

New Zealand Gazette

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WAIPA NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

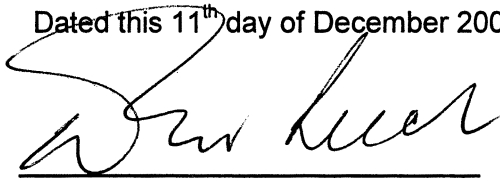
**Certification of Financial Statements, Performance Measures,
and Statistics Disclosed by Disclosing Entities (other than Transpower).**

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

- (a) The attached audited financial statements of Waipa Networks Limited prepared for the purposes of regulation 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Waipa Networks Limited, and having been prepared for the purposes of regulations 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

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

Dated this 11th day of December 2007.



Director



Director

WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2007

| | Note | 2007 \$ | 2006 \$ |
|---------------------------------------|------|-------------------|-------------------|
| Revenue | | 17,676,280 | 15,826,928 |
| Less Discounts | | 4,324,415 | 4,085,537 |
| Net Revenue | | <u>13,351,865</u> | <u>11,741,391</u> |
| Net Operating Surplus Before Taxation | 2 | 1,953,225 | 942,536 |
| Less Taxation Expense | 3 | 250,725 | 151,855 |
| Net Surplus | | <u>1,702,500</u> | <u>790,681</u> |

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

| | | 2007 \$ | 2006 \$ |
|--|---|-------------------|-------------------|
| Equity as at 1 April | | <u>52,755,507</u> | <u>51,964,826</u> |
| Net Surplus | | 1,702,500 | 790,681 |
| Revaluation of Assets | 5 | - | - |
| Total Recognised Revenue and Expenses for the Year | | 1,702,500 | 790,681 |
| Equity as at 31 March | | <u>54,458,007</u> | <u>52,755,507</u> |

The accompanying notes form part of these financial statements.

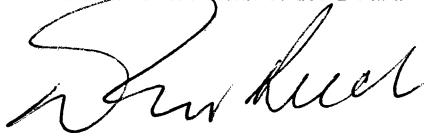
WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2007

| | Note | 2007 \$ | 2006 \$ |
|----------------------------------|------|-------------------|-------------------|
| EQUITY | | | |
| Share capital | 4 | - | - |
| Reserves | 5 | 44,516,299 | 44,516,299 |
| Retained earnings | 6 | 9,941,708 | 8,239,208 |
| TOTAL EQUITY | | <u>54,458,007</u> | <u>52,755,507</u> |
| Represented By: | | | |
| CURRENT ASSETS | | | |
| Cash and Bank | | 44,861 | 154,719 |
| Short term investments | | - | - |
| Receivables and prepayments | 7 | 1,348,309 | 1,224,294 |
| Tax refund due | | 5,114 | 43,119 |
| Inventories | | 402,274 | 392,844 |
| | | <u>1,800,558</u> | <u>1,814,976</u> |
| NON - CURRENT ASSETS | | | |
| Property, Plant and Equipment | 9 | 64,055,220 | 60,784,458 |
| TOTAL ASSETS | | <u>65,855,778</u> | <u>62,599,434</u> |
| CURRENT LIABILITIES | | | |
| Creditors | 8 | 1,542,968 | 813,900 |
| NON - CURRENT LIABILITIES | | | |
| Employee entitlements | | 54,803 | 30,027 |
| Term Liabilities | 10 | 9,800,000 | 9,000,000 |
| TOTAL LIABILITIES | | <u>11,397,771</u> | <u>9,843,927</u> |
| NET ASSETS | | <u>54,458,007</u> | <u>52,755,507</u> |

For and on behalf of the Board


D M Reed Director
11 December 2007

R Z Kadziolka Director
11 December 2007

The accompanying notes form part of these financial statements.

WAIPA NETWORKS LIMITED - LINES BUSINESS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2007

