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## NETWORK WAITAKI LIMITED

### INFORMATION FOR DISCLOSURE

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

# **NETWORK WAITAKI LIMITED**

## **LINES BUSINESS**

### **FINANCIAL STATEMENTS**

For the Year Ended 31 March 2001

Prepared for the Purposes of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000

#### **IMPORTANT NOTE**

The financial information presented is for the 'line business' activity of Network Waitaki Limited as described within the Electricity (Information Disclosure) Regulations. Additional activities of the Company, that are not required to be reported under the Regulations, have been excluded.

This information should not be used for any other purposes than that intended under the Regulations. The Regulations require the information to be disclosed in the manner it is presented.

**Network Waitaki Limited (Lines)****Statement of Financial Performance for the Year Ended 31 March 2001**

<b>REVENUE</b>	<b>Note</b>	<b>2001</b>	<b>2000</b>
		<b>\$</b>	<b>\$</b>
<b>Operating revenue</b>			
Revenue from line/access charges		8,861,138	8,951,174
Revenue returned as Customer Discount		(1,963,784)	0
Revenue from "Other" business for services carried out by the line business		0	0
Interest on cash, bank balances and short term investments		371,631	230,787
AC loss-rental rebates		427,655	130,093
Other revenue not listed above			
Capital Contributions	155,680		87,348
Use of Money Interest	0		0
Other	0		0
		<u>155,680</u>	<u>87,348</u>
<b>Total operating revenue</b>		<u><u>7,852,320</u></u>	<u><u>9,399,402</u></u>
<b>EXPENDITURE</b>			
		<b>2001</b>	<b>2000</b>
		<b>\$</b>	<b>\$</b>
<b>Operating expenditure</b>			
Payment for transmission charges		2,897,659	2,889,079
Transfer payments to the "Other" business for			
Asset maintenance	3	480,543	526,510
Consumer disconnection/reconnection services		0	0
Meter data		0	0
Consumer-based load control services		0	0
Royalty and patent expenses		0	0
Avoided transmission charges on account of own generation		0	0
Other goods and services		0	30,302
<b>Total transfer payment to the "Other" business</b>		<u>480,543</u>	<u>556,812</u>
Expense to entities that are not related parties for			
Asset maintenance		88,709	91,262
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</b>		<u>88,709</u>	<u>91,262</u>
Employee salaries, wages and redundancies		84,504	345,074
Consumer billing and information system expense		37,633	46,060
Depreciation on			
System fixed assets		1,478,450	1,493,905
Other assets		34,112	218,603
<b>Total depreciation</b>		<u>1,512,562</u>	<u>1,712,508</u>
Amortisation of			
Goodwill		0	0
Other intangibles		0	0
<b>Total amortisation of intangibles</b>		<u>0</u>	<u>0</u>
Corporate and administration		666,230	95,891
Human resource expenses		19,366	77,766
Marketing/advertising		3,700	3,471
Merger and acquisition expenses		0	25,665
Takeover defence expenses		0	0
Research and development expenses		0	0
Consultancy and legal expenses		30,837	180,551
Donations		0	0
Directors' fees		50,000	88,480
Auditors' fees			
Audit fees paid to principal auditors		19,000	26,500
Audit fees paid to other auditors		0	0
Fees paid for other services provided by principal and other auditors		0	3,500
<b>Total auditors' fees</b>		<u>19,000</u>	<u>30,000</u>

**Statement of Financial Performance for the Year Ended 31 March 2001 - Continued**

	Note	2001 \$	2000 \$
Costs of offering credit			
Bad debts written off		0	0
Increase in estimated doubtful debts		0	0
<b>Total cost of offering credit</b>		<u>0</u>	<u>0</u>
Local authority rates expense		0	8,779
AC loss-rentals (distribution to retailers/customers) expense		0	0
Rebates to consumers due to ownership interest		0	0
Subvention payments		0	0
Unusual expenses		0	10,676
Other expenditure not listed above		49,223	105,416
<b>Total operating expenditure</b>		<u>5,939,966</u>	<u>6,267,490</u>
<b>Operating surplus before interest and income tax</b>		<u><b>1,912,354</b></u>	<u><b>3,131,912</b></u>
<b>Interest expense</b>			
Interest expense on borrowings		0	28,153
Financing charges related to finance leases		0	0
Other interest expense		10,890	0
<b>Total interest expense</b>		<u>10,890</u>	<u>28,153</u>
<b>Operating surplus before income tax</b>		<u><b>1,901,464</b></u>	<u><b>3,103,759</b></u>
<b>Income tax</b>	5	1,063,997	1,285,533
<b>Net surplus after tax</b>		<u><b>837,467</b></u>	<u><b>1,818,226</b></u>

