



# New Zealand Gazette

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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 2006**

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004

#### **INFORMATION DISCLOSURE DISCLAIMER**

The information disclosed in this 2006 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 lines 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 the Network Waitaki Limited Lines Business for the year ended 31 March 2006 on pages 1 to 14.

For and on behalf of the Board of Directors



Director  
Mr Lindsay Mitchell Malcolm



Director  
Mr John David Walker

## Network Waitaki Limited Lines Business

### Statement of Financial Performance for the Year Ended 31 March 2006

REVENUE	Note	2006 \$	2005 \$
<b>Operating revenue</b>			
Revenue from line/access charges		7,842,545	7,254,948
Revenue returned as Customer Discount		(995,788)	(1,001,545)
Revenue from "Other" business for services carried out by the line business		0	0
Interest on cash, bank balances and short term investments		537,887	592,265
AC loss-rental rebates		397,115	159,933
Other revenue not listed above			
Capital Contributions		1,543,211	870,607
Use of Money Interest		0	0
Other		13,152	0
		<u>1,556,363</u>	<u>870,607</u>
<b>Total operating revenue</b>		<u>9,338,122</u>	<u>7,876,208</u>
<b>EXPENDITURE</b>			
		2006 \$	2005 \$
<b>Operating expenditure</b>			
Payment for transmission charges		2,173,142	2,326,560
Transfer payments to the "Other" business for			
Asset maintenance	3	888,262	1,055,748
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		0	606,032
<b>Total transfer payment to the "Other" business</b>		<u>888,262</u>	<u>1,661,780</u>
Expense to entities that are not related parties for			
Asset maintenance		255,818	134,936
Consumer disconnection/reconnection services		0	0
Meter data		0	0
Consumer-based load control services		0	0
Royalty and patent expenses		0	0
<b>Total of specified expenses to non-related parties</b>		<u>255,818</u>	<u>134,936</u>
Employee salaries, wages and redundancies		688,917	57,318
Consumer billing and information system expense		73,419	25,900
Depreciation on			
System Property, Plant and Equipment		2,480,553	2,025,406
Other Property, Plant and Equipment		178,076	6,000
<b>Total depreciation</b>		<u>2,658,629</u>	<u>2,031,406</u>
Amortisation of			
Goodwill		0	0
Other intangibles		0	0
<b>Total amortisation of intangibles</b>		<u>0</u>	<u>0</u>
Corporate and administration		125,847	224,646
Human resource expenses		15,815	1,096
Marketing/advertising		9,447	6,291
Merger and acquisition expenses		0	0
Takeover defence expenses		0	0
Research and development expenses		0	0
Consultancy and legal expenses		104,849	62,764
Donations		0	0
Directors' fees		65,801	83,966
Auditors' fees			
Audit fees paid to principal auditors		44,835	43,778
Audit fees paid to other auditors		0	0
Fees paid for other services provided by principal and other auditors		0	0
<b>Total auditors' fees</b>		<u>44,835</u>	<u>43,778</u>

## Network Waitaki Limited Lines Business

Reference

## Statement of Financial Performance for the Year Ended 31 March 2006 - Continued

Schedule 1 Part 2

	Note	2006 \$	2005 \$
<b>Costs of offering credit</b>			
12ri		1,846	0
12rii		0	0
12riii		<u>1,846</u>	<u>0</u>
<b>Total cost of offering credit</b>			
12s		62,260	63,763
12t		0	0
12u		0	0
12v		0	0
12w		0	0
12x		67,661	67,457
13		<u>7,236,548</u>	<u>6,791,661</u>
14		<u><b>2,101,574</b></u>	<u><b>1,084,547</b></u>
<b>Operating surplus before interest and income tax</b>			
<b>Interest expense</b>			
15a		0	0
15b		0	0
15c		0	0
15d		<u>0</u>	<u>0</u>
<b>Total interest expense</b>			
16		<u><b>2,101,574</b></u>	<u><b>1,084,547</b></u>
<b>Operating surplus before income tax</b>			
17	4	997,603	741,288
<b>Income tax</b>			
18		<u><b>1,103,971</b></u>	<u><b>343,259</b></u>
<b>Net surplus after tax</b>			