| | Note | 2007 \$ | 2006 \$ |
|---|------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 10,522,295 | 9,422,913 |
| Interest received | | 7,277 | 18,438 |
| Net GST | | 33,235 | 27,392 |
| | | <u>10,562,807</u> | <u>9,468,743</u> |
| Cash was disbursed to: | | | |
| Payments to suppliers and employees | | 7,246,775 | 7,136,971 |
| Interest Paid | | 858,220 | 816,000 |
| Taxes paid | | 212,720 | 178,442 |
| | | <u>8,317,715</u> | <u>8,131,413</u> |
| Net cash flows from operating activities | 15 | <u>2,245,092</u> | <u>1,337,330</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Proceeds from sale of assets | | 31,056 | 29,021 |
| Capital Contributions | | 1,704,000 | 1,120,560 |
| | | <u>1,735,056</u> | <u>1,149,581</u> |
| Cash was applied to: | | | |
| Purchase of assets | | 4,890,006 | 3,631,436 |
| | | <u>4,890,006</u> | <u>3,631,436</u> |
| Net cash flows from investing activities | | <u>(3,154,950)</u> | <u>(2,481,855)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Increase in term liabilities | | 800,000 | 1,000,000 |
| | | <u>800,000</u> | <u>1,000,000</u> |
| Net cash flows from financing activities | | <u>800,000</u> | <u>1,000,000</u> |
| Net decrease in cash held | | (109,858) | (144,525) |
| Add opening cash brought forward | | 154,719 | 299,244 |
| Ending cash carried forward | | <u>44,861</u> | <u>154,719</u> |
| CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION | | | |
| Cash and Bank | | <u>44,861</u> | <u>154,719</u> |

The accompanying notes form part of these financial statements.

WAIPA NETWORKS LIMITED - LINES BUSINESS

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2007

1 STATEMENT OF ACCOUNTING POLICIES**Reporting Entity**

Waipa Networks Limited is a company registered under the Companies Act 1993. The financial statements have been prepared for the purpose of complying with the requirements of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

Measurement Basis

The general accounting policies recognised as appropriate for the measurement and reporting of performance, cash flows and financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements.

Accounting Policies

The following accounting policies which materially affect the measurement of profit and the financial position have been applied:

a) Network Charges

Income from Network charges includes an estimated amount for accrued sales from meters unread as at 31 March 2007.

b) Property, Plant and Equipment

The Line Business has five classes of Property, Plant and Equipment as follows:

- Freehold Land
- Freehold Buildings
- Reticulation Assets
- Motor Vehicles
- Plant, Furniture & Fittings

The Reticulation Assets were revalued on an optimised depreciated replacement cost basis by independent valuers on 31 March 2004 and subsequently will be revalued at least every 3 years. Additions to the Reticulation Assets since revaluation are stated at cost.

Assets constructed by the line business are capitalised at direct cost plus a proportion of indirect overheads.

All other Property, Plant and Equipment are recorded at cost less accumulated depreciation.

WAIPA NETWORKS LIMITED - LINES BUSINESS

c) Capital Contributions

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

d) Depreciation

Land is not depreciated. Depreciation has been provided on other Property, Plant and Equipment using the straight line method at rates which amortise the cost or valuation less estimated residual value over their economic lives.

Depreciation on assets purchased during the year has been charged on a monthly basis from month of purchase.

| | |
|--------------------------------|-------|
| Buildings | 3.0% |
| Reticulation Assets | 2.5% |
| Motor Vehicles | 20.0% |
| Computers Equipment & Software | 20.0% |
| Plant, Furniture & Fittings | 10.0% |

e) Receivables

Receivables are stated at their estimated realisable value after adequate provision for doubtful debts. Bad debts are written off in the period they are identified.

f) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both current and deferred tax. Deferred tax is calculated using the liability method, and is accounted for using the partial basis.

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

g) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

WAIPA NETWORKS LIMITED - LINES BUSINESS

h) Financial Instruments

The Line Business includes all financial instrument arrangements in the statement of financial position using the concepts of accrual accounting. These instruments arise as a result of everyday operations and include: cash, receivables, creditors and investments.

Revenues and expenses in relation to all financial instruments are recognised in the statement of financial performance. Financial instruments are shown at their fair values.

i) Employee entitlements

Provision is made in respect of the Line Businesses liability for annual leave, long service leave and retirement gratuities. Where the qualifying criteria has been met these have been calculated on an actual entitlement basis at current rates of pay. Further provision has been made for long service and retirement gratuities where the qualifying criteria has not yet been met, bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until the 31 March 2007