**Network Waitaki Limited (Lines)****Statement of Movements in Equity for the Year Ended 31 March 2001**

	Note	2001 \$	2000 \$
<b>Equity at the Beginning of the Year</b>		<u>42,887,368</u>	<u>12,651,759</u>
Net Surplus (Deficit) for the Period		837,467	1,818,226
Revaluation		125,155	29,917,383
Total Recognised Revenue and Expenses		962,622	31,735,609
Dividends Paid		(110,000)	(1,500,000)
<b>Equity at the End of the Year</b>		<u>43,739,990</u>	<u>42,887,368</u>

**Network Waitaki Limited (Lines)****Statement of Financial Position as at 31 March 2001**

	Note	2001 \$	2000 \$
<b>Current assets</b>			
Cash and bank balances		230,613	143,987
Short-term investments		5,070,000	4,100,000
Inventories		135,634	51,830
Accounts receivable		879,780	841,761
GST		158,681	0
Taxation Refund		276,029	0
Other current assets		626	1,594
<b>Total current assets</b>		<u>6,751,363</u>	<u>5,139,172</u>
<b>Fixed assets</b>			
System fixed assets	4	39,207,618	39,632,431
Consumer billing and information system assets		0	0
Motor vehicles		0	13,022
Office equipment		0	245,994
Land and buildings		560,650	598,511
Capital works under construction (system fixed assets)		282,648	1,322
Other fixed assets		25,285	0
<b>Total fixed assets</b>		<u>40,076,201</u>	<u>40,491,280</u>
<b>Other tangible assets not listed above</b>		0	0
<b>Total tangible assets</b>		<u>46,827,564</u>	<u>45,630,452</u>
<b>Intangible assets</b>			
Goodwill		0	0
Other intangibles		0	0
<b>Total intangible assets</b>		<u>0</u>	<u>0</u>
<b>Total assets</b>		<u>46,827,564</u>	<u>45,630,452</u>
<b>Current liabilities</b>			
Bank overdraft		0	0
Short-term borrowings		0	0
Payables and accruals		851,510	268,858
Provision for dividends payable		0	0
Provision for taxation		0	0
GST		0	88,800
Other current liabilities		0	29,416
<b>Total current liabilities</b>		<u>851,510</u>	<u>387,074</u>
<b>Non-current liabilities</b>			
Payables and accruals		0	0
Borrowings		0	0
Deferred tax	6	2,236,064	2,356,010
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<u>2,236,064</u>	<u>2,356,010</u>
<b>Equity</b>			
<b>Shareholders' equity</b>			
Share capital		7,368,870	7,368,870
Retained earnings		6,027,974	5,300,507
Reserves		30,343,146	30,217,991
<b>Total Shareholders' equity</b>		<u>43,739,990</u>	<u>42,887,368</u>
Minority interests in subsidiaries		0	0
<b>Total equity</b>		<u>43,739,990</u>	<u>42,887,368</u>
Capital notes		0	0
<b>Total capital funds</b>		<u>43,739,990</u>	<u>42,887,368</u>
<b>Total equity and liabilities</b>		<u>46,827,564</u>	<u>45,630,452</u>

