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NETWORK WAITAKI LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

NETWORK WAITAKI LIMITED

LINES BUSINESS

FINANCIAL STATEMENTS

For the Year Ended 31 March 2004

Prepared for the Purposes of the Electricity Information Disclosure
Requirements 2004

INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this 2004 Information Disclosure package issued by Network Waitaki Limited as been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

The Requirements require the information to be disclosed in the manner it is presented.

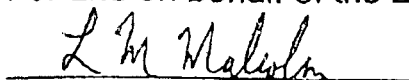
The information should not be used for any other purpose than that intended under the requirements.

The financial information presented is for the line business as described within the Electricity Information Disclosure Requirements 2004. There are also additional activities of the Company that are not required to be reported under the Requirements.

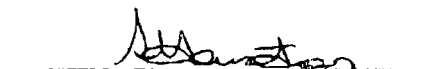
APPROVAL BY DIRECTORS

The Directors have approved the Consolidated Financial Statements of Network Waitaki Limited Line Business for the period ended 31 March 2004 on pages 1 to 14.

For and on behalf of the Board of Directors



Lindsay Malcolm



Susan Houston

23 December, 2004

Network Waitaki Limited Lines Business

Statement of Financial Performance for the Year Ended 31 March 2004

REVENUE	Note	2004 \$	2003 \$
Operating revenue			
Revenue from line/access charges		7,489,997	7,297,562
Revenue returned as Customer Discount		(1,519,350)	(1,221,561)
Revenue from "Other" business for services carried out by the line business		0	0
Interest on cash, bank balances and short term investments		453,586	368,473
AC loss-rental rebates		275,824	209,957
Other revenue not listed above			
Capital Contributions	655,321		149,543
Use of Money Interest	0		0
Other	0		0
		655,321	149,543
Total operating revenue		7,355,378	6,803,974
EXPENDITURE			
Operating expenditure			
Payment for transmission charges		2,201,995	2,222,878
Transfer payments to the "Other" business for			
Asset maintenance	3	913,645	629,791
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		493,967	686,153
Total transfer payment to the "Other" business		1,407,612	1,315,944
Expense to entities that are not related parties for			
Asset maintenance		146,722	143,701
Consumer disconnection/reconnection services		0	0
Meter data		0	0
Consumer-based load control services		0	0
Royalty and patent expenses		0	0
Total of specified expenses to non-related parties		146,722	143,701
Employee salaries, wages and redundancies		35,618	30,346
Consumer billing and information system expense		19,408	19,257
Depreciation on			
System Property, Plant and Equipment		1,623,414	2,156,486
Other Property, Plant and Equipment		3,786	7,410
Total depreciation		1,627,200	2,163,896
Amortisation of			
Goodwill		0	0
Other intangibles		0	0
Total amortisation of intangibles		0	0
Corporate and administration		195,299	182,540
Human resource expenses		772	551
Marketing/advertising		3,258	1,389
Merger and acquisition expenses		0	0
Takeover defence expenses		0	0
Research and development expenses		0	0
Consultancy and legal expenses		5,500	0
Donations		0	0
Directors' fees		74,233	54,731
Auditors' fees			
Audit fees paid to principal auditors	13,043		13,876
Audit fees paid to other auditors	0		0
Fees paid for other services provided by principal and other auditors	0		0
Total auditors' fees		13,043	13,876

Statement of Financial Performance for the Year Ended 31 March 2004 - Continued

	Note	2004 \$	2003 \$
Costs of offering credit			
Bad debts written off		0	0
Increase in estimated doubtful debts		0	0
Total cost of offering credit		<u>0</u>	<u>0</u>
Local authority rates expense		0	0
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	0
Other expenditure not listed above		124,370	134,052
Total operating expenditure		<u>5,855,031</u>	<u>6,283,161</u>
Operating surplus before interest and income tax		<u>1,500,347</u>	<u>520,813</u>
Interest expense			
Interest expense on borrowings		0	0
Financing charges related to finance leases		0	0
Other interest expense		0	0
Total interest expense		<u>0</u>	<u>0</u>
Operating surplus before income tax		<u>1,500,347</u>	<u>520,813</u>
Income tax	4	815,835	836,605
Net surplus after tax		<u>684,512</u>	<u>-315,792</u>

