



# New Zealand Gazette

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## WAIPA NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

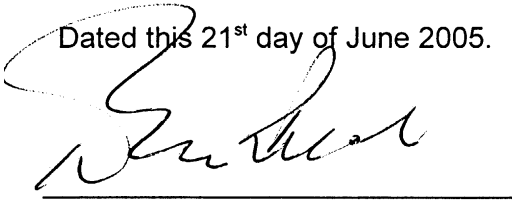
**Certification of Financial Statements, Performance Measures,  
and Statistics Disclosed by Disclosing Entities (other than Transpower).**

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

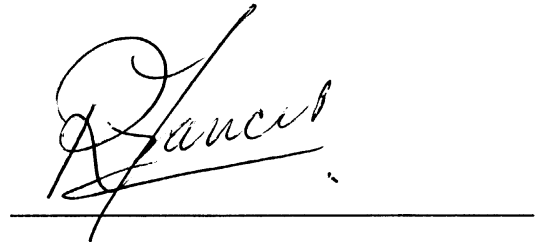
- (a) The attached audited financial statements of Waipa Networks Limited prepared for the purposes of regulation 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial 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 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based as at 31 March 2005.

Dated this 21<sup>st</sup> day of June 2005.



Director



Director

## WAIPA NETWORKS LIMITED - LINES BUSINESS

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 \$	2004 \$
Revenue		13,674,028	12,809,089
Less Discounts		3,499,150	3,039,795
Net Revenue		<u>10,174,878</u>	<u>9,769,294</u>
Net Operating Surplus Before Taxation	2	716,713	1,052,186
Less Taxation Expense	3	78,997	239,833
Net Surplus		<u>637,716</u>	<u>812,353</u>

## STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2005

		2005 \$	2004 \$
Equity as at 1 April		<u>41,673,046</u>	<u>40,860,693</u>
Net Surplus		637,716	812,353
Revaluation of Assets	5	9,654,064	-
Total Recognised Revenue and Expenses for the Year		<u>10,291,780</u>	<u>812,353</u>
Equity as at 31 March		<u>51,964,826</u>	<u>41,673,046</u>

The accompanying notes form part of these financial statements.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2005

	Note	2005 \$	2004 \$
<b>EQUITY</b>			
Share capital	4	-	-
Reserves	5	44,516,299	34,862,235
Retained earnings	6	7,448,527	6,810,811
<b>TOTAL EQUITY</b>		<u>51,964,826</u>	<u>41,673,046</u>
Represented By:			
<b>CURRENT ASSETS</b>			
Cash and Bank		299,244	960,664
Receivables and prepayments	7	1,308,143	1,227,429
Tax refund due		16,532	101,323
Inventories		368,446	244,565
		<u>1,992,365</u>	<u>2,533,981</u>
<b>NON - CURRENT ASSETS</b>			
Property, Plant and Equipment	9	58,774,792	47,807,151
<b>TOTAL ASSETS</b>		<u>60,767,157</u>	<u>50,341,132</u>
<b>CURRENT LIABILITIES</b>			
Creditors	8	775,073	646,153
<b>NON - CURRENT LIABILITIES</b>			
Employee entitlements		27,258	21,933
Term Liabilities	10	8,000,000	8,000,000
<b>TOTAL LIABILITIES</b>		<u>8,802,331</u>	<u>8,668,086</u>
<b>NET ASSETS</b>		<u>51,964,826</u>	<u>41,673,046</u>

