



# New Zealand Gazette

OF THURSDAY, 24 AUGUST 2000

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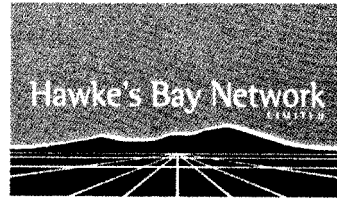
WELLINGTON:FRIDAY, 25 AUGUST 2000 — ISSUE NO. 109

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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



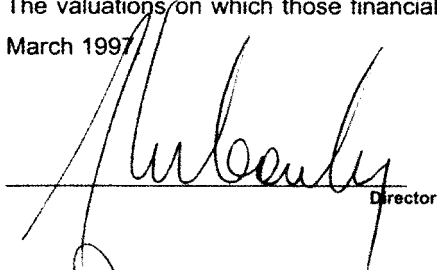
305E Heretaunga Street  
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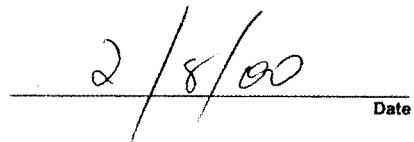
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

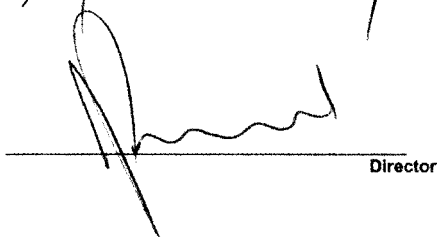
We, Graham Mitchell Cowley and John Richard Palairat, Directors of Hawke's Bay Network Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, -

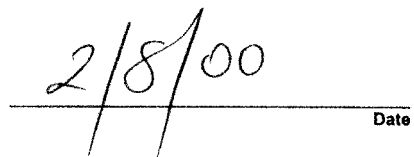
- a. The attached audited financial statements of Hawke's Bay Network Ltd, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations; and
- b. The attached information, being the derivation table, financial performance measures, efficiency performance measures, 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

## REPORT OF THE AUDIT OFFICE

### TO THE READERS OF THE FINANCIAL STATEMENTS OF HAWKE'S BAY NETWORK LIMITED FOR THE YEAR ENDED 31 MARCH 2000

We have audited the financial statements of Hawke's Bay Network Limited on pages 2 to 19. The financial statements provide information about the past financial performance of Hawke's Bay Network Limited and its financial position as at 31 March 2000. 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 2000, 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 19:
  - 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 2000 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 2 August 2000 and our unqualified opinion is expressed as at that date.



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



**HAWKE'S BAY NETWORK LIMITED  
LINES BUSINESS**

**INFORMATION DISCLOSURE  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2000**

**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 2000**

	Notes	2000 \$000	1999 \$000
<b>OPERATING REVENUE</b>	<b>4,18</b>	32,055	33,256
<b>OPERATING SURPLUS BEFORE NON RECURRING COSTS AND TAXATION</b>	<b>4,18</b>	<u>5,605</u>	<u>5,633</u>
Non Recurring Costs		(2,113)	-
<b>OPERATING SURPLUS (DEFICIT) BEFORE TAXATION</b>		<u>3,492</u>	<u>5,633</u>
Taxation Expense	<b>3</b>	20	2,943
<b>NET SURPLUS</b>		<u><b>3,472</b></u>	<u><b>2,690</b></u>

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS  
STATEMENT OF MOVEMENTS IN EQUITY  
For The Year Ended 31 March 2000**

	2000 \$000	1999 \$000
Equity at 1 April	<u>103,169</u>	<u>58,744</u>
Net Surplus	3,472	2,690
Revaluation Of Network Assets	-	49,405
Revaluation Of Land	(154)	713
Deferred Taxation in Respect Of Revaluation	<u>8,383</u>	<u>(8,383)</u>
Total recognised revenues and expenses for the year	11,701	44,425
Dividends Paid	-	-
<b>Equity at 31 March</b>	<u><b>114,870</b></u>	<u><b>103,169</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 2000**

