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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 2005

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004

INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this 2005 Information Disclosure package issued by Network Waitaki Limited has 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 2005 on pages 1 to 14.

For and on behalf of the Board of Directors



Director
16 August 2005



Director
16 August 2005

Network Waitaki Limited Lines Business**Statement of Financial Performance for the Year Ended 31 March 2005**

| REVENUE | Note | 2005 \$ | 2004 \$ |
|---|------|------------------|------------------|
| Operating revenue | | | |
| Revenue from line/access charges | | 7,254,948 | 7,489,997 |
| Revenue returned as Customer Discount | | (1,001,545) | (1,519,350) |
| Revenue from "Other" business for services carried out by the line business | | 0 | 0 |
| Interest on cash, bank balances and short term investments | | 592,265 | 453,586 |
| AC loss-rental rebates | | 159,933 | 275,824 |
| Other revenue not listed above | | | |
| Capital Contributions | | 870,607 | 655,321 |
| Use of Money Interest | | 0 | 0 |
| Other | | 0 | 0 |
| | | <u>870,607</u> | <u>655,321</u> |
| Total operating revenue | | <u>7,876,208</u> | <u>7,355,378</u> |
| EXPENDITURE | | | |
| Operating expenditure | | | |
| Payment for transmission charges | | 2,326,560 | 2,201,995 |
| Transfer payments to the "Other" business for | | | |
| Asset maintenance | 3 | 1,055,748 | 913,645 |
| 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 | | 606,032 | 493,967 |
| Total transfer payment to the "Other" business | | <u>1,661,780</u> | <u>1,407,612</u> |
| Expense to entities that are not related parties for | | | |
| Asset maintenance | | 134,936 | 146,722 |
| 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 | | <u>134,936</u> | <u>146,722</u> |
| Employee salaries, wages and redundancies | | 57,318 | 35,618 |
| Consumer billing and information system expense | | 25,900 | 19,408 |
| Depreciation on | | | |
| System Property, Plant and Equipment | | 2,025,406 | 1,623,414 |
| Other Property, Plant and Equipment | | 6,000 | 3,786 |
| Total depreciation | | <u>2,031,406</u> | <u>1,627,200</u> |
| Amortisation of | | | |
| Goodwill | | 0 | 0 |
| Other intangibles | | 0 | 0 |
| Total amortisation of intangibles | | <u>0</u> | <u>0</u> |
| Corporate and administration | | 224,646 | 195,299 |
| Human resource expenses | | 1,096 | 772 |
| Marketing/advertising | | 6,291 | 3,258 |
| Merger and acquisition expenses | | 0 | 0 |
| Takeover defence expenses | | 0 | 0 |
| Research and development expenses | | 0 | 0 |
| Consultancy and legal expenses | | 62,764 | 5,500 |
| Donations | | 0 | 0 |
| Directors' fees | | 83,966 | 74,233 |
| Auditors' fees | | | |
| Audit fees paid to principal auditors | | 43,778 | 13,043 |
| Audit fees paid to other auditors | | 0 | 0 |
| Fees paid for other services provided by principal and other auditors | | 0 | 0 |
| Total auditors' fees | | <u>43,778</u> | <u>13,043</u> |

Network Waitaki Limited Lines Business**Statement of Financial Performance for the Year Ended 31 March 2005 - Continued**

| | Note | 2005 \$ | 2004 \$ |
|---|------|-------------------------|-------------------------|
| 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 | | 63,763 | 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 | | 67,457 | 124,370 |
| Total operating expenditure | | <u>6,791,661</u> | <u>5,855,031</u> |
| Operating surplus before interest and income tax | | <u>1,084,547</u> | <u>1,500,347</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>1,084,547</u> | <u>1,500,347</u> |
| Income tax | 4 | 741,288 | 815,835 |
| Net surplus after tax | | <u>343,259</u> | <u>684,512</u> |

