



# **UnitedNetworks Limited**

## **Gas Information Disclosure Number 9 31 May 2003**

### **Financial Statements Disclosure Performance Measures & Statistics Disclosure**

**For the period 1 January 2002 to 31 December 2002**

***pursuant to***

**The Gas (Information Disclosure) Regulations 1997**

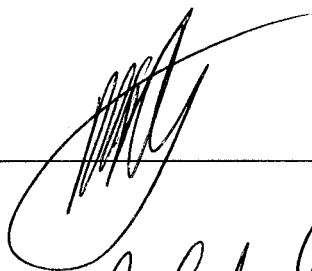
<b>CONTENTS</b>
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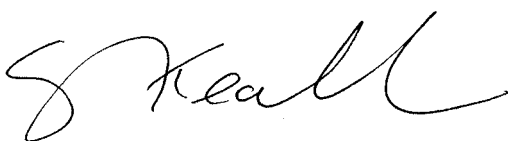
- FORM 5: STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO SECRETARY OF COMMERCE
- FORM 1: CERTIFICATION BY AUDITOR'S IN RELATION TO FINANCIAL STATEMENTS
- FORM 2: CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR'S
- FORM 4: CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPE OWNERS OTHER THAN THE CORPORATION
- 1. INTRODUCTION AND INTERPRETATION**
- 2. FINANCIAL STATEMENTS: Regulations 6 - 7**
- 2.1 STATEMENT OF FINANCIAL PERFORMANCE
- 2.2 STATEMENT OF FINANCIAL POSITION
- 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
- 3. PERFORMANCE MEASURES AND STATISTICS: Regulations 15 - 19**
- 3.1 FINANCIAL PERFORMANCE AND EFFICIENCY MEASURES
- 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS
- 3.3 RELIABILITY PERFORMANCE MEASURES

**FORM 5: STATUTORY DECLARATION IN RESPECT OF STATEMENTS  
AND INFORMATION SUPPLIED TO SECRETARY OF  
COMMERCE**

I, Muhammad Saad of Auckland, being a Director of UnitedNetworks Limited, solemnly and sincerely declare that, having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public under the Gas (Information Disclosure) Regulations 1997.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Oaths and Declarations Act 1957.

  
\_\_\_\_\_  
Declared at Auckland this 15<sup>th</sup> day of May 2003.

  
\_\_\_\_\_  
[Solicitor] Steve Keall

<b>FORM 1: CERTIFICATION BY AUDITORS IN RELATION TO FINANCIAL STATEMENTS</b>
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We have examined the attached financial statements prepared by UnitedNetworks Limited and dated 31 December 2002 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

We certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.



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Simon Brotherton

Director

on behalf of,

Ernst & Young Limited,  
Chartered Accountants,  
Auckland,  
New Zealand

14 May  
~~XX XXX~~ 2003

<b>FORM 2: CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS</b>
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We have examined the attached information, being -

- a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that Schedule, -

and having been prepared by UnitedNetworks Limited and dated 31 December 2002 for the purposes of regulation 15 and 16 of those Regulations.

We certify that, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.



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Simon Brotherton  
Director  
on behalf of,  
Ernst & Young Limited,  
Chartered Accountants,  
Auckland,  
New Zealand

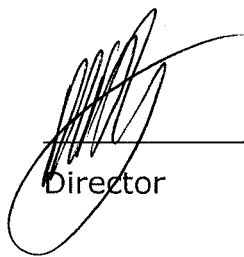
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~~XX XXX~~ 2003

**FORM 4: CERTIFICATION OF FINANCIAL STATEMENTS,  
PERFORMANCE MEASURES, AND STATISTICS  
DISCLOSED BY PIPE OWNERS OTHER THAN THE  
CORPORATION**

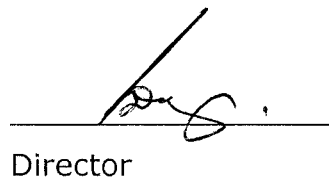
We, .....*Michael Strassny*..... and .....*Wayne Bayel*..... directors of UnitedNetworks Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, -

a) The attached audited financial statements of UnitedNetworks Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and

b) The attached information, being the financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to UnitedNetworks Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

  
\_\_\_\_\_  
Director

*14 May* 2003

  
\_\_\_\_\_  
Director

*14 May* 2003

**1. INTRODUCTION AND INTERPRETATION**

- 1.1 This document contains certain material required to be disclosed by UnitedNetworks Limited under Regulations 6 to 7, 15 to 19 and 22 of the Gas (Information Disclosure) Regulations 1997.
- 1.2 The information in this document was prepared by UnitedNetworks Limited after making all reasonable enquiry and to the best of its knowledge, the information complies with all relevant requirements of the Gas (Information Disclosure) Regulations 1997.
- 1.3 The information in this document is not intended by UnitedNetworks Limited to constitute an offer of services to the public.
- 1.4 The information is available on request at: -
- 44 Taharoto Road  
Takapuna  
Auckland
- And on the Internet at: -  
<http://www.unitednetworks.co.nz>
- 1.5 In this document, words and expressions have the meaning given to them in the Regulations or the Act, unless otherwise specified.
- 1.6 For the purpose of this disclosure:
- "Disclosure Date"* means 31 December 2002  
*"UnitedNetworks"* means UnitedNetworks Limited  
*"Electricity Lines"* means the electricity lines business of UnitedNetworks  
*"Gas Lines"* means the gas lines business of UnitedNetworks  
*"Lines"* means the electricity and gas lines business of UnitedNetworks  
*"Other"* means any part of UnitedNetworks, which is not the electricity or the gas lines business  
*"The company"* means UnitedNetworks  
*"Financial Year"* means from 1 January 2002 to 31 December 2002.