	Notes	2000 \$000	1999 \$000
<b>EQUITY</b>			
Share Capital	7	66,661	60,661
Asset Revaluation Reserve	13	49,964	41,735
Retained Earnings	14	(1,755)	773
		<u>114,870</u>	<u>103,169</u>
 <b>Represented by:</b>			
<b>NON CURRENT ASSETS</b>			
Fixed Assets	11	110,240	110,387
Capital Work In Progress		710	1,138
		<u>110,950</u>	<u>111,525</u>
 <b>CURRENT ASSETS</b>			
Cash and Short Term Investments		3,738	5,803
Receivables and Prepayments	8	3,751	3,200
Inventories		751	100
		<u>8,240</u>	<u>9,103</u>
<b>TOTAL ASSETS</b>		<u><u>119,190</u></u>	<u><u>120,628</u></u>
 <b>NON CURRENT LIABILITIES</b>			
Term Debt	9	1,000	1,000
Inter Company Advance		-	3,000
Deferred Taxation Liabilities	3	-	10,477
		<u>1,000</u>	<u>14,477</u>
 <b>CURRENT LIABILITIES</b>			
Accounts Payable and Accruals		2,703	1,439
Taxation Payable	3	-	828
Employee Entitlements		617	715
		<u>3,320</u>	<u>2,982</u>
<b>TOTAL LIABILITIES</b>		<u><u>4,320</u></u>	<u><u>17,459</u></u>
 <b>NET ASSETS EMPLOYED</b>		<u><u>114,870</u></u>	<u><u>103,169</u></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 2000**

	<b>Notes</b>	<b>2000</b>	<b>1999</b>
		<b>\$000</b>	<b>\$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts From Customers		30,631	33,555
Contributions For Capital Works		779	661
GST		-	142
Interest Received		95	227
		<u>31,505</u>	<u>34,585</u>
Cash was disbursed to:			
Payments To Suppliers		19,270	21,561
Payments To Employees		3,985	2,047
Interest Paid On Loans		60	236
Income Taxes Paid		848	1,650
GST		93	-
		<u>24,256</u>	<u>25,494</u>
Net cash flows from operating activities	<b>15</b>	<u>7,249</u>	<u>9,091</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds From Sale Of Assets		124	4,259
		<u>124</u>	<u>4,259</u>
Cash was applied to:			
Repayment of Inter Company Advance		3,000	-
Purchase and Construction Of Fixed Assets		6,438	3,872
		<u>9,438</u>	<u>3,872</u>
Net cash used in investing activities		<u>(9,314)</u>	<u>387</u>
<b>CASH FLOWS FROM FINANCING</b>			
Net cash used in financing activities		-	-
Net Increase (Decrease) in Cash Held		(2,065)	9,478
Add Opening Cash Brought Forward		5,803	(3,675)
<b>ENDING CASH CARRIED FORWARD</b>		<u>3,738</u>	<u>5,803</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 2000**

**1. ENTITY STATEMENT**

These financial statements for Hawke's Bay Network Limited (LINES BUSINESS) for the year 1 April 1999 to 31 March 2000, and the financial position of the Company as at 31 March 2000 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 1997 and have been adjusted for additions at cost and depreciation at appropriate rates to 31 March 2000. Land and Buildings not included in Network Assets are stated at valuation determined by an independent registered valuer as at 31 March 2000. The basis of valuation was market value on an existing use basis. All other fixed assets are initially stated at cost and depreciated as outlined below.

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 are revalued annually.

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.

**HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2000**

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.

The carrying value of assets (other than Land and Building should they be sold on a vacant basis), do not exceed their estimated recoverable value.

**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                   | 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   |

**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. 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.

**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.

**HAWKE'S BAY NETWORK LIMITED – LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2000**

**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 annual and long service leave are calculated on an entitlement basis at current rates. Retirement gratuity liability is calculated using current rates for all qualifying staff aged 60 years or over.

**Changes in Accounting Policies**

Network Assets and Buildings were revalued for accounting purposes on 31 March 1999. As a result, depreciation for this year has been calculated on these revaluations rather than on cost, as in the past. The effect of this change has been to increase depreciation for the year by approximately \$1,400,000.

With the revaluation of network assets as at 31 March 1999, accounting for deferred tax on the comprehensive basis involved recognition of the liability for deferred tax arising from the revaluation. A review of the continued application of this policy has led to a change to the partial basis for the calculation of deferred tax, given that the comprehensive basis requires the accumulation of a significant liability that is not expected to crystallise. The effect on these Financial Statements has been to reverse last year's adjustment arising from the revaluation of the network assets, by increasing Asset Revaluation Reserve and decreasing Deferred Taxation Liabilities by \$8,383,000.

