



New Zealand Gazette

OF THURSDAY, 25 JULY 2002

WELLINGTON: TUESDAY, 30 JULY 2002 — ISSUE NO. 88

WAIPA NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

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


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

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

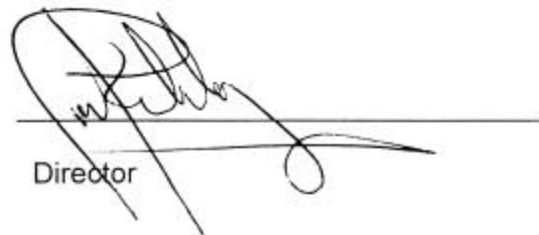
- (a) The attached audited financial statements of Waipa Networks Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 comply with the requirements of those regulations; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Waipa Networks Limited, 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 as at 31 March 2001.

Dated this 12th day of July 2002.



Director



Director

Certification of Valuation Report of Line Owners

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

- (a) The attached valuation report of Waipa Networks Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) The replacement cost of the line business system fixed assets of Waipa Networks Limited is \$73,556,850; and
- (c) The depreciated replacement cost of the line business system fixed assets of Waipa Networks Limited is \$44,945,462; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Waipa Networks Limited is \$ 44,945,462; and
- (e) The optimised deprival valuation of the line business system fixed assets of Waipa Networks Limited is \$ 44,944,031; and
- (f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2001.

Dated this 12th day of July 2002.



Director



Director

WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 \$	2001 \$
REVENUE		11,867,272	11,391,342
LESS DISCOUNT		2,876,477	-
NET REVENUE		<u>8,990,795</u>	<u>11,391,342</u>
NET SURPLUS BEFORE TAX	2	1,000,829	3,452,819
LESS TAXATION EXPENSE	3	316,199	1,151,348
NET SURPLUS AFTER TAX		<u>684,630</u>	<u>2,301,471</u>

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2002

		2002 \$	2001 \$
EQUITY AS AT 1 APRIL 2001		<u>38,387,621</u>	<u>37,942,711</u>
NET SURPLUS FOR YEAR		684,630	2,301,471
REVALUATION OF ASSETS	5	1,149,917	-
TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR		1,834,547	2,301,471
INTERIM DIVIDEND DECLARED	6	-	921,000
PROVISION FOR DIVIDEND	6	-	229,735
REPURCHASE OF SHARES	4, 5	-	705,826
EQUITY AS AT 31 MARCH 2002		<u>40,222,168</u>	<u>38,387,621</u>

The accompanying notes form part of these financial statements.

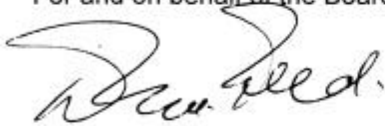
WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2002

	Note	2002 \$	2001 \$
EQUITY			
Share capital	4	-	-
Reserves	5	34,862,235	33,712,318
Retained earnings	6	5,359,933	4,675,303
TOTAL EQUITY		<u>40,222,168</u>	<u>38,387,621</u>
Represented By:			
CURRENT ASSETS			
Cash and Bank		2,146,057	1,095,938
Short term investments		-	-
Receivables and prepayments	7	1,205,791	1,126,093
Tax refund due		125,459	45,015
Inventories		305,809	322,944
		<u>3,783,116</u>	<u>2,589,990</u>
CURRENT LIABILITIES			
Creditors	8	2,189,208	679,377
Provision for dividend		-	229,735
		<u>2,189,208</u>	<u>909,112</u>
NET CURRENT ASSETS		1,593,908	1,680,878
NON - CURRENT ASSETS			
Fixed assets	9	46,647,035	44,721,268
NON - CURRENT LIABILITIES			
Employee entitlements		18,775	14,525
Term Liabilities	10	8,000,000	8,000,000
NET ASSETS		<u>40,222,168</u>	<u>38,387,621</u>

For and on behalf of the Board



D M Reed Director
12 July 2002



G M Kibby Director
12 July 2002

The accompanying notes form part of these financial statements.

WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		7,869,486	10,540,535
Interest received		31,003	40,319
Net GST		-	3,111
		<u>7,900,489</u>	<u>10,583,965</u>
Cash was disbursed to:			
Payments to suppliers and employees		3,644,961	5,505,084
Interest Paid		796,000	796,000
Net GST		7,295	-
Taxes paid		396,643	1,197,677
		<u>4,844,899</u>	<u>7,498,761</u>
Net cash flows from operating activities	15	<u>3,055,590</u>	<u>3,085,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of assets		34,932	19,091
Decrease in investments		-	1,490,000
Capital Contributions		271,479	372,916
		<u>306,411</u>	<u>1,882,007</u>
Cash was applied to:			
Purchase of assets		2,082,147	1,167,210
Increase in investments		-	-
		<u>2,082,147</u>	<u>1,167,210</u>
Net cash flows from investing activities		<u>(1,775,736)</u>	<u>714,797</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividend / Share Repurchase		229,735	3,081,565
Net cash flows from financing activities		<u>(229,735)</u>	<u>(3,081,565)</u>
Net increase in cash held		1,050,119	718,436
Add opening cash brought forward		1,095,938	377,502
Ending cash carried forward		<u>2,146,057</u>	<u>1,095,938</u>
CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION			
Cash and Bank		<u>2,146,057</u>	<u>1,095,938</u>

The accompanying notes form part of these financial statements.

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

FOR THE YEAR ENDED 31 MARCH 2002

1 STATEMENT OF ACCOUNTING POLICIES**General Accounting Policies**

Waipa Networks Limited is a company registered under the Companies Act 1993. The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999 (the Regulations) as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

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

Particular Accounting Policies

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

a) Network Charges

Income from Network charges includes an estimated amount for accrued sales from meters unread as at 31 March 2002.

b) Fixed Assets

The Line Business has five classes of fixed assets as follows:

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

The Reticulation Assets were revalued on an optimised depreciated replacement cost basis by independent valuers on 1 April 2001 and subsequently will be revalued at least every 3 years. Additions to the Reticulation Assets since revaluation are stated at cost.

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

All other fixed assets are recorded at cost less accumulated depreciation.

c) Capital Contributions

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

WAIPA NETWORKS LIMITED - LINES BUSINESS

d) Depreciation

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

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

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

e) Receivables

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

f) Income Tax

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

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

g) Inventories

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

Cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

h) Financial Instruments

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

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

WAIPA NETWORKS LIMITED - LINES BUSINESS

i) Employee entitlements

Provision is made in respect of the Line Businesses liability for annual leave, long service leave and retirement gratuities. Where the qualifying criteria has been met these have been calculated on an actual entitlement basis at current rates of pay. Further provision has been made for long service and retirement gratuities where the qualifying criteria has not yet been met, bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until the 31 March 2002

CHANGES IN ACCOUNTING POLICIES

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

	2002	2001
	\$	\$
2 NET SURPLUS BEFORE TAXATION		
After Charging:		
Direct Expenditure	1,448,878	1,387,316
Audit fees for these financial statements	5,302	6,690
Audit fees for Company financial statements	26,090	23,651
Directors' fees	97,696	91,601
Electricity Reform Costs	42,155	4,435
Other Indirect expenditure	922,402	960,340
Depreciation	1,271,755	1,268,068
Net Gain on Disposal of Assets	(12,128)	(9,644)
Interest Paid	796,000	796,000
After Crediting:		
Interest Received	31,508	33,525

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
3 TAXATION		
Net surplus before taxation	1,000,829	3,452,819
Prima facie taxation at 33%	330,274	1,139,430
Plus Tax effect of permanent differences	379,481	367,576
Less Tax effect of timing differences not Recognised	(393,556)	(355,658)
Total Taxation Expense	<u>316,199</u>	<u>1,151,348</u>
The Taxation charge comprises:		
- current taxation	316,199	1,151,348
- deferred taxation	-	-
	<u>316,199</u>	<u>1,151,348</u>

A deferred tax liability of \$3,373,039 (2001 \$3,064,972), has not been recognised. This liability primarily relates to asset revaluations of the reticulation assets which would only crystallise on disposal.

Imputation credit memorandum account.

