



New Zealand Gazette

OF THURSDAY, 14 FEBRUARY 2008

WELLINGTON: FRIDAY, 15 FEBRUARY 2008 — ISSUE NO. 24

WAIPA NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

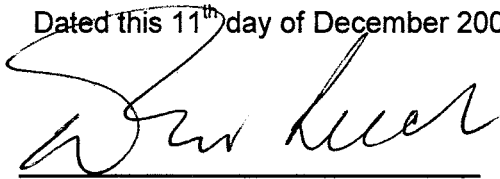
**Certification of Financial Statements, Performance Measures,
and Statistics Disclosed by Disclosing Entities (other than Transpower).**

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

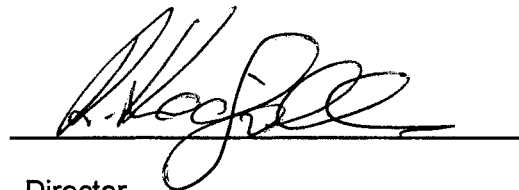
- (a) The attached audited financial statements of Waipa Networks Limited prepared for the purposes of regulation 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Waipa Networks Limited, and having been prepared for the purposes of regulations 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based as at 31 March 2004.

Dated this 11th day of December 2007.



Director



Director

WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 \$	2006 \$
Revenue		17,676,280	15,826,928
Less Discounts		4,324,415	4,085,537
Net Revenue		<u>13,351,865</u>	<u>11,741,391</u>
Net Operating Surplus Before Taxation	2	1,953,225	942,536
Less Taxation Expense	3	250,725	151,855
Net Surplus		<u>1,702,500</u>	<u>790,681</u>

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

		2007 \$	2006 \$
Equity as at 1 April		<u>52,755,507</u>	<u>51,964,826</u>
Net Surplus		1,702,500	790,681
Revaluation of Assets	5	-	-
Total Recognised Revenue and Expenses for the Year		<u>1,702,500</u>	<u>790,681</u>
Equity as at 31 March		<u>54,458,007</u>	<u>52,755,507</u>

The accompanying notes form part of these financial statements.

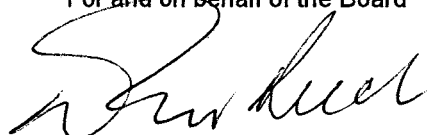
WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF FINANCIAL POSITION

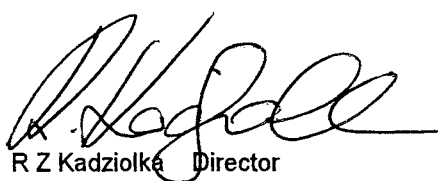
AS AT 31 MARCH 2007

	Note	2007 \$	2006 \$
EQUITY			
Share capital	4	-	-
Reserves	5	44,516,299	44,516,299
Retained earnings	6	9,941,708	8,239,208
TOTAL EQUITY		<u>54,458,007</u>	<u>52,755,507</u>
 Represented By:			
CURRENT ASSETS			
Cash and Bank		44,861	154,719
Short term investments		-	-
Receivables and prepayments	7	1,348,309	1,224,294
Tax refund due		5,114	43,119
Inventories		402,274	392,844
		<u>1,800,558</u>	<u>1,814,976</u>
 NON - CURRENT ASSETS			
Property, Plant and Equipment	9	64,055,220	60,784,458
TOTAL ASSETS		<u>65,855,778</u>	<u>62,599,434</u>
 CURRENT LIABILITIES			
Creditors	8	1,542,968	813,900
 NON - CURRENT LIABILITIES			
Employee entitlements		54,803	30,027
Term Liabilities	10	9,800,000	9,000,000
TOTAL LIABILITIES		<u>11,397,771</u>	<u>9,843,927</u>
 NET ASSETS		<u>54,458,007</u>	<u>52,755,507</u>

For and on behalf of the Board



D M Reed Director
11 December 2007



R Z Kadziolka Director
11 December 2007

The accompanying notes form part of these financial statements.

WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		10,522,295	9,422,913
Interest received		7,277	18,438
Net GST		33,235	27,392
		<u>10,562,807</u>	<u>9,468,743</u>
Cash was disbursed to:			
Payments to suppliers and employees		7,246,775	7,136,971
Interest Paid		858,220	816,000
Taxes paid		212,720	178,442
		<u>8,317,715</u>	<u>8,131,413</u>
Net cash flows from operating activities	15	<u>2,245,092</u>	<u>1,337,330</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of assets		31,056	29,021
Capital Contributions		1,704,000	1,120,560
		<u>1,735,056</u>	<u>1,149,581</u>
Cash was applied to:			
Purchase of assets		4,890,006	3,631,436
		<u>4,890,006</u>	<u>3,631,436</u>
Net cash flows from investing activities		<u>(3,154,950)</u>	<u>(2,481,855)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was provided from:			
Increase in term liabilities		800,000	1,000,000
Net cash flows from financing activities		<u>800,000</u>	<u>1,000,000</u>
Net decrease in cash held		(109,858)	(144,525)
Add opening cash brought forward		154,719	299,244
Ending cash carried forward		<u>44,861</u>	<u>154,719</u>
CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION			
Cash and Bank		<u>44,861</u>	<u>154,719</u>

The accompanying notes form part of these financial statements.

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

FOR THE YEAR ENDED 31 MARCH 2007

1 STATEMENT OF ACCOUNTING POLICIES**Reporting Entity**

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

Measurement Basis

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

Accounting Policies

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

a) Network Charges

Income from Network charges includes an estimated amount for accrued sales from meters unread as at 31 March 2007.

b) Property, Plant and Equipment

The Line Business has five classes of Property, Plant and Equipment as follows:

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

The Reticulation Assets were revalued on an optimised depreciated replacement cost basis by independent valuers on 31 March 2004 and subsequently will be revalued at least every 3 years. Additions to the Reticulation Assets since revaluation are stated at cost.

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

All other Property, Plant and Equipment are recorded at cost less accumulated depreciation.

WAIPA NETWORKS LIMITED - LINES BUSINESS

c) Capital Contributions

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

d) Depreciation

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

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

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

e) Receivables

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

f) Income Tax

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

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

g) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

WAIPA NETWORKS LIMITED - LINES BUSINESS

h) Financial Instruments

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

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

i) Employee entitlements

Provision is made in respect of the Line Businesses liability for annual leave, long service leave and retirement gratuities. Where the qualifying criteria has been met these have been calculated on an actual entitlement basis at current rates of pay. Further provision has been made for long service and retirement gratuities where the qualifying criteria has not yet been met, bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until the 31 March 2007

CHANGES IN ACCOUNTING POLICIES

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

	2007 \$	2006 \$
2 NET SURPLUS BEFORE TAXATION		
After Charging:		
Direct Expenditure	2,757,684	2,679,050
Audit fees for these financial statements	6,174	5,880
Audit fees for other Company financial statements	42,005	36,195
Directors' fees	128,814	125,184
Electricity Reform Costs	33,395	23,595
Other Indirect expenditure	1,158,271	1,209,173
Depreciation	1,676,239	1,578,049
Buildings	11,517	11,517
Reticulation Assets	1,594,079	1,497,378
Motor Vehicles	32,218	29,794
Plant, Furniture and Fittings	38,425	39,360
Net Gain on Disposal of Assets	(12,087)	(13,295)
Interest Paid	858,220	816,000
After Crediting:		
Interest Received	7,255	15,821

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
3 TAXATION		
Net surplus before taxation	<u>1,953,225</u>	<u>942,536</u>
Prima facie taxation at 33%	644,564	311,037
Plus Tax effect of permanent differences	526,046	494,135
Less Tax effect of timing differences not Recognised	<u>(919,885)</u>	<u>(653,317)</u>
Total Taxation Expense	<u>250,725</u>	<u>151,855</u>
The Taxation charge comprises:		
- current taxation	250,725	151,855
- deferred taxation	<u>-</u>	<u>-</u>
	<u>250,725</u>	<u>151,855</u>

A deferred tax liability of \$4,910,331 (2006 \$4,076,136), has not been recognised. This liability primarily relates to asset revaluations of the reticulation assets which would only crystallise on disposal.