The remaining opening balance of the Deferred Tax Liability of \$2,094,000 (reflecting cumulative timing differences from previous years not expected to reverse and thus crystallise in the foreseeable future) has been written back to Taxation Expense (Benefit) in the Statement of Financial Performance. The tax effect on timing differences arising during the year of \$184,000 has also been treated in this way, rather than been recognised and added to the Deferred Tax Liability as required by the comprehensive basis.

All other policies have been applied on bases consistent with those used in previous years.

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

	2000 \$000	1999 \$000
<b>3. INCOME TAX</b>		
<b>a) Taxation</b>		
Operating Surplus (Deficit) Before taxation	3,492	5,633
Prima Facie Tax @ 33%	1,152	1,859
Permanent differences	777	1,084
Timing Differences not recognised	185	-
Current Taxation Expense	2,114	2,943
Timing Differences recognised	-	(362)
<b>Current Taxation Expense</b>	2,114	2,581
Previous years timing differences now not recognised	(2,094)	-
<b>Total Charge (Tax Benefit)</b>	20	2,581
Taxation Payable Brought Forward	828	(103)
Taxation Paid	(848)	(1,650)
<b>Taxation Payable</b>	-	828
<b>b) Taxation Expense (Benefit) is represented by:</b>		
Current Taxation	2,114	2,581
Deferred Tax	(2,094)	362
	20	2,943
<b>c) Movement in Deferred Taxation Liability (Timing Differences)</b>		
Opening Balance 1 April	10,477	1,732
Revaluation Of Network Assets	(8,383)	8,383
Net movement in recognised timing differences	-	362
Previous years timing differences now not recognised	(2,094)	-
	-	10,477
<p>The tax effect of timing differences arising from network asset revaluations approximating \$9,822,000, which would only crystallise on disposal, have not been recognised in the Financial Statements.</p> <p>The tax effect of other timing differences which have not been provided for in the deferred tax account amount to approximately \$1,910,000. These timing differences are not expected to crystallise in the foreseeable future.</p>		
<b>d) Imputation Credit Account</b>		
Opening Balance	1,650	-
Taxation Paid	848	1,650
Imputation Credits attached to Dividends paid in the year	-	-
Imputation Credits attached to Dividends received in the year	-	-
	2,498	1,650

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>4 OPERATING SURPLUS BEFORE TAX</b>		
<b>After Charging:</b>		
Depreciation	4,688	3,119
Interest Costs	60	236
Bad Debts Written Off	-	9
Change in Provision for Doubtful Debts	63	(200)
Loss On Sale of Assets	-	15

**After Crediting:**

Interest Revenue	95	246
Gain On Sale Of Assets	65	281

<b>5 AUDITORS REMUNERATION</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>

Accounts payable or due and payable to the Auditors for:		
Auditing Financial Statements	34	30
Other Services	4	4

<b>6 DIRECTORS REMUNERATION</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>

Remuneration Paid To Directors	150	150
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<b>7 SHARE CAPITAL</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>

Ordinary Shares	64,000,000	58,000,000
-----------------	------------	------------

The former 100% owned subsidiary of the Company, Service Company (Hawke's Bay) Limited was amalgamated with Hawke's Bay Network Ltd on 1 January 2000 following the sale of all the business assets of the former subsidiary.

<b>8 RECEIVABLES AND PREPAYMENTS</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>

Trade Debtors	3,839	3,194
Provision For Doubtful Debts	(88)	(14)
	<u>3,751</u>	<u>3,180</u>
Prepayments	-	20
	<u>3,751</u>	<u>3,200</u>

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

	2000	1999
	\$000	\$000
<b>9 TERM DEBT</b>		
Due For Repayment:		
2003	1,000	1,000
	1,000	1,000

The Interest Rate on the loan is 6.0% and the debt is unsecured.

**10 COMMITMENTS & CONTINGENT LIABILITIES**

At balance date the Lines Business had entered into contractual commitments of \$586,591. (1999 \$287,580).

A contingent liability exists for future service related employee entitlements as a result of existing employee contracts.

There were no other contingent liabilities existing at balance date (1999 \$0).

