0</b>	<b>0</b>
(h) Corporate and administration:	560	639
(i) Human resource expenses:	65	35
(j) Marketing/advertising:	49	77
(k) Merger and acquisition expenses:	0	0
(l) Takeover defence expenses:	0	0
(m) Research and development expenses:	15	15
(n) Consultancy and legal expenses:	257	106
(o) Donations:	0	0
(p) Directors' fees:	135	150
	<b>1,081</b>	<b>1,022</b>

## HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For The Year Ended 31 March 2001

## 18 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.

	2001 \$000	2000 \$000
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	33	34
(ii) Audit fees paid to other auditors:	0	0
(iii) Fees paid for other services provided by principal and other auditors:	4	4
(iv) <b>Total auditors' fees:</b>	<b>37</b>	<b>38</b>
(r) Costs of offering credit:		
(i) Bad debts written off:	88	0
(ii) Increase in estimated doubtful debts:	(88)	63
(iii) <b>Total cost of offering credit:</b>	<b>0</b>	<b>63</b>
(s) Local authority rates expense:	94	72
(t) AC loss-rentals (distribution to retailers/customers) expense:	2,718	773
(v) Subvention payments:	0	0
(w) Unusual expenses:	933	2,113
(x) Other expenditure not listed in (a) to (w)	291	132
	<b>4,036</b>	<b>3,090</b>
<b>Total operating expenditure</b>	<b>29,609</b>	<b>28,503</b>
<b>Operating surplus before interest and income tax</b>	<b>3,678</b>	<b>3,552</b>
<b>Interest expense</b>		
(a)		
(b) Interest expense on borrowings	0	0
(c) Financing charges related to finance leases	0	0
(d) Other interest expense	60	60
<b>Total interest expense</b>	<b>60</b>	<b>60</b>
<b>Operating surplus before income tax</b>	<b>3,618</b>	<b>3,492</b>
<b>Income tax</b>	<b>964</b>	<b>20</b>
<b>Net Surplus after Tax</b>	<b>2,654</b>	<b>3,472</b>

## 19 SEGMENT INFORMATION

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

## 20 PROPERTIES INTENDED FOR SALE

	2001 \$000	2000 \$000
Non Network Buildings	953	-
Non Network Land	549	-
<b>Total Properties Intended for Sale</b>	<b>1,502</b>	<b>-</b>

These properties are now included in Current Assets as at 31 March 2001 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 2001. These valuations were based on market value on an existing use basis as at 31 March 2000. The final values realised may differ from these valuations. Due to this pending sale, a new valuation as at 31 March 2001 was not carried out.

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	3,678,000				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	3,678,000				
Interest on cash, bank balances, and short-term investments (ISTI)	316,000				
OSBIT minus ISTI	3,362,000	a	3,362,000		3,362,000
Net surplus after tax from financial statements	2,654,000			2,654,000	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	2,654,000	n			
Amortisation of goodwill and amortisation of other intangibles	0				
Subvention payment	0	g	add	add	add
Depreciation of SFA at BV (x)	0	s	add	add	add
Depreciation of SFA at ODV (y)	4,020,000				
ODV depreciation adjustment	4,020,000				
Subvention payment tax adjustment	0	d	add	add	add
Interest tax shield	0	s <sup>t</sup>	deduct	deduct	deduct
Revaluations	20,000	q			20,000
Income tax	13,960,000	r			13,960,000
Numerator	964,000	p			964,000
			OSBIT <sup>ADJ</sup> = a + g + s + d	NSAT <sup>ADJ</sup> = n + g + s - s <sup>t</sup> + d	OSBIT <sup>ADJ</sup> = a + g - q + r + s + d - p - s <sup>t</sup>
			3,362,000	2,654,000	16,338,000
Fixed assets at end of previous financial year (FA <sub>0</sub> )	110,950,000				
Fixed assets at end of current financial year (FA <sub>1</sub> )	126,391,000				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	1,182,000				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	1,445,000				
Average total funds employed (ATFE)	119,984,000 (or regulation 33 time-weighted average)	c	119,984,000		119,984,000
Total equity at end of previous financial year (TE <sub>0</sub> )	114,870,000				
Total equity at end of current financial year (TE <sub>1</sub> )	131,484,000				
Average total equity	123,177,000 (or regulation 33 time-weighted average)	k		123,177,000	
WUC at end of previous financial year (WUC <sub>0</sub> )	710,000				
WUC at end of current financial year (WUC <sub>1</sub> )	1,816,000				
Average total works under construction	1,263,000 (or regulation 33 time-weighted average)	e	deduct 1,263,000	deduct 1,263,000	deduct 1,263,000