Reference

## Network Waitaki Limited Lines Business

Schedule 1 Part 2

14	Statement of Movements in Equity for the Year Ended 31 March 2006	2006 \$	2005 \$
8			
	<b>Equity at the beginning of the year</b>	<u>51,666,657</u>	<u>51,323,398</u>
8	Net Surplus (Deficit) for the Year	1,103,971	343,259
	Revaluation	0	0
	Total Recognised Revenue and Expenses	<u>1,103,971</u>	<u>343,259</u>
	Dividends Paid	(70,000)	0
	<b>Equity at the end of the year</b>	<u><b>52,700,628</b></u>	<u><b>51,666,657</b></u>

## Network Waitaki Limited Lines Business

## Statement of Financial Position as at 31 March 2006

	Note	2006 \$	2005 \$
<b>Current assets</b>			
Cash and bank balances		84,677	287,189
Short-term investments		5,495,971	9,000,000
Inventories		0	131,709
Accounts receivable		930,198	360,130
GST		290,859	276,692
Provisional tax		97,341	147,062
Other current assets		59,601	145,062
<b>Total current assets</b>		<u>6,958,647</u>	<u>10,347,844</u>
<b>Plant, Property &amp; Equipment</b>			
System Plant, Property & Equipment		49,702,911	45,677,011
Consumer billing and information system plant, property & equipment		313,570	0
Motor vehicles		41,135	0
Office equipment		69,213	0
Land and buildings		45,381	51,000
Capital works under construction (system plant, property & equipment)		1,786,563	898,608
Other Plant, Property & Equipment		762,707	4,936
<b>Total Plant, Property &amp; Equipment</b>		<u>52,721,480</u>	<u>46,631,555</u>
<b>Other tangible assets not listed above</b>		0	0
<b>Total tangible assets</b>		<u>59,680,127</u>	<u>56,979,399</u>
<b>Intangible assets</b>			
Goodwill		0	0
Other intangibles		0	0
<b>Total intangible assets</b>		<u>0</u>	<u>0</u>
<b>Total assets</b>		<u>59,680,127</u>	<u>56,979,399</u>
<b>Current liabilities</b>			
Bank overdraft		0	0
Short-term borrowings		0	0
Payables and accruals		2,495,101	1,280,982
Provision for dividends payable		0	0
Provision for taxation		0	0
GST		0	0
Other current liabilities		0	0
<b>Total current liabilities</b>		<u>2,495,101</u>	<u>1,280,982</u>
<b>Non-current liabilities</b>			
Payables and accruals		0	0
Borrowings		0	0
Deferred tax	5	4,484,398	4,031,760
Other non-current liabilities		0	0
<b>Total non-current liabilities</b>		<u>4,484,398</u>	<u>4,031,760</u>
<b>Equity</b>			
Shareholders' equity			
Share capital		7,368,870	7,368,870
Retained earnings		8,322,721	7,018,879
Reserves		37,009,037	37,278,908
<b>Total Shareholders' equity</b>		<u>52,700,628</u>	<u>51,666,657</u>
Minority interests in subsidiaries		0	0
<b>Total equity</b>		<u>52,700,628</u>	<u>51,666,657</u>
Capital notes		0	0
<b>Total capital funds</b>		<u>52,700,628</u>	<u>51,666,657</u>
<b>Total equity and liabilities</b>		<u>59,680,127</u>	<u>56,979,399</u>

## Network Waitaki Limited Lines Business

## Statement of Cash Flows for the Year Ended 31 March 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from Customers		7,357,938	6,339,471
Interest		537,887	592,265
GST		0	0
Income Tax		0	0
<i>Cash was disbursed to:</i>			
Customer Discounts			
Payments to Suppliers		(1,795,055)	(3,063,570)
Employees		(646,061)	0
Income Tax		(328,529)	(410,906)
GST		(14,167)	(123,097)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>6</b>	<u>5,112,013</u>	<u>3,334,162</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was applied to:</i>			
Cash Outflows for Plant, Property & Equipment		(8,748,553)	(2,339,402)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>(8,748,553)</u>	<u>(2,339,402)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was applied to:</i>			
Dividend paid		(70,000)	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u>(70,000)</u>	<u>0</u>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<u>(3,706,540)</u>	<u>994,760</u>
Add Opening Cash Brought Forward		9,287,189	8,292,429
<b>ENDING CASH CARRIED FORWARD</b>		<u>5,580,649</u>	<u>9,287,189</u>

## Network Waitaki Limited Lines Business

### 1 Statement of Accounting Policies

#### REPORTING ENTITY

- The financial statements presented here are for the Lines 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 Lines Business operates a lines 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. All other assets are depreciated on a straight line basis.

