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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 2007

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004

INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this 2007 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 2007 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 2007 - Continued

	Note	2007	2006
		\$	\$
Costs of offering credit			
Bad debts written off		0	1,846
Increase in estimated doubtful debts		0	0
Total cost of offering credit		<u>0</u>	<u>1,846</u>
Local authority rates expense		67,359	62,260
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		100,249	67,661
Total operating expenditure		<u>8,044,807</u>	<u>7,236,548</u>
Operating surplus before interest and income tax		<u>1,931,866</u>	<u>2,101,574</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>1,931,866</u>	<u>2,101,574</u>
Income tax	4	950,430	997,603
Net surplus after tax		<u>981,436</u>	<u>1,103,971</u>

Network Waitaki Limited Lines Business

Statement of Movements in Equity for the Year Ended 31 March 2007

	2007	2006
	\$	\$
Equity at the beginning of the year	<u>52,700,628</u>	<u>51,666,657</u>
Net Surplus for the Year	981,436	1,103,971
Revaluation	0	0
Total Recognised Revenue and Expenses	<u>981,436</u>	<u>1,103,971</u>
Dividends Paid	(100,000)	(70,000)
Equity at the end of the year	<u>53,582,064</u>	<u>52,700,628</u>

Network Waitaki Limited Lines Business

Statement of Financial Position as at 31 March 2007

	Note	2007 \$	2006 \$
Current assets			
Cash and bank balances		4,657	84,677
Short-term investments		4,805,427	5,495,971
Inventories		0	0
Accounts receivable		268,285	930,198
GST		173,656	290,859
Provisional tax		156,124	97,341
Other current assets		101,012	59,601
Total current assets		<u>5,509,161</u>	<u>6,958,647</u>
Property, Plant & Equipment			
System Property, Plant & Equipment		52,896,714	49,702,911
Consumer billing and information system Property, Plant & Equipment		219,010	313,570
Motor vehicles		34,715	41,135
Office equipment		63,278	69,213
Land and buildings		43,940	45,381
Capital works under construction (system Property, Plant & Equipment)		771,250	1,786,563
Other Property, Plant & Equipment		948,868	762,707
Total Property, Plant & Equipment		<u>54,977,775</u>	<u>52,721,480</u>
Other tangible assets not listed above		0	0
Total tangible assets		<u>60,486,936</u>	<u>59,680,127</u>
Intangible assets			
Goodwill		0	0
Other intangibles		0	0
Total intangible assets		<u>0</u>	<u>0</u>
Total assets		<u>60,486,936</u>	<u>59,680,127</u>
Current liabilities			
Bank overdraft		0	0
Short-term borrowings		0	0
Payables and accruals		1,745,218	2,495,101
Provision for dividends payable		0	0
Provision for taxation		0	0
GST		0	0
Other current liabilities		0	0
Total current liabilities		<u>1,745,218</u>	<u>2,495,101</u>
Non-current liabilities			
Payables and accruals		0	0
Borrowings		0	0
Deferred tax	5	5,159,654	4,484,398
Other non-current liabilities		0	0
Total non-current liabilities		<u>5,159,654</u>	<u>4,484,398</u>
Equity			
Shareholders' equity			
Share capital		7,368,870	7,368,870
Retained earnings		9,262,720	8,322,721
Reserves		36,950,474	37,009,037
Total Shareholders' equity		<u>53,582,064</u>	<u>52,700,628</u>
Minority interests in subsidiaries		0	0
Total equity		<u>53,582,064</u>	<u>52,700,628</u>
Capital notes		0	0
Total capital funds		<u>53,582,064</u>	<u>52,700,628</u>
Total equity and liabilities		<u>60,486,936</u>	<u>59,680,127</u>

Network Waitaki Limited Lines Business**Statement of Cash Flows for the Year Ended 31 March 2007**

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from Customers		10,188,307	7,357,938
Interest		400,527	537,887
<i>Cash was disbursed to:</i>			
Payments to Suppliers		(4,421,344)	(3,883,484)
Employees		(631,959)	(646,061)
Income Tax		(380,000)	(328,529)
GST		117,203	(14,167)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	<u>5,272,734</u>	<u>3,023,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was applied to:</i>			
Cash Outflows for Property, Plant & Equipment		(5,943,298)	(6,660,124)
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(5,943,298)</u>	<u>(6,660,124)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Dividend paid		(100,000)	(70,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(100,000)</u>	<u>(70,000)</u>
NET INCREASE (DECREASE) IN CASH HELD		<u>(770,564)</u>	<u>(3,706,541)</u>
Add Opening Cash Brought Forward		5,580,648	9,287,189
ENDING CASH CARRIED FORWARD		<u>4,810,084</u>	<u>5,580,648</u>

The comparatives in the Statement of Cash Flow have been restated to reflect the appropriate treatment for accounts payable relating to Property, Plant and Equipment additions at year end.