Imputation credit memorandum account.

Balance at the beginning of the year	1,837,711	1,659,269
Dividends Allocated	-	-
Taxation paid	212,720	178,442
Balance at end of year	<u>2,050,431</u>	<u>1,837,711</u>

4 SHARE CAPITAL

Balance at end of year	<u>-</u>	<u>-</u>
------------------------	----------	----------

At 31 March 2007 the company has 6,800,000 fully paid issued shares.

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

None of the shares carry fixed dividend rights.

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
5 REVALUATION OF ASSETS RESERVE		
Revaluation of Assets Reserve		
Balance at beginning of year	44,516,299	44,516,299
Asset Revaluation Reticulation	-	-
Balance at end of year	<u>44,516,299</u>	<u>44,516,299</u>
6 RETAINED EARNINGS		
Balance at beginning of year	8,239,208	7,448,527
Net Surplus after Taxation	1,702,500	790,681
Balance at end of year	<u>9,941,708</u>	<u>8,239,208</u>
7 RECEIVABLES		
Trade debtors	1,307,140	1,179,547
Accrued Interest Income	28	50
Prepayments	41,141	44,697
	<u>1,348,309</u>	<u>1,224,294</u>
8 CREDITORS		
Accounts payable and accruals - trade	1,423,212	711,488
Employee entitlements	118,110	98,475
Payables to Directors	1,646	3,937
	<u>1,542,968</u>	<u>813,900</u>

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
9 PROPERTY, PLANT AND EQUIPMENT		
Freehold Land		
Cost	1,610	1,610
Freehold Buildings		
Cost	895,861	895,861
Accumulated Depreciation	<u>216,320</u>	<u>205,054</u>
Net Book Value	679,541	690,807
Reticulation Assets		
Cost - additions since 1 April 2004	11,119,709	6,239,937
Valuation	<u>56,540,820</u>	<u>56,540,820</u>
	67,660,529	62,780,757
Accumulated Depreciation at cost	284,467	108,567
Accumulated Depreciation at valuation	<u>4,240,562</u>	<u>2,827,041</u>
Net Book Value	63,135,500	59,845,149
Motor Vehicles		
Cost	206,081	166,936
Accumulated Depreciation	<u>98,780</u>	<u>49,889</u>
Net Book Value	107,301	117,047
Plant, Furniture and Fittings		
Cost	1,267,937	1,276,829
Accumulated Depreciation	<u>1,136,669</u>	<u>1,146,984</u>
Net Book Value	131,268	129,845
Total Net Book Value	<u><u>64,055,220</u></u>	<u><u>60,784,458</u></u>

The Reticulation Assets were revalued by E W Graham, B.E. (Elect), F.I.P.E.N.Z. and PricewaterhouseCoopers on 31 March 2004 to a value of \$56,540,820 on a optimised depreciated replacement cost basis.

The fair value of Land and Buildings is assessed at \$980,000 based on a valuation by Quotable Value New Zealand as at 1 September 2005 for GV purposes.

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
10 TERM LIABILITIES		
Inter-business Loan - Other Business (9.25%)	9,800,000	9,000,000

Repayable between 2 and 5 years.

11 FINANCIAL INSTRUMENTS**Credit Risk**

In the normal course of it's business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 52% (2006 52%) of total sales and 82% (2006 92%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

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

Currency Risk

Waipa Networks has no exposure to currency risk.

Interest Rate Risk

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

Fair Value

The estimated fair value of Waipa Networks financial instruments at 31 March 2007 are stated in the Statement of Financial Position.

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no contingent liabilities as at 31 March 2007 (2006 Nil);

There are no commitments for future capital expenditure as at 31 March 2007 (2006 Nil).

WAIPA NETWORKS LIMITED - LINES BUSINESS

13 SEGMENTAL REPORTING

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

14 RELATED PARTIES

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

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

The contracting department of Waipa Networks has provided the following services at cost, including overheads, for the year ended 31 March 2007

	2007	2006
Construction of distribution lines & cables	2,354,387	1,276,026
Construction of medium voltage switchgear	412,142	679,939
Construction of distribution transformers	697,104	728,884
Construction of distribution substations	273,355	354,416
Construction of low voltage lines and cables	462,477	317,808
Construction of other system fixed assets	680,307	157,130
Maintenance of assets	1,691,709	1,689,973
Consumer connections and reconnections	9,560	8,533
Other services	49,211	46,244

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

Interest paid to Other	858,220	816,000
------------------------	---------	---------

The line business has a loan from the other business refer note 10.

