

New Zealand Gazette

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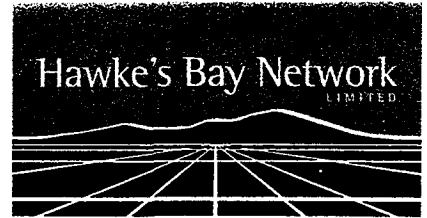
HAWKE'S BAY NETWORK LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999

**HAWKE'S BAY NETWORK LTD
1999 INFORMATION DISCLOSURE [GAZETTED]**

	REGULATION
Certification by Directors of Financial Statements, Performance Measures and Statistics	32(2)
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**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND
STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

We, Graham Mitchel Cowley and John Richard Palairat, 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; 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.

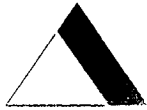
The valuations on which those financial performance measures are based are as at 31 March 1997

Director

Date

Director

Date



Audit New Zealand

HAWKE'S BAY NETWORK LIMITED

AUDITOR'S REPORT

To the readers of the financial statement of Hawke's Bay Network Limited.

We have audited the accompanying financial statements of Hawke's Bay Network Limited. The financial statements provide information about the past financial performance of Hawke's Bay Network Limited and its financial position as at 31 March 1999. This information is stated in accordance with the accounting policies set out on pages 4 and 5.

Director's Responsibilities

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

Basis of Opinion

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

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

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained 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 statement.

Other than in our capacity as auditor 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 maintained by Hawke's Bay Network Limited as far as appears from our examination of those records and
- the financial statements referred to above
 - (a) comply with generally accepted accounting practice; and
 - (b) give true and fair view of the financial position of Hawke's Bay Network Limited as at 31 March 1999 and the results of its operations and cash flows for the year then ended; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 5 August 1999 and our opinion is expressed as at that date.



B J Smith
Audit New Zealand
On behalf of the Controller and Auditor-General
Napier, New Zealand

HAWKE'S BAY NETWORK LIMITED AND SUBSIDIARY**INFORMATION DISCLOSURE****FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1999****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**

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY
STATEMENT OF FINANCIAL PERFORMANCE
For The Year Ended 31 March 1999

	Notes	<i>Lines Business</i>		<i>Other Business</i>	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
OPERATING REVENUE	4,13	32,310	27,257	37,908	49,239
OPERATING SURPLUS (DEFICIT) BEFORE TAXATION	4,13	5,633	(1,471)	(6,227)	3,707
Taxation Expense	3	2,943	(405)	(1,978)	1,223
NET OPERATING SURPLUS (DEFICIT) AFTER TAXATION		2,690	(1,066)	(4,249)	2,484
Share of associate companies after tax surplus		-	-	(153)	131
NET SURPLUS (DEFICIT)		2,690	(1,066)	(4,402)	2,615

STATEMENT OF MOVEMENTS IN EQUITY
For The Year Ended 31 March 1999

	<i>Lines Business</i>		<i>Other Business</i>	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Equity at 1 April	58,744	59,810	14,309	11,694
Net Surplus (Deficit)	2,690	(1,066)	(4,402)	2,615
Revaluation Of Network Assets	49,405	-	-	-
Revaluation Of Land	713	-	-	-
Deferred Taxation in Respect Of Revaluation	(8,383)	-	-	-
Total recognised revenues and expenses for the year	44,425	(1,066)	(4,402)	2,615
Dividends Paid	-	-	(6,100)	-
Equity at 31 March	103,169	58,744	3,807	14,309

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

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY
STATEMENT OF FINANCIAL POSITION
As at 31 March 1999