**Network Waitaki Limited (Lines)****Statement of Cash Flows for the Year Ended 31 March 2001**

	Note	2001 \$	2000 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from Customers		9,406,454	8,941,935
Interest		371,631	230,787
GST		0	27,364
Income Tax		0	0
<i>Cash was disbursed to:</i>			
Customer Discounts		(1,963,784)	0
Payments to Suppliers		(3,867,877)	(4,363,625)
Employees		(84,504)	(345,074)
Income Tax		(1,043,408)	(1,265,468)
GST		(247,481)	
FBT		(4,623)	(11,022)
Interest Paid		(10,890)	(28,153)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7</b>	<u><u>2,555,518</u></u>	<u><u>3,186,744</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Proceeds from sales of Fixed Assets		230,307	0
Collection on Loans		0	0
<i>Cash was applied to:</i>			
Cash Outflows for Fixed Assets		(1,619,199)	(1,927,699)
Investments		0	0
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u><u>(1,388,892)</u></u>	<u><u>(1,927,699)</u></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Loan transferred from other activities		0	0
<i>Cash was applied to:</i>			
Dividend paid		(110,000)	(1,500,000)
Loan repaid		0	(500,000)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u><u>(110,000)</u></u>	<u><u>(2,000,000)</u></u>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>			
Add Opening Cash Brought Forward		1,056,626	(740,955)
Equity Transferred From (To) Other		4,243,987	4,984,942
<b>ENDING CASH CARRIED FORWARD</b>		<u><u>5,300,613</u></u>	<u><u>4,243,987</u></u>

## Network Waitaki Limited (Lines)

### Notes to and Forming Part of the Financial Statements

for the Year Ending 31 March 2001

#### 1. Statement of Accounting Policies

##### a) Reporting Entity

- (i) The Financial Statements presented here are for the Line Business of Network Waitaki Limited.
- (ii) The Financial Statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.
- (iii) These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999, as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.
- (iv) The Line Business operates a line business activity, as defined by Regulation 2 of the Electricity (Information Disclosure) Regulations in the Waitaki area.

##### b) Measurement Base

- (i) The Financial Statements have been prepared on the basis of Historical Cost with the exception of certain items for which specific accounting policies are identified.
- (ii) Accrual accounting is used to match expenses and revenues.
- (iii) Reliance is placed on the fact that the Company is a going concern.

##### c) Accounting Policies

- (i) Accounts Receivable are shown at expected realisable value after providing for doubtful debts.
  - (ii) Inventories are valued at the lower of cost or net realisable value. Serial numbered stock is recorded at the appropriate individual value, while other stock is recorded at weighted average cost.
  - (iii) Fixed assets
    - The network system assets are revalued at least every three years by independent valuers to Optimised Deprival Value (ODV) – the lower of Optimised Depreciated Replacement Cost and Economic Value. The last revaluation was undertaken at 31 March 2001.
    - All other assets are valued at cost less accumulated depreciation:
 

Radio Equipment	15 yrs SL	Buildings	40-100 yrs SL
Distribution System	40-70 yrs SL	Office Equipment	12%-50% DV
Substation Transformers etc	50 yrs SL	Plant & Machinery	10%-50% DV
Substation Load Control	20 Yrs SL		
Distribution Transformers	40 yrs SL		
  - (iv) These accounts are exclusive of GST except for Accounts Receivable and Accounts Payable.
  - (v) Income tax expense has been calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is recognised only if there is virtual certainty of realisation.
  - (vi) Investments are stated at cost.
  - (vii) Contributions received toward Capital Works are recorded in the Statement of Financial Performance and shown as income earned in the year in which they are received.
- d) Changes in Accounting Policy: There have been no changes in accounting policies.
- e) Methodology of Separation of Business: The basis of allocation adopted is the avoidable cost methodology.

## 2. Commitments and Contingent Liabilities

There were capital commitments at 31 March 2001 of \$103,046 (2000 Nil). The Lines Business has no contingent liabilities at the end of the period (2000 Nil).

## 3. Related Party Transactions

### **Associated Entity:** Networks South Limited

Networks South Limited is 50% owned by Network Waitaki Limited and provided administrative, engineering and planning functions for the network from 1 July 2000 to 31 March 2001. These services are charged on a fixed contract basis.

During the period, this charge totalled \$648,750. The outstanding amount as at 31 March 2001 was \$5,214 payable on normal commercial terms.

No debts were written off or forgiven and no transactions took place at nil or nominal value.

Transactions do not relate to the categories specified in the Disclosure Regulations.

### **Associated Entity:** NetCon Limited

NetCon is wholly owned by Networks South Limited and provided asset maintenance and construction services for the network from 1 July 2000 to 31 March 2001. Services were charged on both a fixed price basis or "time and materials" basis.