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Revaluations	13,960,000	r			
Half of revaluations	6,980,000	r/2			deduct 6,980,000
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 (or regulation 33 time-weighted average)	0	m		add 0	
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA <sub>adv0</sub> )	101,434,000				
System fixed assets at end of current financial year at book value (SFA <sub>adv1</sub> )	116,351,000				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	108,892,500	f	deduct 108,892,500	deduct 108,892,500	deduct 108,892,500
System Fixed assets at year beginning at ODV value (SFA <sub>adv0</sub> )	101,434,000				
System Fixed assets at end of current financial year at ODV value (SFA <sub>adv1</sub> )	116,348,000				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	108,891,000	h	add 108,891,000	add 108,891,000	add 108,891,000
Denominator					
Financial Performance Measure:			ROF = OSBIT <sup>ADV</sup> /ATFE <sup>ADV</sup> x 100	Ave TE <sup>ADV</sup> = k - e - m + v - f + h ROE = NSAT <sup>ADV</sup> /ATE <sup>ADV</sup> x 100	ATFE <sup>ADV</sup> = c - e - ½r - f + h ROI = OSBIT <sup>ADV</sup> /ATE <sup>ADV</sup> x 100

t = maximum statutory income tax rate applying to corporate entities  
 subscript '1' = end of the current financial year  
 subscript '0' = end of the previous financial year  
 bv = book value  
 ROF = return on funds  
 ROE = return on equity  
 ave = average  
 odv = optimised deprival valuation  
 ROI = return on investment

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS****ELECTRICITY (INFORMATION DISCLOSURE)  
REGULATIONS 1999****Regulation 16A****Annual Valuation Reconciliation Report**

<b>For The Year Ending 31 March:</b>	<b>2001 \$000</b>	<b>2000 \$000</b>
System fixed assets at ODV - end of the previous financial year	101,434	100,583
<b>Add</b> system fixed assets acquired during the year at ODV	4,974	4,780
<b>Less</b> system fixed assets disposed of during the year at ODV	-	-
<b>Less</b> depreciation on system fixed assets at ODV	(4,020)	(3,929)
<b>Add</b> revaluation of system fixed assets	13,960	-
<b><i>Equals</i></b> system fixed assets at ODV - end of financial year	<b>116,348</b>	<b>101,434</b>

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

Disclosure by line owners of financial and efficiency performance measures

<b>Financial Measures</b>	2001	2000	1999	1998
Return On Funds	2.83%	3.10%	4.98%	1.29%
Return On Equity	2.18%	3.21%	2.50%	1.44%
Return On Investment	14.62%	3.07%	46.62%	1.20%

**Efficiency Measures**

Direct Line Cost Per Kilometre	\$1,339.18	\$1,443.40	\$1,879.88	\$2,047.93
Indirect Line Cost Per Customer	\$60.04	\$46.47	\$40.18	\$90.39