The amount outstanding at balance date was \$9,800,000 (2006 \$9,000,000).

At year end there were no other outstanding balances for related parties (2006 Nil).

No related party debt has been written off or forgiven during 2007 or 2006.

No provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust. (2006 Nil). No Interim dividends have been paid (2006 Nil).

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
15 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Reported Net Surplus after tax	1,702,500	790,681
Add (Less) Non Cash Items:		
Depreciation	1,676,239	1,578,049
Increase in Non-current Liabilities Leave Provisions	24,776	2,769
	<u>3,403,515</u>	<u>2,371,499</u>
Add (Less) Movements in Working Capital Items		
Decrease (Increase) in Tax Receivable	38,005	(26,587)
Decrease (Increase) in Receivables	(124,015)	83,849
Increase in Inventories	(9,430)	(24,398)
Decrease in Accounts Payable	709,433	33,931
Increase in Leave Provisions	19,635	4,896
	<u>633,628</u>	<u>71,691</u>
	4,037,143	2,443,190
Add (Less) Items Classified as Investing Activities		
Net Loss (Gain) on Disposal of Assets	(12,087)	(13,295)
Increase (Decrease) in Creditors for Property, Plant and Equiprr	(75,964)	27,995
Capital Contributions	<u>(1,704,000)</u>	<u>(1,120,560)</u>
	<u>(1,792,051)</u>	<u>(1,105,860)</u>
Net Cash Inflows from Operating Activities	<u>2,245,092</u>	<u>1,337,330</u>
16 ODV RECONCILIATION REPORT		
System fixed assets at ODV at beginning of year	59,948,163	58,537,486
Add system fixed assets acquired during the year at ODV	4,837,966	3,651,239
Less system fixed assets disposed of during the year at ODV	67,330	73,343
Less depreciation system fixed assets at ODV	2,279,063	2,167,219
Add revaluations of system fixed assets	-	-
System fixed assets at ODV at end of year	<u>62,439,736</u>	<u>59,948,163</u>

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

	2007 \$	2006 \$
Statement of Financial Position Disclosure (Schedule 1, Part 2)		
1 Current Assets		
(a) Cash and Bank balances	44,861	154,719
(b) Short-term investments	-	-
(c) Inventories	402,274	392,844
(d) Accounts receivable	1,307,140	1,179,547
(e) Other current assets not listed in (a) to (d)	46,283	87,866
(f) Total current assets	1,800,558	1,814,976
2 Fixed Assets		
(a) System fixed assets	63,135,500	59,845,149
(b) Customer billing and information system assets	59,986	71,564
(c) Motor vehicles	107,301	117,047
(d) Office Equipment	71,282	58,281
(e) Land & Buildings	681,151	692,417
(f) Capital works under construction	-	-
(g) Other fixed assets not listed in (a) to (f)	-	-
(h) Total fixed assets	64,055,220	60,784,458
3 Other tangible assets not listed above	-	-
4 Total tangible assets	65,855,778	62,599,434
5 Intangible assets		
(a) Goodwill	-	-
(b) Other intangible not listed in (a)	-	-
(c) Total intangible assets	-	-
6 Total Assets	65,855,778	62,599,434
7 Current Liabilities		
(a) Bank Overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,542,968	813,900
(d) Provision for dividend payable	-	-
(e) Provision for income tax	-	-
(f) Other Current Liabilities not listed in (a) to (e)	-	-
(g) Total Current Liabilities	1,542,968	813,900
8 Non-current liabilities		
(a) Payables and accruals	54,803	30,027
(b) Borrowings	9,800,000	9,000,000
(c) Deferred tax	-	-
(d) Other Non-current Liabilities not listed in (a) to (c)	-	-
(e) Total Non-current Liabilities	9,854,803	9,030,027