Network Waitaki Limited Lines Business

Statement of Movements in Equity for the Year Ended 31 March 2004

	Note	2004 \$	2003 \$
Equity at the Beginning of the Year		<u>42,509,773</u>	<u>42,533,916</u>
Net Surplus (Deficit) for the Period		684,512	(315,792)
Revaluation		8,129,113	366,649
Total Recognised Revenue and Expenses		<u>8,813,625</u>	<u>50,857</u>
Dividends Paid		0	(75,000)
Equity at the End of the Year		<u>51,323,398</u>	<u>42,509,773</u>

Network Waitaki Limited Lines Business

Statement of Financial Position as at 31 March 2004

	Note	2004 \$	2003 \$
Current assets			
Cash and bank balances		92,429	409,322
Short-term investments		8,200,000	6,900,000
Inventories		162,419	165,167
Accounts receivable		582,469	289,087
GST		153,595	0
Provisional Tax		156,924	296,231
Other current assets		8,791	0
Total current assets		<u>9,356,627</u>	<u>8,059,807</u>
Plant, Property & Equipment			
System Plant, Property & Equipment		45,926,475	37,744,279
Consumer billing and information system plant, property & equipment		0	0
Motor vehicles		0	0
Office equipment		0	0
Land and buildings		0	0
Capital works under construction (system plant, property & equipment)		388,885	272,851
Other Plant, Property & Equipment		8,199	9,435
Total Plant, Property & Equipment		<u>46,323,559</u>	<u>38,026,565</u>
Other tangible assets not listed above		0	0
Total tangible assets		<u>55,680,186</u>	<u>46,086,372</u>
Intangible assets			
Goodwill		0	0
Other intangibles		0	0
Total intangible assets		<u>0</u>	<u>0</u>
Total assets		<u>55,680,186</u>	<u>46,086,372</u>
Current liabilities			
Bank overdraft		0	0
Short-term borrowings		0	0
Payables and accruals		720,347	689,719
Provision for dividends payable		0	0
Provision for taxation		0	0
GST		0	3,950
Other current liabilities		0	13,181
Total current liabilities		<u>720,347</u>	<u>706,850</u>
Non-current liabilities			
Payables and accruals		0	0
Borrowings		0	0
Deferred tax	5	3,636,441	2,869,749
Other non-current liabilities		0	0
Total non-current liabilities		<u>3,636,441</u>	<u>2,869,749</u>
Equity			
Shareholders' equity			
Share capital		7,368,870	7,368,870
Retained earnings		6,675,620	5,991,108
Reserves		37,278,908	29,149,795
Total Shareholders' equity		<u>51,323,398</u>	<u>42,509,773</u>
Minority interests in subsidiaries		0	0
Total equity		<u>51,323,398</u>	<u>42,509,773</u>
Capital notes		0	0
Total capital funds		<u>51,323,398</u>	<u>42,509,773</u>
Total equity and liabilities		<u>55,680,186</u>	<u>46,086,372</u>

Network Waitaki Limited Lines Business

Statement of Cash Flows for the Year Ended 31 March 2004

	Note	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from Customers		6,619,036	6,504,201
Interest		453,586	368,473
GST		0	0
Income Tax		0	0
<i>Cash was disbursed to:</i>			
Customer Discounts		0	(1,221,561)
Payments to Suppliers		(4,197,856)	(3,244,514)
Employees		0	0
Income Tax		90,164	(481,260)
GST		(186,740)	(23,915)
FBT		0	0
Interest Paid		0	0
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	<u>2,778,190</u>	<u>1,901,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from sales of Plant, Property & Equipment		0	0
Collection on Loans		0	0
<i>Cash was applied to:</i>			
Cash Outflows for Plant, Property & Equipment Investments		(1,795,081)	(1,198,753)
		0	0
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(1,795,081)</u>	<u>(1,198,753)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Loan transferred from other activities		0	0
<i>Cash was applied to:</i>			
Dividend paid		0	(75,000)
Loan repaid		0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>0</u>	<u>(75,000)</u>
NET INCREASE (DECREASE) IN CASH HELD		983,109	627,671
Add Opening Cash Brought Forward		7,309,322	6,681,651
Equity Transferred From (To) Other		0	0
ENDING CASH CARRIED FORWARD		<u>8,292,431</u>	<u>7,309,322</u>