During the period, this charge totalled \$985,716. The outstanding amount as at 31 March 2001 was \$312,745 payable on normal commercial terms.

No debts were written off or forgiven and no transactions took place at nil or nominal value.

During the period capital construction transactions totalled the following:

Subtransmission assets	\$10,368
Zone substations	\$67,956
Distribution lines	\$307,989
Medium voltage switchgear	\$137,834
Distribution transformers	\$0
Distribution substations	\$38,934
Low voltage lines	\$41,486
Other System Fixed Assets (as per the ODV Handbook)	\$64,893
Maintenance of System Fixed Assets	\$316,256
Cost of customer connections and disconnections	\$0

### **Internal Division:** Network Waitaki Contracting

Network Waitaki Limited operated an internal contracting division that provided asset maintenance and construction services for the network from 1 April 2000 to 30 June 2000. The contracting division was dissolved on 30 June 2000. Services were charged on both a fixed price basis or "time and materials" basis.

During the period, this charge totalled \$480,336 (\$1,401,391 in 2000). No amounts remain outstanding at 31 March 2001.

No debts were written off or forgiven and no transactions took place at nil or nominal value.

During the period capital construction transactions totalled the following:

	Quarter to 30/6/00	Year to 31/3/00
Subtransmission assets	\$0	\$0
Zone substations	\$7,285	\$116,954
Distribution lines	\$204,259	\$420,723
Medium voltage switchgear	\$0	\$42,980
Distribution transformers	\$68,085	\$258,039
Distribution substations	\$3,884	\$0
Low voltage lines	\$5,411	\$7,701
Other System Fixed Assets	\$27,125	\$28,484
Maintenance of System Fixed Assets	\$164,287	\$526,510
Cost of customer connections and disconnections	\$0	\$0



**4. Annual Valuation Reconciliation Report**

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<b>System Fixed Assets at ODV (start of period)</b>	<b>39,632,431</b>
Add System Fixed Assets acquired during the period at ODV	1,641,942
Less System Fixed Assets disposed of during the period at ODV	(108,277)
Less depreciation on System Fixed Assets at ODV	(1,478,450)
Add revaluations of System Fixed Assets	(480,028)
<b>Gives System Fixed Assets at ODV (end of period)</b>	<b>39,207,618</b>

**5. Taxation**

	<b>2001</b>	<b>2000</b>
	\$	\$
<b>Surplus (Deficit) Before Taxation</b>	<b><u>1,901,464</u></b>	<b><u>3,103,759</u></b>
Income tax expense at 33 cents in the dollar	627,483	1,024,240
<b>Plus (Less) the Effect of:</b>		
Realised capital gains	0	0
Non-assessable receipts	(51,374)	0
Non-deductible expenses	487,888	261,293
Unrecognised timing differences	0	0
	<b><u>1,063,997</u></b>	<b><u>1,285,533</u></b>
<b>Taxation Charge is Represented by:</b>		
Income Tax Liability (Benefit) in respect of the current year	767,379	1,265,468
Deferred Taxation	296,618	20,065
	<b><u>1,063,997</u></b>	<b><u>1,285,533</u></b>

**6. Movement in Deferred Tax Account**

	<b>2001</b>	<b>2000</b>
	\$	\$
<b>Opening Balance</b>	<b>2,356,010</b>	<b>173,562</b>
Movement in Deferred Tax	296,618	20,065
Future Income Tax Benefit	0	0
Deferred Tax on Revalued Assets	(416,564)	2,162,383
<b>Closing Balance</b>	<b><u>2,236,064</u></b>	<b><u>2,356,010</u></b>

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

	2001 \$	2000 \$
Surplus after Taxation	837,467	1,818,226
Add Non-cash Items		
Depreciation	1,512,562	1,712,508
Asset Revaluation	0	0
Deferred Tax	296,618	20,065
Transfers	0	0
	<u>1,809,180</u>	<u>1,732,573</u>
Add (Less) Movements in Working Capital Items		
Accounts Receivable	-38,019	(199,316)
Inventories	-83,804	29,403
GST	-247,481	
Tax Asset	-276,029	
Other Current Assets	968	(1,594)
Payables and Accruals	582,652	(42,109)
Other Current Liabilities	-29,416	(150,439)
	<u>-91,129</u>	<u>(364,055)</u>
	<u>2,555,518</u>	<u>3,186,744</u>