Network Waitaki Limited Lines Business**Statement of Movements in Equity for the Year Ended 31 March 2005**

| | | |
|--|--------------------------|--------------------------|
| Equity at the Beginning of the Year | <u>51,323,398</u> | <u>42,509,773</u> |
| Net Surplus (Deficit) for the Period | 343,259 | 684,512 |
| Revaluation | 0 | 8,129,113 |
| Total Recognised Revenue and Expenses | <u>343,259</u> | <u>8,813,625</u> |
| Dividends Paid | 0 | 0 |
| Equity at the End of the Year | <u>51,666,657</u> | <u>51,323,398</u> |

Network Waitaki Limited Lines Business**Statement of Financial Position as at 31 March 2005**

| | Note | 2005 \$ | 2004 \$ |
|---|------|-------------------|-------------------|
| Current assets | | | |
| Cash and bank balances | | 287,189 | 92,429 |
| Short-term investments | | 9,000,000 | 8,200,000 |
| Inventories | | 131,709 | 162,419 |
| Accounts receivable | | 360,130 | 582,469 |
| GST | | 276,692 | 153,595 |
| Provisional Tax | | 147,062 | 156,924 |
| Other current assets | | 145,062 | 8,791 |
| Total current assets | | <u>10,347,844</u> | <u>9,356,627</u> |
| Plant, Property & Equipment | | | |
| System Plant, Property & Equipment | | 45,677,011 | 45,926,475 |
| Consumer billing and information system plant, property & equipment | | 0 | 0 |
| Motor vehicles | | 0 | 0 |
| Office equipment | | 0 | 0 |
| Land and buildings | | 51,000 | 0 |
| Capital works under construction (system plant, property & equipment) | | 898,608 | 388,885 |
| Other Plant, Property & Equipment | | 4,936 | 8,199 |
| Total Plant, Property & Equipment | | <u>46,631,555</u> | <u>46,323,559</u> |
| Other tangible assets not listed above | | 0 | 0 |
| Total tangible assets | | <u>56,979,399</u> | <u>55,680,186</u> |
| Intangible assets | | | |
| Goodwill | | 0 | 0 |
| Other intangibles | | 0 | 0 |
| Total intangible assets | | <u>0</u> | <u>0</u> |
| Total assets | | <u>56,979,399</u> | <u>55,680,186</u> |
| Current liabilities | | | |
| Bank overdraft | | 0 | 0 |
| Short-term borrowings | | 0 | 0 |
| Payables and accruals | | 1,280,982 | 720,347 |
| Provision for dividends payable | | 0 | 0 |
| Provision for taxation | | 0 | 0 |
| GST | | 0 | 0 |
| Other current liabilities | | 0 | 0 |
| Total current liabilities | | <u>1,280,982</u> | <u>720,347</u> |
| Non-current liabilities | | | |
| Payables and accruals | | 0 | 0 |
| Borrowings | | 0 | 0 |
| Deferred tax | 5 | 4,031,760 | 3,636,441 |
| Other non-current liabilities | | 0 | 0 |
| Total non-current liabilities | | <u>4,031,760</u> | <u>3,636,441</u> |
| Equity | | | |
| Shareholders' equity | | | |
| Share capital | | 7,368,870 | 7,368,870 |
| Retained earnings | | 7,018,879 | 6,675,620 |
| Reserves | | 37,278,908 | 37,278,908 |
| Total Shareholders' equity | | <u>51,666,657</u> | <u>51,323,398</u> |
| Minority interests in subsidiaries | | 0 | 0 |
| Total equity | | <u>51,666,657</u> | <u>51,323,398</u> |
| Capital notes | | 0 | 0 |
| Total capital funds | | <u>51,666,657</u> | <u>51,323,398</u> |
| Total equity and liabilities | | <u>56,979,399</u> | <u>55,680,186</u> |