**11 FIXED ASSETS**

	At Cost \$000	At Valuation \$000	Accumulated Depreciation \$000	Net Book Value \$000
<b>Lines Business 31 March 2000</b>				
Network	4,780	100,583	3,929	101,434
Land	0	1,305	0	1,305
Buildings	0	2,647	0	2,647
Vehicles, Plant and Equipment	13,049	0	8,195	4,854
	17,829	104,535	12,124	110,240
<b>Lines Business 31 March 1999</b>				
Network	-	100,583	-	100,583
Land	-	1,429	-	1,429
Buildings	-	4,786	-	4,786
Vehicles, Plant and Equipment	12,749	-	9,160	3,589
	12,749	106,798	9,160	110,387

**Valuations**

Network Assets are valued at Optimised Deprival Value (ODV) as determined by Price Waterhouse Coopers (based on an ODRC valuation produced by Worley Consultants Ltd) as at 31 March 1997, adjusted for additions at cost and depreciation to 31 March 2000.

A revised valuation is currently being prepared.

Land and Buildings not included in Network Assets were independently valued by Logan Stone Ltd of Hastings as at 31 March 2000. These valuations were based on market value on an existing use basis. Adoption of these valuations on 31 March 2000 resulted in a decrease in the carrying value of Land of \$153,472 and Buildings of \$2,112,530.

All other assets have been recorded at cost.

**12 EVENTS SUBSEQUENT TO BALANCE DATE**

A Ministerial Inquiry into the Electricity Industry was established in February 2000. Potential regulatory changes implementing recommendations from the Inquiry may impact on the Company.

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>13 RESERVES</b>		
<b>Asset Revaluation Reserve</b>		
Balance at beginning of year	41,735	-
Revaluation Of Network Assets	-	49,405
Deferred taxation on asset revaluation	8,383	(8,383)
	<u>50,118</u>	<u>41,022</u>
Revaluation Of Land	(154)	713
Balance as at 31 March	<u>49,964</u>	<u>41,735</u>
<b>14 RETAINED EARNINGS</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
Balance at beginning of year	773	(1,917)
Net Surplus (Deficit)	3,472	2,690
Transfer to Share Capital (Refer Note 7)	(6,000)	
	<u>(1,755)</u>	<u>773</u>
<b>15 RECONCILIATION OF REPORTED NET OPERATING SURPLUS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>NET OPERATING SURPLUS (DEFICIT) AFTER TAXATION</b>	3,472	2,690
<b>PLUS: Non Cash/Non Operating Items</b>		
Building Revaluation	2,113	2,957
Gain On Asset Sales	(65)	(281)
Depreciation	4,688	3,119
	<u>10,208</u>	<u>8,485</u>
<b>PLUS (LESS): Movements in Working Capital</b>		
Decrease (Increase) in Receivables and Prepayments	(551)	1,184
Decrease (Increase) in Inventories	(651)	1,001
Increase (Decrease) in Accounts Payable, Accruals and Employee Entitlements	1,166	(1,898)
Decrease (Increase) in Work In Progress	-	(973)
Increase (Decrease) in Taxation Payable	(828)	930
<b>PLUS (LESS): Other Movements</b>		
Increase (Decrease) Deferred Taxation Liability	(2,095)	362
Net Cash Inflow From Operating Activities	<u>7,249</u>	<u>9,091</u>

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

**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.

**17 TRANSACTIONS WITH RELATED PARTIES**

For the first seven months of the year the Company purchased maintenance and network construction services from its own in-house service providers at commercial rates. From 1 November 1999 all the inspections service, planned maintenance and major capital works has been contracted out.

There were no outstanding balances owing to this disestablished internal provider as at 31 March 2000.

	2000	1999
	\$000	\$000
<b>Services provided to the Company during the period 01/04/99 to 31/10/99 included:</b>		
Construction of subtransmission assets	-	-
Construction of zone substations	1,037	116
Construction of distribution lines and cables	1,019	1,731
Construction of medium voltage switchgear	-	-
Construction of distribution transformers	340	454
Construction of distribution substations	-	-
Construction of low voltage lines and cables	395	-
Construction of other fixed assets	2	1
Maintenance of Assets	2,031	3,549
Consumer connections and disconnections	-	-

**Note: The 1999 Comparison for Maintenance of Assets has been corrected as a result of an incorrect note disclosure in last years Gazette.**

The Establishment Plan of the Company provided for the formation of the Hawke's 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 annum.