For and on behalf of the Board



D M Reed Director  
21 June 2005



R T Francis Director  
21 June 2005

The accompanying notes form part of these financial statements.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Receipts from customers		8,976,357	8,743,181
Interest received		30,487	43,059
Net GST		14,511	8,276
		<u>9,021,355</u>	<u>8,794,516</u>
Cash was disbursed to:			
Payments to suppliers and employees		6,905,977	5,890,127
Interest Paid		796,000	798,181
Taxes paid		(5,794)	339,175
		<u>7,696,183</u>	<u>7,027,483</u>
Net cash flows from operating activities	15	<u>1,325,172</u>	<u>1,767,033</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Proceeds from sale of assets		8,164	29,548
Capital Contributions		851,615	516,551
		<u>859,779</u>	<u>546,099</u>
Cash was applied to:			
Purchase of assets		2,846,371	2,034,477
		<u>2,846,371</u>	<u>2,034,477</u>
Net cash flows from investing activities		<u>(1,986,592)</u>	<u>(1,488,378)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net cash flows from financing activities		<u>-</u>	<u>-</u>
Net decrease in cash held		(661,420)	278,655
Add opening cash brought forward		960,664	682,009
Ending cash carried forward		<u>299,244</u>	<u>960,664</u>
<b>CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION</b>			
Cash and Bank		<u>299,244</u>	<u>960,664</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 2005

**1 STATEMENT OF ACCOUNTING POLICIES****Reporting Entity**

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 Commerce Commission's Electricity Information Disclosure Requirements 2004.

**Measurement Basis**

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.

**Accounting Policies**

The following 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 2005.

**b) Property, Plant and Equipment**

The Line Business has five classes of Property, Plant and Equipment 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 31 March 2004 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 Property, Plant and Equipment are recorded at cost less accumulated depreciation.

WAIPA NETWORKS LIMITED - LINES BUSINESS

**c) Capital Contributions**

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

**d) Depreciation**

Land is not depreciated. Depreciation has been provided on other Property, Plant and Equipment 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.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

**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.

**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 2005

**CHANGES IN ACCOUNTING POLICIES**

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

	2005	2004
	\$	\$
<b>2 NET SURPLUS BEFORE TAXATION</b>		
After Charging:		
Direct Expenditure	2,108,683	1,911,216
Audit fees for these financial statements	5,960	5,960
Audit fees for other Company financial statements	29,480	29,900
Directors' fees	123,181	113,424
Electricity Reform Costs	14,513	30,869
Other Indirect expenditure	1,092,855	971,381
Depreciation	1,520,220	1,321,665
Buildings	11,484	12,155
Reticulation Assets	1,439,386	1,233,583
Motor Vehicles	28,354	26,090
Plant, Furniture and Fittings	40,996	49,837
Net Gain on Disposal of Assets	(4,725)	(12,689)
Interest Paid	796,000	798,181
After Crediting:		
Interest Received	33,073	43,120



## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005 \$	2004 \$
<b>3 TAXATION</b>		
Net surplus before taxation	716,713	1,052,186
Prima facie taxation at 33%	236,515	347,221
Plus Tax effect of permanent differences	474,997	407,082
Less Tax effect of timing differences not Recognised	(632,515)	(514,470)
Total Taxation Expense	<u>78,997</u>	<u>239,833</u>
The Taxation charge comprises:		
- current taxation	78,997	239,833
- deferred taxation	<u>-</u>	<u>-</u>
	<u>78,997</u>	<u>239,833</u>

A deferred tax liability of \$4,076,136 (2004 \$3,714,025), 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	1,665,063	1,325,888
Dividends Allocated	-	-
Taxation paid	(5,794)	339,175
Balance at end of year	<u>1,659,269</u>	<u>1,665,063</u>

**4 SHARE CAPITAL**

Balance at end of year	<u>-</u>	<u>-</u>
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At 31 March 2005 the company has 6,800,000 fully paid issued shares.