Network Waitaki Limited Lines Business**Statement of Cash Flows for the Year Ended 31 March 2005**

| | Note | 2005 \$ | 2004 \$ |
|--|----------|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| <i>Cash was provided from:</i> | | | |
| Receipts from Customers | | 6,339,471 | 6,619,036 |
| Interest | | 592,265 | 453,586 |
| GST | | 0 | 0 |
| Income Tax | | 0 | 0 |
| <i>Cash was disbursed to:</i> | | | |
| Customer Discounts | | | |
| Payments to Suppliers | | (3,063,570) | (4,197,858) |
| Employees | | 0 | 0 |
| Income Tax | | (410,906) | 90,164 |
| GST | | (123,097) | (186,740) |
| FBT | | 0 | 0 |
| Interest Paid | | 0 | 0 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 6 | <u>3,334,162</u> | <u>2,778,188</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 | | (2,339,402) | (1,795,081) |
| Investments | | 0 | 0 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | <u>(2,339,402)</u> | <u>(1,795,081)</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 | 0 |
| Loan repaid | | 0 | 0 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | <u>0</u> | <u>0</u> |
| NET INCREASE (DECREASE) IN CASH HELD | | | |
| Add Opening Cash Brought Forward | | 994,760 | 983,107 |
| Equity Transferred From (To) Other | | 8,292,429 | 7,309,322 |
| ENDING CASH CARRIED FORWARD | | <u>9,287,189</u> | <u>8,292,429</u> |

Network Waitaki Limited Line Business

Notes to and Forming Part of the Financial Statements
for the Year Ending 31 March 2005

1. Statement of Accounting Policies**Reporting Entity**

The financial statements presented here are for the Line Business of Network Waitaki Limited.

The financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity Information Disclosure Requirements 2004.

The Line Business operates a line business activity, as defined by Regulation 2 of the Electricity Information Disclosure Regulations, in the Waitaki area.

Measurement Base

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.

Accrual accounting is used to match expenses and revenues.

Reliance is placed on the fact that the Company is a going concern.

Accounting Policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

Revenue**Goods and Services**

Revenue comprised the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Investment Income

Interest is accounted for as earned.

Customer Contributions

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which they are received.

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.

Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates that will allocate the assets' cost or valuation, to their residual values, over their estimated useful lives. Distribution assets and buildings are depreciated on a straight-line basis. All other assets are depreciated on diminishing value bases.

The useful lives and associated depreciation rates for major classes of assets used in the preparation of the financial statements are as follows:

| | | | |
|---------------------|----------------|------|--------|
| Distribution System | 10 to 70 years | 1.4% | to 10% |
|---------------------|----------------|------|--------|

| | | | |
|--------------------------------|-----------------|------|---------|
| Freehold Building | 40 to 100 years | 1% | to 2.5% |
| Motor Vehicles | 4 to 7 years | 15% | to 26% |
| Plant and Equipment | 2 to 14 years | 7.5% | to 50% |
| Office Furniture and Equipment | 3 to 10 years | 10% | to 33% |

Gains and Losses

Disposal of property, plant and equipment are taken into account in determining the operating result for the year.

Accounts receivable

Accounts receivable are shown at expected realisable value after providing for doubtful debts.

Inventories

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.

Goods and Services Tax (GST)

The statements of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Income tax

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.

Investments

All Investments are stated at cost.

Capital Contributions

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.

Financial Instruments

Financial Instruments carried on the statement of financial position include cash and bank balances, investments, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in individual policy statements associated with each item. Network Waitaki Limited has no off balance sheet exposure.

Statement of Cash Flows

The following are definitions of terms used in the statement of cash flows:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

Financing activities are those activities that result in changes in the size and composition of the capital structure. These include both equity and debt not falling within the definition of cash.

Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Changes in Accounting Policy:

There have been no changes in accounting policies.

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 2005 of \$552,547 (2004 \$380,500). The Lines Business has no contingent liabilities at the end of the period (2004 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 2004 to 31 March 2005. These services are charged on a fixed contract basis.

During the period, this charge totalled \$928,728 (2004 \$985,200). The outstanding amount as at 31 March 2005 was \$93,090 (2004 \$238) 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 2004 to 31 March 2005. Services were charged on both a fixed price basis or "time and materials" basis.