<b>2. FINANCIAL STATEMENTS: Regulations 6 - 7</b>
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**2.1 STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 31 December 2002**

		<b>2002</b>	<b>2001</b>
	<b>Notes</b>	<b>(\$000)</b>	<b>(\$000)</b>
Revenue	2	<b>68,369</b>	61,280
Surplus from non recurring event (before tax)	3	<b>7,028</b>	-
<b>Profit/ (loss) before taxation</b>	3	<b>6,069</b>	(4,489)
Taxation	4	<b>1,786</b>	(1,546)
<b>Net profit/(loss) for period</b>		<b>4,283</b>	(2,943)

The accompanying notes and accounting policies form part of and are to be read in conjunction with this statement.

## 2.2 STATEMENT OF FINANCIAL POSITION

### As at 31 December 2002

	Notes	2002 (\$000)	2001 (\$000)
<b>EQUITY</b>			
Share capital	5	-	-
Reserves	6	1,108	(3,175)
<b>Total equity</b>		<b>1,108</b>	<b>(3,175)</b>
<b>CURRENT ASSETS</b>			
Cash and bank balances		14	1,158
Accounts receivable	7	2,555	4,286
<b>Total current assets</b>		<b>2,569</b>	<b>5,444</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		119	-
Accounts payable	8	7,983	14,718
<b>Total current liabilities</b>		<b>8,102</b>	<b>14,718</b>
<b>NON-CURRENT ASSETS</b>			
Term prepayments		4,251	5,488
Advance – employee share ownership plans		-	711
Property, plant and equipment	9	163,470	263,633
Intangible assets	10,11	152,822	274,133
Future income tax asset	4	-	1,660
<b>Total non-current assets</b>		<b>320,543</b>	<b>545,625</b>
<b>NON-CURRENT LIABILITIES</b>			
Future income tax liability	4	126	-
Borrowings	12	313,776	539,526
<b>Total non-current liabilities</b>		<b>313,902</b>	<b>539,526</b>
<b>Net assets</b>		<b>1,108</b>	<b>(3,175)</b>

The accompanying notes and accounting policies form part of and are to be read in conjunction with this statement.

## **2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 31 December 2002**

### **1 Statement of accounting policies**

#### ***Special purpose financial statements***

The reporting entity is UnitedNetworks Limited.

These financial statements are made pursuant to UnitedNetworks' obligations under the Gas (Information Disclosure) Regulations 1997. They are in addition to the company's financial statements published pursuant to the company's obligations under the Companies Act 1993 and the Financial Reporting Act 1993.

In these statements UnitedNetworks has adopted the avoidable cost allocation methodology stipulated in the Electricity Information Disclosure Handbook issued on 30<sup>th</sup> June 2000. The Electricity Lines business is treated as the core business activity and other activities are accounted for through the Gas Lines and Other business unit financial statements.

#### ***General accounting policies***

The general accounting policies as recommended by the Institute of Chartered Accountants of New Zealand for the measurement and reporting of financial performance and financial position, under the historical costs method as modified by revaluation of certain assets, have been followed by the company. The reporting currency is New Zealand dollars.

#### ***Particular accounting policies***

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

#### ***Income tax***

These financial statements adopt the liability method of accounting whereby the income tax expense shown in the statement of financial performance is the estimated total liability relating to the income for the period. Deferred taxation is accounted for in respect of items relating to the statement of financial performance, following the liability method, on the comprehensive basis.

#### ***Property, plant and equipment***

All non reticulation assets are recorded at cost. Reticulation assets are recorded at cost or most recent valuation. Such valuations are conducted on a cyclical basis. A revaluation has not been prepared since the gas assets were acquired and they are currently being carried at cost. The next valuation will occur in 2003.

#### ***Financial instruments***

The company has financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates and foreign exchange rates.

Financial instruments entered into as hedges of an underlying exposure are accounted for on the same basis as the underlying exposure. Accordingly hedge gains and losses are included in the Statement of Financial Performance when the gains or losses arising on the related physical exposures are recognised in the Statement of Financial Performance.

#### ***Foreign currencies***

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of financial performance as operating items.

#### ***Operating leases***

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

### **Depreciation**

Depreciation of property, plant and equipment, other than freehold land, has been charged at rates calculated to allocate on a straight-line basis either the assets' cost, or the valuation, less estimated residual value, over their estimated useful lives as follows:

(i)	Freehold Buildings	50- 100 years
(ii)	Reticulation System	15 - 70 years
(iii)	Plant, Vehicles and Equipment	3 - 10 years

### **Goodwill**

Goodwill on acquisition of businesses is amortised on a straight-line basis over the period of expected benefit or 20 years, whichever is the lesser.