Balance at the beginning of the year	933,750	906,213
Dividends Allocated	(113,153)	(1,170,140)
Taxation paid	396,643	1,197,677
Balance at end of year	<u>1,217,240</u>	<u>933,750</u>

4 SHARE CAPITAL

Balance at beginning of year	-	-
Shares Repurchased	-	-
Balance at end of year	<u>-</u>	<u>-</u>

At 31 March 2001 the line business has 6,800,000 issued shares. During the year the line business has repurchased and cancelled a total of 1,200,000 shares at a total cost of \$8,705,826, \$8,000,000 of this was paid in 2000.

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

None of the shares carry fixed dividend rights.

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
5 RESERVES		
Capitalisation of Assets Reserve		
Balance at beginning of year	-	705,826
Shares Repurchased	-	705,826
Balance at end of year	<u>-</u>	<u>-</u>
Revaluation of Assets Reserve		
Balance at beginning of year	33,712,318	33,712,318
Asset Revaluation Reticulation	1,149,917	-
Balance at end of year	<u>34,862,235</u>	<u>33,712,318</u>
Total Reserves	<u>34,862,235</u>	<u>33,712,318</u>
6 RETAINED EARNINGS		
Balance at beginning of year	4,675,303	3,524,567
Net Surplus after Taxation	684,630	2,301,471
Interim Dividend	-	921,000
Proposed final Dividend	-	229,735
Balance at end of year	<u>5,359,933</u>	<u>4,675,303</u>
7 RECEIVABLES		
Trade debtors	1,189,101	1,103,327
Accrued Interest Income	505	-
Prepayments	16,185	22,766
	<u>1,205,791</u>	<u>1,126,093</u>

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
8 CREDITORS		
Accounts payable and accruals - trade	2,122,551	614,633
Employee entitlements	66,293	64,744
Payables to Directors	364	-
	<u>2,189,208</u>	<u>679,377</u>
9 FIXED ASSETS		
Freehold Land		
Cost	1,610	1,610
Freehold Buildings		
Cost	867,012	815,860
Accumulated Depreciation	<u>159,497</u>	<u>151,010</u>
Net Book Value	707,515	664,850
Reticulation Assets		
Cost - additions since 1 April 2001	1,918,384	3,020,033
Valuation	<u>44,944,031</u>	<u>43,011,008</u>
	46,862,415	46,031,041
Accumulated Depreciation at cost	25,324	86,377
Accumulated Depreciation at valuation	<u>1,123,601</u>	<u>2,150,550</u>
Net Book Value	45,713,490	43,794,114
Motor Vehicles		
Cost	152,036	150,825
Accumulated Depreciation	<u>87,045</u>	<u>88,719</u>
Net Book Value	64,991	62,106
Plant, Furniture and Fittings		
Cost	1,026,719	1,571,987
Accumulated Depreciation	<u>867,290</u>	<u>1,373,399</u>
Net Book Value	159,429	198,588
Total Net Book Value	<u>46,647,035</u>	<u>44,721,268</u>

The Reticulation Assets were revalued by E W Graham, B.E. (Elect), F.I.P.E.N.Z. and PriceWaterhouseCoopers on 1 April 2001 to a value of \$44,944,031 on a optimised depreciated replacement cost basis.

The fair value of Land and Buildings is assessed at \$700,000 based on a valuation by Quotable Value New Zealand as at 1 September 1999 for GV purposes.

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
10 TERM LIABILITIES		
Inter-business Loan - Other Business (9.95%)	8,000,000	8,000,000
Repayable between 2 and 5 years		

11 FINANCIAL INSTRUMENTS

Credit Risk

In the normal course of its business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 87% (2001 81%) of total sales and 72% (2001 80%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

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

Currency Risk

Waipa Networks has no exposure to currency risk.

Interest Rate Risk

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

Fair Value

The estimated fair value of Waipa Networks financial instruments at 31 March 2002 are stated in the Statement of Financial Position.

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no contingent liabilities as at 31 March 2002 (2001 Nil);

There are no commitments for future capital expenditure as at 31 March 2002 (2001 Nil).