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
9 Equity		
(a) Shareholders' equity		
(i) Share Capital	-	-
(ii) Retained Earnings	9,941,708	8,239,208
(iii) Reserves	44,516,299	44,516,299
(iv) Total Shareholders' equity	54,458,007	52,755,507
(b) Minority interests in subsidiaries	-	-
(c) Total Equity	54,458,007	52,755,507
(d) Capital notes	-	-
(e) Total capital funds	54,458,007	52,755,507
10 Total equity and liabilities	65,855,778	62,599,434

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

11 Operating revenue		
(a) Revenue from line/access charges	11,145,249	9,973,679
(b) Revenue from "Other" business (transfer payment)	-	-
(c) Income from interest on bank & short-term investments	7,255	15,821
(d) AC loss-rental rebates	495,361	631,331
(e) Other operating revenue not listed in (a) to (d)	1,704,000	1,120,560
(f) Total operating revenue	13,351,865	11,741,391
12 Operating expenditure		
(a) Transmission Charges	4,254,564	3,707,693
(b) Transfer payments to "Other " business		
(i) Asset maintenance	1,691,709	1,689,973
(ii) Consumer disconnections and reconnections	9,560	8,533
(iii) Meter data	-	-
(iv) Consumer-based load control	49,211	46,244
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges for own generation	-	-
(vii) Other goods & services not listed in (i) to (vi) above	-	-
(viii) Total transfer payment to the "Other" business	1,750,480	1,744,750
(c) Payments to non-related entities		
(i) Asset maintenance	401,796	480,099
(ii) Consumer disconnections and reconnections	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control	-	-
(v) Royalty and patent expenses	-	-
(vi) Total of specified expenses to non-related parties	401,796	480,099
(d) Employee salaries, wages and redundancies	939,463	916,867
(e) Consumer billing and information system expense	47,198	46,093
(f) Depreciation on		
(i) System fixed assets	1,594,079	1,497,378
(ii) Other assets not listed in (i)	82,160	80,671
(iii) Total depreciation expense	1,676,239	1,578,049

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007 \$	2006 \$
(g) Amortisation of		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate and administration	199,469	204,941
(i) Human resource expenses	67,743	58,657
(j) Marketing and advertising	123,954	143,199
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy and legal expenses	108,670	43,598
(o) Donations	-	-
(p) Directors fees	128,814	125,184
(q) Audit fees		
(i) Audit fees paid to principal auditors	48,179	42,075
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors fees	48,179	42,075
(r) Costs of offering credit		
(i) Bad debts written off	-	-
(ii) Increase in estimated doubtful debts	-	-
(iii) Total costs of offering credit	-	-
(s) Local authority rates	67,026	79,026
(t) AC loss-rental (distribution of) expense	495,361	631,331
(u) Rebates to customers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	231,464	181,293
13 Total operating expenditure	10,540,420	9,982,855
14 Operating surplus before interest and income tax	2,811,445	1,758,536
15 Interest		
(a) Interest expense on borrowings	858,220	816,000
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
(d) Total interest expense	858,220	816,000
16 Operating surplus before income tax	1,953,225	942,536
17 Income Tax	250,725	151,855
18 Net surplus after tax	1,702,500	790,681

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007	2006	2005	2004
--	------	------	------	------

18 PERFORMANCE MEASURES

Disclosure of financial performance measures and efficiency performance measures.

1. Financial performance measures

(a) Return on funds	3.38%	1.76%	1.49%	2.93%
(b) Return on equity	1.91%	0.23%	0.08%	1.23%
(c) Return on investment	2.54%	1.08%	0.93%	22.73%

2. Efficiency performance measures:

(a) Direct line costs per kilometre	\$1,392	\$1,370	\$1,046	\$1,005
Direct Expenditure	\$2,757,684	\$2,679,050	\$2,108,683	\$1,911,216
System Length	1,981	1,955	2,015	1,902
(b) Indirect line costs per electricity customer	\$62	\$65	\$60	\$55
Indirect Expenditure	\$1,368,659	\$1,400,027	\$1,265,989	\$1,151,534
Total consumers	22,006	21,538	21,107	20,773

Disclosure of energy delivery efficiency performance measures.