CHANGES IN ACCOUNTING POLICIES

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

| | 2007 | 2006 |
|---|-----------|-----------|
| | \$ | \$ |
| 2 NET SURPLUS BEFORE TAXATION | | |
| After Charging: | | |
| Direct Expenditure | 2,757,684 | 2,679,050 |
| Audit fees for these financial statements | 6,174 | 5,880 |
| Audit fees for other Company financial statements | 42,005 | 36,195 |
| Directors' fees | 128,814 | 125,184 |
| Electricity Reform Costs | 33,395 | 23,595 |
| Other Indirect expenditure | 1,158,271 | 1,209,173 |
| Depreciation | 1,676,239 | 1,578,049 |
| Buildings | 11,517 | 11,517 |
| Reticulation Assets | 1,594,079 | 1,497,378 |
| Motor Vehicles | 32,218 | 29,794 |
| Plant, Furniture and Fittings | 38,425 | 39,360 |
| Net Gain on Disposal of Assets | (12,087) | (13,295) |
| Interest Paid | 858,220 | 816,000 |
| After Crediting: | | |
| Interest Received | 7,255 | 15,821 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 \$ | 2006 \$ |
|--|-----------------------|-----------------------|
| 3 TAXATION | | |
| Net surplus before taxation | <u>1,953,225</u> | <u>942,536</u> |
| Prima facie taxation at 33% | 644,564 | 311,037 |
| Plus Tax effect of permanent differences | 526,046 | 494,135 |
| Less Tax effect of timing differences not Recognised | <u>(919,885)</u> | <u>(653,317)</u> |
| Total Taxation Expense | <u><u>250,725</u></u> | <u><u>151,855</u></u> |
| The Taxation charge comprises: | | |
| - current taxation | 250,725 | 151,855 |
| - deferred taxation | <u>-</u> | <u>-</u> |
| | <u><u>250,725</u></u> | <u><u>151,855</u></u> |

A deferred tax liability of \$4,910,331 (2006 \$4,076,136), has not been recognised. This liability primarily relates to asset revaluations of the reticulation assets which would only crystallise on disposal.

Imputation credit memorandum account.

| | | |
|--------------------------------------|-------------------------|-------------------------|
| Balance at the beginning of the year | 1,837,711 | 1,659,269 |
| Dividends Allocated | - | - |
| Taxation paid | 212,720 | 178,442 |
| Balance at end of year | <u><u>2,050,431</u></u> | <u><u>1,837,711</u></u> |

4 SHARE CAPITAL

| | | |
|------------------------|-----------------|-----------------|
| Balance at end of year | <u><u>-</u></u> | <u><u>-</u></u> |
|------------------------|-----------------|-----------------|

At 31 March 2007 the company has 6,800,000 fully paid issued shares.

All shares carry equal voting rights and share in any surplus on winding up of the company equally.

None of the shares carry fixed dividend rights.

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 \$ | 2006 \$ |
|--|-------------------|-------------------|
| 5 REVALUATION OF ASSETS RESERVE | | |
| Revaluation of Assets Reserve | | |
| Balance at beginning of year | 44,516,299 | 44,516,299 |
| Asset Revaluation Reticulation | - | - |
| Balance at end of year | <u>44,516,299</u> | <u>44,516,299</u> |
| 6 RETAINED EARNINGS | | |
| Balance at beginning of year | 8,239,208 | 7,448,527 |
| Net Surplus after Taxation | 1,702,500 | 790,681 |
| Balance at end of year | <u>9,941,708</u> | <u>8,239,208</u> |
| 7 RECEIVABLES | | |
| Trade debtors | 1,307,140 | 1,179,547 |
| Accrued Interest Income | 28 | 50 |
| Prepayments | 41,141 | 44,697 |
| | <u>1,348,309</u> | <u>1,224,294</u> |
| 8 CREDITORS | | |
| Accounts payable and accruals - trade | 1,423,212 | 711,488 |
| Employee entitlements | 118,110 | 98,475 |
| Payables to Directors | 1,646 | 3,937 |
| | <u>1,542,968</u> | <u>813,900</u> |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 \$ | 2006 \$ |
|--|--------------------------|--------------------------|
| 9 PROPERTY, PLANT AND EQUIPMENT | | |
| Freehold Land | | |
| Cost | 1,610 | 1,610 |
| Freehold Buildings | | |
| Cost | 895,861 | 895,861 |
| Accumulated Depreciation | <u>216,320</u> | <u>205,054</u> |
| Net Book Value | 679,541 | 690,807 |
| Reticulation Assets | | |
| Cost - additions since 1 April 2004 | 11,119,709 | 6,239,937 |
| Valuation | <u>56,540,820</u> | <u>56,540,820</u> |
| | 67,660,529 | 62,780,757 |
| Accumulated Depreciation at cost | 284,467 | 108,567 |
| Accumulated Depreciation at valuation | <u>4,240,562</u> | <u>2,827,041</u> |
| Net Book Value | 63,135,500 | 59,845,149 |
| Motor Vehicles | | |
| Cost | 206,081 | 166,936 |
| Accumulated Depreciation | <u>98,780</u> | <u>49,889</u> |
| Net Book Value | 107,301 | 117,047 |
| Plant, Furniture and Fittings | | |
| Cost | 1,267,937 | 1,276,829 |
| Accumulated Depreciation | <u>1,136,669</u> | <u>1,146,984</u> |
| Net Book Value | 131,268 | 129,845 |
| Total Net Book Value | <u><u>64,055,220</u></u> | <u><u>60,784,458</u></u> |