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 10.0%
Freehold building	40 to 100 years	1.0%	to 2.5%
Motor vehicles	4 to 7 years	15.0%	to 26.0%
Plant and equipment	2 to 14 years	7.5%	to 50.0%
Office furniture and equipment	3 to 10 years	10.0%	to 33.0%

##### Gains and Losses

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

**Network Waitaki Limited Line Business****Statement of Accounting Policies (Continued)****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.



**Network Waitaki Limited Lines Business**  
**Notes to the financial statements for the year ended 31 March 2006 (Continued)**

**2. Commitments and Contingent Liabilities**

There were capital commitments at 31 March 2006 of \$597,659 (2005 \$552,547).  
 The Lines Business has no contingent liabilities at the end of the year (2005 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 were charged on a fixed contract basis.
- During the year Network Waitaki paid Networks South Limited \$337,776 (2005 \$928,728) on normal commercial terms. No amount was outstanding as at 31 March 2006 (2005 \$93,090). 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 2005 to 31 March 2006. Services were charged on either a fixed price basis or "time and materials" basis.
- During the year, this charge totaled \$3,063,585 (2005 \$2,973,100). The outstanding amount as at 31 March 2006 was \$786,056 (2005 \$738,285) payable on normal commercial terms.
- No debts were written off or forgiven and no transactions took place at nil or nominal value.
- During the year capital construction transactions totalled the following:

	Year to 31/03/06	Year to 31/03/05
	\$	\$
Sub transmission assets	722,172	297,568
Zone substations	82,203	40,357
Distribution lines	455,881	695,224
Medium voltage switchgear	0	2,222
Distribution transformers	0	48,434
Distribution substations	377,493	347,719
Low voltage lines	355,358	246,210
Other property, plant & equipment	182,216	618,079

*Other transactions totalled:*

Maintenance of System Property, Plant & Equipment	888,262	1,178,085
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	2006 \$	2005 \$
<b>4. Taxation</b>		
Surplus (Deficit) Before Taxation	2,101,574	1,084,547
Income tax expense @ 33%	693,519	357,601
<b>Plus (Less) the effect of</b>		
Non-assessable receipts	(509,260)	(287,300)
Non-deductible expenses	813,344	670,687
<b>Taxation Expenses</b>	<u>997,603</u>	<u>741,288</u>
<b>Taxation Charge is Represented by:</b>		
Income tax liability in respect of the current year	544,965	345,969
Deferred taxation	452,638	395,319
	<u>997,603</u>	<u>741,288</u>
<b>5. Movement in Deferred Tax Account</b>		
Opening balance	4,031,760	3,636,441
Movement in deferred tax	452,638	395,319
Closing balance	<u>4,484,398</u>	<u>4,031,760</u>
<b>6. Reconciliation of Net Surplus after Taxation with Net Cash Flow from Operating Activity</b>		
Surplus after Taxation	1,103,971	343,259
<b>Add Non-cash items</b>		
Depreciation	2,658,629	2,031,408
Deferred tax	452,638	395,319
	<u>3,111,267</u>	<u>2,426,725</u>
<b>Add (Less) Movement in Working Capital Items</b>		
Accounts receivable	(484,607)	86,068
Inventories	131,709	30,710
GST	(14,167)	(123,097)
Tax asset	49,721	9,862
Other current assets	0	0
Payable and accruals	1,214,119	560,635
Other current liabilities	0	0
	<u>896,775</u>	<u>564,178</u>
<b>Net Cash Flows From Operating Activity</b>	<u>5,112,013</u>	<u>3,334,162</u>

## Network Waitaki Limited Lines Business

## Financial Performance Measures - 31 March 2006

	2006	2005	2004	2003
Accounting return on funds	3.28%	1.07%	3.77%	0.40%
Accounting return on equity	2.17%	0.68%	2.62%	(0.75)%
Accounting return on investments	0.82%	(0.97)%	1.82%	(1.80)%

## Efficiency Performance Measures - 31 March 2006

	2006	2005	2004	2003
Direct line costs per kilometre	\$865.34	\$801.64	\$803.97	\$757.17
Direct expenditure	1,725,098	1,555,643	1,554,334	1,459,645
System length (km)	1,993.56	1,940.57	1,933.33	1,927.75