During the period, this charge totalled \$2,973,100 (2004 \$1,675,229). The outstanding amount as at 31 March 2005 was \$738,285 (2004 \$173,138) 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 31/3/2005 | Year to 31/3/2004 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Subtransmission assets | 297,568 | 0 |
| Zone substations | 40,357 | 17,259 |
| Distribution lines | 695,224 | 403,534 |
| Medium voltage switchgear | 2,222 | 97,083 |
| Distribution transformers | 48,434 | 11,733 |
| Distribution substations | 347,719 | 68,663 |
| Low voltage lines | 246,210 | 215,205 |
| Other property, plant & equipment | 618,079 | 36,477 |
| Other transactions totalled: | | |
| Maintenance of System Property, Plant & Equipment | 1,178,085 | 825,275 |
| Cost of customer connections and disconnections | 0 | 0 |

4. Taxation

| | | |
|---|------------------|------------------|
| Surplus (Deficit) Before Taxation | 1,084,547 | 1,500,349 |
| Income tax expense at 33 cents in the dollar | 357,901 | 495,115 |
| Plus (Less) the Effect of: | | |
| Realised capital gains | | 0 |
| Non-assessable receipts | (287,300) | (216,256) |
| Non-deductible expenses | 670,687 | 536,976 |
| Unrecognised timing differences | 0 | 0 |
| | <u>741,288</u> | <u>815,835</u> |
| Taxation Charge is Represented by: | | |
| Income Tax Liability (Benefit) in respect of the current year | 345,969 | 455,239 |
| Deferred Taxation | <u>395,319</u> | <u>360,596</u> |
| | <u>741,288</u> | <u>815,835</u> |

5. Movement in Deferred Tax Account

| | 2005 | 2004 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Opening Balance | 3,636,441 | 2,869,749 |
| Movement in Deferred Tax | 395,319 | 360,596 |
| Deferred Tax on Revalued Assets | <u>0</u> | <u>406,096</u> |
| Closing Balance | <u>4,031,760</u> | <u>3,636,441</u> |

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

| | | |
|--|------------------|------------------|
| Surplus after Taxation | 343,259 | 684,514 |
| Add Non-cash Items | | |
| Depreciation | 2,031,406 | 1,627,200 |
| Deferred Tax | <u>395,319</u> | <u>766,692</u> |
| | 2,426,725 | 2,393,892 |
| Add (Less) Movement in Working Capital Items | | |
| Accounts Receivable | 86,068 | (315,354) |
| Inventories | 30,710 | 2,748 |
| GST | (123,097) | (157,545) |
| Tax Asset | 9,862 | 139,307 |
| Other Current Assets | 0 | 0 |
| Payable and Accruals | 560,635 | 30,628 |
| Other Current Liabilities | <u>0</u> | <u>0</u> |
| | 564,178 | (300,216) |
| | <u>3,334,162</u> | <u>2,778,190</u> |

Network Waitaki Limited Lines Business**Financial Performance Measures - 31 March 2005**

| | 2005 | 2004 | 2003 | 2002 |
|----------------------------------|-------|-------|--------|---------|
| Accounting return on funds | 2.50% | 3.77% | 0.40% | 2.09% |
| Accounting return on equity | 0.73% | 2.62% | -0.75% | 0.93% |
| Accounting return on investments | 0.55% | 1.82% | -1.80% | -3.81%# |

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 2005

| | 2005 | 2004 | 2003 | 2002 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Direct line costs per kilometre | \$801.64 | \$803.97 | \$757.17 | \$717.43 |
| Direct expenditure | 1,555,643 | 1,554,334 | 1,459,645 | \$1,370,989 |
| System length (km) | 1,940.57 | 1,933.33 | 1,927.75 | 1,910.98 |

| | 2005 | 2004 | 2003 | 2002 |
|----------------------------------|----------------|----------------|----------------|----------------|
| Indirect line costs per consumer | \$42.96 | \$40.55 | \$38.31 | \$22.60 |
| Indirect expenditure | 514,431 | 466,001 | 436,742 | \$256,336 |
| Total consumers | 11,975 | 11,491 | 11,400 | 11,341 |