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

**REGULATION 21**  
**YEAR ENDED 31 MARCH 2001**

	Note	2001	2000	1999	1998
1) Energy Delivery Efficiency Performance Measures & Statistics					
a) Load Factor		59.57	61.13	59.33	58.19
b) Loss Ratio		5.47	5.39	5.33	5.84
c) Capacity Utilisation		30.1	28.81	28.87	29.76
2) STATISTICS					
a) Systems Length (kms)					
~ 33Kv		271	263	248	246
~ 11kV		2,311	2,273	2,164	2,154
~ 230/400V		1,290	1,282	1,262	1,260
Total	1	3,872	3,824	3,674	3,660
b) Circuit Length (Overhead) (kms)					
~ 33kV		247	246	228	227
~ 11kV		1,937	1,932	1,838	1,834
~ 230/400V		479	474	641	641
Total		2,663	2,652	2,707	2,702
c) Circuit Length (Underground) (kms)					
~ 33kV		24	17	20	19
~ 11kV		374	347	326	320
~ 230/400V		811	808	621	619
Total		1,209	1,172	967	958
d) Transformer Capacity (kVA)		538,831	536,485	531,253	526,558
e) Maximum Demand (kW)		162,200	154,587	153,370	156,716
f) Total Electricity Supplied (kWh)		801,999,537	783,161,169	754,644,983	752,201,998
g) Total electricity conveyed for each Retailer including losses (kWh)		848,445,966	828,806,626	797,132,126	798,855,138
Contact	Retailer A	563,985,132	583,355,709		
Mercury	Retailer B	98,491,123	98,444,884		
Meridian	Retailer C	74,172,364	66,824,649		
Transalta	Retailer D	60,083,396	54,210,978		
Trustpower	Retailer E	30,331,255	25,441,206		
Genesis	Retailer F	7,224,965	486,864		
Waikato	Retailer G	12,928,576	21,168		
Empower	Retailer H	887,729	21,168		
Phoenix	Retailer I	11,904	-		
Todd	Retailer K	329,522	-		
		848,445,966	828,806,626		
h) Total customers		57,331	56,594	56,000	56,000

**Notes**

1. The results for the field capturing of data carried out to populate the company's GIS system are now incorporated in the line length statistics.



**REGULATION 22**  
**RELIABILITY PERFORMANCE MEASURES**  
**YEAR ENDED 31 MARCH 2001**

	2001	2000	1999	1998
1) <b>Total Interruptions</b>	553	494	735	680
a) Planned Interruptions (Class B)	360	342	492	401
b) Unplanned Interruptions (Class C)	193	152	243	278
2) <b>Next Year Target</b>				
a) Planned Interruptions (Class B)	360	400	450	
b) Unplanned Interruptions (Class C)	170	200	225	
3) <b>Next 5 Year Average Target</b>				
a) Planned Interruptions (Class B)	340	400	430	
b) Unplanned Interruptions (Class C)	150	200	220	
4) <b>Unplanned Interruptions not restored within:</b>				
a) 3 Hours (%)	30	20	27	30
b) 24 Hours (%)	7	NIL	0	0
5) <b>Faults/100km</b>				
a) Total No. of faults	7.5	5.98	10.07	11.58
b) Next year targets	6.6	8	9.3	
c) Next 5 year average target	6	7	9.1	
d) <b>i) 33kV Line Voltage</b>				
a) Total no. of faults	6.96	1.9	4.3	6.91
b) Next year target	6.2	3.5	3.5	
c) Next 5 year target	6	3.0	3.0	
d) <b>ii) 11kV Line Voltage</b>				
a) Total no. of faults	7.48	6.45	10.77	12.11
b) Next year target	6.7	8	10	-
c) Next 5 year target	6.2	8	9.9	-
6) <b>Faults/100km of Underground Line</b>				
a) Total	10.6	14.56	12.14	16.81
b) 33kV	0	0	0	36.84
c) 11kV	10.87	15.27	12.88	15.63
7) <b>Faults/100km of Overhead Line</b>				
a) Total	7.1	4.55	9.73	10.72
b) 33kV	7.7	2.03	4.39	4.41
c) 11kV	6.9	4.87	10.39	11.50
8) <b>TOTAL SAIDI</b>	385.03	103.99	162.4	167.18
9) <b>SAIDI Classification for 31 March 2001</b>				
a) Planned Interruptions (Class B)	58.43	56.6	80.47	67.96
b) Unplanned Interruptions (Class C)	81.60	47.3	81.96	95.81
c) Unplanned Interruptions - Transpower (Class D)	245.00	-	-	-
10) <b>SAIDI Targets Next Year</b>				
a) Planned Interruptions (Class B)	58	60	75	
b) Unplanned Interruptions (Class C)	68	80	75	
11) <b>SAIDI Targets Next 5 years</b>				
a) Planned Interruptions (Class B)	55	50	70	
b) Unplanned Interruptions (Class C)	51	70	70	
12) <b>TOTAL SAIFI</b>	4.75	1.48	2.38	3.11
13) <b>SAIFI Classification for 31 March 2001</b>				
a) Planned Interruptions (Class B)	0.41	0.41	0.51	0.45
b) Unplanned Interruptions (Class C)	2.34	1.06	1.87	2.26
c) Unplanned Interruptions - Transpower (Class D)	2.00	-	-	-