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. Reticulation System Property, Plant and Equipment is 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.

Reticulation System Property, Plant and Equipment was last revalued at 31 March 2004 to ODV. All additions since the last revaluation are carried at cost less an allowance for depreciation in the Statement of Financial Position.

In order to comply with the Electricity Information Disclosure Requirements 2004, Network Waitaki has provided a reconciliation of Reticulation System Property, Plant and Equipment at ODV for the year ended 31 March 2007.

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%

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

Network Waitaki Limited Lines Business
Notes to the financial statements for the year ended 31 March 2007 (Continued)

2. Commitments and Contingent Liabilities

There were capital commitments at 31 March 2007 of \$109,211 (2006 \$597,659). The Lines Business has no contingent liabilities at the end of the year (2006 Nil).

3. Related Party Transactions

Associated Entity: Networks South Limited

In December 2006 NetCon Limited merged into Networks South Limited and Networks South Limited changed its name to NetCon Limited

- From 1 April 2006 to 1 December 2006 Network Waitaki paid Networks South Limited \$0 (2006 \$337,776) on normal commercial terms. No amount was outstanding as at 31 March 2007 (2006 \$0). 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 Limited is 50% owned by Network Waitaki Limited and provides asset maintenance and construction services for the network from 1 April 2006 to 31 March 2007. Services were charged on either a fixed price basis or "time and materials" basis.
- During the year, this charge totalled \$4,425,787 (2006 \$3,063,585). The outstanding amount as at 31 March 2007 was \$774,151 (2006 \$786,056) 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 carried out by NetCon totalled the following:

	Year to 31/03/07	Year to 31/03/06
	\$	\$
Sub transmission assets	0	722,172
Zone substations	34,748	82,203
Distribution lines	2,782,734	455,881
Medium voltage switchgear	0	0
Distribution transformers	180	0
Distribution substations	127,478	377,493
Low voltage lines	166,462	355,358
Other property, plant & equipment	3,868	182,216

Other transactions totalled:

Maintenance of System Property, Plant & Equipment	1,310,316	888,262
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	2007 \$	2006 \$
4. Taxation		
Surplus (Deficit) Before Taxation	1,931,866	2,101,574
Income tax expense @ 33%	637,516	693,519
Plus (Less) the effect of		
Non-assessable receipts	(471,800)	(509,260)
Non-deductible expenses	784,715	813,344
Taxation Expenses	<u>950,430</u>	<u>997,603</u>
Taxation Charge is Represented by:		
Income tax liability in respect of the current year	275,174	544,965
Deferred taxation	675,256	452,638
	<u>950,430</u>	<u>997,603</u>
5. Movement in Deferred Tax Account		
Opening balance	4,484,398	4,031,760
Movement in deferred tax	675,256	452,638
Closing balance	<u>5,159,654</u>	<u>4,484,398</u>
6. Reconciliation of Net Surplus after Taxation with Net Cash Flow from Operating Activity		
Surplus after Taxation	981,436	1,103,971
Add Non-cash items		
Depreciation	2,377,924	2,658,629
Deferred tax	675,256	452,638
	<u>3,053,180</u>	<u>3,111,267</u>
Add (Less) Movement in Working Capital Items		
Accounts receivable	620,659	(484,607)
Inventories	0	131,709
GST	117,204	(14,167)
Tax asset	(58,783)	49,721
Payable and accruals	(749,883)	1,214,119
	<u>(70,961)</u>	<u>896,775</u>
	<u>3,593,956</u>	<u>5,112,013</u>
Add Items classified as Investing Activities		
Payable and accruals	1,309,079	(2,088,430)
Net Cash Flows From Operating Activities	<u>5,272,734</u>	<u>3,023,583</u>