	2006	2005	2004	2003
Indirect line costs per consumer	\$56.00	\$42.96	\$40.55	\$38.31
Indirect expenditure	672,301	514,431	466,001	436,742
Total consumers	12,006	11,975	11,491	11,400

## Energy Delivery Efficiency Performance Measures - 31 March 2006

	2006	2005	2004	2003
Load Factor (= a/b/c x 100)	67.95%	66.03%	61.24%	71.04%
a = kWh of electricity entering system	202,325,411	194,090,295	194,267,825	194,539,566
b = Maximum Demand (kW)	33,990	33,556	36,210	31,260
c = Total number of hours	8,760	8,760	8,760	8,760

	2006	2005	2004	2003
Loss Ratio (= a/b x 100)	5.87%	5.52%	5.66%	5.64%
a = Total Electricity lost in the Network (kWh)*	11,879,157	10,722,772	10,996,292	10,964,858
b = Total Electricity entering the Network before losses (kWh)	202,325,411	194,090,295	194,267,825	194,539,566

	2006	2005	2004	2003
Capacity Utilisation (= a/b x 100)	23.53%	24.43%	26.85%	24.56%
a = Maximum Demand (kW)	33,990	33,556	36,210	31,260
b = Transformer Capacity (kVA)	144,433	137,347	134,837	127,270

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

## Network Waitaki Limited Lines Business

## Network Statistics - 31 March 2006

		2006	2005	2004	2003
Total System Length (kms)	33kV	154.05	138.31	138.31	138.31
	11kV	1,611.01	1,582.90	1,575.66	1,570.22
	230/400 V	228.50	219.36	219.36	219.23
	<b>Total</b>	<b>1,993.56</b>	<b>1,940.57</b>	<b>1,933.33</b>	<b>1,927.75</b>
Overhead Circuit Length (kms)	33kV	152.11	138.02	138.02	138.02
	11kV	1,568.51	1,542.52	1,537.81	1,535.51
	230/400 V	200.12	192.88	192.88	193.12
	<b>Total</b>	<b>1,920.74</b>	<b>1,873.42</b>	<b>1,868.71</b>	<b>1,866.65</b>
Underground Circuit Length (kms)	33kV	1.94	0.29	0.29	0.29
	11kV	42.50	40.37	37.84	34.71
	230/400 V	28.38	26.48	26.48	26.11
	<b>Total</b>	<b>72.82</b>	<b>67.14</b>	<b>64.61</b>	<b>61.10</b>

Transformer Capacity (kVA)	11,000/400V	144,333	137,222	134,712	127,145
	33,000/400V	100	125	125	125
	<b>Total</b>	<b>144,433</b>	<b>137,347</b>	<b>134,837</b>	<b>127,270</b>

Maximum Demand (kW)	33,990	33,556	36,210	31,260
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Total Electricity entering the Network- before losses (kWh)		202,325,411	194,090,295	194,267,825	194,539,566
Amount of electricity supplied from the system (kWh)*	Retailer A	127,268,638	134,877,953	161,114,352	163,386,098
	Retailer B	11,046,307	10,083,253	5,361,901	4,180,152
	Retailer C	12,516,802	10,778,183	9,179,280	10,028,620
	Retailer D	0	0	0	0
	Retailer E	2,120,650	1,982,670	1,771,768	3,214,192
	Retailer F	37,493,856	25,645,464	5,844,232	2,765,646
	<b>Total</b>	<b>190,446,254</b>	<b>183,367,523</b>	<b>183,271,533</b>	<b>183,574,708</b>

Total number of consumers	Number	12,006	11,975	11,491	11,400
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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>	Class	2007/11 (Target)	2007 (Target)	2006	2005	2004	2003
<b>Number of Interruptions</b>							
	Class A	0	0	0	0	0	0
<i>Planned Interruptions</i>	Class B	125	125	178	202	102	68
<i>Unplanned Interruptions</i>	Class C	80	80	64	58	109	75
	Class D	0	0	1	0	0	0
	Class E - I	0	0		0	0	0
	<b>Total</b>	<b>205</b>	<b>205</b>	<b>243</b>	<b>260</b>	<b>211</b>	<b>143</b>

<b>Proportion of Total Class C Interruptions not restored:</b>							
	Within 3 Hours			12.50%	13.79%	34.86%	13.3%
	Within 24 Hours			0.0%	0.0%	0.0%	0.0%