1. Energy Delivery efficiency performance measures:

(a) Load factor ($=a/b*c*100$)	67.35	65.38	63.09	64.98
a = kWh of electricity entering system	343,030,496	336,382,834	334,710,530	323,352,769
b = Maximum demand	58,142	58,732	60,560	56,808
c = Total number of hours in year	8,760	8,760	8,760	8,760
(b) Loss ratio ($=a/b*100$)	6.39	6.31	6.30	6.23
a = losses in electricity in kWh	21,908,190	21,223,522	21,077,483	20,134,172
b = kWh of electricity entering system	343,030,496	336,382,834	334,710,530	323,352,769
(c) Capacity utilisation ($=a/b*100$)	31.13	31.84	34.28	33.43
a = Maximum demand	58,142	58,732	60,560	56,808
b = Transformer Capacity	186,777	184,434	176,646	169,941

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007	2006	2005	2004
2. Statistics				
(a) System Length				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,304	1,294	1,336	1,307
Circuit Kilometres 400V	677	661	679	595
Total	<u>1,981</u>	<u>1,955</u>	<u>2,015</u>	<u>1,902</u>
(b) System Length - Overhead				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,230	1,228	1,281	1,254
Circuit Kilometres 400V	497	495	538	475
Total Overhead	<u>1,727</u>	<u>1,723</u>	<u>1,819</u>	<u>1,729</u>
(c) System Length - Underground				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	74	66	55	53
Circuit Kilometres 400V	180	166	141	120
Total Underground	<u>254</u>	<u>232</u>	<u>196</u>	<u>173</u>
(d) Transformer Capacity (In Kilovolt Amperes)				
	186,777	184,434	176,646	169,941
(e) Maximum Demand				
	58,142	58,732	60,560	56,808
(f) Total electricity entering the system before losses (in Kilowatt Hours)				
	343,030,496	336,382,834	334,710,530	323,352,769
(g) Electricity conveyed from the system after losses for each retailer.				
Retailer 1	164,411,994	164,253,756	175,665,524	181,228,143
Retailer 2	34,634,886	28,787,574	23,615,904	17,486,319
Retailer 3	58,165,060	60,369,241	61,110,325	67,541,673
Retailer 4	1,477,476	1,474,085	490,550	417,203
Retailer 5	36,259,420	33,846,877	30,694,705	18,651,418
Retailer 6	9,311,574	8,799,213	8,723,945	9,648,851
Retailer 7	16,483,284	17,587,046	13,332,094	8,244,990
Retailer 8	378,612	41,520	0	0
	<u>321,122,306</u>	<u>315,159,312</u>	<u>313,633,047</u>	<u>303,218,597</u>
(h) Total Customers				
	22,006	21,538	21,107	20,773

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2007	2006	2005	2004	
Disclosure of reliability performance measures.					
1	Total number of interruptions				
	Class A - Planned - by Transpower	1	0	0	1
	Class B - Planned - by Waipa Networks	61	51	38	50
	Class C - Unplanned - by Waipa Networks	127	109	131	133
	Class D - Unplanned - by Transpower	3	3	4	1
	Class E - Unplanned - by Line Owner generator	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Unplanned - by another line owner	2	1	1	2
	Class H - Planned - by another line owner	0	0	0	0
	Class I - Any other loss of supply	0	0	0	0
	Total	<u>194</u>	<u>164</u>	<u>174</u>	<u>187</u>
2	Interruption targets for 2007 / 2008				
	Class B - Planned - by Waipa Networks	75			
	Class C - Unplanned - by Waipa Networks	103			
3	Average interruption targets for 2007 / 2008 to 2011 / 2012 years				
	Class B - Planned - by Waipa Networks	66			
	Class C - Unplanned - by Waipa Networks	98			
4	Proportion of Class C interruptions not restored within: (=a/b*100)				
	3 Hours	24%	31%	26%	29%
	a = number of interruptions not restored within 3 hours	30	34	34	39
	b = Total number of Class C interruptions	127	109	131	133
	24 Hours	0%	1%	0%	1%
	a = number of interruptions not restored within 24 hours	0	1	0	1
	b = Total number of Class C interruptions	127	109	131	133
5	(a) The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
	11kV	9.74	8.42	9.81	10.18
	(b) Target for 2007 / 2008 year				
	11kV	7.90			
	(c) Average Target for 2007 / 2008 to 2011 / 2012 years				
	11kV	7.52			
6	The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line				
	11kV	2.70	3.03	5.45	0.00
7	The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
	11kV	10.16	8.71	9.99	10.61