	Notes	<i>Lines Business</i>		<i>Other Business</i>	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
EQUITY					
Share Capital		60,661	60,661	6,000	6,000
Asset Revaluation Reserve	12	41,735	-	-	-
Retained Earnings		773	(1,917)	(2,193)	8,309
		103,169	58,744	3,807	14,309
Represented by:					
NON CURRENT ASSETS					
Fixed Assets	10	110,387	66,276	1,445	1,159
Deferred Taxation Benefits	3	-	-	1,763	13
Inter Company Advance		-	-	3,000	3,000
Taxation Refund Due		-	103	-	-
Capital Work In Progress	15	1,138	-	-	-
Investment In Associate		-	-	107	260
Other Investments		-	-	-	34
		111,525	66,379	6,315	4,466
CURRENT ASSETS					
Cash		5,803	(3,675)	(2,003)	7,829
Receivables and Prepayments	7	3,200	4,384	3,762	5,201
Inventories		100	1,101	1,702	1,326
Work in Progress		-	164	285	10
		9,103	1,974	3,746	14,366
TOTAL ASSETS		120,628	68,353	10,061	18,832
NON CURRENT LIABILITIES					
Term Debt	8	1,000	1,000	-	-
Inter Company Advance		3,000	3,000	-	-
Deferred Taxation Liabilities	3	10,477	1,732	-	-
		14,477	5,732	-	-
CURRENT LIABILITIES					
Accounts Payable and Accruals		1,439	3,134	1,517	4,206
Taxation Payable	3	828	-	-	228
Electricity Price Hedging Instruments	17	-	-	1,830	-
Employee Entitlements		715	743	2,907	89
		2,982	3,877	6,254	4,523
TOTAL LIABILITIES		17,459	9,609	6,254	4,523
NET ASSETS EMPLOYED		103,169	58,744	3,807	14,309

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

**HAWKES BAY NETWORK LIMITED AND SUBSIDIARY
STATEMENT OF CASH FLOWS
As at 31 March 1999**

	Notes	<i>Lines Business</i>		<i>Other Business</i>	
		1999 \$000	1998 \$000	1999 \$000	1998 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts From Customers		33,555	26,544	37,913	50,366
Contributions For Capital Works		661	319	-	-
Dividends Received		-	-	-	-
Taxation Refunded		-	286	-	-
GST		142	-	-	-
Interest Received		227	149	62	545
		<u>34,585</u>	<u>27,298</u>	<u>37,975</u>	<u>50,911</u>
Cash was disbursed to:					
Payments To Suppliers		20,563	14,502	33,800	44,249
Payments To Employees		3,045	9,340	7,375	1,128
Interest Paid On Loans		236	309	-	-
Income Taxes Paid		1,650	-	-	1,321
GST		-	284	-	-
		<u>25,494</u>	<u>24,435</u>	<u>41,175</u>	<u>46,698</u>
Net cash flows from operating activities	14	<u>9,091</u>	<u>2,863</u>	<u>(3,200)</u>	<u>4,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds From Sale Of Assets (Net)		4,259	128	1,389	38
Sale Of Investments		-	-	34	9
Repayment Of Investments		-	3	-	-
		<u>4,259</u>	<u>131</u>	<u>1,423</u>	<u>47</u>
Cash was applied to:					
Purchase Of Investment In Associate		-	-	-	-
Purchase and Construction Of Fixed Assets		3,872	6,491	1,955	628
		<u>3,872</u>	<u>6,491</u>	<u>1,955</u>	<u>628</u>
Net cash used in investing activities		<u>387</u>	<u>(6,360)</u>	<u>(532)</u>	<u>(581)</u>
CASH FLOWS FROM FINANCING					
Cash was applied to:					
Payment of Dividends		-	-	6,100	-
Repayment Of Loans		-	100	-	-
		<u>-</u>	<u>100</u>	<u>6,100</u>	<u>-</u>
Net cash used in financing activities		0	(100)	(6,100)	0
Net Increase (Decrease) in Cash Held		9,478	(3,597)	(9,832)	3,632
Add Opening Cash Brought Forward		(3,675)	(78)	7,829	4,197
ENDING CASH CARRIED FORWARD		<u>5,803</u>	<u>(3,675)</u>	<u>(2,003)</u>	<u>7,829</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 AND SUBSIDIARY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

1 ENTITY STATEMENT

These financial statements have been derived from the consolidated financial statements of Hawke's Bay Network Limited and Subsidiary as required by Regulation 6 of the Electricity (Information Disclosure) Regulations 1999. The statements reflect the financial performance and financial position of the lines and other businesses as defined and required by the Regulations for the year ended 31 March 1999.