**Network Waitaki Limited (Lines)****Financial Performance Measures - 31 March 2001**

	2001	2000	1999	1998
Accounting return on funds	3.79%	6.39%	2.93%	-
Accounting return on equity	1.94%	4.14%	1.72%	3.54%
Accounting return on investments	0.28%	4.38%	1.77%	-
Accounting return on total assets	-	-	-	3.60%
Accounting rate of profit	-	-	-	2.68%

**Efficiency Performance Measures - 31 March 2001**

	2001	2000	1999	1998
Direct line costs per kilometre	\$676.30	\$640.25	\$525.45	\$601.82
Direct expenditure	\$1,285,824	\$1,212,534	\$990,589	\$1,133,693
System length (km)	1,901.27	1,893.85	1,885.22	1,883.78
Indirect line costs per consumer	\$20.80	\$40.87	\$39.54	\$69.62
Indirect expenditure	\$243,921	\$481,522	\$468,786	\$827,155
Total consumers	11,726	11,783	11,856	11,881

**Energy Delivery Efficiency Performance Measures - 31 March 2001**

	2001	2000	1999	1998
Load Factor (= a/b/c*100)	63.21%	67.11%	65.37%	62.78%
a = Kwh of electricity entering system	179,080,885	174,420,448	177,930,129	168,982,164
b = Maximum Demand	32,342	29,588	31,072	30,728
c = Total number of hours	8,760	8,784	8,760	8,760
Loss Ratio (= a/b*100)	7.72%	5.77%	5.81%	6.00%
a = Total Electricity lost in the Network	13,819,191	10,060,459	10,341,584	10,138,930
b = Total Electricity entering the Network before losses (kWh)	179,080,885	174,420,448	177,930,129	168,982,164
Capacity Utilisation (= a/b*100)	26.80%	25.17%	26.46%	27.06%
a = Maximum Demand	32,342	29,588	31,072	30,728
b = Transformer Capacity	120,693	117,570	117,428	113,535

**Network Waitaki Limited (Lines)****Network Statistics - 31 March 2001**

		2001	2000	1999	1998
<b>System Length (Total) (kms)</b>	33kV	138.12	138.12	138.12	138.12
	11kV	1,543.61	1,538.00	1,530.01	1,528.68
	230/400 V	219.54	217.73	217.09	216.97
	<b>Total</b>	<b>1,901.27</b>	<b>1,893.85</b>	<b>1,885.22</b>	<b>1,883.78</b>
<b>Circuit Length (Overhead) (kms)</b>	33kV	137.84	137.84	137.84	137.84
	11kV	1,515.06	1,518.52	1,510.61	1,509.25
	230/400 V	193.37	187.53	187.57	187.47
	<b>Total</b>	<b>1,846.27</b>	<b>1,843.89</b>	<b>1,836.02</b>	<b>1,834.57</b>
<b>Circuit Length (Underground) (kms)</b>	33kV	0.28	0.28	0.28	0.28
	11kV	28.56	19.49	19.40	19.43
	230/400 V	26.17	30.20	29.52	29.50
	<b>Total</b>	<b>55.00</b>	<b>49.96</b>	<b>49.20</b>	<b>49.21</b>

<b>Transformer Capacity (kVA)</b>	11,000/400V	120,568	117,445	117,303	113,385
	33,000/400V	125	125	125	150
	<b>Total</b>	<b>120,693</b>	<b>117,570</b>	<b>117,428</b>	<b>113,535</b>

<b>Maximum Demand (kW)</b>		32,342	29,588	31,072	30,728
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<b>Total Electricity entering the Network- before losses (kWh)</b>		179,080,885	174,420,448	177,930,129	168,982,164
<b>Total Electricity supplied from the system - after losses (kWh)</b>		165,261,694	164,359,989	167,588,545	158,843,234
<b>Total amount of electricity conveyed, before losses, on behalf of retailers (kWh)</b>	Retailer A	133,142,626	142,468,933	161,348,205	1,894,634
	Retailer B	28,045,386	25,820,343	14,528,058	
	Retailer C	0	0	721,463	
	Retailer D	0	0	1,228,288	
	Retailer E	11,301,967	3,243,362	104,115	
	Retailer F	5,764,710	2,788,053	0	
	Retailer G	818,352	99,757	0	
	Retailer H	7,843	0	0	
	Waitaki Power	0	0	0	167,087,530
<b>Total</b>	<b>179,080,885</b>	<b>174,420,448</b>	<b>177,930,129</b>	<b>168,982,164</b>	