WAIPA NETWORKS LIMITED - LINES BUSINESS

		2007	2006	2005	2004
8	The SAIDI for the total number of interruptions	541.43	176.23	278.74	491.04
9	SAIDI targets for 2007 / 2008				
	Class B - Planned - by Waipa Networks	38			
	Class C - Unplanned - by Waipa Networks	168			
10	Average SAIDI target for 2007 / 2008 to 2011 / 2012 years				
	Class B - Planned - by Waipa Networks	34			
	Class C - Unplanned - by Waipa Networks	154			
11	The SAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	292.78	0.00	0.00	204.14
	Class B - Planned - by Waipa Networks	36.84	16.97	9.48	19.02
	Class C - Unplanned - by Waipa Networks	132.38	154.48	152.68	244.74
	Class D - Unplanned - by Transpower	77.63	4.70	113.08	20.57
	Class E - Unplanned - by Line Owner generator	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Unplanned - by another line owner	1.80	0.08	3.50	2.57
	Class H - Planned - by another line owner	0.00	0.00	0.00	0.00
	Class I - Any other loss of supply	0.00	0.00	0.00	0.00
12	The SAIFI for the total number of interruptions	4.45	3.94	4.29	5.58
13	SAIFI targets for 2007 / 2008				
	Class B - Planned - by Waipa Networks	0.15			
	Class C - Unplanned - by Waipa Networks	2.54			
14	Average SAIFI target for 2007 / 2008 to 2011 / 2012 years				
	Class B - Planned - by Waipa Networks	0.14			
	Class C - Unplanned - by Waipa Networks	2.40			
15	The SAIFI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0.55	0.00	0.00	0.56
	Class B - Planned - by Waipa Networks	0.18	0.08	0.05	0.08
	Class C - Unplanned - by Waipa Networks	2.06	2.68	3.04	4.31
	Class D - Unplanned - by Transpower	1.63	1.18	1.14	0.56
	Class E - Unplanned - by Line Owner generator	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Unplanned - by another line owner	0.03	0.00	0.06	0.07
	Class H - Planned - by another line owner	0.00	0.00	0.00	0.00
	Class I - Any other loss of supply	0.00	0.00	0.00	0.00

WAIPA NETWORKS LIMITED - LINES BUSINESS

		2007	2006	2005	2004
16	The CAIDI for the total number of interruptions	122	45	65	88
17	CAIDI targets for 2007 / 2008				
	Class B - Planned - by Waipa Networks	250			
	Class C - Unplanned - by Waipa Networks	66			
18	Average CAIDI Target for 2007 / 2008 to 2011 / 2012 years				
	Class B - Planned - by Waipa Networks	250			
	Class C - Unplanned - by Waipa Networks	64			
19	The CAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	534	0	0	366
	Class B - Planned - by Waipa Networks	207	222	205	253
	Class C - Unplanned - by Waipa Networks	64	58	50	57
	Class D - Unplanned - by Transpower	48	4	100	37
	Class E - Unplanned - by Line Owner generator	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Unplanned - by another line owner	61	25	63	35
	Class H - Planned - by another line owner	0	0	0	0
	Class I - Any other loss of supply	0	0	0	0