The Reticulation Assets were revalued by E W Graham, B.E. (Elect), F.I.P.E.N.Z. and PricewaterhouseCoopers on 31 March 2004 to a value of \$56,540,820 on a optimised depreciated replacement cost basis.

The fair value of Land and Buildings is assessed at \$980,000 based on a valuation by Quotable Value New Zealand as at 1 September 2005 for GV purposes.

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 |
|--|-----------|-----------|
| | \$ | \$ |
| 10 TERM LIABILITIES | | |
| Inter-business Loan - Other Business (9.25%) | 9,800,000 | 9,000,000 |

Repayable between 2 and 5 years.

11 FINANCIAL INSTRUMENTS**Credit Risk**

In the normal course of its business, Waipa Networks incurs credit risk from trade receivables from customers. Waipa Networks largest customer accounts for 52% (2006 52%) of total sales and 82% (2006 92%) of trade receivables at balance date for which a bank performance bond is held. There are no other significant concentrations of credit risk and Waipa Networks generally does not require any collateral.

Waipa Networks places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

Currency Risk

Waipa Networks has no exposure to currency risk.

Interest Rate Risk

Waipa Networks has no significant exposure to interest rate risk as its term loan has fixed interest rates. The interest rate on the term loan is disclosed in note 10.

Fair Value

The estimated fair value of Waipa Networks financial instruments at 31 March 2007 are stated in the Statement of Financial Position.

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There are no contingent liabilities as at 31 March 2007 (2006 Nil);

There are no commitments for future capital expenditure as at 31 March 2007 (2006 Nil).

WAIPA NETWORKS LIMITED - LINES BUSINESS

13 SEGMENTAL REPORTING

Waipa Networks operates predominantly in one industry, distribution of electricity. All operations are carried out within New Zealand, and are therefore within one geographical segment for reporting purposes.

14 RELATED PARTIES

At balance date, the Waipa Networks Trust held 100 per cent of the shares in Waipa Networks Limited

All related party transactions in the accounts of Waipa Networks have been conducted on a commercial and arms length basis.

The contracting department of Waipa Networks has provided the following services at cost, including overheads, for the year ended 31 March 2007

| | 2007 | 2006 |
|--|-----------|-----------|
| Construction of distribution lines & cables | 2,354,387 | 1,276,026 |
| Construction of medium voltage switchgear | 412,142 | 679,939 |
| Construction of distribution transformers | 697,104 | 728,884 |
| Construction of distribution substations | 273,355 | 354,416 |
| Construction of low voltage lines and cables | 462,477 | 317,808 |
| Construction of other system fixed assets | 680,307 | 157,130 |
| Maintenance of assets | 1,691,709 | 1,689,973 |
| Consumer connections and reconnections | 9,560 | 8,533 |
| Other services | 49,211 | 46,244 |

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

| | | |
|------------------------|---------|---------|
| Interest paid to Other | 858,220 | 816,000 |
|------------------------|---------|---------|

The line business has a loan from the other business refer note 10.
The amount outstanding at balance date was \$9,800,000 (2006 \$9,000,000).

At year end there were no other outstanding balances for related parties (2006 Nil).
No related party debt has been written off or forgiven during 2007 or 2006.

No provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust. (2006 Nil). No Interim dividends have been paid (2006 Nil).