Network Waitaki Limited Lines Business

Financial Performance Measures - 31 March 2007

	2007	2006	2005	2004
Accounting return on funds	3.34%	3.28%	1.07%	3.77%
Accounting return on equity	2.26%	2.17%	0.68%	2.62%
Accounting return on investments	1.20%	0.82%	(0.97)%	1.82%

Efficiency Performance Measures - 31 March 2007

	2007	2006	2005	2004
Direct line costs per kilometre	\$1,004.92	\$865.34	\$801.64	\$803.97
Direct expenditure	2,014,481	1,725,098	1,555,643	1,554,334
System length (km)	2,004.63	1,993.56	1,940.57	1,933.33

	2007	2006	2005	2004
Indirect line costs per consumer	\$57.87	\$56.00	\$42.96	\$40.55
Indirect expenditure	691,222	672,301	514,431	466,001
Total consumers	11,944	12,006	11,975	11,491

Energy Delivery Efficiency Performance Measures - 31 March 2007

	2007	2006	2005	2004
Load Factor (= a/b/c x 100)	57.39%	67.95%	66.03%	61.24%
a = kWh of electricity entering system	213,991,872	202,325,411	194,090,295	194,267,825
b = Maximum Demand (kW)	42,566	33,990	33,556	36,210
c = Total number of hours	8,760	8,760	8,760	8,760

	2007	2006	2005	2004
Loss Ratio (= a/b x 100)	5.61%	5.87%	5.52%	5.66%
a = Total Electricity lost in the Network (kWh)*	11,994,565	11,879,157	10,722,772	10,996,292
b = Total Electricity entering the Network before losses (kWh)	213,991,872	202,325,411	194,090,295	194,267,825

	2007	2006	2005	2004
Capacity Utilisation (= a/b x 100)	29.00%	23.53%	24.43%	26.85%
a = Maximum Demand (kW)	42,566	33,990	33,556	36,210
b = Transformer Capacity (kVA)	146,773	144,433	137,347	134,837

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

Network Waitaki Limited Lines Business

Network Statistics - 31 March 2007

		2007	2006	2005	2004
Total System Length (kms)	33kV	162.475	154.051	138.310	138.310
	11kV	1,612.990	1,611.008	1,582.897	1,575.655
	230/400 V	229.160	228.500	219.357	219.357
	Total	2,004.625	1,993.559	1,940.574	1,933.332
Overhead Circuit Length (kms)	33kV	160.430	152.110	138.023	138.023
	11kV	1,569.160	1,568.510	1,542.523	1,537.814
	230/400 V	200.060	200.120	192.882	192.882
	Total	1,929.650	1,920.740	1,873.418	1,868.709
Underground Circuit Length (kms)	33kV	2.046	1.940	0.287	0.287
	11kV	43.840	42.500	40.374	37.841
	230/400 V	29.100	28.380	26.475	26.475
	Total	74.986	72.820	67.136	64.613

Transformer Capacity (kVA)	11,000/400V	146,673	144,333	137,222	134,712
	33,000/400V	100	100	125	125
	Total	146,773	144,433	137,347	134,837

Maximum Demand (kW)		42,566	33,990	33,556	36,210
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Total Electricity entering the Network- before losses (kWh)		213,991,872	202,325,411	194,090,295	194,267,825
Amount of electricity supplied from the system (kWh)*	Retailer A	137,257,993	127,268,638	134,877,953	161,114,352
	Retailer B	10,008,054	11,046,307	10,083,253	5,361,901
	Retailer C	12,268,928	12,516,802	10,778,183	9,179,280
	Retailer D	0	0	0	0
	Retailer E	3,064,070	2,120,651	1,982,670	1,771,768
	Retailer F	39,398,263	37,493,856	25,645,464	5,844,232
	Total	201,997,307	190,446,254	183,367,523	183,271,533

Total number of consumers	Number	11,944	12,006	11,975	11,491
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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

Interruptions

	Class	2008/12 (Target)	2008 (Target)	2007	2006	2005	2004
Number of Interruptions							
	Class A	0	0	0	0	0	0
<i>Planned Interruptions</i>	Class B	125	125	216	178	202	102
<i>Unplanned Interruptions</i>	Class C	80	80	100	64	58	109
	Class D	0	0	6	1	0	0
	Class E - I	0	0			0	0
	Total	205	205	322	243	260	211