The company was previously named Hawke's Bay Power Distribution Limited and the subsidiary named Hawke's Bay Power Limited. Due to the sale of the brand "Hawke's Bay Power" along with the electricity retailing business on 1 October 1998, changes to the names of both companies were required. The companies are now respectively named Hawke's Bay Network Limited and Service Company (Hawke's Bay) Limited.

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 Disclosures Guidelines as issued by the Ministry of Commerce dated 29 March 1999 and are presented solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1999. They have not been prepared for the purpose of the Financial Reporting Act 1993, or the Energy Companies Act 1992.

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 an historical 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) **Other Investments**

Other investments are stated at cost.

b) **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 1997 and have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 1999. Land and Buildings not included in Network Assets are stated at valuation as determined by an independent registered valuer. The basis of valuation is market value on an existing use basis. All other fixed assets are initially stated at cost and depreciated as outlined below.

No asset valuations exceed estimated recoverable amounts.

c) **Depreciation**

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

Useful lives are:

Network Assets	10 - 70 years
Transformers	40 - 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

These rates were revised as at 31 March 1999 in conjunction with the revaluation of some fixed assets at that date. The revised rates will be applicable from 1 April 1999.

d) **Receivables**

Receivables are stated at their estimated realisable value.

e) **Inventories**

**HAWKE'S BAY NETWORK LIMITED AND SUBSIDIARY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

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

f) **Work in Progress**

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

g) **Recognition of Income**

Sales of electricity were determined on the basis of actual and interim amounts billed during the year, together with an accrual for unbilled sales as at the date of sale of the electricity retail business.

h) **Income Tax**

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting has been applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

The deferred income tax effect of the timing difference arising from the revaluation of the network assets has been recognised directly against the revaluation reserve.

i) **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. Electricity Price Hedging Instruments are included at their novation cost.

Changes in Accounting Policies

Apart from the changes in the methods of valuing Network Assets and Land and Buildings as at 31 March 1999, no other changes to accounting policies have been applied. As a consequence of this change in valuation, the value of the Company's distribution network has increased by \$49,404,934, the value of Land increased by \$713,997 and Buildings decreased by \$2,957,141

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1999

3 INCOME TAX

	Lines Business		Other Business	
	1999	1998	1999	1998
	\$000	\$000	\$000	\$000
a) Taxation				
Operating Surplus (Deficit) before Taxation	5,633	(1,471)	(6,227)	3,707
Prima Facie Tax @ 33%	1,859	(485)	(2,055)	1,223
PLUS: Permanent differences	1,084	80	77	-
Taxation Expense	2,943	(405)	(1,978)	1,223
PLUS(LESS): Timing Differences	(362)	(581)	884	-
Current Year Charge (Tax Loss)	2,581	(986)	(1,094)	1,223
Taxation Payable Brought Forward	(103)	597	228	326
LESS: Taxation Paid	(1,650)	-	-	(1,035)
PLUS: Taxation Refunded	-	-	-	-
PLUS: Payment for Intra Group Tax Offset	-	286	-	(286)
LESS : Tax Losses Brought Forward	-	-	-	-
Taxation Payable (Refund Due)	828	(103)	(866)	228
b) Taxation Expense (Benefit) is represented by:				
Current Taxation Payable (Tax loss)	2,581	(986)	(1,094)	1,223
Deferred Taxation Liability	362	581	(884)	-
	2,943	(405)	(1,978)	1,223
c) Movement in Deferred Taxation Liability (Tax losses carried forward)				
Opening Balance	-	-	-	13
Current Year Losses	-	-	(866)	-
	-	-	(866)	13
d Movement in Deferred Taxation Liability (Timing Differences)				
Opening Balance	1,732	1,151	(13)	(13)
Revaluation of Network Assets	8,383	-	-	-
PLUS: Net Movement in Timing Differences	362	581	(884)	-
	10,477	1,732	(897)	(13)
e) Imputation Credit Account				
Opening Balance	-	-	2,503	1,182
Taxation Paid	1,650	-	-	1,035
Imputation Credits attached to Dividends paid in the year	-	-	(2,173)	-
Imputation Credits attached to Dividends received in the year	-	-	-	286
	1,650	-	330	2,503