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 |
|--|--------------------------|--------------------------|
| | \$ | \$ |
| 15 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES | | |
| Reported Net Surplus after tax | 1,702,500 | 790,681 |
| Add (Less) Non Cash Items: | | |
| Depreciation | 1,676,239 | 1,578,049 |
| Increase in Non-current Liabilities Leave Provisions | 24,776 | 2,769 |
| | <u>3,403,515</u> | <u>2,371,499</u> |
| Add (Less) Movements in Working Capital Items | | |
| Decrease (Increase) in Tax Receivable | 38,005 | (26,587) |
| Decrease (Increase) in Receivables | (124,015) | 83,849 |
| Increase in Inventories | (9,430) | (24,398) |
| Decrease in Accounts Payable | 709,433 | 33,931 |
| Increase in Leave Provisions | 19,635 | 4,896 |
| | <u>633,628</u> | <u>71,691</u> |
| | 4,037,143 | 2,443,190 |
| Add (Less) Items Classified as Investing Activities | | |
| Net Loss (Gain) on Disposal of Assets | (12,087) | (13,295) |
| Increase (Decrease) in Creditors for Property, Plant and Equiprr | (75,964) | 27,995 |
| Capital Contributions | (1,704,000) | (1,120,560) |
| | <u>(1,792,051)</u> | <u>(1,105,860)</u> |
| Net Cash Inflows from Operating Activities | <u><u>2,245,092</u></u> | <u><u>1,337,330</u></u> |
| 16 ODV RECONCILIATION REPORT | | |
| System fixed assets at ODV at beginning of year | 59,948,163 | 58,537,486 |
| Add system fixed assets acquired during the year at ODV | 4,837,966 | 3,651,239 |
| Less system fixed assets disposed of during the year at ODV | 67,330 | 73,343 |
| Less depreciation system fixed assets at ODV | 2,279,063 | 2,167,219 |
| Add revaluations of system fixed assets | - | - |
| System fixed assets at ODV at end of year | <u><u>62,439,736</u></u> | <u><u>59,948,163</u></u> |

WAIPA NETWORKS LIMITED - LINES BUSINESS

17 Disclosure of Information to be Disclosed in Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999 Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
| Statement of Financial Position Disclosure (Schedule 1, Part 2) | | |
| 1 Current Assets | | |
| (a) Cash and Bank balances | 44,861 | 154,719 |
| (b) Short-term investments | - | - |
| (c) Inventories | 402,274 | 392,844 |
| (d) Accounts receivable | 1,307,140 | 1,179,547 |
| (e) Other current assets not listed in (a) to (d) | 46,283 | 87,866 |
| (f) Total current assets | 1,800,558 | 1,814,976 |
| 2 Fixed Assets | | |
| (a) System fixed assets | 63,135,500 | 59,845,149 |
| (b) Customer billing and information system assets | 59,986 | 71,564 |
| (c) Motor vehicles | 107,301 | 117,047 |
| (d) Office Equipment | 71,282 | 58,281 |
| (e) Land & Buildings | 681,151 | 692,417 |
| (f) Capital works under construction | - | - |
| (g) Other fixed assets not listed in (a) to (f) | - | - |
| (h) Total fixed assets | 64,055,220 | 60,784,458 |
| 3 Other tangible assets not listed above | - | - |
| 4 Total tangible assets | 65,855,778 | 62,599,434 |
| 5 Intangible assets | | |
| (a) Goodwill | - | - |
| (b) Other intangible not listed in (a) | - | - |
| (c) Total intangible assets | - | - |
| 6 Total Assets | 65,855,778 | 62,599,434 |
| 7 Current Liabilities | | |
| (a) Bank Overdraft | - | - |
| (b) Short-term borrowings | - | - |
| (c) Payables and accruals | 1,542,968 | 813,900 |
| (d) Provision for dividend payable | - | - |
| (e) Provision for income tax | - | - |
| (f) Other Current Liabilities not listed in (a) to (e) | - | - |
| (g) Total Current Liabilities | 1,542,968 | 813,900 |
| 8 Non-current liabilities | | |
| (a) Payables and accruals | 54,803 | 30,027 |
| (b) Borrowings | 9,800,000 | 9,000,000 |
| (c) Deferred tax | - | - |
| (d) Other Non-current Liabilities not listed in (a) to (c) | - | - |
| (e) Total Non-current Liabilities | 9,854,803 | 9,030,027 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 \$ | 2006 \$ |
|--|-------------------|-------------------|
| 9 Equity | | |
| (a) Shareholders' equity | | |
| (i) Share Capital | - | - |
| (ii) Retained Earnings | 9,941,708 | 8,239,208 |
| (iii) Reserves | 44,516,299 | 44,516,299 |
| (iv) Total Shareholders' equity | 54,458,007 | 52,755,507 |
| (b) Minority interests in subsidiaries | - | - |
| (c) Total Equity | 54,458,007 | 52,755,507 |
| (d) Capital notes | - | - |
| (e) Total capital funds | 54,458,007 | 52,755,507 |
| 10 Total equity and liabilities | 65,855,778 | 62,599,434 |