**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

**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)**

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>		
Cash and bank balances	1,738	2,303
Short-term investments	2,000	3,500
Inventories	751	100
Accounts receivable	3,751	3,200
Other current assets not listed in (a) to (d)	0	0
<b>Total current assets</b>	<b>8,240</b>	<b>9,103</b>
<b>Fixed assets</b>		
System fixed assets	101,434	100,583
Consumer billing and information system assets	0	0
Motor vehicles	842	335
Office equipment	3,046	2,321
Land and buildings	3,952	6,215
Capital works under construction	710	1,138
Other fixed assets not listed in (a) to (f)	966	933
<b>Total fixed assets</b>	<b>110,950</b>	<b>111,525</b>
<b>Other tangible assets not listed above</b>	<b>0</b>	<b>0</b>
<b>Total tangible assets</b>	<b>119,190</b>	<b>120,628</b>
<b>Intangible assets</b>		
Goodwill	0	0
Other intangibles not listed in (a) above	0	0
<b>Total intangible assets</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>119,190</b>	<b>120,628</b>
<b>Current liabilities</b>		
Bank overdraft	0	0
Short-term borrowings	0	0
Payables and accruals	3,320	2,154
Provision for dividends payable	0	0
Provision for income tax	0	828
Other current liabilities not listed in (a) to (e) above	0	0
<b>Total current liabilities</b>	<b>3,320</b>	<b>2,982</b>
<b>Non-current liabilities</b>		
Payables and accruals	0	0
Borrowings	1,000	4,000
Deferred tax	0	10,477
Other non-current liabilities not listed in (a) to (c) above	0	0
<b>Total non-current liabilities</b>	<b>1,000</b>	<b>14,477</b>
<b>Equity</b>		
Shareholders' equity:		
Share capital	66,661	60,661
Retained earnings	(1,755)	773
Reserves	49,964	41,735
<b>Total Shareholders' equity</b>	<b>114,870</b>	<b>103,169</b>
Minority interests in subsidiaries	0	0
<b>Total equity</b>	<b>114,870</b>	<b>103,169</b>
Capital notes	0	0
<b>Total capital funds</b>	<b>114,870</b>	<b>103,169</b>
<b>Total equity and liabilities</b>	<b>119,190</b>	<b>120,628</b>

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

**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.

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>Operating Revenue</b>		
Revenue from line/access charges:	31,361	31,404
Rebates to consumers due to ownership interest:	(1,400)	0
Revenue from "Other" business for services carried out by the line business (transfer payment)	0	0
Interest on cash, bank balances and short term investments	95	246
AC loss-rental rebates	773	946
Other revenue not listed in (a) to (d)	1,226	660
<b>Total operating revenue</b>	<b>32,055</b>	<b>33,256</b>

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

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>Operating Expenditure</b>		
Payment for Transmission Charges	12,972	12,963
	12,972	12,963
Asset maintenance	2,030	3,549
Consumer disconnection/reconnection services	0	0
Meter data	0	0
Consumer-based load control services	0	0
Royalty and patent expenses	0	0
Avoided transmission charges on account of own generation	0	0
Other goods and services not listed in (i) to (vi) above	0	0
<b>Total transfer payment to the "Other" business</b>	<b>2,030</b>	<b>3,549</b>
Expense to entities that are not related parties for:		
Asset maintenance	679	0
Consumer disconnection/reconnection services	0	0
Meter data	0	0
Consumer-based load control services	0	0
Royalty and patent expenses	0	0
<b>Total of specified expenses to non-related parties (sum of (i) to (v))</b>	<b>679</b>	<b>0</b>
Employee salaries, wages and redundancies	3,985	2,047
Consumer billing and information system expense	0	82
Depreciation on:		
System fixed assets	3,929	1,985
Other assets not listed in (i)	694	1,149
<b>Total depreciation</b>	<b>4,623</b>	<b>3,216</b>
Amortisation of:		
Goodwill	0	0
Other intangibles	0	0
<b>Total amortisation of intangibles</b>	<b>0</b>	<b>0</b>
Corporate and administration	639	764
Human resource expenses	35	0
Marketing/advertising	77	48
Merger and acquisition expenses	0	0
Takeover defence expenses	0	0
Research and development expenses	15	0
Consultancy and legal expenses	106	290
Donations	0	0
Directors' fees	150	150
	1,022	1,252