WAIPA NETWORKS LIMITED - LINES BUSINESS

13 SEGMENTAL REPORTING

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

14 RELATED PARTIES

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

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

The contracting department of Waipa Networks has provided the following services at cost, including overheads, for the year ended 31 March 2002

	2002	2001
Construction of distribution lines & cables	388,666	403,006
Construction of medium voltage switchgear	117,794	75,559
Construction of distribution transformers	441,513	287,668
Construction of distribution substations	81,366	20,211
Construction of low voltage lines and cables	76,964	22,981
Construction of other system fixed assets	279,922	351,644
Maintenance of assets	826,352	888,748
Consumer connections and reconnections	5,569	6,307
Other services	43,419	45,178

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

Interest paid to Other	796,000	796,000
------------------------	---------	---------

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

The amount outstanding at balance date was \$8,000,000 (2001 \$8,000,000).

At year end there were no other outstanding balances for related parties (2001 Nil).

No related party debt has been written off or forgiven during 2002 or 2001.

No provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust. (2001 \$229,735). No Interim dividends have been paid (2001 \$921,000).

During the 2001 year the line business has repurchased and cancelled a total of 1,200,000 shares at a total cost of \$8,705,826, \$8,000,000 of this was paid in 2000.

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
15 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Reported Net Surplus after tax	684,630	2,301,471
Add (Less) Non Cash Items:		
Depreciation	1,271,755	1,268,068
Increase (Decrease) in Non-current Liabilities Leave Provisions	4,250	(1,447)
	<u>1,960,635</u>	<u>3,568,092</u>
Add (Less) Movements in Working Capital Items		
Increase in Tax Receivable	(80,444)	(46,329)
Decrease (Increase) in Receivables	(79,698)	103,768
Decrease (Increase) in Inventories	17,135	(80,957)
Decrease (Increase) in Accounts Payable	1,508,282	(6,861)
Increase (Decrease) in Leave Provisions	1,549	(4,026)
	<u>1,366,824</u>	<u>(34,405)</u>
	3,327,459	3,533,687
Add (Less) Items Classified as Investing Activities		
Net Loss (Gain) on Disposal of Assets	(12,128)	(9,644)
Increase (Decrease) in Creditors for Fixed Assets	11,738	(65,923)
Capital Contributions	<u>(271,479)</u>	<u>(372,916)</u>
	<u>(271,869)</u>	<u>(448,483)</u>
Net Cash Inflows from Operating Activities	<u>3,055,590</u>	<u>3,085,204</u>
 16 ODV RECONCILIATION REPORT		
System fixed assets at ODV at beginning of year	44,944,031	42,919,522
Add system fixed assets acquired during the year at ODV	1,971,952	1,300,382
Less system fixed assets disposed of during the year at ODV	29,962	8,250
Less depreciation system fixed assets at ODV	1,413,775	1,395,437
Add revaluations of system fixed assets	-	2,127,814
System fixed assets at ODV at end of year	<u>45,472,246</u>	<u>44,944,031</u>

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

	2002 \$	2001 \$
Statement of Financial Position Disclosure (Schedule 1, Part 2)		
1 Current Assets		
(a) Cash and Bank balances	2,146,057	1,095,938
(b) Short-term investments	-	-
(c) Inventories	305,809	322,944
(d) Accounts receivable	1,189,101	1,103,327
(e) Other current assets not listed in (a) to (d)	142,149	67,781
(f) Total current assets	3,783,116	2,589,990
2 Fixed Assets		
(a) System fixed assets	45,713,490	43,794,114
(b) Customer billing and information system assets	91,575	132,458
(c) Motor vehicles	64,991	62,106
(d) Office Equipment	67,854	66,130
(e) Land & Buildings	709,125	666,460
(f) Capital works under construction	-	-
(g) Other fixed assets not listed in (a) to (f)	-	-
(h) Total fixed assets	46,647,035	44,721,268
3 Other tangible assets not listed above	-	-
4 Total tangible assets	50,430,151	47,311,258
5 Intangible assets		
(a) Goodwill	-	-
(b) Other intangible not listed in (a)	-	-
(c) Total intangible assets	-	-
6 Total Assets	50,430,151	47,311,258
7 Current Liabilities		
(a) Bank Overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	2,189,208	679,377
(d) Provision for dividend payable	-	229,735
(e) Provision for income tax	-	-
(f) Other Current Liabilities not listed in (a) to (e)	-	-
(g) Total Current Liabilities	2,189,208	909,112
8 Non-current liabilities		
(a) Payables and accruals	18,775	14,525
(b) Borrowings	8,000,000	8,000,000
(c) Deferred tax	-	-
(d) Other Non-current Liabilities not listed in (a) to (c)	-	-
(e) Total Non-current Liabilities	8,018,775	8,014,525