<b>Total number of consumers</b>	Number	11,726	11,783	11,856	11,881
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## Network Waitaki Limited (Lines)

## Reliability and Performance Measures

<u>Interruptions</u>	Class	2002/06 (Target)	2002 (Target)	2001	2000	1999	1998
<b>Number of Interruptions</b>	Class A			0	0	0	0
<i>Planned Interruptions</i>	Class B	24	24	28	9	8	27
<i>Unplanned Interruptions</i>	Class C	80	80	79	49	76	139
	Class D-I			0	0	0	0
	Total			107	58	84	166

<b>Proportion of Total Class C Interruptions not restored:</b>							
	Within 3 Hours			5.06%	6.12%	7.89%	
	Within 24 Hours			0.00%	0.00%	0.00%	

<u>Faults</u>	Class	2002/06 (Target)	2002 (Target)	2001	2000	1999	1998
<b>Overall System</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line		0.84	0.84	4.70	2.92	4.56	5.28
Faults per 100 circuit kilometres	33kV	0.72	0.72	0.72	0.00	0.72	0.00
	11kV	0.85	0.85	5.05	3.19	4.90	5.76
<b>Overhead</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line				4.78	2.90	4.49	5.22
Faults per 100 circuit kilometres	33kV			0.73	0.00	0.73	0.00
	11kV			5.15	3.16	4.83	5.70
<b>Underground</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line				0.00	5.06	10.16	10.15
Faults per 100 circuit kilometres	33kV			0.00	0.00	0.00	0.00
	11kV			0.00	5.13	10.31	10.29

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

Class		2002/06 (Target)	2002 (Target)	2001	2000	1999	1998
<b>SAIDI for total number of interruptions</b>	Overall	65.00	65.00	72.16	46.13	63.28	87.41
<b>SAIDI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.00	0.00	0.00	0.00
	Class B	15.00	15.00	16.66	1.91	12.68	14.84
	Class C	50.00	50.00	55.50	44.22	50.60	72.57
	Class D-I			0.00	0.00	0.00	0.00
<b>a = sum of interruption duration factors for all interruptions within the particular interruption class</b>	Class A			0	0	0	0
	Class B	170,400	174,600	195,410	22,535	150,334	176,314
	Class C	568,000	582,000	650,735	521,028	599,914	862,204
	Class D-I			0	0	0	0
<b>b = Total Connections</b>		11,360	11,640	11,726	11,783	11,856	11,881

**System Average Interruption Frequency Index (SAIFI)**

Class		2002/06 (Target)	2002 (Target)	2001	2000	1999	1998
<b>SAIFI for total number of interruptions</b>	Overall	0.95	0.95	0.99	0.83	1.33	1.45
<b>SAIFI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.000	0.000	0.000	0.000
	Class B	0.120	0.120	0.118	0.014	0.060	0.130
	Class C	0.830	0.830	0.877	0.820	1.270	1.320
	Class D-I			0.000	0.000	0.000	0.000
<b>a = sum of electricity connections affected by each of those interruptions</b>	Class A			0	0	0	0
	Class B	1,363	1,397	1,380	169	711	1,545
	Class C	9,429	9,661	10,279	9,663	15,057	15,683
	Class D-I			0	0	0	0
<b>b = Total connections</b>		11,360	11,640	11,726	11,783	11,856	11,881

**Connection Average Interruption Duration Index (CAIDI)**

Class		2002/06 (Target)	2002 (Target)	2001	2000	1999	1998
<b>CAIDI for total number of interruptions</b>	Overall	68.42	68.42	72.57	55.28	47.58	60.28
<b>CAIDI for total number of interruptions within each interruption class</b>	Class A			0.000	0.000	0.000	0.000
	Class B	125.000	125.000	141.601	133.368	211.333	114.154
	Class C	60.241	60.241	63.307	53.919	39.843	54.977
	Class D-I			0.000	0.000	0.000	0.000