### **Identifiable intangibles**

Identifiable intangibles arising from acquisition of reticulation assets are amortised on a straight-line basis over the period of expected benefit, which has been assessed as 20 years. The company revised the period of amortisation from 40 years to 20 years effective from 1 January 2002.

### **Accounts receivable**

Accounts Receivable are stated at their estimated net realisable value.

### **Revenue recognition**

Income from gas lines charges includes an estimated amount for accrued sales for charges not billed at balance date.

### **Borrowings**

Borrowings are stated at face value less unamortised discounts, premiums and prepaid interest. Discounts, premiums and prepaid interest are amortised to interest expense on a yield to maturity basis over the period of the borrowing. Borrowing costs such as origination, commitment and guarantee fees are deferred and amortised over the period of the borrowing.

### **Reclassification of prior year balances**

Certain prior year balances have been reclassified to conform with changes in presentation.

### **Impact of recently introduced financial reporting standards**

#### **Business combinations**

The Financial Reporting Standards Board recently issued two new standards: FRS 36 – accounting for acquisition resulting in combinations of entities or operations, and FRS 37 – Consolidating investments in subsidiaries. The introduction of these standards has had no financial effect on the company accounts during the period.

#### **Investments in associates**

The Financial Reporting Standards Board recently issued FRS 38 – accounting for investments in associates. The introduction of this standard has had no financial effect on the company accounts during the period.

#### **Property, plant and equipment**

The Financial Reporting Standards Board recently issued FRS 3 – accounting for property, plant and equipment. The introduction of this standard has had no financial effect on the company accounts during the period.

### **Changes in accounting policies**

The company has revised its accounting for intangible gas incentive assets whereby these are now written off as current expenditure in the year in which they are incurred, effective 1 January 2002. The carrying value as at 1 January 2002 has been recognised as an expense in the current year. The effect of this change is to increase the charge to the statement of financial performance for the current year by \$3.2m.

There have been no other changes in accounting policies.

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

	<b>2002</b>	<b>2001</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>2 Revenue includes</b>		
Interest income	-	94
<b>Revenue was derived from:</b>		
Continuing activities	<b>45,088</b>	34,008
Discontinued activities	<b>23,281</b>	27,272
<b>3 Surplus from operations before interest and tax</b>		
EBIT from continuing activities	<b>21,965</b>	18,446
EBIT from discontinued activities	<b>13,765</b>	18,474
<b>After crediting:</b>		
Gain on sale of central gas business	<b>7,028</b>	-
<b>Income from non recurring event – sale of central gas businesses</b>		
On 31 October 2002 the company sold and settlement was made for its central gas assets. The purchaser was PowerCo Limited. The details of the transaction are as follows:		
Proceeds from sale of central gas assets	<b>217,850</b>	-
Less: Net book value of assets sold	<b>(210,418)</b>	-
<b>Profit on sale of assets at net book value</b>	<b>7,432</b>	-
Professional fees	<b>(404)</b>	-
<b>Net gain on non-recurring item before tax</b>	<b>7,028</b>	-
<b>Expenses include</b>		
Audit Fees	<b>52</b>	53
Other fees paid to auditors	-	-
Net interest and financing fees on loans	<b>36,689</b>	41,409
Depreciation		
- Distribution	<b>6,924</b>	7,660
- Plant, vehicles and equipment	<b>296</b>	413
- Buildings	-	1
Directors' Fees	-	-
Donations	-	-
Bad debts (recovered)/written off	<b>(189)</b>	16
Increase in doubtful debts provision	<b>143</b>	48
Lease and rental	<b>83</b>	36
Amortisation of goodwill	<b>70</b>	75
Amortisation of identifiable intangibles	<b>13,888</b>	7,117

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

	<b>2002</b>	<b>2001</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>4 Taxation</b>		
<b>Current period taxation charge</b>		
Operating profit/(loss) before taxation	<b>6,069</b>	(4,489)
Taxation at 33%	<b>2,003</b>	(1,481)
Permanent differences	<b>(217)</b>	(65)
	<b>1,786</b>	(1,546)
<b>The taxation charge is comprised of:</b>		
Tax on non-recurring items	<b>2,319</b>	-
Tax on other items	<b>(533)</b>	(1,546)
	<b>1,786</b>	(1,546)
<b>The taxation charge is represented by:</b>		
Current taxation	<b>6,966</b>	(12,119)
Deferred taxation	<b>(5,180)</b>	10,573
	<b>1,786</b>	(1,546)
<b>Deferred tax asset reconciliation</b>		
Opening balance	<b>(23,068)</b>	(10,949)
Current year tax charge movement	<b>6,966</b>	(12,119)
<b>Closing balance</b>	<b>(16,102)</b>	(23,068)
<b>Deferred tax liability reconciliation</b>		
Opening balance	<b>21,408</b>	10,835
Current year tax charge movement	<b>(5,180)</b>	10,573
<b>Closing balance</b>	<b>16,228</b>	21,408
<b>Net tax liability/(asset)</b>	<b>126</b>	(1,660)
<b>5 Share capital</b>	-	-
<b>6 Reserves</b>		
<b>Retained earnings</b>		
Opening balance	<b>(3,175)</b>	(232)
Transferred from statement of financial performance	<b>4,281</b>	(2,943)
<b>Closing balance</b>	<b>1,106</b>	(3,175)