Energy Delivery Efficiency Performance Measures - 31 March 2005

| | 2005 | 2004 | 2003 | 2002 |
|--|---------------|---------------|---------------|---------------|
| Load Factor (= a/b/c x 100) | 66.03% | 61.24% | 71.04% | 69.15% |
| a = kWh of electricity entering system | 194,090,295 | 194,267,825 | 194,539,566 | 175,814,935 |
| b = Maximum Demand (kW) | 33,556 | 36,210 | 31,260 | 29,026 |
| c = Total number of hours | 8,760 | 8,760 | 8,760 | 8,760 |
| Loss Ratio (= a/b x 100) | 5.52% | 5.66% | 5.64% | 6.39% |
| a = Total Electricity lost in the Network (kWh)* | 10,722,772 | 10,996,292 | 10,964,858 | 11,239,979 |
| b = Total Electricity entering the Network before losses (kWh) | 194,090,295 | 194,267,825 | 194,539,566 | 175,814,935 |
| Capacity Utilisation (= a/b x 100) | 24.43% | 26.85% | 24.56% | 23.20% |
| a = Maximum Demand (kW) | 33,556 | 36,210 | 31,260 | 29,026 |
| b = Transformer Capacity (kVA) | 137,347 | 134,837 | 127,270 | 125,113 |

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

Network Waitaki Limited Lines Business

Network Statistics - 31 March 2005

| | | 2005 | 2004 | 2003 | 2002 |
|---|--------------|-----------------|-----------------|-----------------|-----------------|
| Total System Length (kms) | 33kV | 138.31 | 138.31 | 138.31 | 138.13 |
| | 11kV | 1,582.90 | 1,575.66 | 1,570.22 | 1,554.33 |
| | 230/400 V | 219.36 | 219.36 | 219.23 | 218.52 |
| | Total | 1,940.57 | 1,933.33 | 1,927.75 | 1,910.98 |
| Overhead Circuit Length (kms) | 33kV | 138.02 | 138.02 | 138.02 | 137.85 |
| | 11kV | 1,542.52 | 1,537.81 | 1,535.51 | 1,522.80 |
| | 230/400 V | 192.88 | 192.88 | 193.12 | 192.36 |
| | Total | 1,873.42 | 1,868.71 | 1,866.65 | 1,853.00 |
| Underground Circuit Length (kms) | 33kV | 0.29 | 0.29 | 0.29 | 0.28 |
| | 11kV | 40.37 | 37.84 | 34.71 | 31.54 |
| | 230/400 V | 26.48 | 26.48 | 26.11 | 26.16 |
| | Total | 67.14 | 64.61 | 61.10 | 57.98 |

| | | | | | |
|-----------------------------------|--------------|----------------|----------------|----------------|----------------|
| Transformer Capacity (kVA) | 11,000/400V | 137,222 | 134,712 | 127,145 | 124,988 |
| | 33,000/400V | 125 | 125 | 125 | 125 |
| | Total | 137,347 | 134,837 | 127,270 | 125,113 |

| | | | | | |
|----------------------------|--|--------|--------|--------|--------|
| Maximum Demand (kW) | | 33,556 | 36,210 | 31,260 | 29,026 |
|----------------------------|--|--------|--------|--------|--------|

| | | | | | |
|--|--------------|--------------------|--------------------|--------------------|--------------------|
| Total Electricity entering the Network- before losses (kWh) | | 194,090,295 | 194,267,825 | 194,539,566 | 175,814,935 |
| Amount of electricity supplied from the system (kWh)* | Retailer A | 134,877,953 | 161,114,352 | 163,386,098 | 134,961,945 |
| | Retailer B | 10,083,253 | 5,361,901 | 4,180,152 | 13,792,718 |
| | Retailer C | 10,778,183 | 9,179,280 | 10,028,620 | 10,695,532 |
| | Retailer D | 0 | 0 | 0 | 3,616,764 |
| | Retailer E | 1,982,670 | 1,771,768 | 3,214,192 | 1,120,555 |
| | Retailer F | 25,645,464 | 5,844,232 | 2,765,646 | 387,442 |
| | Total | 183,367,523 | 183,271,533 | 183,574,708 | 164,574,956 |

| | | | | | |
|----------------------------------|--------|--------|--------|--------|--------|
| Total number of Consumers | Number | 11,975 | 11,491 | 11,400 | 11,341 |
|----------------------------------|--------|--------|--------|--------|--------|