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

	2005 \$	2004 \$
<b>5 REVALUATION OF ASSETS RESERVE</b>		
<b>Revaluation of Assets Reserve</b>		
Balance at beginning of year	34,862,235	34,862,235
Asset Revaluation Reticulation	9,654,064	-
Balance at end of year	<u>44,516,299</u>	<u>34,862,235</u>
<b>6 RETAINED EARNINGS</b>		
Balance at beginning of year	6,810,811	5,998,458
Net Surplus after Taxation	637,716	812,353
Balance at end of year	<u>7,448,527</u>	<u>6,810,811</u>
<b>7 RECEIVABLES</b>		
Trade debtors	1,260,112	1,179,448
Accrued Interest Income	2,667	81
Prepayments	45,364	47,900
	<u>1,308,143</u>	<u>1,227,429</u>
<b>8 CREDITORS</b>		
Accounts payable and accruals - trade	679,130	571,496
Employee entitlements	93,579	74,657
Payables to Directors	2,364	-
	<u>775,073</u>	<u>646,153</u>

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005 \$	2004 \$
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Freehold Land</b>		
Cost	1,610	1,610
<b>Freehold Buildings</b>		
Cost	895,861	895,861
Accumulated Depreciation	<u>193,788</u>	<u>182,521</u>
Net Book Value	702,073	713,340
<b>Reticulation Assets</b>		
Cost - additions since 1 April 2004	2,725,734	5,509,032
Valuation	<u>56,540,820</u>	<u>44,944,031</u>
	59,266,554	50,453,063
Accumulated Depreciation at cost	25,531	195,505
Accumulated Depreciation at valuation	<u>1,413,521</u>	<u>3,370,802</u>
Net Book Value	57,827,502	46,886,756
<b>Motor Vehicles</b>		
Cost	166,594	176,654
Accumulated Depreciation	<u>45,681</u>	<u>96,085</u>
Net Book Value	120,913	80,569
<b>Plant, Furniture and Fittings</b>		
Cost	1,209,258	1,149,856
Accumulated Depreciation	<u>1,086,564</u>	<u>1,024,980</u>
Net Book Value	122,694	124,876
<b>Total Net Book Value</b>	<u><u>58,774,792</u></u>	<u><u>47,807,151</u></u>

The Reticulation Assets were revalued by E W Graham, B.E. (Elect), F.I.P.E.N.Z. and PricewaterhouseCoopers on 31 March 2004 to a value of \$56,540,820 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 2002 for GV purposes.

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005 \$	2004 \$
<b>10 TERM LIABILITIES</b>		
Inter-business Loan - Other Business (9.95%)	8,000,000	8,000,000

Maturing within 1 year.

This debt will mature during the next 12 months and will routinely renewed on maturity date.

**11 FINANCIAL INSTRUMENTS**

## Credit Risk

In the normal course of it's business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 55% (2004 61%) of total sales and 80% (2004 83%) 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 2005 are stated in the Statement of Financial Position.

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

There are no contingent liabilities as at 31 March 2005 (2004 Nil);

There are no commitments for future capital expenditure as at 31 March 2005 (2004 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 2005

	<b>2005</b>	<b>2004</b>
Construction of distribution lines & cables	919,640	466,628
Construction of medium voltage switchgear	544,466	193,407
Construction of distribution transformers	557,739	360,255
Construction of distribution substations	235,251	227,021
Construction of low voltage lines and cables	262,153	281,533
Construction of other system fixed assets	206,485	338,425
Maintenance of assets	1,299,478	1,248,027
Consumer connections and reconnections	6,636	5,376
Other services	50,877	34,825

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

Interest paid to Other	796,000	798,181
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The line business has a loan from the other business refer note 10.

The amount outstanding at balance date was \$8,000,000 (2004 \$8,000,000).

At year end there were no other outstanding balances for related parties (2004 Nil).

No related party debt has been written off or forgiven during 2005 or 2004.

No provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust. (2004 Nil). No Interim dividends have been paid (2004 Nil).