**Network Waitaki Limited (Lines)**  
**FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS**

Derivation Table	Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,912,354				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	1,912,354				
Interest on cash, bank balances, and short-term investments (ISTI)	371,631				
<b>OSBIT minus ISTI</b>	<b>1,540,723</b>	<b>a</b>	<b>1,540,723</b>		<b>1,540,723</b>
Net surplus after tax from financial statements	837,467			837,467	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	837,467			837,467	
Amortisation of goodwill and amortisation of other intangibles	0	n	add	0	add
Subvention payment	0	g	add	0	add
Depreciation of SFA at BV (x)	0	s	add	0	add
Depreciation of SFA at ODV (y)	1,478,450				
ODV depreciation adjustment	1,478,450	d	add	0	deduct
Subvention payment tax adjustment	0	s*	deduct	0	deduct
Interest tax shield	-119,045	q			-119,045
Revaluations	-480,028	r			-480,028
Income tax	1,063,997	p			1,063,997
<b>Numerator</b>			<b>OSBIT<sup>ADJ</sup> = a + g + s + d</b>	<b>NSAT<sup>ADJ</sup> = n + g + s - s* + d</b>	<b>OSBIT<sup>ADJ</sup> = a + g - q + r + s + d - p - s*</b>
Fixed assets at end of previous financial year (FA <sub>0</sub> )	40,491,280				
Fixed assets at end of current financial year (FA <sub>1</sub> )	40,076,201				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	508,111				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	599,240				
<b>Average total funds employed (ATFE)</b>	<b>40,837,416</b>	<b>c</b>	<b>40,837,416</b>		<b>40,837,416</b>
Total equity at end of previous financial year (TE <sub>0</sub> )	42,887,368				
Total equity at end of current financial year (TE <sub>1</sub> )	43,739,990				
<b>Average total equity</b>	<b>43,313,679</b>	<b>k</b>		<b>43,313,679</b>	
WUC at end of previous financial year (WUC <sub>0</sub> )	1,322				
WUC at end of current financial year (WUC <sub>1</sub> )	282,648				
<b>Average total works under construction</b>	<b>141,985</b>	<b>e</b>	<b>141,985</b>	<b>deduct</b>	<b>141,985</b>
Revaluations	-480,028	r			
Half of revaluations	-240,014	r/2			
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
<b>Average total intangible asset</b>	<b>0</b>	<b>m</b>	<b>add</b>	<b>0</b>	<b>0</b>
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	0				
<b>Average subvention payment &amp; related tax adjustment</b>	<b>0</b>	<b>v</b>	<b>add</b>	<b>0</b>	<b>0</b>
System fixed assets at end of previous financial year at book value (SFA <sub>book</sub> )	39,632,431				
System fixed assets at end of current financial year at book value (SFA <sub>book</sub> )	39,207,618				
<b>Average value of system fixed assets at book value</b>	<b>39,420,025</b>	<b>f</b>	<b>deduct</b>	<b>39,420,025</b>	<b>deduct</b>
System Fixed assets at year beginning at ODV value (SFA <sub>ov</sub> )	39,632,431				
System Fixed assets at end of current financial year at ODV value (SFA <sub>ov</sub> )	39,207,618				
<b>Average value of system fixed assets at ODV value</b>	<b>39,420,025</b>	<b>h</b>	<b>add</b>	<b>39,420,025</b>	<b>add</b>
<b>Denominator</b>			<b>ATFE<sup>ADJ</sup> = c - e - f + h</b>	<b>Ave TE<sup>ADJ</sup> = k - e - m + v - f + h</b>	<b>ATFE<sup>ADJ</sup> = c - e - 1/2r - f + h</b>
<b>Financial Performance Measure:</b>			<b>3.79</b>	<b>1.94</b>	<b>0.28</b>
			<b>ROF = OSBIT<sup>ADJ</sup>/ATFE<sup>ADJ</sup> x 100</b>	<b>ROE = NSAT<sup>ADJ</sup>/ATE<sup>ADJ</sup> x 100</b>	<b>ROI = OSBIT<sup>ADJ</sup>/ATFE<sup>ADJ</sup> x 100</b>

t = maximum statutory income tax rate applying to corporate entities    bv = book value    ave = average    cov = 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