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1999

4 OPERATING SURPLUS BEFORE TAX

	Lines Business		Other Business	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
After Charging:				
Transmission Costs	12,963	12,775	-	-
Total Depreciation	3,119	3,104	104	92
System Depreciation	1,985	1,958	-	-
Corporate and Administration	2,806	2,752	935	885
Interest Expense	236	304	-	-
Marketing/Advertising	48	98	435	879
Consultancy and Legal Costs	290	273	237	224
Asset Maintenance Costs by own providers	5,717	5,375	-	-
Asset Maintenance Costs to non related providers	-	-	-	-
Disconnection and Reconnection Costs	-	-	47	82
Bad Debts Written Off	9	122	112	123
Rebates	-	4,119	-	-
Change In Provision for Doubtful Debts	200	(1)	19	16
Electricity Hedges	-	-	5,764	-
Loss On Sale Of Assets	15	31	-	-
Operating Lease Costs	-	-	51	51
Redundancy Provisions	-	-	2,300	-
Consumer Billing and Information System Expense	686	-	686	2,561
Salaries	3,045	9,340	7,375	1,128
After Crediting:				
Interest Revenue	246	149	226	448
Line Charges	17,517	13,126	-	-
Gain On Sale Of Assets	281	-	-	-
Loss Rental Rebates	-	-	946	971
Electricity Hedges	-	-	5,351	-
Dividends Received	-	-	-	-
Recovery of debt previously written off as bad	-	7	24	10

5 AUDITORS REMUNERATION

Accounts payable or due and payable to the Auditors for:

Auditing Financial Statements	30	19	4	9
Other Services	4	3	-	-

6 DIRECTORS REMUNERATION

Remuneration Paid To Directors	150	100	-	-
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7 RECEIVABLES AND PREPAYMENTS

Trade Debtors	3,194	4,473	3,773	5,322
Provision For Doubtful Debts	(14)	(104)	(11)	(121)
	<u>3,180</u>	<u>4,369</u>	<u>3,762</u>	<u>5,201</u>
Prepayments	20	15	-	-
	<u>3,200</u>	<u>4,384</u>	<u>3,762</u>	<u>5,201</u>

8 TERM DEBT

Due For Repayment:				
2003	1,000	1,000	-	-
	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>

The Interest Rate on the loan is 6.0%

The debt is unsecured

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For The Year Ended 31 March 1999

9 COMMITMENTS & CONTINGENT LIABILITIES

At balance date the Lines Business had entered into contractual commitments of \$287,580. (1997 \$53,500)
 Other Business activities have a (potential) maximum contractual obligation of \$66,000 by acting as a partial guarantor of
 Energy Brokers New Zealand Ltd bank overdraft. (1998 \$66,000)
 There were no other contingent liabilities existing at balance date (1998 \$0)

10 FIXED ASSETS

	At Cost \$000	At Valuation \$000	Accumulated Depreciation \$000	Net Book Value \$000
Lines Business 31 March 1999				
Distribution System (Excluding Load Control Equipment)	-	99,122	-	99,122
Load Control Equipment	-	1,461	-	1,461
Land	-	1,429	-	1,429
Buildings	-	4,786	-	4,786
Vehicles, Plant & Equipment	12,749	-	9,160	3,589
	<u>12,749</u>	<u>106,798</u>	<u>9,160</u>	<u>110,387</u>
Lines Business 31 March 1998				
Distribution System	94,923	-	42,606	52,317
Land	1,011	-	3	1,011
Buildings	10,473	-	1,576	8,897
Vehicles, Plant & Equipment	13,878	-	9,824	4,054
	<u>120,285</u>	<u>-</u>	<u>54,009</u>	<u>66,276</u>
Other Business				
Vehicles, Metering Equipment, Plant and Equipment				
31 March 1999	3,125	-	1,680	1445
31 March 1998	1,779	-	341	1159

11 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the Company has confirmed and announced a major restructure of its business which involves rationalisation of non core activities and contracting out much of the network maintenance and construction activities. The financial statements have been adjusted to reflect employee entitlements arising from the restructuring.