<u>Faults</u>	Voltage	2006/10 (Target)	2006 (Target)	2006	2005	2004	2003
<b>Overall System</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line		0.57	4.68	3.29	3.37	6.53	4.39
Faults per 100 circuit kilometres	33kV	1.00	1.00	0.00	0.00	0.72	0.72
	11kV	9.00	9.00	3.60	3.66	7.04	4.71
<b>Overhead</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line				3.37	3.45	6.50	4.48
Faults per 100 circuit kilometres	33kV			0.00	0.00	0.72	0.72
	11kV			3.70	3.76	7.02	4.82
<b>Underground</b>							
Faults per 100 circuit kilometres of prescribed voltage electric line				0.00	0.00	7.87	0.00
Faults per 100 circuit kilometres	33kV			0.00	0.00	0.00	0.00
	11kV			0.00	0.00	7.93	0.00

## Network Waitaki Limited Lines Business

## Reliability and Performance Measures

**System Average Interruption Duration Index (SAIDI)**

	Class	2007/11 (Target)	2007 (Target)	2006	2005	2004	2003
<b>SAIDI for total number of interruptions</b>	Overall	100	100	102.31	104.85	187.0	91.6
<b>SAIDI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.00	0.00	0.0	0.0
	Class B	50	50	49.79	61.14	36.7	29.6
	Class C	45	45	46.95	43.71	150.3	62.1
	Class D			5.57	0.00	0.0	0.0
	Class E - I			0.00	0.00	0.0	0.0
a = sum of interruption duration factors for all interruptions within the particular interruption class	Class A					0	0
	Class B	604,850	604,850	597,824	732,104	421,371	337,116
	Class C	544,365	544,365	563,694	523,463	1,727,489	707,489
	Class D					0	0
	Class E - I					0	0
b = Total Consumers		12,097	12,097	12,006	11,975	11,491	11,400

**System Average Interruption Frequency Index (SAIFI)**

	Class	2006/11 (Target)	2007 (Target)	2006	2005	2004	2003
<b>SAIFI for total number of interruptions</b>	Overall	1.25	1.39	1.91	1.38	1.65	1.27
<b>SAIFI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.00	0.00	0.00	0.00
	Class B	0.35	0.35	0.29	0.35	0.18	0.15
	Class C	0.90	0.90	0.92	1.03	1.47	1.12
	Class D			0.70	0.00	0.00	0.00
	Class E - I			0.00	0.00	0.00	0.00
a = sum of electricity consumers affected by all interruptions	Class A					0	0
	Class B	4,234	4,234	3,470	4,179	2,084	1,687
	Class C	10,887	10,887	11,094	12,322	16,932	12,803
	Class D			8,368		0	0
	Class E - I					0	0
b = Total Consumers		12,097	12,097	12,006	11,975	11,491	11,400

**Connection Average Interruption Duration Index (CAIDI)**

	Class	2006/11 (Target)	2007 (Target)	2006	2005	2004	2003
<b>CAIDI for total number of interruptions</b>	Overall	76	76	53.58	76.11	113.00	72.09
<b>CAIDI for total number of interruptions within each interruption class</b>	Class A			0.000	0.000	0.00	0.00
	Class B	143	143	172.480	175.144	202.19	199.83
	Class C	48	50	50.800	42.499	102.03	55.26
	Class D			8.000	0.000	0.00	0.00
	Classes E-I			0.000	0.000	0.00	0.00

Network Waitaki Limited Lines Business

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS - YEAR ENDED 31 MARCH 2006