Network Waitaki Limited Lines Business

Notes to and Forming Part of the Financial Statements

for the Year Ending 31 March 2004

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 Requirements 2004.
- (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) Property, Plant & Equipment

All property, plant and equipment are initially recorded at cost. System Property, Plant and Equipment are subsequently revalued to net current value as determined by an independent valuer using the depreciated replacement cost valuation method. Other Property, Plant and Equipment are stated at cost less an allowance for depreciation.

- (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 2004 of \$380,500 (2003 \$302,475). The Lines Business has no contingent liabilities at the end of the period (2003 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 April 2003 to 31 March 2004. These services are charged on a fixed contract basis.

During the period, this charge totalled \$985,200 (2003 \$865,000). The outstanding amount as at 31 March 2004 was \$238 (2003 Nil) 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 April 2003 to 31 March 2004. Services were charged on both a fixed price basis or "time and materials" basis.

During the period, this charge totalled \$1,675,229 (2003 \$1,161,711). The outstanding amount as at 31 March 2004 was \$173,138 (2003 \$87,125) 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:

	Year to 31/3/2004	Year to 31/3/2003
Subtransmission assets	\$0	\$0
Zone substations	\$17,259	\$34,045
Distribution lines	\$403,534	\$285,839
Medium voltage switchgear	\$97,083	\$48,657
Distribution transformers	\$11,733	\$8,126
Distribution substations	\$68,663	\$34,819
Low voltage lines	\$215,205	\$92,878
Other property, plant & equipment	\$36,477	\$27,556

Other transactions totalled:

Maintenance of System Property, Plant & Equipment	\$825,275	\$629,791
Cost of customer connections and disconnections	\$0	\$0

4. Taxation

	2004 \$	2003 \$
Surplus (Deficit) Before Taxation	1,500,349	520,813
Income tax expense at 33 cents in the dollar	495,115	171,868
Plus (Less) the Effect of:		
Realised capital gains	0	0
Non-assessable receipts	(216,256)	(49,349)
Non-deductible expenses	536,976	714,086
Unrecognised timing differences	0	0
	815,835	836,605
Taxation Charge is Represented by:		
Income Tax Liability (Benefit) in respect of the current year	455,239	505,000
Deferred Taxation	360,596	331,605
	815,835	836,605

5. Movement in Deferred Tax Account

	2004 \$	2003 \$
Opening Balance	2,869,749	2,538,144
Movement in Deferred Tax	360,596	331,605
Future Income Tax Benefit	0	0
Deferred Tax on Revalued Assets	406,096	0
Closing Balance	<u>3,636,441</u>	<u>2,869,749</u>

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

	2004 \$	2003 \$
Surplus after Taxation	684,514	(315,792)
Add Non-cash Items		
Depreciation	1,627,200	2,163,896
Asset Revaluation	0	0
Deferred Tax	766,692	331,605
Transfers	<u>0</u>	<u>0</u>
	2,393,892	2,495,501
Add (Less) Movements in Working Capital Items		
Accounts Receivable	(315,354)	74,602
Inventories	2,748	(73,909)
GST	(157,545)	4,296
Tax Asset	139,307	23,740
Other Current Assets	0	0
Payables and Accruals	30,628	(307,014)
Other Current Liabilities	<u>0</u>	<u>0</u>
	(300,216)	(278,285)
	<u>2,778,190</u>	<u>1,901,424</u>

Network Waitaki Limited Lines Business

Financial Performance Measures - 31 March 2004

	2004	2003	2002	2001
Accounting return on funds	3.77%	0.40%	2.09%	3.79%
Accounting return on equity	2.62%	-0.75%	0.93%	1.94%
Accounting return on investments	1.82%	-1.80%	-3.81%#	0.28%