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
9 Equity		
(a) Shareholders' equity		
(i) Share Capital	-	-
(ii) Retained Earnings	5,359,933	4,675,303
(iii) Reserves	34,862,235	33,712,318
(iv) Total Shareholders' equity	40,222,168	38,387,621
(b) Minority interests in subsidiaries	-	-
(c) Total Equity	40,222,168	38,387,621
(d) Capital notes	-	-
(e) Total capital funds	40,222,168	38,387,621
10 Total equity and liabilities	50,430,151	47,311,258

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

11 Operating revenue		
(a) Revenue from line/access charges	7,955,260	10,449,345
(b) Revenue from "Other" business (transfer payment)	-	-
(c) Income from interest on bank & short-term investments	31,508	33,525
(d) AC loss-rental rebates	732,548	535,556
(e) Other operating revenue not listed in (a) to (d)	271,479	372,916
(f) Total operating revenue	8,990,795	11,391,342
12 Operating expenditure		
(a) Transmission Charges	3,391,816	3,410,065
(b) Transfer payments to "Other" business		
(i) Asset maintenance	826,352	888,748
(ii) Consumer disconnections and reconnections	5,569	6,307
(iii) Meter data	-	-
(iv) Consumer-based load control	43,419	45,178
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges for own generation	-	-
(vii) Other goods & services not listed in (i) to (vi) above	-	-
(viii) Total transfer payment to the "Other" business	875,340	940,233
(c) Payments to non-related entities		
(i) Asset maintenance	214,977	149,927
(ii) Consumer disconnections and reconnections	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control	-	-
(v) Royalty and patent expenses	-	-
(vi) Total of specified expenses to non-related parties	214,977	149,927
(d) Employee salaries, wages and redundancies	719,315	658,438
(e) Consumer billing and information system expense	43,484	47,354
(f) Depreciation on		
(i) System fixed assets	1,149,942	1,113,867
(ii) Other assets not listed in (i)	121,813	154,201
(iii) Total depreciation expense	1,271,755	1,268,068

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002 \$	2001 \$
(g) Amortisation of		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate and administration	179,006	172,166
(i) Human resource expenses	44,505	49,240
(j) Marketing and advertising	83,526	80,649
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy and legal expenses	55,028	103,628
(o) Donations	-	-
(p) Directors fees	97,696	91,601
(q) Audit fees		
(i) Audit fees paid to principal auditors	31,392	30,341
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors fees	31,392	30,341
(r) Costs of offering credit		
(i) Bad debts written off	-	-
(ii) Increase in estimated doubtful debts	-	-
(iii) Total costs of offering credit	-	-
(s) Local authority rates	3,970	3,859
(t) AC loss-rental (distribution of) expense	-	-
(u) Rebates to customers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	182,156	136,954
13 Total operating expenditure	7,193,966	7,142,523
14 Operating surplus before interest and income tax	1,796,829	4,248,819
15 Interest		
(a) Interest expense on borrowings	796,000	796,000
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
(d) Total interest expense	796,000	796,000
16 Operating surplus before income tax	1,000,829	3,452,819
17 Income Tax	316,199	1,151,348
18 Net surplus after tax	684,630	2,301,471

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002	2001	2000	1999
18 PERFORMANCE MEASURES				
Disclosure of financial performance measures and efficiency performance measures under regulation 15 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.				
1. Financial performance measures				
(a) Return on funds	3.25%	8.61%	7.28%	5.94%
(b) Return on equity	1.06%	5.27%	4.75%	4.76%
(c) Return on investment	2.02%	10.44%	4.58%	6.84%
2. Efficiency performance measures:				
(a) Direct line costs per kilometre	\$821	\$793	\$842	\$648
Direct Expenditure	\$1,448,878	\$1,387,316	\$1,586,594	\$1,212,783
System Length	1,764	1,749	1,885	1,871
(b) Indirect line costs per electricity customer	\$54	\$54	\$52	\$66
Indirect Expenditure	\$1,093,645	\$1,086,717	\$1,022,052	\$1,302,298
Total consumers	20,293	20,050	19,824	19,612