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005	2004
	\$	\$
<b>15 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Reported Net Surplus after tax	637,716	812,353
Add (Less) Non Cash Items:		
Depreciation	1,520,220	1,321,665
Increase in Non-current Liabilities Leave Provisions	5,325	1,575
	<u>2,163,261</u>	<u>2,135,593</u>
Add (Less) Movements in Working Capital Items		
Decrease (Increase) in Tax Receivable	84,791	(99,342)
Decrease (Increase) in Receivables	(80,714)	48,592
Decrease (Increase) in Inventories	(123,881)	143,463
Decrease (Increase) in Accounts Payable	109,998	(18,173)
Increase in Leave Provisions	18,922	11,934
	<u>9,116</u>	<u>86,474</u>
	2,172,377	2,222,067
Add (Less) Items Classified as Investing Activities		
Net Loss (Gain) on Disposal of Assets	(4,725)	(12,689)
Increase in Creditors for Property, Plant and Equipment	9,135	74,206
Capital Contributions	(851,615)	(516,551)
	<u>(847,205)</u>	<u>(455,034)</u>
	1,325,172	1,767,033
<b>Net Cash Inflows from Operating Activities</b>	<u><u>1,325,172</u></u>	<u><u>1,767,033</u></u>
<b>16 ODV RECONCILIATION REPORT</b>		
System fixed assets at ODV at beginning of year	56,540,820	46,177,952
Add system fixed assets acquired during the year at ODV	4,178,664	1,958,001
Less system fixed assets disposed of during the year at ODV	146,118	10,960
Less depreciation system fixed assets at ODV	2,035,880	1,480,494
Add revaluations of system fixed assets	-	9,896,321
System fixed assets at ODV at end of year	<u><u>58,537,486</u></u>	<u><u>56,540,820</u></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.

	2005 \$	2004 \$
<b>Statement of Financial Position Disclosure (Schedule 1, Part 2)</b>		
<b>1 Current Assets</b>		
(a) Cash and Bank balances	299,244	960,664
(b) Short-term investments	-	-
(c) Inventories	368,446	244,565
(d) Accounts receivable	1,260,112	1,179,448
(e) Other current assets not listed in (a) to (d)	64,563	149,304
(f) Total current assets	1,992,365	2,533,981
<b>2 Fixed Assets</b>		
(a) System fixed assets	57,827,502	46,886,756
(b) Customer billing and information system assets	53,409	53,576
(c) Motor vehicles	120,913	80,569
(d) Office Equipment	69,285	71,300
(e) Land & Buildings	703,683	714,950
(f) Capital works under construction	-	-
(g) Other fixed assets not listed in (a) to (f)	-	-
(h) Total fixed assets	58,774,792	47,807,151
<b>3 Other tangible assets not listed above</b>	-	-
<b>4 Total tangible assets</b>	60,767,157	50,341,132
<b>5 Intangible assets</b>		
(a) Goodwill	-	-
(b) Other intangible not listed in (a)	-	-
(c) Total intangible assets	-	-
<b>6 Total Assets</b>	60,767,157	50,341,132
<b>7 Current Liabilities</b>		
(a) Bank Overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	775,073	646,153
(d) Provision for dividend payable	-	-
(e) Provision for income tax	-	-
(f) Other Current Liabilities not listed in (a) to (e)	-	-
(g) Total Current Liabilities	775,073	646,153
<b>8 Non-current liabilities</b>		
(a) Payables and accruals	27,258	21,933
(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	8,027,258	8,021,933

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005 \$	2004 \$
<b>9 Equity</b>		
(a) Shareholders' equity		
(i) Share Capital	-	-
(ii) Retained Earnings	7,448,527	6,810,811
(iii) Reserves	44,516,299	34,862,235
(iv) Total Shareholders' equity	51,964,826	41,673,046
(b) Minority interests in subsidiaries	-	-
(c) Total Equity	51,964,826	41,673,046
(d) Capital notes	-	-
(e) Total capital funds	51,964,826	41,673,046
<b>10 Total equity and liabilities</b>	<b>60,767,157</b>	<b>50,341,132</b>