Corrected - refer to the Form for the Derivation of Financial Performance Measures From Financial Statements
- Year Ended 31 March 2002

Efficiency Performance Measures - 31 March 2004

	2004	2003	2002	2001
Direct line costs per kilometre	\$803.97	\$757.17	\$717.43	\$676.30
Direct expenditure	1,554,334	1,459,645	\$1,370,989	\$1,285,824
System length (km)	1,933.33	1,927.75	1,910.98	1,901.27

	2004	2003	2002	2001
Indirect line costs per consumer	\$40.55	\$38.31	\$22.60	\$21.45
Indirect expenditure	466,001	436,742	\$256,336	\$243,921
Total consumers	11,491	11,400	11,341	11,372

Energy Delivery Efficiency Performance Measures - 31 March 2004

	2004	2003	2002	2001
Load Factor (= a/b/c x 100)	61.24%	71.04%	69.15%	65.18%
a = kWh of electricity entering system	194,267,825	194,539,566	175,814,935	179,024,561
b = Maximum Demand (kW)	36,210	31,260	29,026	31,356
c = Total number of hours	8,760	8,760	8,760	8,760

	2004	2003	2002	2001
Loss Ratio (= a/b x 100)	5.66%	5.64%	6.39%	7.69%
a = Total Electricity lost in the Network (kWh)*	10,996,292	10,964,858	11,239,979	13,762,867
b = Total Electricity entering the Network before losses (kWh)	194,267,825	194,539,566	175,814,935	179,024,561

	2004	2003	2002	2001
Capacity Utilisation (= a/b x 100)	26.85%	24.56%	23.20%	25.98%
a = Maximum Demand (kW)	36,210	31,260	29,026	31,356
b = Transformer Capacity (kVA)	134,837	127,270	125,113	120,693

*Network Waitaki relies on sales information reported by electricity retailers to calculate this value.

Network Waitaki Limited Lines Business

Network Statistics - 31 March 2004

		2004	2003	2002	2001
Total System Length (kms)	33kV	138.31	138.31	138.13	138.12
	11kV	1,575.66	1,570.22	1,554.33	1,543.61
	230/400 V	219.36	219.23	218.52	219.54
	Total	1,933.33	1,927.75	1,910.98	1,901.27
Overhead Circuit Length (kms)	33kV	138.02	138.02	137.85	137.84
	11kV	1,537.81	1,535.51	1,522.80	1,515.06
	230/400 V	192.88	193.12	192.36	193.37
	Total	1,868.71	1,866.65	1,853.00	1,846.27
Underground Circuit Length (kms)	33kV	0.29	0.29	0.28	0.28
	11kV	37.84	34.71	31.54	28.56
	230/400 V	26.48	26.11	26.16	26.17
	Total	64.61	61.10	57.98	55.00

Transformer Capacity (kVA)	11,000/400V	134,712	127,145	124,988	120,568
	33,000/400V	125	125	125	125
	Total	134,837	127,270	125,113	120,693

Maximum Demand (kW)		36,210	31,260	29,026	31,356
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Total Electricity entering the Network- before losses (kWh)		194,267,825	194,539,566	175,814,935	179,024,561
Amount of electricity supplied from the system (kWh)*	Retailer A	161,114,352	163,386,098	134,961,945	122,868,367
	Retailer B	5,361,901	4,180,152	13,792,718	25,881,199
	Retailer C	9,179,280	10,028,620	10,695,532	10,429,825
	Retailer D	0	0	3,616,764	5,319,863
	Retailer E	1,771,768	3,214,192	1,120,555	755,202
	Retailer F	5,844,232	2,765,646	387,442	7,238
	Total	183,271,533	183,574,708	164,574,956	165,261,694

Total number of Consumers	Number	11,491	11,400	11,341	11,372
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*Network Waitaki relies on sales information reported by electricity retailers to calculate these amounts.