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1999****12 RESERVES**

	Lines Business	
	1999 \$000	1998 \$000
Asset Revaluation Reserve		
Balance at beginning of year	-	-
Revaluation Of Network Assets	49,405	-
Less deferred taxation on asset revaluation	(8,383)	-
	<u>41,022</u>	-
Revaluation Of Land	713	-
Balance as at 31 March	<u>41,735</u>	-

13 CONTINUING AND DISCONTINUED ACTIVITY STATEMENT

	Other Business	
	1999 \$000	1998 \$000
Continued Activities		
Operating Revenue	17,538	10,071
Operating Surplus Before Taxation	<u>(2,041)</u>	1,254
Discontinued Activities		
Operating Revenue	20,370	39,168
Operating Surplus Before Taxation	<u>(4,186)</u>	2,453

The discontinued activity was the Electricity Retailing Business

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 199914 RECONCILIATION OF REPORTED NET OPERATING SURPLUS AFTER TAX WITH NET CASH FLOWS
FROM OPERATING ACTIVITIES

	<u>Lines Business</u>		<u>Other Business</u>	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
NET OPERATING SURPLUS (DEFICIT) AFTER TAXATION	2,690	(1,066)	(4,249)	2,484
PLUS: Non Cash/ Non Operating Items				
Building Revaluation	2,957	-	-	-
Gain On Sale Buildings	(281)	-	-	-
Depreciation	3,119	3,135	104	154
	<u>8,485</u>	<u>2,069</u>	<u>(4,145)</u>	<u>2,638</u>
PLUS (LESS) Movements in Working Capital:				
Decrease (Increase) in Receivables and Prepayments	1,184	(562)	1,435	1,672
Decrease (Increase) in Inventories	1,001	689	(375)	(195)
Increase (Decrease) in Accounts Payable, Accruals and Employee Entitlements	(1,898)	704	2,134	206
Decrease (Increase) in Work In Progress	(973)	82	(271)	(10)
Increase (Decrease) in Taxation Payable	930	(597)	-	(98)
PLUS (LESS): Other Movements				
Decrease (Increase) in Deferred Taxation Benefit	-	-	(1,750)	-
Increase (Decrease) Deferred Taxation Liability	362	478	(228)	-
Net Cash Inflow From Operating Activities	<u>9,091</u>	<u>2,863</u>	<u>(3,200)</u>	<u>4,213</u>

HAWKES BAY NETWORK LIMITED AND SUBSIDIARY

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1999

15 CAPITAL WORK IN PROGRESS

	<u>Lines Business</u>	
	1999	1998
	\$000	\$000
Zone Substations	1,054	-
Distribution Lines and Cables	84	-
	<u>1,138</u>	<u>-</u>

16 TRANSFER PAYMENTS

	<u>Lines Business</u>	
	1999	1998
	\$000	\$000
Subtransmission Assets	-	-
Zone Substations	116	1,410
Distribution Lines and Cables	1,731	1,918
Medium Voltage Switchgear	-	-
Distribution Substations	454	389
Low Voltage Lines and Cables	-	-
Scada and COMMS Equipment	1	8
	<u>2,302</u>	<u>3,725</u>

**HAWKE'S BAY NETWORK LIMITED AND SUBSIDIARY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999**

17 FINANCIAL INSTRUMENTS

a) Price Risk (Electricity Price Hedging Instruments)

On 1 October 1998, the Electricity Retailing Business and related assets were sold as a consequence of the Electricity Industry Reform Act 1998.

Prior to the passing of this Act, Energy Brokers New Zealand Ltd (EBNZ) had entered into short term hedge contracts (to September 1999) for the purchase of electricity. EBNZ had also entered into long term hedge contracts (to September 2001) as agent for the Electricity Retailing Operation. The Act had the effect of significantly reducing the expected future price path of electricity thereby creating significant negative value for these hedges. These financial instruments were not sold as part of the electricity retailing business, but the short term hedges were novated and the long term hedges transferred to the Company prior to 31 March 1999. The liability in the Statement of Financial Position represents the amount paid by EBNZ on novation of the short term hedges for the period 1 April 1999 to 30 September 1999. The significance of the price risk does not allow sufficient probability with which to value electricity hedges for inclusion in the financial statements. A weighted average valuation undertaken by Energy Link New Zealand Limited in mid June 1999 however, provided an indicative liability of approximately \$4,700,000.

b) Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. No collateral is held on these amounts other than deposits held against some electricity debtor accounts. 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.

c) Concentration of Credit Risk

The Company is not exposed to any concentrations of credit risk.

d) Fair Values

The methods and assumptions used are that the 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.