**REGULATION 22**  
**RELIABILITY PERFORMANCE MEASURES**  
**YEAR ENDED 31 MARCH 2001**

	2001	2000	1999	1998
14) <b>SAIFI Target Next Year</b>				
a) Planned Interruptions (Class B)	.50	0.5	0.5	
b) Unplanned Interruptions (Class C)	1.90	2	1.5	
15) <b>SAIFI Target next 5 years</b>				
a) Planned Interruptions (Class B)	.50	0.42	0.45	
b) Unplanned Interruptions (Class C)	1.70	1.8	1.4	
16) <b>TOTAL CAIDI</b>	81.06	70.3	68.16	53.76
17) <b>CAIDI Classification for 31 March 2001</b>				
a) Planned Interruptions (Class B)	143.00	136.7	158	152
b) Unplanned Interruptions (Class C)	34.80	44.5	44	42
c) Unplanned Interruptions – Transpower (Class D)	123.00	-	-	-
18) <b>CAIDI Targets Next Year</b>				
a) Planned Interruptions (Class B)	115	120	150	
b) Unplanned Interruptions (Class C)	36	40	40	
19) <b>CAIDI Targets Next 5 years</b>				
a) Planned Interruptions (Class B)	110	120	150	
b) Unplanned Interruptions (Class C)	30	40	40	



## Audit New Zealand

### REPORT OF THE AUDIT OFFICE

#### TO THE READERS OF THE FINANCIAL STATEMENTS OF HAWKE'S BAY NETWORK LIMITED FOR THE YEAR ENDED 31 MARCH 2001

We have audited the financial statements of Hawke's Bay Network Limited on pages 2 to 15. The financial statements provide information about the past financial performance of Hawke's Bay Network Limited and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 5 to 7.

#### **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 Hawke's Bay Network Limited as at 31 March 2001, and results of operations and cash flows for the year then ended.

#### **Auditor's responsibilities**

It is the responsibility of the Audit Office to express an independent opinion on the financial statements presented by the Directors and report its opinion to you.

The Controller and 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 generally accepted auditing standards, including 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 Controller and 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.

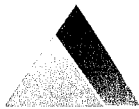
In our opinion:

- ▲ 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 15:
  - comply with generally accepted accounting practice *and*
  - give a true and fair view of the financial position of Hawke's Bay Network Limited as at 31 March 2001 and the results of its operations and cash flows for the year ended on that date; *and*
  - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 31 July 2001 and our unqualified opinion is expressed as at that date.



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

**Audit New Zealand**

**AUDIT OFFICE OPINION  
ON THE PERFORMANCE MEASURES OF  
HAWKE'S BAY NETWORK LIMITED**

We have examined the information on pages 16 to 19 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 2001 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

31 July 2001