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

	2002 (\$000)	2001 (\$000)
<b>7 Accounts receivable</b>		
Trade receivables	1,122	4,026
Other receivables and prepayments	1,433	260
	<b>2,555</b>	4,286
<b>8 Accounts payable</b>		
Trade creditors	4,570	9,301
Employee entitlements	24	43
Interest payable	3,389	5,374
	<b>7,983</b>	14,718

	At cost (\$000)	At valuation (\$000)	Accum deprn (\$000)	Carrying value (\$000)
<b>9 Property, plant and equipment 2002</b>				
Freehold land	350	-	-	350
Freehold buildings	-	-	-	-
Distribution system	172,722	-	13,476	159,246
Plant, vehicles and equipment	1,075	-	374	701
Capital work in progress	3,173	-	-	3,173
	<b>177,320</b>	-	<b>13,850</b>	<b>163,470</b>
<b>Property, plant and equipment 2001</b>				
Freehold land	350	-	-	350
Freehold buildings	25	-	1	24
Distribution system	269,438	-	14,669	254,769
Plant, vehicles and equipment	1,155	-	491	664
Capital work in progress	7,826	-	-	7,826
	278,794	-	15,161	263,633

The latest government valuation of freehold land is \$375,000 (2001: \$375,000). Gas distribution system assets are shown at cost.

	2002 (\$000)	2001 (\$000)
<b>10 Goodwill</b>		
Opening balance	1,366	1,441
Goodwill purchased in the period	-	-
Goodwill disposed of during the period	527	-
Amortised during the period	70	75
<b>Closing balance</b>	<b>769</b>	1,366

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

	2002 (\$000)	2001 (\$000)
<b>11 Identifiable intangibles</b>		
Opening balance	272,767	279,407
Adjustment to opening balance	-	477
Identifiable intangibles disposed of during the period	106,826	-
Amortised during the period	13,888	7,117
<b>Closing balance</b>	<b>152,053</b>	<b>272,767</b>

The company has changed its estimate with respect to the amortisation period for identified intangibles, which has been reduced from 40 years to 20 years effective from 1 January 2002. The remaining carrying value will be amortised over the reduced remaining life. The effect of this change is to increase the charge to the statement of financial performance for the current year by \$7.2m.

### 12 Borrowings

Borrowings are made up as follows:

Bank loans	-	68,373
Commercial paper	-	143,155
Medium term notes – fixed rate NZ\$	81,239	84,840
Medium term notes – floating rate A\$	232,537	243,158
	<b>313,776</b>	<b>539,526</b>

The borrowing repayment terms are:

Payable within 1 year	-	8,547
Payable between 1 and 2 years	-	202,981
Payable between 2 and 3 years	-	-
Payable between 3 and 5 years	81,239	-
Payable after 5 years	232,537	327,998
	<b>313,776</b>	<b>539,526</b>

All borrowings are unsecured with all bank loans being subject to negative pledge arrangements. Commercial paper was supported by a 2 year standby facility made available by a syndicate of banks and is issued for various terms up to 90 days.

Interest rates for all bank loans are floating based on the bank bill rate plus a margin.

Medium term notes – fixed rate NZ\$ mature April 2007 and are shown at the value of proceeds received after deducting the discount on issue and adjusted for the amount of discount amortised.

Medium term notes – fixed rate A\$ mature April 2008 and April 2011.

The weighted average interest rate is 5.68% (2001: 5.3%).



## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

### 13 Financial instruments

The company has a comprehensive treasury policy to manage the risks of financial instruments which is approved by the board of directors.

#### *Interest rate risk*

The company has long term borrowings, which are used to fund ongoing activities. The company actively manages interest rate exposures in accordance with treasury policy. In this respect, at least 60% of all term debt must be at fixed interest rates or effectively fixed using interest rate swaps, forward rate agreements, options and similar derivative instruments.

Indicative weighted average rates of borrowings are as follows:

	2002		2001	
	Weighted ave interest rate	Face value (\$000)	Weighted ave interest rate	Face value (\$000)
Bank loans	-	-	5.68%	68,373
Commercial paper	-	-	5.10%	143,155
Medium term notes – fixed rate NZ\$	<b>6.50%</b>	<b>81,733</b>	6.50%	85,466
Medium term notes – floating rate A\$	<b>5.39%</b>	<b>232,537</b>	4.88%	243,158
	<b>5.68%</b>	<b>314,270</b>	5.30%	540,152

Indicative weighted average rates of interest rate swaps are as follows:

	2002		2001	
	Weighted ave interest rate	Face value (\$000)	Weighted ave interest rate	Face value (\$000)
Interest rate swaps				
Maturing in less than 1 year	<b>6.63%</b>	<b>6,641</b>	5.91%	79,056
Maturing between 1 and 2 years	<b>7.28%</b>	<b>38,823</b>	6.20%	47,006
Maturing between 2 and 5 years	<b>7.19%</b>	<b>146,608</b>	7.11%	190,161
Maturing after 5 years	<b>6.78%</b>	<b>37,290</b>	7.01%	106,832
	<b>7.12%</b>	<b>229,362</b>	6.76%	423,055

#### *Foreign exchange risk*

The company has, in this reporting period, conducted transactions in foreign currencies for the purposes of protecting the NZ \$ value of capital expenditure and for the issuance of A\$ bonds which have been hedged with cross currency swaps. Of the interest rate swaps, \$232,537,000 relates to cross currency swaps.

At balance date the group has no significant exposure to foreign currency risk.

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

### 13 Financial instruments (con't)

#### **Credit risk**

In the normal course of its business, the company incurs credit risk from energy retailers, financial institutions and trade debtors. The company has a credit policy, which is used to manage this exposure to credit risk.

As part of this policy, the company can only have exposures to financial institutions having at least a credit rating of A- long term and A1 short term from Standard & Poors (or equivalent rating). In addition, limits on exposures to financial institutions have been set by the board of directors and are monitored on a regular basis. In this respect, the company minimises their credit risk by spreading such exposures across a range of institutions. The company does not anticipate non-performance by any of these financial institutions.

The company has some concentration of credit exposures to a few large energy retailers. To minimise this risk, the company performs credit evaluations on all energy retailers and other electricity customers and requires a bond or other form of security where deemed necessary.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

#### **Fair values**

The estimated fair value of financial instruments as applicable to the gas lines at 31 December is:

	2002		2001	
	Carrying Amount (\$000)	Fair Value (\$000)	Carrying Amount (\$000)	Fair Value (\$000)
Cash and bank	(105)	(105)	1,158	1,158
Bank loans	-	-	68,373	68,373
Commercial paper	-	-	143,155	143,155
Medium term notes - fixed rate NZ\$	81,239	82,537	84,840	83,381
Medium term notes - floating rate A\$	232,537	202,866	243,158	243,128
Interest rate swaps	-	(6,955)	-	(6,464)
Cross currency swaps	-	(30,968)	-	345

The following methods and assumptions were used to estimate the fair value of each class of financial instrument where it is practical to estimate that value:

#### **Cash and short-term deposits, short term loans**

The carrying amount of these items is equivalent to the fair value. Bank overdrafts are set off against cash balances pursuant to right of set off.

#### **Commercial paper**

The carrying amount of these items is equivalent to their fair value

#### **Medium term notes**

The fair value of NZ\$ notes is based on quoted market prices.

The fair value of A\$ notes is based on the face value converted at the exchange rate prevailing at year end.

## 2.3 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (con't)

### 13 Financial instruments (con't)

#### *Derivative instruments*

The fair value of interest rate swaps, forward rate agreements, interest rate options and other derivative instruments is estimated based on the quoted market prices for these instruments.

### 14 Segmental reporting

The predominant activity of UnitedNetworks is the ownership and operation of distribution networks. All operations are conducted in New Zealand.

### 15 Capital commitments

At balance date, estimated capital expenditure contracted for but not provided for was \$4.46 million (2001: \$1.69 million).

### 16 Contingent liabilities

The company has no contingent liabilities at balance date (2001: nil).

### 17 Transactions with related parties

The principal related parties of UnitedNetworks Limited are its holding company Vector Limited and former holding company Utilicorp N.Z. Limited. Aquila Inc is the former ultimate parent company. Deutsche Bank AG is a shareholder in the former parent company of Utilicorp N.Z. Limited and details of transaction have been disclosed as if Deutsche Bank AG were a related party. No debt was written off or forgiven during the year.

	<b>2002</b>	<b>2001</b>
	<b>(\$000)</b>	<b>(\$000)</b>
Success fees paid to Deutsche Bank Limited	-	338
Interest payments to Deutsche Bank AG	3,772	8,242
Borrowings owing to Deutsche Bank AG	-	9,572
Interest and other balances due to Deutsche Bank AG	-	56

A New Zealand subsidiary of Deutsche Bank AG purchased a shareholding in the previous parent company of UtiliCorp NZ Limited on 30 June 2000. Deutsche Bank provides advisory and financing services to UnitedNetworks Limited. All transactions between UnitedNetworks Limited and Deutsche Bank are conducted on an arms length basis under normal market conditions.

### 18 Operating lease commitments

At balance date the company had the following operating lease commitments:

	<b>2002</b>	<b>2001</b>
	<b>(\$000)</b>	<b>(\$000)</b>
Within the year	20	23
Between one and two years	7	20
Between two and five years	-	7
Over five years	-	-

### 19 Events occurring after balance date

The Directors are not aware of any significant event occurring subsequent to balance date which, if known at balance date, would have resulted in a different assessment of the amount attributable to an item in the financial statements.