Network Waitaki Limited Lines Business

Reliability and Performance Measures

<u>Interruptions</u>	<u>Class</u>	<u>2004/08 (Target)</u>	<u>2004 (Target)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Number of Interruptions							
<i>Planned Interruptions</i>	Class A	0	0	0	0	0	0
	Class B	65	70	102	68	70	28
<i>Unplanned Interruptions</i>	Class C	80	80	109	75	75	79
	Class D	0	0	0	0	0	0
	Class E - I	0	0	0	0	0	0
	Total	145	150	211	143	145	107

Proportion of Total Class C Interruptions not restored:							
	Within 3 Hours			34.86%	13.3%	8.1%	5.1%
	Within 24 Hours			0.0%	0.0%	0.0%	0.0%

<u>Faults</u>	<u>Voltage</u>	<u>2004/08 (Target)</u>	<u>2004 (Target)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Overall System							
Faults per 100 circuit kilometres of prescribed voltage electric line		4.68	4.68	6.53	4.39	4.43	4.70
Faults per 100 circuit kilometres	33kV	1.00	1.00	0.72	0.72	0.72	0.72
	11kV	5.00	5.00	7.04	4.71	4.76	5.05
Overhead							
Faults per 100 circuit kilometres of prescribed voltage electric line				6.50	4.48	4.46	4.78
Faults per 100 circuit kilometres	33kV			0.72	0.72	0.73	0.73
	11kV			7.02	4.82	4.79	5.15
Underground							
Faults per 100 circuit kilometres of prescribed voltage electric line				7.87	0.00	3.14	0.00
Faults per 100 circuit kilometres	33kV			0.00	0.00	0.00	0.00
	11kV			7.93	0.00	3.17	0.00

Network Waitaki Limited Lines Business

Reliability and Performance Measures

System Average Interruption Duration Index (SAIDI)

	Class	2004/08 (Target)	2004 (Target)	2004	2003	2002	2001	2000
SAIDI for total number of interruptions	Overall	77	80	187.0	91.6	78.1	72.2	46.1
SAIDI for total number of interruptions within each interruption class (= a/b)	Class A			0.0	0.0	0.0	0.0	0.0
	Class B	27	30	36.7	29.6	34.6	16.7	1.9
	Class C	50	50	150.3	62.1	43.5	55.5	44.2
	Class D			0.0	0.0	0.0	0.0	0.0
	Class E - I			0.0	0.0	0.0	0.0	0.0
a = sum of interruption duration factors for all interruptions within the particular interruption class	Class A			0	0	0	0	0
	Class B	297,000	336,000	421,371	337,116	392,644	189,510	21,820
	Class C	550,000	560,000	1,727,489	707,489	493,454	631,089	504,490
	Class D			0	0	0	0	0
	Class E - I			0	0	0	0	0
b = Total Consumers		11,000	11,200	11,491	11,400	11,341	11,372	11,409

System Average Interruption Frequency Index (SAIFI)

	Class	2004/08 (Target)	2004 (Target)	2004	2003	2002	2001	2000
SAIFI for total number of interruptions	Overall	0.95	0.95	1.65	1.27	1.00	1.03	0.86
SAIFI for total number of interruptions within each interruption class (= a/b)	Class A			0.00	0.00	0.00	0.00	0.00
	Class B	0.12	0.12	0.18	0.15	0.20	0.12	0.01
	Class C	0.83	0.83	1.47	1.12	0.80	0.90	0.85
	Class D			0.00	0.00	0.00	0.00	0.00
	Class E - I			0.00	0.00	0.00	0.00	0.00
a = sum of electricity consumers affected by all interruptions	Class A			0	0	0	0	0
	Class B	1,320	1,344	2,084	1,687	2,293	1,380	169
	Class C	9,130	9,296	16,932	12,803	9,019	10,279	9,663
	Class D			0	0	0	0	0
	Class E - I			0	0	0	0	0
b = Total Consumers		11,000	11,200	11,491	11,400	11,341	11,372	11,409

Connection Average Interruption Duration Index (CAIDI)