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	2,811,445				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	2,811,445				
Interest on cash, bank balances, and short-term investments (ISTI)	7,255				
OSBIT minus ISTI	2,804,190	a	2,804,190		2,804,190
Net surplus after tax from financial statements	1,702,500				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,702,500	n		1,702,500	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	1,594,079				
Depreciation of SFA at ODV (y)	2,279,063				
ODV depreciation adjustment	-684,984	d	add -684,984	add -684,984	add -684,984
Subvention payment tax adjustment	0	s ^t		deduct 0	deduct 0
Interest tax shield	280,818	q			deduct 280,818
Revaluations	0	r			add 0
Income tax	250,725	p			deduct 250,725
Numerator			2,119,206 OSBIT ^{ADJ} = a + g + s + d	1,017,516 NSAT ^{ADJ} = n + g + s - s ^t + d	1,587,663 T ^{ADJ} = a + g - q + r + s + d - p - s ^t
Fixed assets at end of previous financial year (FA0)	60,784,458				
Fixed assets at end of current financial year (FA1)	64,055,220				
Adjusted net working capital at end of previous financial year (ANWC0)	803,188				
Adjusted net working capital at end of current financial year (ANWC1)	207,587				
Average total funds employed (ATFE)	62,925,227 (or regulation 33 time-weighted average)	c	62,925,227		62,925,227
Total equity at end of previous financial year (TE0)	52,755,507				
Total equity at end of current financial year (TE1)	54,458,007				
Average total equity	53,606,757 (or regulation 33 time-weighted average)	k		53,606,757	
WUC at end of previous financial year (WUC0)	0				
WUC at end of current financial year (WUC1)	0				
Average total works under construction	0 (or regulation 33 time-weighted average)	e	deduct 0	deduct 0	deduct 0
Revaluations	0	r			
Half of revaluations	0	r/2			deduct 0
Intangible assets at end of previous financial year (IA0)	0				
Intangible assets at end of current financial year (IA1)	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add 0	
Subvention payment at end of previous financial year (S0)	0				
Subvention payment at end of current financial year (S1)	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 _{bv0})	59,845,149				
System fixed assets at end of current financial year at book value (SFA _{bv1})	63,135,500				
Average value of system fixed assets at book value	61,490,325 (or regulation 33 time-weighted average)	f	deduct 61,490,325	deduct 61,490,325	deduct 61,490,325
System Fixed assets at year beginning at ODV value (SFA _{odv0})	59,948,163				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	62,439,736				
Average value of system fixed assets at ODV value	61,193,950 (or regulation 33 time-weighted average)	h	add 61,193,950	add 61,193,950	add 61,193,950
Denominator			62,628,852 ATFE ^{ADJ} = c - e - f + h	53,310,382 Ave TE ^{ADJ} = k - e - m + v - f + h	62,628,852 ATFE ^{ADJ} = c - e - 1/2r - f + h
Financial Performance Measure:			3.38 ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	1.91 ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	2.54 ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100

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



**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF
WAIPA NETWORKS LIMITED
FOR THE YEAR ENDED 31 MARCH 2007**

We have audited the financial statements of Waipa Networks Limited on pages 1 to 12. The financial statements provide information about the past financial performance of Waipa Networks Limited and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

Directors' responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Waipa Networks Limited as at 31 March 2007, and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity Information Disclosure Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed J Scott of Audit New Zealand to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Waipa Networks Limited's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out other audit assignments for Waipa Networks Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2007 as well as audit certificates pursuant to the Commerce Act Electricity Lines Threshold Notice 2004. These assignments are compatible with those independence requirements. Other than these assignments we have no relationship with or interest in Waipa Networks Limited.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by Waipa Networks Limited as far as appears from our examination of those records; and
- the financial statements of Waipa Networks Limited on pages 1 to 12:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Waipa Networks Limited's financial position as at 31 March 2007 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 11 December 2007 and our unqualified opinion is expressed as at that date.



John Scott
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS IN THE NEW ZEALAND GAZETTE

This audit report relates to the financial statements of Waipa Networks Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of Waipa Networks Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the financial statements of Waipa Networks Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 11 December 2007 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

AUDIT NEW ZEALAND

Te Kaitiaki Take Kōwhiri


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

We have examined the information on pages 12 to 21, being –

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (d) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (e) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Waipa Networks Limited and dated 11 December 2007 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.



John Scott
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
11 December 2007

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES
IN THE NEW ZEALAND GAZETTE**

This audit report relates to the performance measures of Waipa Networks Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of Waipa Networks Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of Waipa Networks Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 11 December 2007 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.