Derivation Table	Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	2,101,574				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (C)	2,101,574				
Interest on cash, bank balances, and short-term investments (ISTI)	537,887	a	1,563,687		1,563,687
OSBIT minus ISTI	1,563,687				
Net surplus after tax from financial statements	1,103,971	n		1,103,971	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	0	g		add	add
Amortisation of goodwill and amortisation of other intangibles	0	s		add	add
Subvention payment	2,480,553	d		add	add
Depreciation of SFA at BV (x)	2,480,553	s <sup>1</sup>		deduct	deduct
ODV depreciation adjustment	0	q		deduct	deduct
Subvention payment tax adjustment	177,503	r		add	add
Interest tax shield	0	p		deduct	deduct
Revaluations	997,603				997,603
Income tax					
<b>Numerator</b>			1,563,687	1,103,972	388,592
			OSBIT <sup>ADJ</sup> = a + g + s + d	NSAT <sup>ADJ</sup> = n + g + s + s <sup>1</sup> + q	ADJ = a + g + r + s + d - p - s <sup>1</sup>
Plant, Property & Equipment at end of previous financial year (FA <sub>0</sub> )	46,631,555				
Plant, Property & Equipment at end of current financial year (FA <sub>1</sub> )	52,721,480				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	(220,327)				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	(1,074,246)				
<b>Average total funds employed (ATFE)</b>	<b>49,029,232</b>	<b>c</b>	<b>49,029,232</b>		<b>49,029,232</b>
Total equity at end of previous financial year (TE <sub>0</sub> )	51,666,657				
Total equity at end of current financial year (TE <sub>1</sub> )	52,700,628	k			
<b>Average total equity</b>	<b>52,183,643</b>	<b>k</b>		52,183,643	
WUC at end of previous financial year (WUC <sub>0</sub> )	898,608				
WUC at end of current financial year (WUC <sub>1</sub> )	1,786,563				
<b>Average total works under construction</b>	<b>1,342,586</b>	<b>e</b>	deduct	deduct	1,342,586
Revaluations	0	r			
Half of revaluations	0	r/2			
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
<b>Average total intangible asset</b>	<b>0</b>	<b>m</b>		add	0
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
<b>Average subvention payment &amp; related tax adjustment</b>	<b>0</b>	<b>v</b>		add	0
System Plant, Property & Equipment at end of previous financial year at book value (S)	45,677,011				
System Plant, Property & Equipment at end of current financial year at book value (SF)	49,702,911				
<b>Average value of system plant, property &amp; equipment at book value</b>	<b>47,689,961</b>	<b>f</b>	deduct	deduct	47,689,961
System Plant, Property & Equipment at year beginning at ODV value (SFA <sub>0,ODV</sub> )	45,677,011				
System Plant, Property & Equipment at end of current financial year at ODV value (SF)	49,702,911				
<b>Average value of system plant, property &amp; equipment at ODV value</b>	<b>47,689,961</b>	<b>h</b>	add	add	47,689,961
<b>Denominator</b>			ATFE <sup>ADJ</sup> = c - e - f + h	50,841,056	47,689,646
				Ave TE <sup>ADJ</sup> = k - e - m + v - f + h	ATFE <sup>ADJ</sup> = c - e - 1/2r - f + h
<b>Financial Performance Measure:</b>			3.28%	2.17%	0.81%
			ROF = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100	ROE = NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	ROI = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100

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



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

	2006	2005
	\$	\$
System Property, Plant & Equipment at ODV	45,667,011	45,668,091
Add System Property, Plant & Equipment acquired during the year at ODV	6,516,453	2,024,808
Less System Property, Plant and Equipment disposed of during the year	(348,501)	0
Less depreciation on System Property, Plant & Equipment	(2,132,052)	(2,025,888)
Closing System Property, Plant and Equipment at ODV	49,702,911	45,667,011

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 following a comprehensive audit.



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

We, Lindsay Mitchell Malcolm and John David Walker, Directors of Network Waitaki Limited certify that, having made all reasonable enquiries, 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 complies 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



John David Walker



**PricewaterhouseCoopers**  
119 Armagh Street  
PO Box 13244  
Christchurch, New Zealand  
Telephone +64 3 374 3000  
Facsimile +64 3 374 3001  
[www.pwc.com/nz](http://www.pwc.com/nz)

## **REPORT OF THE AUDITOR-GENERAL**

### **TO THE READERS OF THE FINANCIAL STATEMENTS OF NETWORK WAITAKI LIMITED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2006**

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 2006. This information is stated in accordance with the accounting policies set out on pages 5 and 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 2006, 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

# PRICEWATERHOUSECOOPERS

information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

## **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 2006 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 30 October 2006 and our unqualified opinion is expressed as at that date.



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



**PricewaterhouseCoopers**  
119 Armagh Street  
PO Box 13244  
Christchurch, New Zealand  
Telephone +64 3 374 3000  
Facsimile +64 3 374 3001  
www.pwc.com/nz

## **AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF NETWORK WAITAKI LIMITED – LINES BUSINESS**

We have examined the information on pages 13 and 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 – Lines Business and dated 30 October 2006 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.

Maurice Noone  
PricewaterhouseCoopers  
On behalf of the Auditor-General  
Christchurch, New Zealand  
30 October 2006