18 SEGMENT INFORMATION

The Group operated predominantly in one industry; the distribution and retailing of electricity. The electricity retailing business was sold on 1 October 1998 as a consequence of the Electricity Industry Reform Act 1998. All operations are carried out within New Zealand.



Audit New Zealand

HAWKE'S BAY NETWORK LIMITED

CERTIFICATION OF PERFORMANCE MEASURES

I have examined the attached information, being —

- (a) The derivation table specified in regulation 16; and
- (b) Financial performance measures specified in clause 1 of Part 3 of Schedule 1 of the Electricity (Information Disclosure) Regulations 1999; and
- (c) Financial components of the efficiency performance measures specified in clause 2 of Part 32 of that schedule, —

and having been prepared by Hawke's Bay Network Limited and dated 31 March 1999 for the purposes of regulation 15 of those regulations.

I certify that, having made all reasonable enquiry, to the best of my knowledge that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

A handwritten signature in black ink, appearing to read 'B J Smith'.

B J Smith
Audit New Zealand
On behalf of the Controller and Auditor-General
Napier, New Zealand

5 August 1999

ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

Regulation 15

Disclosure by line owners of financial and efficiency performance measures

Financial Measures	1999	1998	1997	1996
Return On Funds	4.98%	1.29%	5.06%	1.20%
Return On Equity	2.50%	1.44%	3.62%	0.70%
Return On Investment	46.62%	1.20%	4.90%	1.00%

Efficiency Measures

Direct Line Cost Per Customer	\$ 1,879.88	\$2,047.93	\$1,996.98	\$2,216.10
Indirect Line Cost Per Customer	\$ 40.18	\$90.39	\$79.31	\$79.84

**ELECTRICITY (INFORMATION DISCLOSURE)
REGULATIONS 1989**

Regulation 16 - Derivation Table

Derivation Table	Symbol in formula	Input Column	Calculations	ROF	ROE	ROI
Earnings before interest and tax (EBIT)	a	7,854,106		7,854,106	N/A	7,854,106
Net profit after tax (NPAT)	n	4,018,728		N/A	4,018,728	N/A
Amortised Goodwill	g	0		add	add	add
Subvention Payment	e	0		add	add	add
Depreciation of SFA at BV	d	2,015,000		add	add	add
Depreciation of SFA at ODV	d	4,000,000		deduct	deduct	deduct
ODV Depreciation tax adjustment	b	-664,950		N/A	deduct	deduct
Subvention Payment tax adjustment	b	-664,950		N/A	deduct	deduct
Interest Tax Shield	q	77,880	s ¹	N/A	deduct	deduct
Revaluations	q	77,880		N/A	N/A	77,880
Income tax	r	41,735,000		N/A	N/A	add 41,735,000
Subvention (tax shield)	p	2,843,378		N/A	N/A	add 2,843,378
Fixed Assets at year beginning (FA ₁)		No entry		- a + g + s + d	- n + g + e - s ¹ + d - b	- a + g - q + f + s + d - p - s ¹ - b
Fixed Assets at year end (FA ₂)		121,254,000		5,889,106	2,698,878	45,247,788
Net Working Capital at year beginning (NWC ₁)		111,525,000		add 111,525,000	N/A	add 111,525,000
Net Working Capital at year end (NWC ₂)		-1,903,000		add -1,903,000	N/A	add -1,903,000
Average total funds employed (ATFE)	c	6,121,180	= (FA ₁ + FA ₂ + NWC ₁ + NWC ₂)/2	add 6,121,180	N/A	add 6,121,180
Total Equity at year beginning (TE ₁)		No entry		divide by 2	N/A	divide by 2
Total Equity at year end (TE ₂)		113,619,000		N/A	113,619,000	N/A
Average total equity	k	103,168,728	= (TE ₁ + TE ₂)/2	N/A	add 103,168,728	N/A
WUC at year beginning (WUC ₁)		No entry		N/A	divide by 2	divide by 2
WUC at year end (WUC ₂)		1,138,000		add 1,138,000	add 1,138,000	add 1,138,000
Average total Works under Construction	e	No entry	= (WUC ₁ + WUC ₂)/2	divide by 2	divide by 2	divide by 2