Disclosure of energy delivery efficiency performance measures under regulation 21 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

1. Energy Delivery efficiency performance measures:				
(a) Load factor (=a/b*c*100)	61.07	62.18	60.33	57.98
a = kWh of electricity entering system	296,992,984	301,138,681	295,531,204	271,279,466
b = Maximum demand	55,514	55,290	55,766	53,416
c = Total number of hours in year	8,760	8,760	8,784	8,760
(b) Loss ratio (=a/b*100)	6.16	6.39	6.69	6.15
a = losses in electricity in kWh	19,482,179	19,242,151	19,769,798	17,776,971
b = kWh of electricity entering system	316,475,163	301,138,681	295,531,204	289,056,437
(c) Capacity utilisation (=a/b*100)	34.63	35.41	37.29	36.20
a = Maximum demand	55,514	55,290	55,766	53,416
b = Transformer Capacity	160,298	156,163	149,534	147,549

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002	2001	2000	1999
2. Statistics				
(a) System Length				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,324	1,314	1,353	1,346
Circuit Kilometres 400V	440	435	532	525
Total	1,764	1,749	1,885	1,871
(b) System Length - Overhead				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,289	1,283	1,309	1,304
Circuit Kilometres 400V	361	360	402	400
Total Overhead	1,650	1,643	1,711	1,704
(c) System Length - Underground				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	35	31	44	42
Circuit Kilometres 400V	79	75	130	125
Total Underground	114	106	174	167
(d) Transformer Capacity (In Kilovolt Amperes)	160,298	156,163	149,534	147,549
(e) Maximum Demand	55,514	55,290	55,766	53,416
(f) Total electricity entering the system before losses (in Kilowatt Hours)	316,475,163	301,138,681 *	295,531,204 *	289,056,437 *
* Restated to include losses.				
(g) Electricity conveyed from the system after losses for each retailer.				
Retailer 1	201,086,687	211,372,913 *	214,925,671 *	217,013,904 *
Retailer 2	6,999,505	4,003,304 *	2,098,842 *	16,773,858 *
Retailer 3	0	2,361,623 *	1,850,158 *	925,853 *
Retailer 4	65,328,222	56,868,568 *	55,857,859 *	36,565,851 *
Retailer 5	242,002	148,391 *	18,509 *	
Retailer 6	1,966,284	1,155,591 *	230,985 *	
Retailer 7	8,252,342	2,412,099 *	401,478 *	
Retailer 8	13,117,942	3,574,041 *	377,904 *	
	296,992,984	281,896,530	275,761,406	271,279,466
* Restated to exclude losses.				
(h) Total Customers	20,293	20,050	19,824	19,612

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002	2001	2000	1999	
Disclosure of reliability performance measures under regulation 22 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.					
1	Total number of interruptions				
	Class A - Planned - by Transpower	0	0	0	0
	Class B - Planned - by Waipa Networks	149	140	223	217
	Class C - Unplanned - by Waipa Networks	103	109	107	149
	Class D - Unplanned - by Transpower	1	1	2	0
	Class E - Unplanned - by Line Owner genera	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Unplanned - by another line owner	2	6	0	
	Class H - Planned - by another line owner	0	0	0	
	Class I - Any other loss of supply	0	0	0	0
	Total	<u>255</u>	<u>256</u>	<u>332</u>	<u>366</u>
2	Interruption targets for 2002 / 2003				
	Class B - Planned - by Waipa Networks	150			
	Class C - Unplanned - by Waipa Networks	90			
3	Average interruption targets for 2002 / 2003 to 2006 / 2007 years				
	Class B - Planned - by Waipa Networks	150			
	Class C - Unplanned - by Waipa Networks	86			
4	Porportion of Class C interruptions not restored within: (=a/b*100)				
	3 Hours	30%	18%	18%	17%
	a = number of interruptions restored within 3	31	20	19	25
	b = Total number of Class C interruptions	103	109	107	149
	24 Hours	0%	0%	0%	0%
	a = number of interruptions restored within 24	0	0	0	0
	b = Total number of Class C interruptions	103	109	107	149
5 (a)	The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
	11kV	7.78	8.30	7.91	11.07
(b)	Target for 2002 / 2003 year				
	11kV	6.80			
(c)	Average Target for 2002 / 2003 to 2006 / 2007 years				
	11kV	6.50			
6	The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line				
	11kV	0.00	3.23	2.27	0.00
7	The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
	11kV	7.99	8.42	8.10	11.43