**HAWKE'S BAY NETWORK LIMITED - LINES BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the Year Ending 31 March 2000**

**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.

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
Auditors' fees:		
Audit fees paid to principal auditors	34	30
Audit fees paid to other auditors	0	0
Fees paid for other services provided by principal and other auditors	4	4
<b>Total auditors' fees</b>	<b>38</b>	<b>34</b>
Costs of offering credit		
Bad debts written off	0	9
Increase in estimated doubtful debts	63	200
<b>Total cost of offering credit</b>	<b>63</b>	<b>209</b>
Local authority rates expense	72	108
AC loss-rentals (distribution to retailers/customers) expense	773	946
Subvention payments	0	0
Unusual expenses	2,113	2,957
Other expenditure not listed in (a) to (w)	132	106
	3,090	4,117
<b>Total operating expenditure</b>	<b>28,503</b>	<b>27,387</b>
<b>Operating surplus before interest and income tax</b>	<b>3,552</b>	<b>5,869</b>
<b>Interest expense</b>		
Interest expense on borrowings	0	0
Financing charges related to finance leases	0	0
Other interest expense	60	236
<b>Total interest expense</b>	<b>60</b>	<b>236</b>
<b>Operating surplus before income tax</b>	<b>3,492</b>	<b>5,633</b>
<b>Income tax</b>	<b>20</b>	<b>2,943</b>
<b>Net Surplus</b>	<b>3,472</b>	<b>2,690</b>

**Note:**

Some 1999 Comparison have been corrected as a result of incorrect note disclosures in last years Gazette

**19 SEGMENT INFORMATION**

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



**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 2000 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.

A handwritten signature in black ink, appearing to read "V F Sears", with a long horizontal flourish extending to the right.

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

2 August 2000

## ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

### Regulation 15

Disclosure by line owners of financial and efficiency performance measures.

<b>Financial Measures</b>	<b>2000</b> %	<b>1999</b> %	<b>1998</b> %	<b>1997</b> %
Return of Funds	3.10	4.98	1.29	5.06
Return on Equity	3.21	2.50	1.44	3.62
Return on Investment	3.07	3.62	1.20	4.90

*Note:*

To assist comparability, the 1999 Return on Investment figure has been adjusted to **exclude** the Revaluation of Network Assets previously included in this calculation.

### Efficiency Measures

	<b>2000</b> \$	<b>1999</b> \$	<b>1998</b> \$	<b>1997</b> \$
Direct Line Per Cost Per Kilometre	1,443.40	1,879.88	2,047.93	1,996.98
Indirect Line Cost Per Customer	46.47	40.18	90.39	79.31

**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	3,552,000						
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	3,552,000						
Interest on cash, bank balances, and short-term investments (ISTI)	95,000						
OSBIT minus ISTI	3,457,000	a		3,457,000			3,457,000
Net surplus after tax from financial statements	3,472,218						
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	3,472,218	n			3,472,218		
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add	0	add
Subvention payment	0	s	add	0	add	0	add
Depreciation of SFA at BV (x)	3,929,422						
Depreciation of SFA at ODV (y)	3,929,422						
ODV depreciation adjustment	0	d	add	0	add	0	add
Subvention payment tax adjustment	0	s <sup>t</sup>	deduct		deduct	0	deduct
Interest tax shield	20,000	q					20,000
Revaluations	0	r					0
Income tax	19,782	p					19,782
<b>Numerator</b>				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>
Fixed assets at end of previous financial year (FA <sub>0</sub> )	111,525,000					3,472,218	3,417,218
Fixed assets at end of current financial year (FA <sub>1</sub> )	110,950,000						
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	1,146,000						
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	1,182,000						
Average total funds employed (ATFE)	112,401,500	c		112,401,500			112,401,500
Total equity at end of previous financial year (TE <sub>0</sub> )	103,169,000						
Total equity at end of current financial year (TE <sub>1</sub> )	114,870,218						
Average total equity	109,019,609	k				108,019,609	
WUC at end of previous financial year (WUC <sub>0</sub> )	1,138,000						
WUC at end of current financial year (WUC <sub>1</sub> )	710,000						
Average total works under construction	924,000	e	deduct	924,000	deduct	924,000	deduct
							924,000