### Explanation of Terms

#### **General**

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

#### **Reliability and Performance Measures**

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





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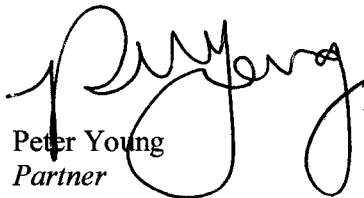
Telephone (03) 363-5764  
Fax (03) 363-5765

## **AUDITORS OPINION IN RELATION TO ODV VALUATION**

### **NETWORK WAITAKI LIMITED**

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

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

  
Peter Young  
*Partner*

23 May 2001

### Certification of Valuation Report of Line Owners

We, Lindsay Mitchell Malcolm and Anthony John Brady, Directors of Network Waitaki Limited certify that, having made all reasonable enquiry, to the best of our knowledge,

- (a) the attached valuation report of Network Waitaki Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, as amended by the Electricity (Information Disclosure) Amendment Regulations 2000, complies with the requirements of those regulations; and
- (b) the replacement cost of the line business system fixed assets of Network Waitaki is \$77,397,169; and
- (c) The depreciated replacement cost of the line business system fixed assets of Network Waitaki is \$40,906,336; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Network Waitaki is \$39,768,266; and
- (e) The optimised deprival valuation of the line business system fixed assets of Network Waitaki is \$39,768,266; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2001.



Lindsay Mitchell Malcolm

Date 13/7/01



Anthony John Brady

Date 13/7/2001

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

We, Lindsay Mitchell Malcolm and Anthony John Brady, Directors of Network Waitaki Limited certify that, having made all reasonable enquiry, to the best of our knowledge,

- (a) the attached audited financial statements of Network Waitaki Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999, as amended by the Electricity (Information Disclosure) Amendment Regulations 2000, comply with the requirements of those regulations; and
- (b) the attached information, being the derivation table, financial performance measures, efficiency performance measures, statistics, and reliability performance measures in relation to Network Waitaki Limited, and having been prepared for the purpose of regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, as amended by the Electricity (Information Disclosure) Amendment Regulations 2000, comply with the requirements of those regulations.

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



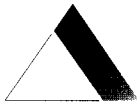
Lindsay Mitchell Malcolm

Date 13/7/01



Anthony John Brady

Date 13/7/2001



## Audit New Zealand

### AUDITOR'S REPORT TO THE READERS OF THE FINANCIAL STATEMENTS OF NETWORK WAITAKI LIMITED

We have audited the financial statements of Network Waitaki Limited on pages 1 to 8. The financial statements provide information about the past financial performance of Network Waitaki Limited and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out on page 5.

#### **Directors' Responsibilities**

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Network Waitaki Limited as at 31 March 2001 and the results of its 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 K J Boddy, 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 and performance information. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Network Waitaki Limited'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. 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 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 Network Waitaki Limited.

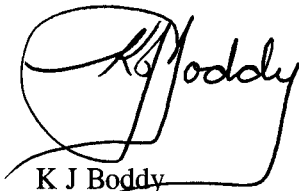
### Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by Network Waitaki Limited as far as appears from our examination of those records; and
- the financial statements of Network Waitaki Limited on pages 1 to 8:
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the financial position of Network Waitaki Limited as at 31 March 2001 and the results of its operations and cash flows for the year then ended; and
  - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 16 July 2001 and our opinion is expressed as at that date.



K J Boddy  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Christchurch, New Zealand





Audit New Zealand

### AUDITOR'S OPINION OF PERFORMANCE MEASURES

We have examined the information on pages 7, 9 and 13, being –

- (a) the derivation table specified in regulation 16; and
- (b) the annual ODV reconciliation report in regulation 16A; and
- (c) the financial performance measures specified in clause 1 of Part 3 of the Schedule 1; and
- (d) the financial components of the efficiency performance measures specified in clause 2 of Part 3 of that schedule 1, -

that were prepared by Network Waitaki Limited and dated 13 July 2001 for the purposes of regulation 15 of the Electricity ( Information Disclosure) Regulations 1999.

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

K J Boddy

Audit New Zealand

On behalf of the Controller & Auditor-General

Christchurch, New Zealand

16 July 2001