*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>2006/10 (Target)</u> | <u>2006 (Target)</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--------------------------------|--------------|-----------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Number of Interruptions | | | | | | | | |
| | Class A | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Planned Interruptions</i> | Class B | 80 | 80 | 202 | 102 | 68 | 70 | 28 |
| <i>Unplanned Interruptions</i> | Class C | 80 | 80 | 58 | 109 | 75 | 75 | 79 |
| | Class D | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Class E - I | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 160 | 160 | 260 | 211 | 143 | 145 | 107 |

| Proportion of Total Class C Interruptions not restored: | | | | | | | |
|--|-----------------|--|--------|--------|-------|------|------|
| | Within 3 Hours | | 13.79% | 34.86% | 13.3% | 8.1% | 5.1% |
| | Within 24 Hours | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

| <u>Faults</u> | <u>Voltage</u> | <u>2006/10 (Target)</u> | <u>2006 (Target)</u> | <u>2005</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 | | 0.58 | 4.68 | 3.37 | 6.53 | 4.39 | 4.43 | 4.70 |
| Faults per 100 circuit kilometres | 33kV | 1.00 | 1.00 | 0.00 | 0.72 | 0.72 | 0.72 | 0.72 |
| | 11kV | 9.00 | 5.00 | 3.66 | 7.04 | 4.71 | 4.76 | 5.05 |
| Overhead | | | | | | | | |
| Faults per 100 circuit kilometres of prescribed voltage electric line | | | | 3.45 | 6.50 | 4.48 | 4.46 | 4.78 |
| Faults per 100 circuit kilometres | 33kV | | | 0.00 | 0.72 | 0.72 | 0.73 | 0.73 |
| | 11kV | | | 3.76 | 7.02 | 4.82 | 4.79 | 5.15 |
| Underground | | | | | | | | |
| Faults per 100 circuit kilometres of prescribed voltage electric line | | | | 0.00 | 7.87 | 0.00 | 3.14 | 0.00 |
| Faults per 100 circuit kilometres | 33kV | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 11kV | | | 0.00 | 7.93 | 0.00 | 3.17 | 0.00 |

Network Waitaki Limited Lines Business

Reliability and Performance Measures

System Average Interruption Duration Index (SAIDI)

| Class | | 2006/10 (Target) | 2006 (Target) | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|-------------|---------------------|------------------|---------|-----------|---------|---------|---------|
| SAIDI for total number of interruptions | Overall | 100 | 100 | 104.85 | 187.0 | 91.6 | 78.1 | 72.2 |
| SAIDI for total number of interruptions within each interruption class (= a/b) | Class A | | | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Class B | 50 | 50 | 61.14 | 36.7 | 29.6 | 34.6 | 16.7 |
| | Class C | 50 | 50 | 43.71 | 150.3 | 62.1 | 43.5 | 55.5 |
| | Class D | | | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Class E - I | | | 0.00 | 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 |
| | Class B | 550,000 | 560,000 | 732,104 | 421,371 | 337,116 | 392,644 | 189,510 |
| | Class C | 550,000 | 560,000 | 523,463 | 1,727,489 | 707,489 | 493,454 | 631,089 |
| | Class D | | | | 0 | 0 | 0 | 0 |
| | Class E - I | | | | 0 | 0 | 0 | 0 |
| b = Total Consumers | | 11,000 | 11,200 | 11,975 | 11,491 | 11,400 | 11,341 | 11,372 |