Derivation Table		Input and Calculations	Symbol in formula	ROF	ROE	ROI
Revaluations		0	r			
Half of revaluations		0	r/2			deduct
Intangible assets at end of previous financial year (IA <sub>0</sub> )		0				
Intangible assets at end of current financial year (IA <sub>t</sub> )		0				
Average total intangible asset		0	m		add	
	(or regulation 33 time-weighted average)					
Subvention payment at end of previous financial year (S <sub>0</sub> )		0				
Subvention payment at end of current financial year (S <sub>t</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	
System fixed assets at end of previous financial year at book value (SFA <sub>0,bv</sub> )		100,583,000				
System fixed assets at end of current financial year at book value (SFA <sub>t,bv</sub> )		101,434,000				
Average value of system fixed assets at book value		101,008,500	f	deduct	101,008,500	deduct
	(or regulation 33 time-weighted average)					
System Fixed assets at year beginning at ODV value (SFA <sub>0,odv</sub> )		100,583,000				
System Fixed assets at end of current financial year at ODV value (SFA <sub>t,odv</sub> )		101,434,000				
Average value of system fixed assets at ODV value		101,008,500	h	add	101,008,500	add
	(or regulation 33 time-weighted average)					
<b>Denominator</b>				ATFE <sup>ADV</sup> = c - e - f + h	108,095,609	ATFE <sup>ADV</sup> = c - e - 1/2r - f + h
					Ave TE <sup>ADV</sup> = k - e - m + v - f + h	
<b>Financial Performance Measure:</b>						
				ROF = OSBIT <sup>ADV</sup> /ATFE <sup>ADV</sup> x 100	3.10	ROI = OSBIT <sup>ADV</sup> /ATFE <sup>ADV</sup> x 100
					ROE = NSAT <sup>ADV</sup> /ATE <sup>ADV</sup> x 100	3.07

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 't' = end of the current financial year    ROF = return on funds    ROE = return on equity    ROI = return on investment

## REGULATION 16A

HAWKE'S BAY NETWORK LIMITED –  
LINES BUSINESSELECTRICITY (INFORMATION DISCLOSURE)  
REGULATIONS 1999ANNUAL VALUATION RECONCILIATION REPORT  
For the Year Ending 31 March 2000

	2000 \$000	1999 \$000
System fixed assets at ODV - end of the previous financial year	100,583	52,317
<b>Add</b> system fixed assets acquired during the year at ODV	4,780	4,199
<b>Less</b> system fixed assets disposed of during the year at ODV	-	-
<b>Less</b> depreciation on system fixed assets at ODV	(3,929)	(4,000)
<b>Add</b> revaluation of system fixed assets	-	48,067
<b>Equals</b> system fixed assets at ODV - end of financial year	<u>101,434</u>	<u>100,583</u>



**REGULATION 21**

For the Year Ending 31 March 2000

	Note	2000	1999	1998	1997
<b>1) Energy Delivery Efficiency Performance Measures &amp; Statistics</b>					
a) Load Factor		61.13	59.33	58.19	56.76
b) Loss Ratio		5.39	5.33	5.84	5.64
c) Capacity Utilisation		28.81	28.87	29.76	30.27
<b>2) STATISTICS</b>					
<b>a) Systems Length (kms)</b>					
~ 33kV		263	248	246	246
~ 11kV		2,273	2,164	2,154	2,141
~ 230/400V		1,282	1,262	1,260	1,256
Total	1	3,824	3,674	3,660	3,643
<b>b) Circuit Length (Overhead) (kms)</b>					
~ 33kV		246	228	227	227
~ 11kV		1,932	1,838	1,834	1,826
~ 230/400V		474	641	641	641
Total		2,652	2,707	2,702	2,693
<b>c) Circuit Length (Underground) (kms)</b>					
~ 33kV		17	20	19	19
~ 11kV		347	326	320	315
~ 230/400V		808	621	619	616
Total		1,172	967	958	950
d) Transformer Capacity (kVA)		536,485	531,253	526,558	511,712
e) Maximum Demand (kW)		154,587	153,370	156,716	154,872
f) Total Electricity Supplied from the system after losses of electricity (kWh)		827,806,626	797,132,126	798,855,138	770,137,913
g) Total electricity conveyed on behalf of other persons (kWh)	2	783,161,169	408,905,437	34,940,126	22,700,307
h) Total customers		56,594	56,000	56,000	55,740