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002	2001	2000	1999	
8	The SAIDI for the total number of interruption	374.96	280.18	300.44	242.23
9	SAIDI targets for 2002 / 2003				
	Class B - Planned - by Waipa Networks	95.00			
	Class C - Unplanned - by Waipa Networks	158.00			
10	Average SAIDI target for 2002 / 2003 to 2006 / 2007 years				
	Class B - Planned - by Waipa Networks	95.00			
	Class C - Unplanned - by Waipa Networks	128.60			
11	The SAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0.00	0.00	0.00	0.00
	Class B - Planned - by Waipa Networks	150.46	93.97	94.14	80.81
	Class C - Unplanned - by Waipa Networks	198.80	151.68	199.49	161.42
	Class D - Unplanned - by Transpower	20.17	26.90	6.81	0.00
	Class E - Unplanned - by Line Owner genera	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Unplanned - by another line owner	5.53	7.63	0.00	
	Class H - Planned - by another line owner	0.00	0.00	0.00	
	Class I - Any other loss of supply	0.00	0.00	0.00	0.00
12	The SAIFI for the total number of interruption	3.88	4.05	3.99	3.24
13	SAIFI targets for 2002 / 2003				
	Class B - Planned - by Waipa Networks	0.65			
	Class C - Unplanned - by Waipa Networks	3.15			
14	Average SAIFI target for 2002 / 2003 to 2006 / 2007 years				
	Class B - Planned - by Waipa Networks	0.65			
	Class C - Unplanned - by Waipa Networks	2.95			
15	The SAIFI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0.00	0.00	0.00	0.00
	Class B - Planned - by Waipa Networks	0.62	0.44	0.63	0.58
	Class C - Unplanned - by Waipa Networks	2.62	2.85	2.22	2.66
	Class D - Unplanned - by Transpower	0.58	0.58	1.14	0.00
	Class E - Unplanned - by Line Owner genera	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Unplanned - by another line owner	0.06	0.18	0.00	
	Class H - Planned - by another line owner	0.00	0.00	0.00	
	Class I - Any other loss of supply	0.00	0.00	0.00	0.00

WAIPA NETWORKS LIMITED - LINES BUSINESS

	2002	2001	2000	1999	
16	The CAIDI for the total number of interruption	97	69	75	75
17	CAIDI targets for 2002 / 2003				
	Class B - Planned - by Waipa Networks	146			
	Class C - Unplanned - by Waipa Networks	50			
18	Average CAIDI Target for 2002 / 2003 to 2006 / 2007 years				
	Class B - Planned - by Waipa Networks	146			
	Class C - Unplanned - by Waipa Networks	43			
19	The CAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0	0	0	0
	Class B - Planned - by Waipa Networks	245	215	150	140
	Class C - Unplanned - by Waipa Networks	76	53	90	61
	Class D - Unplanned - by Transpower	35	46	6	0
	Class E - Unplanned - by Line Owner genera	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Unplanned - by another line owner	92	42	0	
	Class H - Planned - by another line owner	0	0	0	
	Class I - Any other loss of supply	0	0	0	0