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

<b>11 Operating revenue</b>		
(a) Revenue from line/access charges	9,057,021	8,693,981
(b) Revenue from "Other" business (transfer payment)	-	-
(c) Income from interest on bank & short-term investments	33,073	43,120
(d) AC loss-rental rebates	233,169	486,405
(e) Other operating revenue not listed in (a) to (d)	851,615	545,788
(f) Total operating revenue	10,174,878	9,769,294
<b>12 Operating expenditure</b>		
(a) Transmission Charges	3,771,997	3,517,964
(b) Transfer payments to "Other" business		
(i) Asset maintenance	1,299,478	1,248,027
(ii) Consumer disconnections and reconnections	6,636	5,376
(iii) Meter data	-	-
(iv) Consumer-based load control	50,877	34,825
(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	1,356,991	1,288,228
(c) Payments to non-related entities		
(i) Asset maintenance	303,432	210,275
(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	303,432	210,275
(d) Employee salaries, wages and redundancies	861,950	819,173
(e) Consumer billing and information system expense	40,759	36,131
(f) Depreciation on		
(i) System fixed assets	1,439,386	1,233,583
(ii) Other assets not listed in (i)	80,834	88,082
(iii) Total depreciation expense	1,520,220	1,321,665



## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005	2004
	\$	\$
(g) Amortisation of		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate and administration	197,626	184,437
(i) Human resource expenses	48,856	41,716
(j) Marketing and advertising	88,087	104,632
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy and legal expenses	61,077	17,414
(o) Donations	-	-
(p) Directors fees	123,181	113,424
(q) Audit fees		
(i) Audit fees paid to principal auditors	35,440	35,860
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors fees	35,440	35,860
(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	83,527	84,276
(t) AC loss-rental (distribution of) expense	-	29,237
(u) Rebates to customers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	169,022	114,495
<b>13 Total operating expenditure</b>	<b>8,662,165</b>	<b>7,918,927</b>
<b>14 Operating surplus before interest and income tax</b>	<b>1,512,713</b>	<b>1,850,367</b>
<b>15 Interest</b>		
(a) Interest expense on borrowings	796,000	798,181
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
(d) Total interest expense	796,000	798,181
<b>16 Operating surplus before income tax</b>	<b>716,713</b>	<b>1,052,186</b>
<b>17 Income Tax</b>	<b>78,997</b>	<b>239,833</b>
<b>18 Net surplus after tax</b>	<b>637,716</b>	<b>812,353</b>

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005	2004	2003	2002
<b>18 PERFORMANCE MEASURES</b>				
Disclosure of financial performance measures and efficiency performance measures.				
1. Financial performance measures				
(a) Return on funds	1.49%	2.93%	2.94%	3.25%
(b) Return on equity	0.08%	1.23%	0.93%	1.06%
(c) Return on investment	0.93%	22.73%	1.90%	2.02%
2. Efficiency performance measures:				
(a) Direct line costs per kilometre	\$1,046	\$1,005	\$1,090	\$821
Direct Expenditure	\$2,108,683	\$1,911,216	\$1,927,280	\$1,448,878
System Length	2,015	1,902	1,768	1,764
(b) Indirect line costs per electricity customer	\$60	\$55	\$54	\$54
Indirect Expenditure	\$1,265,989	\$1,151,534	\$1,107,857	\$1,093,645
Total consumers	21,107	20,773	20,510	20,293
Disclosure of energy delivery efficiency performance measures.				
1. Energy Delivery efficiency performance measures:				
(a) Load factor (=a/b*c*100)	63.09	64.98	66.79	65.23 *
a = kWh of electricity entering system	334,710,530	323,352,769	323,000,166	320,374,899 *
b = Maximum demand	60,560	56,808	55,206	56,064 *
c = Total number of hours in year	8,760	8,760	8,760	8,760
* Restated to adjust for Transpower metering error.				
(b) Loss ratio (=a/b*100)	6.30	6.23	6.23	6.19 *
a = losses in electricity in kWh	21,077,483	20,134,172	20,113,092	19,821,669 *
b = kWh of electricity entering system	334,710,530	323,352,769	323,000,166	320,374,899 *
* Restated to adjust for Transpower metering error.				
(c) Capacity utilisation (=a/b*100)	34.28	33.43	33.51	34.97 *
a = Maximum demand	60,560	56,808	55,206	56,064 *
b = Transformer Capacity	176,646	169,941	164,753	160,298
* Restated to adjust for Transpower metering error.				