**Notes**

- 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.
- The total amount of electricity conveyed through the system (before losses of electricity) on behalf of each person that is an electricity retailer was:

Retailer	kWhs
1	551,253,651
2	93,012,929
3	63,137,423
4	51,219,745
5	24,037,421
6	460,000
7	20,000
8	20,000

**REGULATION 22**  
**RELIABILITY PERFORMANCE MEASURES**  
**for the Year Ending 31 March 2000**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
1) <b>Total Interruptions</b>	494	735	680	675
a) Planned Interruptions (Class B)	342	492	401	372
b) Unplanned Interruptions (Class C)	152	243	278	303
2) <b>Next Year Target</b>				
a) Planned Interruptions (Class B)	400	450		
b) Unplanned Interruptions (Class C)	200	225		
3) <b>Next 5 Year Average Target</b>				
a) Planned Interruptions (Class B)	400	430		
b) Unplanned Interruptions (Class C)	200	220		
4) <b>Unplanned Interruptions not restored within:</b>				
a) 3 Hours (%)	20	27	30	30
b) 24 Hours (%)	NIL	0	0	0
5) <b>Faults/100km</b>				
a) Total No. of faults	5.98	10.07	11.58	12.74
b) Next year targets	8	9.3		
c) Next 5 year average target	7	9.1		
d) <b>i) 33kV Line Voltage</b>				
a) Total no. of faults	1.9	4.3	6.91	6.91
b) Next year target	3.5	3.5		
c) Next 5 year target	3.0	3.0		
<b>ii) 11kV Line Voltage</b>				
a) Total no. of faults	6.45	10.77	12.11	13.36
b) Next year target	8	10	-	-
c) Next 5 year target	8	9.9	-	-
6) <b>Faults/100km of Underground Line</b>				
a) Total	14.56	12.14	16.81	18.56
b) 33kV	0	0	36.84	10.53
c) 11kV	15.27	12.88	15.63	19.05
7) <b>Faults/100km of Overhead Line</b>				
a) Total	4.55	9.73	10.72	11.74
b) 33kV	2.03	4.39	4.41	6.61
c) 11kV	4.87	10.39	11.50	12.38
8) <b>TOTAL SAIDI</b>	103.99	162.4	167.18	164.4
9) <b>SAIDI Targets Next Year</b>				
a) Planned Interruptions (Class B)	60	75		
b) Unplanned Interruptions (Class C)	80	75		
10) <b>SAIDI Targets Next 5 years.</b>				
a) Planned Interruptions (Class B)	50	70		
b) Unplanned Interruptions (Class C)	70	70		
11) <b>SAIDI</b>				
a) Planned Interruptions (Class B)	56.6	80.47	67.96	49.36
b) Unplanned Interruptions (Class C)	47.3	81.96	95.81	115.05
12) <b>TOTAL SAIFI</b>	1.48	2.38	3.11	3.13
13) <b>SAIFI Target Next Year</b>				
a) Planned Interruptions (Class B)	0.5	0.5		
b) Unplanned Interruptions (Class C)	2	1.5		
14) <b>SAIFI Target next 5 years</b>				
a) Planned Interruptions (Class B)	0.42	0.45		
b) Unplanned Interruptions (Class C)	1.8	1.4		

**REGULATION 22**  
**RELIABILITY PERFORMANCE MEASURES**  
 for the Year Ending 31 March 2000

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
15) <b>SAIFI</b>				
a) Planned Interruptions (Class B)	0.41	0.51	0.45	0.42
b) Unplanned Interruptions (Class C)	1.06	1.87	2.26	2.71
16) <b>TOTAL CAIDI</b>	70.3	68.16	53.76	52.50
17) <b>CAIDI Targets Next Year</b>				
a) Planned Interruptions (Class B)	120	150		
b) Unplanned Interruptions (Class C)	40	40		
18) <b>CAIDI Targets Next 5 years</b>				
a) Planned Interruptions (Class B)	120	150		
b) Unplanned Interruptions (Class C)	40	40		
19) <b>CAIDI</b>				
a) Planned Interruptions (Class B)	136.7	158	152	116
b) Unplanned Interruptions (Class C)	44.5	44	42	42