### 3. PERFORMANCE MEASURES AND STATISTICS: Regulations 15 - 19

#### 3.1 FINANCIAL PERFORMANCE AND EFFICIENCY MEASURES For the year ended 31 December 2002

##### Schedule 1 – PART 2

	2002	2001	2000
<b>1 Financial performance measures</b>			
a) Accounting return on total assets	20.74%	14.46%	11.94%
b) Accounting return on equity	(414.03)%	172.77%**	200.00%**
c) Accounting rate of profit	14.87%	9.11%	7.96%
<b>2 Efficiency performance measures</b>	<b>12 months</b>	<b>12 months</b>	<b>9 months</b>
a) Direct line costs per kilometre	\$791	\$802	\$684
b) Indirect line costs per gas customer	\$70	\$28	\$26

\*\* Accounting return on equity is the result of a net loss after tax divided by negative equity.

##### Additional Information

The following financial performance measures result if the central gas network is removed from the calculation. ie. Northern gas network only. This calculation is based on closing total funds employed (not average).

	2002
<b>1 Financial performance measures</b>	
a) Accounting return on total assets	13.91%
c) Accounting rate of profit	9.44%

The following financial performance measures result if the central gas network is removed from the calculation and the full book value of the line assets ie. Northern gas network only including identifiable intangibles. This calculation is based on closing total funds employed (not average).

	2002
<b>1 Financial performance measures</b>	
a) Accounting return on total assets	7.07%
c) Accounting rate of profit	4.80%

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

For the year ended 31 December 2002

#### Schedule 1 – PART 3

##### 1 Energy Delivery Efficiency Performance Measures

##### a) Load Factor

As calculated by the formula  $a/(12 \times b)^1$  expressed as a percentage, where:

a = the amount of gas entering the system or systems during the financial year; and

b = the maximum monthly amount of gas entering the system or systems.

System	Load Factor (%)		
	Jan 02 – Dec 02	Jan 01 – Dec 01	Apr00–Dec00 <sup>1</sup>
Alfriston	44.59	37.02	60.56
Ashhurst	64.26√	56.27	75.39
Auckland Central	78.01	76.42	85.04
Bruce McLaren <sup>^</sup>	-	78.52	81.59
Dannevirke	83.73√	78.40	85.79
Drury	68.65	61.15	68.98
Feilding	69.54√	66.16	76.65
Foxton	72.23√	68.32	66.08
Hastings	82.19√	77.66	87.81
Hunua	84.28	79.53	87.13
Kakariki	86.53√	80.88	83.16
Kairanga	28.87√	22.06	20.50
Kingseat	51.09	34.52	63.03
Levin	74.15√	64.19	78.66
Longburn	49.98√	48.91	52.73
Mangaroa	-	0.00	67.51
Mangatainoka	81.94√	81.97	86.62
Oroua Downs	17.20√	13.01	18.91
Pahiatua	69.70√	74.22	68.15
Palmerston North	64.76√	55.60	75.78
Pukekohe	73.39	68.74	78.23
Ramarama	53.42	48.11	71.80
Takapau	74.45√	78.25	73.32
Tuakau	69.34	65.92	75.28
Waimauku <sup>^</sup>	-	0.00	0.00
Waiuku <sup>^</sup>	-	49.18	85.44
Wellington	63.07√	57.20	76.02

<sup>^</sup> During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

<sup>1</sup> As there is only 9 months data (1Apr00-31Dec00) for the financial year comparative, the formula  $a/(9 \times b)$  is used.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to Power Co effective from 1 November 2002. This has affected the formula  $a/(10 \times b)$  is used.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (con't)

#### b) Unaccounted-for Gas Ratio (UFG)

As calculated by the formula  $a/b$  expressed as a percentage, where:

a = the amount of unaccounted-for gas during the financial year; and

b = the amount of gas entering the system or systems during the financial year.

UFG by UnitedNetworks Pricing Region

Pricing Region	UFG (%)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr00-Dec00
Auckland	2.31	2.31	2.31
Hawkes Bay	0.65	0.65	0.65
Palmerston North	0.42	0.42	0.42
Wellington	2.50	2.50	2.50

*The data presented above is estimated, based on historical data as we do not have sufficient consumption data to accurately calculate UFG%.*

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (con't)

#### a) System Length

The system length of each system, in kilometres as calculated by the formula  $a+b/2$  where:

a = system length at the beginning of the financial year

b = system length at the end of the financial year

System	System Length (km)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr00-Dec00
Alfriston	0.032	0.143	0.254
Ashhurst	11.137√	22.308	22.314
Auckland Central	4,709.510	4,457.733	4,280.361
Bruce McLaren <sup>^</sup>	43.307	86.614	70.561
Dannevirke	10.012√	18.267	16.560
Drury	9.004	9.004	8.916
Feilding	84.221√	168.680	167.593
Foxton	16.773√	33.512	33.389
Hastings	143.712√	338.252	388.576
Hunua	2.389	2.210	2.053
Kakariki	.950√	1.901	1.712
Kairanga	3.672√	7.345	7.342
Kingseat	6.439	6.439	6.450
Levin	102.881√	207.558	207.716
Longburn	18.197√	36.425	36.406
Mangaroa	-	0.003	0.003
Mangatainoka	0.587√	1.174	1.173
Oroua Downs	1.830√	3.660	3.687
Pahiatua	6.012√	12.033	11.984
Palmerston North	362.537√	733.717	741.363
Pukekohe	14.510	14.439	13.746
Ramarama	4.195	1.659	0.656
Takapau	2.000√	4.000	4.001
Tuakau	4.075	4.075	4.076
Waiuku <sup>^</sup>	0.073	0.145	0.145
Wellington	467.480√	926.686	912.173