ELECTRICITY (INFORMATION DISCLOSURE)
REGULATIONS 1999

Regulation 16 - Derivation Table

Derivation Table	Symbol in formula	Input Column	Calculations	ROF	ROE	ROI
Revaluations	r	41,735,000	N/A	N/A	N/A	41,735,000
Goodwill asset at year beginning (GW _b)		0	N/A	N/A	0	N/A
Goodwill asset at year end (GW _e)		0	N/A	N/A	0	N/A
Average Goodwill asset	m	No entry	$-(GW_b + GW_e)/2$		add divide by 2	
Subvention payment at year beginning (S _b)		0	N/A	N/A	0	N/A
Subvention payment at year end (S _e)		0	N/A	N/A	0	N/A
Subvention payment tax adjustment at year beginning		0	$-s_{b,t}$	N/A	add	N/A
Subvention payment tax adjustment at year end		0	$-s_{e,t}$	N/A	deduct	N/A
Average subvention payment & related tax adjustment	v	No entry	$-(s_b + s_e + s_{b,t} + s_{e,t})/2$	N/A	deduct deduct divide by 2	N/A
System Fixed assets at year beginning at book value (SFA _{b,book})		108,189,000	108,189,000	108,189,000		108,189,000
System Fixed assets at year end at book value (SFA _{e,book})		100,567,216	add 100,567,216	add 100,567,216		add 100,567,216
Average value of system fixed assets at book value	f	No entry	$-(SFA_{b,book} + SFA_{e,book})/2$	add 108,189,000 add 100,567,216 divide by 2	add 108,189,000 add 100,567,216 divide by 2	104,378,108
System Fixed assets at year beginning at ODV value (SFA _{b,odv})		108,189,000	108,189,000	add 108,189,000		108,189,000
System Fixed assets at year end at ODV value (SFA _{e,odv})		100,567,216	add 100,567,216	add 100,567,216		add 100,567,216
Average value of system fixed assets at ODV value	h	No entry	$-(SFA_{b,odv} + SFA_{e,odv})/2$	add 108,189,000 add 100,567,216 divide by 2	add 108,189,000 add 100,567,216 divide by 2	104,378,107
Profit and Loss (net asset)				$-c - e - f + h$	$-k - e - m + v - f + h$	$-c - e - f + h$
Profit and Loss (net liability)				117,929,568	107,824,663	97,062,068
Profit and Loss (net liability)				4.98%	NPAT _{odv} /ATE _{odv} x 100% = 2.50%	EBIT _{odv} /ATFE _{odv} x 100% = 46.62%

HAWKE'S BAY NETWORK LIMITED

REGULATION 21

YEAR ENDED 31 MARCH

	1999	1998	1997	1996
1) Energy Delivery Efficiency Performance Measures & Statistics				
a) Load Factor	59.33	58.19	56.76	57.13
b) Loss Ratio	5.33	5.84	5.64	5.55
c) Capacity Utilisation	28.87	29.76	30.27	29.08
 2) STATISTICS				
a) Systems Length (kms)				
~ 33kV	248	246	246	246
~ 11kV	2,164	2,154	2,141	2,127
~ 230/400V	1,262	1,260	1,256	1,248
Total	<u>3,674</u>	<u>3,660</u>	<u>3,643</u>	<u>3,621</u>
b) Circuit Length (Overhead) (kms)				
~ 33kV	228	227	227	227
~ 11kV	1,838	1,834	1,826	1,816
~ 230/400V	641	641	641	639
Total	<u>2,707</u>	<u>2,702</u>	<u>2,693</u>	<u>2,682</u>
c) Circuit Length (Underground) (kms)				
~ 33kV	20	19	19	19
~ 11kV	326	320	315	311
~ 230/400V	621	619	616	609
Total	<u>967</u>	<u>958</u>	<u>950</u>	<u>939</u>
d) Transformer Capacity (kVA)	531,253	526,558	511,712	502,791
e) Maximum Demand (kW)	153,370	156,716	154,872	148,823
f) Total Electricity Supplied (kWh)	754,644,984	752,201,998	726,702,135	706,214,060
g) Total electricity conveyed on behalf of other persons (kWh)	408,905,437	34,940,126	22,700,307	3,122,420
h) Total customers	56,000	56,000	55,740	54,907