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,796,829				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	1,796,829				
Interest on cash, bank balances, and short-term investments (ISTI)	31,508				
OSBIIT minus ISTI	1,765,321	a	1,765,321		1,765,321
Net surplus after tax from financial statements	684,630	n		684,630	
Net surplus after tax adjusted pursuant to regulation 18	684,630	g	add	add	add
Amortisation of goodwill and amortisation of other intangibles	0	s	add	add	add
Subvention payment	0				
Depreciation of SFA at BV (x)	1,149,942				
Depreciation of SFA at ODV (y)	1,413,775				
ODV depreciation adjustment	-263,833	d	add	-263,833	-263,833
Subvention payment tax adjustment	0	s ¹	deduct	deduct	deduct
Interest tax shield	252,282	q			252,282
Revaluations	0	r	add		add
Income tax	316,199	p	deduct		deduct
Numerator			1,501,488	420,797	933,007
			OSBIIT ^{ODV} = a + g + s + d	NSAT ^{ODV} = n + g + s - s ¹ + d	OSBIIT ^{ODV} = a + g - q + r + s + d - p - s ¹
Fixed assets at end of previous financial year (FA ₀)	44,721,268				
Fixed assets at end of current financial year (FA ₁)	46,647,035				
Adjusted net working capital at end of previous financial year (ANWC ₀)	769,680				
Adjusted net working capital at end of current financial year (ANWC ₁)	-678,113				
Average total funds employed (ATFE)	45,729,925 (or regulation 33 time-weighted average)	c	45,729,925		45,729,925
Total equity at end of previous financial year (TE ₀)	38,387,621				
Total equity at end of current financial year (TE ₁)	40,222,168				
Average total equity	39,304,895 (or regulation 33 time-weighted average)	k		39,304,895	
WUC at end of previous financial year (WUC ₀)	0				
WUC at end of current financial year (WUC ₁)	0				
Average total works under construction	0	e	deduct	deduct	deduct

WAIPA NETWORKS LIMITED - LINES BUSINESS

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

Derivation Table	Input and Calculations (or regulation 33 time-weighted average)	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 ₀)	0				
Intangible assets at end of current financial year (IA _t)	0				
Average total intangible asset	0	m		add	0
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S _t)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0			add	0
Average subvention payment & related tax adjustment	0	v			
System fixed assets at end of previous financial year at book value (SFA _{0,book})	43,794,114				
System fixed assets at end of current financial year at book value (SFA _{t,book})	45,713,490				
Average value of system fixed assets at book value	44,753,802	f	deduct	deduct	44,753,802
System Fixed assets at year beginning at ODV value (SFA _{0,odv})	44,944,031				
System Fixed assets at end of current financial year at ODV value (SFA _{t,odv})	45,472,246				
Average value of system fixed assets at ODV value	45,208,139	h	add	add	45,208,139
Denominator					
Financial Performance Measure:			ROF = OSBIT ^{ADU} /ATFE ^{ADU} x 100	ROE = NSAT ^{ADU} /ATE ^{ADU} x 100	ROI = OSBIT ^{ADU} /ATFE ^{ADU} x 100
			3.25	1.06	2.02
			46,184,262 ATFE ^{ADU} = c - e - f + h	39,759,232 Ave TE ^{ADU} = k - e - m + v - f + h	46,184,262 ATFE ^{ADU} = c - e - 1/2r - f + h

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



Audit New Zealand

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF WAIPA NETWORKS LIMITED FOR THE YEAR ENDED 31 MARCH 2002

We have audited the financial statements of Waipa Networks Limited on pages 1 to 15. The financial statements provide information about the past financial performance of Waipa Networks Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

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 Waipa Networks Limited as at 31 March 2002, and results of operations and cash flows for the year then ended.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed B H Halford of Audit New Zealand to undertake the audit.

Basis of Opinion

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

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

We conducted 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 obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Waipa Networks Limited.

Unqualified Opinion

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

In our opinion —

- ▲ proper accounting records have been maintained by Waipa Networks Limited as far as appears from our examination of those records; *and*
- ▲ the financial statements on pages 1 to 15 —
 - (a) comply with generally accepted accounting practice; *and*
 - (b) give a true and fair view of the financial position of Waipa Networks Limited as at 31 March 2002 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 12 July 2002 and our unqualified opinion is expressed as at that date.



B H Halford
Audit New Zealand
On behalf of the Controller and Auditor-General
Hamilton, New Zealand



Audit New Zealand

**AUDIT OFFICE OPINION
ON THE PERFORMANCE MEASURES OF
WAIPA NETWORKS LIMITED**

We have examined the information on pages 12, 16, 21 and 22, being —

- (a) the derivation table in regulation 16; *and*
- (b) the annual ODV reconciliation report in regulation 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 Waipa Networks Limited and dated 12 July 2002 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.

B H Halford
Audit New Zealand
On behalf of the Controller and Auditor-General
Hamilton, New Zealand
12 July 2002