System Average Interruption Frequency Index (SAIFI)

| Class | | 2006/10 (Target) | 2006 (Target) | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|-------------|---------------------|------------------|--------|--------|--------|--------|--------|
| SAIFI for total number of interruptions | Overall | 1.39 | 1.39 | 1.38 | 1.65 | 1.27 | 1.00 | 1.03 |
| 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 | 0.35 | 0.35 | 0.35 | 0.18 | 0.15 | 0.20 | 0.12 |
| | Class C | 1.04 | 1.04 | 1.03 | 1.47 | 1.12 | 0.80 | 0.90 |
| | 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 |
| | Class B | 4,207 | 4,207 | 4,179 | 2,084 | 1,687 | 2,293 | 1,380 |
| | Class C | 12,501 | 12,501 | 12,322 | 16,932 | 12,803 | 9,019 | 10,279 |
| | Class D | | | | 0 | 0 | 0 | 0 |
| | Class E - I | | | | 0 | 0 | 0 | 0 |
| b = Total Consumers | | 12,020 | 12,020 | 11,975 | 11,491 | 11,400 | 11,341 | 11,372 |

Connection Average Interruption Duration Index (CAIDI)

| Class | | 2006/10 (Target) | 2006 (Target) | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|-------------|---------------------|------------------|---------|--------|--------|--------|--------|
| CAIDI for total number of interruptions | Overall | 66 | 67 | 76.11 | 113.00 | 72.09 | 78.33 | 70.38 |
| CAIDI for total number of interruptions within each interruption class | Class A | | | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class B | 143 | 133 | 175.144 | 202.19 | 199.83 | 171.24 | 137.33 |
| | Class C | 48 | 45 | 42.499 | 102.03 | 55.26 | 54.71 | 61.40 |
| | Class D | | | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Classes E-I | | | 0.000 | 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 2005

| Derivation Table | Input and Calculations | Symbol | ROF | ROE | ROI |
|--|------------------------|----------------|---|---|--|
| Operating surplus before interest and income tax from financial statements | 1,084,547 | | | | |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (C) | 1,084,547 | | | | |
| Interest on cash, bank balances, and short-term investments (ISTI) | 502,285 | a | 492,282 | | 492,282 |
| OSBIT minus ISTI | 492,282 | | | | |
| Net surplus after tax from financial statements | 343,259 | n | | 343,259 | |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT) | 343,259 | g | | | |
| Amortisation of goodwill and amortisation of other intangibles | 0 | s | | | |
| Subvention payment | 0 | 5 | | | |
| Depreciation of PPE at BV (x) | 1,623,414 | d | -402,474 | -402,474 | -402,474 |
| Depreciation of PPE at ODV (y) | 2,025,888 | s ¹ | | | |
| ODV depreciation adjustment | (402,474) | q | | | |
| Subvention payment tax adjustment | 0 | r | | | |
| Interest tax shield | 195,447 | p | | | |
| Revaluations | 741,288 | | | | |
| Income tax | | | | | |
| Numerator | | | OSBIT ^{AD} = a + g + s + d | NSAT ^{AD} = n + g + s + s ¹ + d | OSBIT ^{AD} = a + g + q + r + s + d - p - s ¹ |
| Plant, Property & Equipment at end of previous financial year (PA ₀) | 45,668,091 | | | | |
| Plant, Property & Equipment at end of current financial year (PA ₁) | 45,667,011 | | | | |
| Adjusted net working capital at end of previous financial year (ANWC ₀) | 343,851 | | | | |
| Adjusted net working capital at end of current financial year (ANWC ₁) | (220,327) | | | | |
| Average total funds employed (ATFE) | 45,728,314 | c | 45,728,314 | | 45,728,314 |
| Total equity at end of previous financial year (TE ₀) | 51,323,398 | | | | |
| Total equity at end of current financial year (TE ₁) | 51,668,657 | | | | |
| Average total equity | 51,495,027 | k | | 51,495,027 | |
| WUC at end of previous financial year (WUC ₀) | 388,885 | | | | |
| WUC at end of current financial year (WUC ₁) | 896,608 | | | | |
| Average total works under construction | 643,747 | e | 643,747 | | 643,747 |
| Revaluations | 0 | f | | | |
| Half of revaluations | 0 | r/2 | | | |
| Intangible assets at end of previous financial year (IA ₀) | 0 | | | | |
| Intangible assets at end of current financial year (IA ₁) | 0 | | | | |
| Average total intangible asset | 0 | m | | | |
| 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 | | | |
| System Plant, Property & Equipment at end of previous financial year at book value (S ₀) | 45,926,475 | | | | |
| System Plant, Property & Equipment at end of current financial year at book value (S ₁) | 45,877,011 | | | | |
| Average value of system plant, property & equipment at book value | 45,901,743 | f | 45,901,743 | | 45,901,743 |
| System Plant, Property & Equipment at year beginning at ODV value (SFA _{0,ODV}) | 45,926,475 | | | | |
| System Plant, Property & Equipment at year end at ODV value (SFA _{1,ODV}) | 45,877,011 | | | | |
| Average value of system plant, property & equipment at ODV value | 45,901,743 | h | 45,901,743 | | 45,901,743 |
| Denominator | | | ATFE ^{AD} = c - e - f + h | Ave TE ^{AD} = k - e - m + v - f + h | ATFE ^{AD} = c - e - f + h |
| Financial Performance Measure: | | | 0.20% | -0.12% | -1.88% |
| | | | ROF = OSBIT ^{AD} /ATFE ^{AD} x 100 | ROE = NSAT ^{AD} /ATE ^{AD} x 100 | ROI = OSBIT ^{AD} /ATFE ^{AD} x 100 |