**REGULATION 22
RELIABILITY PERFORMANCE MEASURES**

YEAR ENDED 31 MARCH

	1999	1998	1997	1996
1) Total Interruptions	735	680	675	530
a) Planned Interruptions (Class B)	492	401	372	308
b) Unplanned Interruptions (Class C)	243	278	303	222
2) Next Year Target				
a) Planned Interruptions (Class B)	450			
b) Unplanned Interruptions (Class C)	225			
3) Next 5 Year Average Target				
a) Planned Interruptions (Class B)	430			
b) Unplanned Interruptions (Class C)	220			
4) Unplanned Interruptions not restored within:				
a) 3 Hours (%)	27	30	30	30
b) 24 Hours (%)	0	0	0	0
5) Faults/100km				
a) Total No. of faults	10.07	11.58	12.74	9.35
b) Next year targets	9.3			
c) Next 5 year average target	9.1			
d) i) 33kV Line Voltage				
a) Total no. of faults	4.3	6.91	6.91	0
b) Next year target	3.5			
c) Next 5 year target	3.0			
ii) 11kV Line Voltage				
a) Total no. of faults	10.77	12.11	13.36	14.48
b) Next year target	10	-	-	-
c) Next 5 year target	9.9	-	-	-
6) Faults/100km of Underground Line				
a) Total	12.14	16.81	18.56	15.15
b) 33kV	0	36.84	10.53	0
c) 11kV	12.88	15.63	19.05	16.5
7) Faults/100km of Overhead Line				
a) Total	9.73	10.72	11.74	8.41
b) 33kV	4.39	4.41	6.61	4.83
c) 11kV	10.39	11.50	12.38	9.17
8) TOTAL SAIDI	162.4	167.18	164.4	111.8
9). SAIDI Targets Next Year				
a) Planned Interruptions (Class B)	75			
b) Unplanned Interruptions (Class C)	75			
10) SAIDI Targets Next 5 years.				
a) Planned Interruptions (Class B)	70			
b) Unplanned Interruptions (Class C)	70			
11) SAIDI				
a) Planned Interruptions (Class B)	80.47	67.96	49.36	29.6
b) Unplanned Interruptions (Class C)	81.96	95.81	115.05	72.2
12) TOTAL SAIFI	2.38	3.11	3.13	1.97
13) SAIFI Target Next Year				
a) Planned Interruptions (Class B)	0.5			
b) Unplanned Interruptions (Class C)	1.5			
14) SAIFI Target next 5 years				
a) Planned Interruptions (Class B)	0.45			
b) Unplanned Interruptions (Class C)	1.4			

		YEAR ENDED 31 MARCH			
		1999	1998	1997	1996
15)	SAIFI				
	a) Planned Interruptions (Class B)	0.51	0.45	0.42	0.35
	b) Unplanned Interruptions (Class C)	1.87	2.26	2.71	1.62
16)	Total CAIDI	68.16	53.76	52.50	56.75
17)	CAIDI Targets Next Year				
	a) Planned Interruptions (Class B)	150			
	b) Unplanned Interruptions (Class C)	40			
18)	CAIDI Targets Next 5 years				
	a) Planned Interruptions (Class B)	150			
	b) Unplanned Interruptions (Class C)	40			
19)	CAIDI				
	a) Planned Interruptions (Class B)	158	152	116	113
	b) Unplanned Interruptions (Class C)	44	42	42	45