<sup>^</sup> During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to Power Co effective from 1 November 2002. This has affected the system length as 'b' in the above formula is nil.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (con't)

#### b) Maximum monthly

The maximum monthly amount of gas (in gigajoules) entering the system or systems.

System	Max Month (GJ)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr00-Dec00
Alfriston	2,674	2,735	1,914
Ashhurst	1,212√	1,393	1,210
Auckland Central	1,201,534	1,145,717	1,049,022
Bruce McLaren^	-	25,007	23,626
Dannevirke	11,118√	11,626	10,806
Drury	5,697	6,417	6,623
Feilding	34,889√	41,209	39,141
Foxton	6,417√	6,453	7,893
Hastings	222,489√	214,498	173,225
Hunua	11,926	14,828	14,326
Kakariki	7,014√	7,145	5,499
Kairanga	1,024√	617	1,044
Kingseat	267	299	240
Levin	37,429√	42,168	36,079
Longburn	44,812√	60,137	58,402
Mangaroa	-	-	2,481
Mangatainoka	2,705√	2,890	2,983
Oroua Downs	2,505√	3,721	4,006
Pahiatua	48,376√	46,444	46,480
Palmerston North	131,927√	144,383	120,787
Pukekohe	3,737	4,090	3,994
Ramarama	2,770	3,002	2,183
Takapau	15,354√	15,045	13,444
Tuakau	14,789	16,961	13,464
Waiuku^	-	77	105
Wellington	250,580√	253,006	214,513

^ During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to Power Co effective from 1 November 2002. This means that maximum monthly amount was during the period from 1 January 2002 - 31 October 2002.



### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (con't)

#### c) Total Amount of Gas Conveyed

The total amount of gas (in gigajoules) conveyed through the system or systems during the financial year.

System	Total Conveyed (GJ)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr 00-Dec 00
Alfriston	15,702	11,868	11,941
Ashhurst	7,758√	9,365	8,371
Auckland Central	11,141,062	10,263,494	7,832,499
Bruce McLaren <sup>^</sup>	-	230,168	172,939
Dannevirke	92,487√	108,669	83,094
Drury	54,948	46,003	41,090
Feilding	241,600√	325,790	269,891
Foxton	46,155√	52,681	46,106
Hastings	1,816,678√	1,986,068	1,358,758
Hunua	125,115	138,251	112,127
Kakariki	60,441√	69,055	40,887
Kairanga	2,943√	1,628	1,956
Kingseat	2,085	1,210	1,600
Levin	276,359√	323,467	252,609
Longburn	223,024√	351,472	282,595
Mangaroa	-	-	14,884
Mangatainoka	22,017√	28,242	22,360
Oroua Downs	4,291√	5,782	6,484
Pahiatua	334,982√	410,973	285,419
Palmerston North	850,810√	959,357	815,179
Pukekohe	32,449	32,958	27,572
Ramarama	18,109	16,930	14,544
Takapau	113,559√	140,353	87,954
Tuakau	145,871	131,068	90,933
Waiuku <sup>^</sup>	-	446	796
Wellington	1,540,838√	1,693,222	1,431,055

<sup>^</sup> During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

<sup>√</sup> UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to Power Co effective from 1 November 2002. This means that total amount of gas conveyed for others above is for 1 January 2002 - 31 October 2002.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (con't)

#### d) Total Amount of Gas Conveyed – on behalf of others

The total amount of gas (in gigajoules) conveyed through the system or systems during the financial year on behalf of other persons who are gas wholesalers or gas retailers, or both, not being persons who are in a prescribed business relationship with the pipeline owner.

System	Conveyed for Others (GJ)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr 00-Dec 00
Alfriston	15,702	11,868	11,941
Ashhurst	7,758√	9,365	8,371
Auckland Central	11,141,062	10,263,494	7,832,499
Bruce McLaren <sup>^</sup>	-	230,168	172,939
Dannevirke	92,487√	108,669	83,094
Drury	54,948	46,003	41,090
Feilding	241,600√	325,790	269,891
Foxton	46,155√	52,681	46,106
Hastings	1,816,678√	1,986,068	1,358,758
Hunua	125,115	138,251	112,127
Kakariki	60,441√	69,055	40,887
Kairanga	2,943√	1,628	1,956
Kingseat	2,085	1,210	1,600
Levin	276,359√	323,467	252,609
Longburn	223,024√	351,472	282,595
Mangaroa	-	-	14,884
Mangatainoka	22,017√	28,242	22,360
Oroua Downs	4,291√	5,782	6,484
Pahiatua	334,982√	410,973	285,419
Palmerston North	850,810√	959,357	815,179
Pukekohe	32,449	32,958	27,572
Ramarama	18,109	16,930	14,544
Takapau	113,559√	140,353	87,954
Tuakau	145,871	131,068	90,933
Waiuku <sup>^</sup>	-	446	796
Wellington	1,540,838√	1,693,222	1,431,055

<sup>^</sup> During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to Power Co effective from 1 November 2002. This means that gas conveyed for others above is for 1 January 2002 - 31 October 2002.