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005	2004	2003	2002
<b>2. Statistics</b>				
<b>(a) System Length</b>				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,336	1,307	1,326	1,324
Circuit Kilometres 400V	679	595	442	440
<b>Total</b>	<b><u>2,015</u></b>	<b><u>1,902</u></b>	<b><u>1,768</u></b>	<b><u>1,764</u></b>
<b>(b) System Length - Overhead</b>				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,281	1,254	1,291	1,289
Circuit Kilometres 400V	538	475	361	361
<b>Total Overhead</b>	<b><u>1,819</u></b>	<b><u>1,729</u></b>	<b><u>1,652</u></b>	<b><u>1,650</u></b>
<b>(c) System Length - Underground</b>				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	55	53	35	35
Circuit Kilometres 400V	141	120	81	79
<b>Total Underground</b>	<b><u>196</u></b>	<b><u>173</u></b>	<b><u>116</u></b>	<b><u>114</u></b>
<b>(d) Transformer Capacity (In Kilovolt Amperes)</b>	<b>176,646</b>	<b>169,941</b>	<b>164,753</b>	<b>160,298</b>
<b>(e) Maximum Demand</b>	<b>60,560</b>	<b>56,808</b>	<b>55,206</b>	<b>56,064 *</b>
* Restated to adjust for Transpower metering error.				
<b>(f) Total electricity entering the system before losses (in Kilowatt Hours)</b>	<b>334,710,530</b>	<b>323,352,769</b>	<b>323,000,166</b>	<b>320,374,899 *</b>
* Restated to adjust for Transpower metering error.				
<b>(g) Electricity conveyed from the system after losses for each retailer.</b>				
Retailer 1	175,665,524	181,228,143	201,619,872	204,646,933 *
Retailer 2	23,615,904	17,486,319	8,937,740	6,999,505
Retailer 3	61,110,325	67,541,673	75,576,369	65,328,222
Retailer 4	490,550	417,203	334,276	242,002
Retailer 5	30,694,705	18,651,418	5,605,676	1,966,284
Retailer 6	8,723,945	9,648,851	8,962,294	8,252,342
Retailer 7	13,332,094	8,244,990	1,850,847	13,117,942
	<b><u>313,633,047</u></b>	<b><u>303,218,597</u></b>	<b><u>302,887,074</u></b>	<b><u>300,553,230 *</u></b>
* Restated to adjust for Transpower metering error.				
<b>(h) Total Customers</b>	<b>21,107</b>	<b>20,773</b>	<b>20,510</b>	<b>20,293</b>

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005	2004	2003	2002	
Disclosure of reliability performance measures.					
1	Total number of interruptions				
	Class A - Planned - by Transpower	0	1	0	0
	Class B - Planned - by Waipa Networks	38	50	122	149
	Class C - Unplanned - by Waipa Networks	131	133	111	103
	Class D - Unplanned - by Transpower	4	1	1	1
	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	1	2	3	2
	Class H - Planned - by another line owner	0	0	0	0
	Class I - Any other loss of supply	0	0	0	0
	Total	<u>174</u>	<u>187</u>	<u>237</u>	<u>255</u>
2	Interruption targets for 2005 / 2006				
	Class B - Planned - by Waipa Networks	75			
	Class C - Unplanned - by Waipa Networks	103			
3	Average interruption targets for 2005 / 2006 to 2009 / 2010 years				
	Class B - Planned - by Waipa Networks	66			
	Class C - Unplanned - by Waipa Networks	98			
4	Proportion of Class C interruptions not restored within: (=a/b*100)				
	3 Hours	26%	29%	23%	30%
	a = number of interruptions restored within 3	34	39	25	31
	b = Total number of Class C interruptions	131	133	111	103
	24 Hours	0%	1%	0%	0%
	a = number of interruptions restored within 24	0	1	0	0
	b = Total number of Class C interruptions	131	133	111	103
5	(a) The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
	11kV	9.81	10.18	8.37	7.78
	(b) Target for 2005 / 2006 year				
	11kV	7.71			
	(c) Average Target for 2005 / 2006 to 2009 / 2010 years				
	11kV	7.34			
6	The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line				
	11kV	5.45	0.00	0.00	0.00
7	The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
	11kV	9.99	10.61	8.60	7.99