1 = 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
 ROE = return on funds
 ROF = return on equity
 ROI = return on investment

Network Waitaki (Lines)
Annual Valuation Reconciliation Report

| | 2005 \$ | 2004 \$ |
|--|-------------|-------------|
| System Property, Plant & Equipment at ODV | 45,668,091 | 37,303,371 |
| Adjustment following Commerce Commission Comprehensive Audit Process (under Commerce Act 1986) | 0 | 0 |
| Restated System Property, Plant & Equipment ay ODV (start of period) | 45,668,091 | 37,303,371 |
| Add System Property, Plant & Equipment acquired During the period at ODV | 2,024,808 | 1,779,282 |
| Less System Property, Plant and Equipment disposed of During the year | 0 | (131,478) |
| Less depreciation on system Property, Plant, & Equipment at ODV | (2,025,888) | (1,623,414) |
| Add revaluations of system Property, Plant & Equipment | | 8,340,330 |
| Gives System Property, Plant & Equipment at ODV (end of period) | 45,667,011 | 45,668,091 |

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

We, Lindsay Mitchell Malcolm and Clear Margaret Kearney, 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.



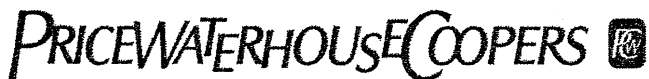
Lindsay Mitchell Malcolm

16 August 2005



Clear Margaret Kearney

16 August 2005



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REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF NETWORK WAITAKI LIMITED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2005

We have audited the financial statements of Network Waitaki Limited – Lines Business on pages 1 to 8. The financial statements provide information about the past financial performance of Network Waitaki Limited – Lines Business and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 5 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 Network Waitaki Limited – Lines Business 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 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'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 the audit we have carried out an audit related assignment for Network Waitaki 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. Other than these assignments we have no relationship with or interest in Network Waitaki Limited.



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AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF NETWORK WAITAKI LIMITED

We have examined the information on pages 13 to 14 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 Network Waitaki Limited and dated 16 August 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.

A handwritten signature in black ink, appearing to read 'M. Noone', written over a horizontal line.

Maurice Noone
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand
16 August 2005



Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by Network Waitaki Limited – Lines Business as far as appears from our examination of those records; and
- the financial statements of Network Waitaki Limited – Lines Business on pages 1 to 8:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Network Waitaki Limited – Lines Business'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 16 August 2005 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'Maurice Noone', written over a light blue horizontal line.

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