### 3.2 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (con't)

#### e) Total Customers

The total number of customers being supplied by means of a system as calculated by the formula  $a+b/2$  where:

a = total customers at the beginning of the financial year

b = total customers at the end of the financial year

System	Number of Customers		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr 00-Dec 00@
Alfriston	4√	5	2
Ashhurst	130	259	256
Auckland Central	66,896	60,164	58,088
Bruce McLaren^	-	590	453
Dannevirke	74√	148	146
Drury	31	30	29
Feilding	1,183√	2,361	2,305
Foxton	253√	504	491
Hastings	2,456√	4,895	4,828
Hunua	4	3	4
Kakariki	1√	1	1
Kairanga	3√	6	6
Kingseat	6	5	4
Levin	2,068√	4,142	4,089
Longburn	246√	491	486
Mangaroa	-	1	1
Mangatainoka	1√	1	1
Oroua Downs	2√	4	4
Pahiatua	61√	122	122
Palmerston North	8,535√	17,018	16,686
Pukekohe	102	3,744	3,741
Ramarama	3	3	3
Takapau	1√	1	1
Tuakau	13	14	14
Waiuku ^	-	1	1
Wellington	14,146√	28,040	27,309

√ UnitedNetworks sold the gas pipelines in Hawkes Bay, Palmerston North and Wellington to Power Co effective from 1 November 2002. This has affected the customer number as 'b' in the above formula is nil.

@ As at the start of the 2000 financial year, UnitedNetworks did not own any gas lines. We have used the system length and total customers as at the purchase date of 1 April 2000 for 'a' in the formula

^ During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.

### 3.3 RELIABILITY PERFORMANCE MEASURES For the 12 months ended 31 December 2002

#### Schedule 1 – PART 4

##### Unplanned Interruptions in Distribution Systems

a) The measure of unplanned interruptions (other than those directly resulting from unplanned interruptions of a transmission system) calculated by the formula **a/b** where:

a = the sum obtained by adding together the number of customer-hours lost during each interruption; and

b = the total number of customers being supplied by means of the system.

System	Unplanned interruption measure (within distribution system)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr 00-Dec 00
Alfriston	-	-	0.3333
Ashhurst	#	#	0.0078
Auckland Central	0.0024	0.0013	0.0013
Bruce McLaren	-	-	-
Dannevirke	#	#	-
Drury	-	0.0167	-
Feilding	#	#	0.0009
Foxton	#	#	-
Hastings	#	#	0.0006
Hunua	-	-	-
Kakariki	#	#	-
Kairanga	#	#	-
Kingseat	-	-	-
Levin	#	#	0.0007
Longburn	#	#	-
Mangaroa	#	#	-
Mangatainoka	#	#	-
Oroua Downs	#	#	-
Pahiatua	#	#	-
Palmerston North	#	#	0.0022
Pukekohe	-	-	-
Ramarama	-	-	-
Takapau	-	-	-
Tuakau	-	-	-
Waiuku	-	-	-
Wellington	0.0040	0.0105	0.0053

*On systems where the number of customers affected has been recorded, the duration of each interruption is not recorded and the local engineer has estimated the average length of the interruptions. Data indicated by # has been amalgamated into the Wellington system.*

*^ During 2002 Waimauku and Waiuku gates have been removed. Bruce McLaren has been interconnected with other Auckland Central Networks.*

### 3.3 RELIABILITY PERFORMANCE MEASURES (con't)

b) The measure of unplanned interruptions directly resulting from unplanned interruptions of a transmission system calculated by the formula  $a/b$  where:

a = the sum obtained by adding together the number of customer-hours lost during each interruption; and

b = the total number of customers being supplied by means of the system.

System	Unplanned interruption measure (resulting from transmission interruptions)		
	Jan 02-Dec 02	Jan 01-Dec 01	Apr 00-Dec 00
Alfriston	-	-	-
Ashhurst	-	-	-
Auckland Central	-	-	-
Bruce McLaren	-	-	-
Dannevirke	-	-	-
Drury	-	-	-
Feilding	-	-	-
Foxton	-	-	-
Hastings	-	-	-
Hunua	-	-	-
Kakariki	-	-	-
Kairanga	-	-	-
Kingseat	-	-	-
Levin	-	-	-
Longburn	-	-	-
Mangaroa	-	-	-
Mangatainoka	-	-	-
Oroua Downs	-	-	-
Pahiatua	-	-	-
Palmerston North	-	-	-
Pukekohe	-	-	-
Ramarama	-	-	-
Takapau	-	-	-
Tuakau	-	-	-
Waiuku	-	-	-
Wellington	-	-	-