## WAIPA NETWORKS LIMITED - LINES BUSINESS

	2005	2004	2003	2002	
8	The SAIDI for the total number of interruption	278.74	491.04	247.32	374.96
9	SAIDI targets for 2005 / 2006				
	Class B - Planned - by Waipa Networks	38			
	Class C - Unplanned - by Waipa Networks	168			
10	Average SAIDI target for 2005 / 2006 to 2009 / 2010 years				
	Class B - Planned - by Waipa Networks	34			
	Class C - Unplanned - by Waipa Networks	154			
11	The SAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0.00	204.14	0.00	0.00
	Class B - Planned - by Waipa Networks	9.48	19.02	73.74	150.46
	Class C - Unplanned - by Waipa Networks	152.68	244.74	162.40	198.80
	Class D - Unplanned - by Transpower	113.08	20.57	4.49	20.17
	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	3.50	2.57	6.69	5.53
	Class H - Planned - by another line owner	0.00	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	4.29	5.58	4.21	3.88
13	SAIFI targets for 2005 / 2006				
	Class B - Planned - by Waipa Networks	0.15			
	Class C - Unplanned - by Waipa Networks	2.54			
14	Average SAIFI target for 2005 / 2006 to 2009 / 2010 years				
	Class B - Planned - by Waipa Networks	0.14			
	Class C - Unplanned - by Waipa Networks	2.40			
15	The SAIFI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0.00	0.56	0.00	0.00
	Class B - Planned - by Waipa Networks	0.05	0.08	0.32	0.62
	Class C - Unplanned - by Waipa Networks	3.04	4.31	3.23	2.62
	Class D - Unplanned - by Transpower	1.14	0.56	0.56	0.58
	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	0.07	0.10	0.06
	Class H - Planned - by another line owner	0.00	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