	Class	2004/08 (Target)	2004 (Target)	2004	2003	2002	2001	2000
CAIDI for total number of interruptions	Overall	81	84	113.00	72.09	78.33	70.38	53.53
CAIDI for total number of interruptions within each interruption class	Class A			0.00	0.00	0.00	0.00	0.00
	Class B	225	250	202.19	199.83	171.24	137.33	129.14
	Class C	60	60	102.03	55.26	54.71	61.40	52.21
	Class D			0.00	0.00	0.00	0.00	0.00
	Classes E-I			0.00	0.00	0.00	0.00	0.00

Network Waitaki Limited Lines Business

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2004

Derivation Table	Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,500,347				
Operating surplus before interest and income tax adjusted pursuant to regulation 18	1,500,347				
Interest on cash, bank balances, and short-term investments (ISTI)	453,566				
OSBIT minus ISTI	1,046,781	a	1,046,781		1,046,781
Net surplus after tax from financial statements					
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	684,512	n		684,512	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	0	s	add	add	add
Depreciation of PPE at BV (x)	2,156,486				
Depreciation of PPE at ODV (y)	1,623,414				
ODV depreciation adjustment	533,072	d	add	533,072	533,072
Subvention payment tax adjustment	0	s ¹	deduct	deduct	deduct
Interest tax shield	0	q			
Revaluations	0	r			
Income tax	815,835	p	deduct	deduct	deduct
Numerator			1,579,833	1,217,584	763,998
			$OSBIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s^1 + d$	$OSBIT^{ADJ} = a + g - q + r + s + d - p - s^1$
Plant, Property & Equipment at end of previous financial year (FA ₀)	38,026,565				
Plant, Property & Equipment at end of current financial year (FA ₁)	48,323,559				
Adjusted net working capital at end of previous financial year (ANWC ₀)	43,635				
Adjusted net working capital at end of current financial year (ANWC ₁)	343,851				
Average total funds employed (ATFE)	42,368,805	c	42,368,805		42,368,805
Total equity at end of previous financial year (TE ₀)	42,509,773				
Total equity at end of current financial year (TE ₁)	51,323,398				
Average total equity	46,916,585	k		46,916,585	
WUC at end of previous financial year (WUC ₀)	272,851				
WUC at end of current financial year (WUC ₁)	368,885				
Average total works under construction	330,868	e	deduct	deduct	deduct
Revaluations	0	r			
Intangible assets at end of previous financial year (IA ₀)	0	r/2			
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0	m	add	0	0
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v	add	0	0
System Plant, Property & Equipment at end of previous financial year at book value (S)	37,744,279				
System Plant, Property & Equipment at end of current financial year at book value (S)	45,926,475				
Average value of system plant, property & equipment at book value	41,835,377	f	deduct	41,835,377	41,835,377
System Plant, Property & Equipment at year beginning at ODV value (SPA _{begin})	37,835,151				
System Plant, Property & Equipment at end of current financial year at ODV value (S)	45,668,091				
Average value of system plant, property & equipment at ODV value	41,751,621	h	add	41,751,621	41,751,621
Denominator			41,954,181	46,501,961	41,954,181
			$ATFE^{ADJ} = c - e - f + h$	$Ave TE^{ADJ} = k - e - m + v - f + h$	$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:			3.77%	2.62%	1.82%
			$ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	$ROI = OSBIT^{ADJ}/ATE^{ADJ} \times 100$

t = maximum statutory income tax rate applying to corporate entities
 subscript '1' = end of the current financial year
 subscript '0' = end of the previous financial year
 ave = average
 odv = optimised deprival valuation
 ROI = return on investment
 ROE = return on equity
 ROF = return on funds

**Network Waitaki (Lines)
Annual Valuation Reconciliation Report**

	2004 \$	2003 \$
System Property, Plant & Equipment at ODV (start of period)	37,303,371	38,366,931
Adjustment following Commerce Commission Comprehensive Audit Process (under Commerce Act 1986)	0	0
Restated System Property, Plant & Equipment at ODV (start of period)	37,303,371	38,366,931
Add System Property, Plant & Equipment acquired during the period at ODV	1,779,282	1,240,915
Less System Property, Plant & Equipment disposed of during the period at ODV	(131,478)	(147,989)
Less depreciation on System Property, Plant & Equipment at ODV	(1,623,414)	(2,156,486)
Add revaluations of System Property, Plant & Equipment	8,340,330	0
Gives System Property, Plant & Equipment at ODV (end of period)	45,668,091	37,303,371

Valuation of the Network Reticulation System

Valuation of the Network Reticulation System is at net current value on an existing use basis, as at 31 March 2004, and was conducted by KPMG, Christchurch. The Commerce Commission has adjusted this valuation (as shown) following a comprehensive audit.