Proportion of Total Class C Interruptions not restored:							
	Within 3 Hours			35.00%	12.50%	13.79%	34.86%
	Within 24 Hours			9.0%	0.0%	0.0%	0.0%

Faults

	Voltage	2008/12 (Target)	2008 (Target)	2007	2006	2005	2004
Overall System							
Faults per 100 circuit kilometres of prescribed voltage electric line		4.51	4.51	5.74	3.29	3.37	6.53
Faults per 100 circuit kilometres	33kV	1.23	1.23	3.08	0.00	0.00	0.72
	11kV	4.84	4.84	6.01	3.60	3.66	7.04
Overhead							
Faults per 100 circuit kilometres of prescribed voltage electric line		4.57	4.57	5.84	3.37	3.45	6.50
Faults per 100 circuit kilometres	33kV	1.25	1.25	3.12	0.00	0.00	0.72
	11kV	4.91	4.91	6.12	3.70	3.76	7.02
Underground							
Faults per 100 circuit kilometres of prescribed voltage electric line		2.18	2.18	2.18	0.00	0.00	7.87
Faults per 100 circuit kilometres	33kV	0.00	0.00	0.00	0.00	0.00	0.00
	11kV	2.28	2.28	2.28	0.00	0.00	7.93

Network Waitaki Limited Lines Business

Reliability and Performance Measures

System Average Interruption Duration Index (SAIDI)

Class		2008/12 (Target)	2008 (Target)	2007	2006	2005	2004
SAIDI for total number of interruptions	Overall	100	100	505.55	102.31	104.85	187.0
SAIDI for total number of interruptions within each interruption class (= a/b)	Class A			0.00	0.00	0.0	0.0
	Class B	50	50	41.39	49.79	61.14	36.7
	Class C	50	50	291.41	46.95	43.71	150.30
	Class D			172.75	5.57	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
	Class B	597,200	597,200	495,353	597,824	732,104	421,371
	Class C	597,200	597,200	3,481,389	563,694	523,463	1,727,489
	Class D			2,063,195	66,920	0	0
	Class E - I			0	0	0	0
b = Total Consumers		11,944.00	11,944.00	11,944.00	12,006	11,975	11,491

System Average Interruption Frequency Index (SAIFI)

Class		2008/12 (Target)	2008 (Target)	2007	2006	2005	2004
SAIFI for total number of interruptions	Overall	1.39	1.39	3.32	1.91	1.38	1.65
SAIFI for total number of interruptions within each interruption class (= a/b)	Class A			0.00	0.00	0.00	0.00
	Class B	0.35	0.35	0.19	0.29	0.35	0.18
	Class C	1.04	1.04	1.26	0.92	1.03	1.47
	Class D			1.87	0.70	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
	Class B	4,180	4,180	2,293	3,470	4,179	2,084
	Class C	12,422	12,422	15,049	11,094	12,322	16,932
	Class D			22,310	8,368	0	0
	Class E - I			0	0	0	0
b = Total Consumers		11,944.00	11,944.00	11,943.5	12,006	11,975	11,491

Connection Average Interruption Duration Index (CAIDI)

Class		2008/12 (Target)	2008 (Target)	2007	2006	2005	2004
CAIDI for total number of interruptions	Overall	71.94	71.94	142.29	53.58	76.11	113.00
CAIDI for total number of interruptions within each interruption class	Class A			0.00	0.00	0.00	0.00
	Class B	142.86	142.86	215.56	172.48	175.14	202.19
	Class C	48.08	48.08	231.28	50.80	42.50	102.03
	Class D			92.48	8.00	0.00	0.00
	Classes E-I			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 2007