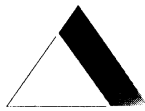
	2005	2004	2003	2002
16 The CAIDI for the total number of interruption	65	88	59	97
17 CAIDI targets for 2005 / 2006				
Class B - Planned - by Waipa Networks	250			
Class C - Unplanned - by Waipa Networks	66			
18 Average CAIDI Target for 2005 / 2006 to 2009 / 2010 years				
Class B - Planned - by Waipa Networks	250			
Class C - Unplanned - by Waipa Networks	64			
19 The CAIDI for the total number of interruptions within each interruption class				
Class A - Planned - by Transpower	0	366	0	0
Class B - Planned - by Waipa Networks	205	253	232	245
Class C - Unplanned - by Waipa Networks	50	57	50	76
Class D - Unplanned - by Transpower	100	37	8	35
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	63	35	65	92
Class H - Planned - by another line owner	0	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	1,512,713							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	1,512,713							
Interest on cash, bank balances, and short-term investments (ISTI)	33,073							
OSBIIT minus ISTI	1,479,640	a		1,479,640				1,479,640
Net surplus after tax from financial statements	637,716							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	637,716	n				637,716		
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add	0	add	0
Subvention payment	0	s	add	0	add	0	add	0
Depreciation of SFA at BV (x)	1,439,386							
Depreciation of SFA at ODV (y)	2,035,880							
ODV depreciation adjustment	-596,494	d	add	-596,494	add	-596,494	add	-596,494
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	251,766	q					deduct	251,766
Revaluations	0	r					add	0
Income tax	78,997	p					deduct	78,997
Numerator				883,146		41,222		552,383
				$OSBIIT^{ADJ} = a + g + s + d$		$NSAT^{ADJ} = n + g + s - s*t + d$		$IT^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of previous financial year (FA0)	47,807,151							
Fixed assets at end of current financial year (FA1)	58,774,792							
Adjusted net working capital at end of previous financial year (ANWC0)	825,760							
Adjusted net working capital at end of current financial year (ANWC1)	898,849							
Average total funds employed (ATFE)	54,153,276 (or regulation 33 time-weighted average)	c		54,153,276				54,153,276
Total equity at end of previous financial year (TE0)	41,673,046							
Total equity at end of current financial year (TE1)	51,964,826							
Average total equity	46,818,936 (or regulation 33 time-weighted average)	k				46,818,936		
WUC at end of previous financial year (WUC0)	0							
WUC at end of current financial year (WUC1)	0							
Average total works under construction	0 (or regulation 33 time-weighted average)	e	deduct	0	deduct	0	deduct	0
Revaluations	0	r						
Half of revaluations	0	r/2					deduct	0
Intangible assets at end of previous financial year (IA0)	0							
Intangible assets at end of current financial year (IA1)	0							
Average total intangible asset	0 (or regulation 33 time-weighted average)	m				add	0	
Subvention payment at end of previous financial year (S0)	0							
Subvention payment at end of current financial year (S1)	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	
System fixed assets at end of previous financial year at book value (SFA <sub>bv0</sub> )	46,886,756							
System fixed assets at end of current financial year at book value (SFA <sub>bv1</sub> )	57,827,502							
Average value of system fixed assets at book value	52,357,129 (or regulation 33 time-weighted average)	f	deduct	52,357,129	deduct	52,357,129	deduct	52,357,129
System Fixed assets at year beginning at ODV value (SFA <sub>odv0</sub> )	56,540,820							
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv1</sub> )	58,537,486							
Average value of system fixed assets at ODV value	57,539,153 (or regulation 33 time-weighted average)	h	add	57,539,153	add	57,539,153	add	57,539,153
Denominator				59,335,300		52,000,960		59,335,300
				$ATFE^{ADJ} = c - e - f + h$		$Ave TE^{ADJ} = k - e - m + v - f + h$		$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:				1.49		0.08		0.93
				$ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$		$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$		$ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

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



## Audit New Zealand

### REPORT OF THE AUDITOR-GENERAL TO THE READERS OF THE FINANCIAL STATEMENTS OF WAIPA NETWORKS LIMITED FOR THE YEAR ENDED 31 MARCH 2005

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 2005. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

#### 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 Waipa Networks Limited as at 31 March 2005, and the results of its operations and cash flows for the year ended on that date.

#### Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 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 and report that opinion to you.

The Auditor-General has appointed M G Taris 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 the 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 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.



In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out other audit assignments for Waipa Networks Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2005 as well as audit certificates pursuant to the Commerce Act Electricity Lines Threshold Notice 2004. These assignments are compatible with those independence requirements. Other than these assignments we have no relationship with or interest in the Waipa Networks Limited.

### **Unqualified opinion**

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

In our opinion:

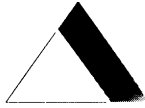
- ▲ proper accounting records have been maintained by Waipa Networks Limited as far as appears from our examination of those records; and
- ▲ the financial statements of Waipa Networks Limited on pages 1 to 15:
  - (a) comply with generally accepted accounting practice in New Zealand; and
  - (b) give a true and fair view of Waipa Networks Limited's financial position as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date; and
  - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 21 June 2005 and our unqualified opinion is expressed as at that date.



M G Taris  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand





## Audit New Zealand

### AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF WAIPA NETWORKS LIMITED

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

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (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 21 June 2005 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

M G Taris  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
21 June 2005