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

We, Lindsay Mitchell Malcolm and Susan Houston, 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 Requirements 2004 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 14, 15, 20, and 21 of the Electricity Information Disclosure Requirements 2004 comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2004.



Lindsay Mitchell Malcolm

Susan Houston

23 December, 2004



Certification of Valuation Report of Disclosing Entities

We, Lindsay Malcolm and Susan Houston, 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 requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those Requirements; and
- b The replacement cost of the line business system fixed assets of Network Waitaki Limited is \$95,921,440; and
- c The depreciated replacement cost of the lines business system fixed assets of Network Waitaki Limited is \$46,528,719; and
- d The optimised depreciated replacement cost of the lines business system fixed assets of Network Waitaki Limited is \$46,116,000; and
- e The optimised deprival valuation of the lines business system fixed assets of Network Waitaki Limited is \$45,668,091; and
- f The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.

Handwritten signature of Lindsay Malcolm in black ink.

LM Malcolm
Director

Handwritten signature of Susan Houston in black ink.

S Houston
Director


**Statutory Declaration In Respect of Statements and Information
Supplied to Secretary**

I, Lindsay Mitchell Malcolm, of Oamaru, being director of Network Waitaki 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 Electricity Information Disclosure Requirements 2004.

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

Signed *L.M. Malcolm*

Declared at Oamaru this 23rd day of December 2004.

Witnessed *[Signature]* 
JP or Solicitor or Other person authorised to take a statutory declaration



PricewaterhouseCoopers
119 Armagh Street
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Christchurch
New Zealand
Telephone +64 3 374 3000
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Report of the Auditor-General

To the readers of the financial statements of Network Waitaki Limited - Lines Business

We have audited the accompanying financial statements of Network Waitaki Limited - Lines Business. The financial statements provide information about the past financial performance of Network Waitaki Limited - Lines Business and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Network Waitaki Limited - Lines Business as at 31 March 2004, and the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 30 of the Electricity Information Disclosure Requirements 2004 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 presented by the Directors and report that opinion to you.

The Auditor-General has appointed Maurice Noone of PricewaterhouseCoopers 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 Network Waitaki Limited - Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate 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 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.

We have carried out other assignments for Network Waitaki Limited in the provision of other assurance services. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Network Waitaki Limited.

Report of the Auditor-General

Network Waitaki Limited - Lines Business

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been maintained by Network Waitaki Limited – Lines Business as far as appears from our examination of those records; and
- (b) the financial statements of Network Waitaki Limited – Lines Business:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of Network Waitaki Limited - Lines Business's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and
 - (iii) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 24 December 2004 and our unqualified opinion is expressed as at that date.



Maurice Noone
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand



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Auditor-General's Opinion of Performance Measures of Network Waitaki Limited – Lines Business

We have examined the attached information, being:-

- (a) a derivation table in requirement 15; and
- (b) an annual ODV reconciliation report in requirement 16; and
- (c) financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1

that were prepared by Network Waitaki Limited – Lines Business and dated 24 December 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.

A handwritten signature in black ink, appearing to read 'M. Noone'.

Maurice Noone
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand
24 December 2004



AUDITORS OPINION IN RELATION TO ODV VALUATION

NETWORK WAITAKI LIMITED

We have examined the valuation report of Network Waitaki Limited and dated 16 December 2004, which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$45,668,091 have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

A handwritten signature in black ink, appearing to read 'KPMG' with a long horizontal stroke extending to the right.

KPMG
P O Box 274
Christchurch

16 December 2004