Derivation Table	Input and Calculations	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,931,866				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	1,931,866				
Interest on cash, bank balances, and short-term investments (ISTI)	412,140				
OSBIT minus ISTI	1,519,726	a	1,519,726		1,519,726
Net surplus after tax from financial statements	981,436			981,436	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	981,436	n			
Amortisation of goodwill and amortisation of other intangibles	0			add 0	add 0
Subvention payment	0			add 0	add 0
Depreciation of SFA at BV (x)	2,316,799				
Depreciation of SFA at ODV (y)	2,143,187				
ODV depreciation adjustment	173,612			add 173,612	add 173,612
Subvention payment tax adjustment	0			deduct 0	deduct 0
Interest tax shield	136,006			add 136,006	add 136,006
Revaluations	0			deduct 0	deduct 0
Income tax	950,430			deduct 950,430	deduct 950,430
Numerator	1,693,338		1,693,338	1,155,049	606,903
			$OSBIT^{Adj} = a + g + s + d$	$NSAT^{Adj} = n + g + s - s^* + d$	$OSBIT^{Adj} = a + g + r + s + d - p - s^*$
Property, Plant & Equipment at end of previous financial year (FA0)	52,721,480				
Property, Plant & Equipment at end of current financial year (FA1)	54,977,775				
Adjusted net working capital at end of previous financial year (ANWC ₀)	(1,117,102)				
Adjusted net working capital at end of current financial year (ANWC ₁)	(1,046,141)				
Average total funds employed (ATFE)	52,768,007	c	52,768,007		52,768,007
Total equity at end of previous financial year (TE ₀)	52,700,628				
Total equity at end of current financial year (TE ₁)	53,582,064				
Average total equity	53,141,346	k		53,141,346	
WUC at end of previous financial year (WUC ₀)	1,786,563				
WUC at end of current financial year (WUC ₁)	771,250				
Average total works under construction	1,278,907	e	1,278,907		1,278,907
Revaluations	0			deduct 0	deduct 0
Half of revaluations	0				
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		0	0
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		0	0
System Property, Plant & Equipment at end of previous financial year at book value (SFA ₀)	49,702,911				
System Property, Plant & Equipment at end of current financial year at book value (SFA ₁)	52,896,714				
Average value of system Property, Plant & equipment at book value	51,299,813	f	51,299,813		51,299,813
System Property, Plant & Equipment at year beginning at ODV value (SFA ₀ ODV)	49,702,911				
System Property, Plant & Equipment at end of current financial year at ODV value (SFA ₁ ODV)	51,426,542				
Average value of system Property, Plant & equipment at ODV value	50,564,727	h	50,564,727		50,564,727
Denominator	50,754,015		50,754,015	51,127,353	50,754,015
			$ATFE^{Adj} = c - e - f + h$	$Ave TE^{Adj} = k - e - m + v - f + h$	$ATFE^{Adj} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:			3.34%	2.26%	1.20%
			$ROF = \frac{OSBIT^{Adj}}{ATFE^{Adj}} \times 100$	$ROE = \frac{NSAT^{Adj}}{ATE} \times 100$	$ROI = \frac{OSBIT^{Adj}}{ATFE^{Adj}} \times 100$

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average ocdv = 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

Network Waitaki (Lines)
Annual Valuation Reconciliation Report

	2007	2006
	\$	\$
System Property, Plant & Equipment at ODV	49,702,911	45,667,011
Add System Property, Plant & Equipment acquired during the year at ODV	4,021,394	6,516,453
Less System Property, Plant and Equipment disposed of during the year	(154,576)	(348,501)
Less depreciation on System Property, Plant & Equipment	(2,143,187)	(2,132,052)
Closing System Property, Plant and Equipment at ODV	51,426,542	49,702,911

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

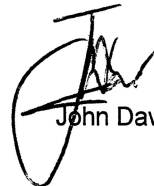
We, Lindsay Mitchell Malcolm and John David Walker, Directors of Network Waitaki Limited certify that, having made all reasonable enquiries, to the best of our knowledge:

(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 8011
New Zealand
Telephone +64 3 374 3000
Facsimile +64 3 374 3001
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 2007

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 2007. 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 2007, 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.

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 2007 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 17 December 2007 and our unqualified opinion is expressed as at that date.

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

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

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS
IN THE *NEW ZEALAND GAZETTE***

This audit report relates to the financial statements of Network Waitaki Limited - Lines Business for the year ended 31 March 2007, that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of Network Waitaki Limited - Lines Business for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the Financial Statements of Network Waitaki Limited - Lines Business that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 17 December 2007 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



PricewaterhouseCoopers
119 Armagh Street
PO Box 13244
Christchurch 8011
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 17 December 2007 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 'Maurice Noone', written over a horizontal line.

Maurice Noone
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand
17 December 2007

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES
IN THE *NEW ZEALAND GAZETTE***

This audit report relates to the performance measures of Network Waitaki Limited - Lines Business for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of Network Waitaki Limited - Lines Business for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of Network Waitaki Limited - Lines Business that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 17 December 2007 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.