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

| | | |
|--|------------|------------|
| 11 Operating revenue | | |
| (a) Revenue from line/access charges | 11,145,249 | 9,973,679 |
| (b) Revenue from "Other" business (transfer payment) | - | - |
| (c) Income from interest on bank & short-term investments | 7,255 | 15,821 |
| (d) AC loss-rental rebates | 495,361 | 631,331 |
| (e) Other operating revenue not listed in (a) to (d) | 1,704,000 | 1,120,560 |
| (f) Total operating revenue | 13,351,865 | 11,741,391 |
| 12 Operating expenditure | | |
| (a) Transmission Charges | 4,254,564 | 3,707,693 |
| (b) Transfer payments to "Other" business | | |
| (i) Asset maintenance | 1,691,709 | 1,689,973 |
| (ii) Consumer disconnections and reconnections | 9,560 | 8,533 |
| (iii) Meter data | - | - |
| (iv) Consumer-based load control | 49,211 | 46,244 |
| (v) Royalty and patent expenses | - | - |
| (vi) Avoided transmission charges for own generation | - | - |
| (vii) Other goods & services not listed in (i) to (vi) above | - | - |
| (viii) Total transfer payment to the "Other" business | 1,750,480 | 1,744,750 |
| (c) Payments to non-related entities | | |
| (i) Asset maintenance | 401,796 | 480,099 |
| (ii) Consumer disconnections and reconnections | - | - |
| (iii) Meter data | - | - |
| (iv) Consumer-based load control | - | - |
| (v) Royalty and patent expenses | - | - |
| (vi) Total of specified expenses to non-related parties | 401,796 | 480,099 |
| (d) Employee salaries, wages and redundancies | 939,463 | 916,867 |
| (e) Consumer billing and information system expense | 47,198 | 46,093 |
| (f) Depreciation on | | |
| (i) System fixed assets | 1,594,079 | 1,497,378 |
| (ii) Other assets not listed in (i) | 82,160 | 80,671 |
| (iii) Total depreciation expense | 1,676,239 | 1,578,049 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 |
|--|-------------------|------------------|
| | \$ | \$ |
| (g) Amortisation of | | |
| (i) Goodwill | - | - |
| (ii) Other intangibles | - | - |
| (iii) Total amortisation of intangibles | - | - |
| (h) Corporate and administration | 199,469 | 204,941 |
| (i) Human resource expenses | 67,743 | 58,657 |
| (j) Marketing and advertising | 123,954 | 143,199 |
| (k) Merger and acquisition expenses | - | - |
| (l) Takeover defence expenses | - | - |
| (m) Research and development expenses | - | - |
| (n) Consultancy and legal expenses | 108,670 | 43,598 |
| (o) Donations | - | - |
| (p) Directors fees | 128,814 | 125,184 |
| (q) Audit fees | | |
| (i) Audit fees paid to principal auditors | 48,179 | 42,075 |
| (ii) Audit fees paid to other auditors | - | - |
| (iii) Fees paid for other services provided by auditors | - | - |
| (iv) Total auditors fees | 48,179 | 42,075 |
| (r) Costs of offering credit | | |
| (i) Bad debts written off | - | - |
| (ii) Increase in estimated doubtful debts | - | - |
| (iii) Total costs of offering credit | - | - |
| (s) Local authority rates | 67,026 | 79,026 |
| (t) AC loss-rental (distribution of) expense | 495,361 | 631,331 |
| (u) Rebates to customers due to ownership interest | - | - |
| (v) Subvention payments | - | - |
| (w) Unusual expenses | - | - |
| (x) Other expenditure not listed in (a) to (w) | 231,464 | 181,293 |
| 13 Total operating expenditure | 10,540,420 | 9,982,855 |
| 14 Operating surplus before interest and income tax | 2,811,445 | 1,758,536 |
| 15 Interest | | |
| (a) Interest expense on borrowings | 858,220 | 816,000 |
| (b) Financing charges related to finance leases | - | - |
| (c) Other interest expense | - | - |
| (d) Total interest expense | 858,220 | 816,000 |
| 16 Operating surplus before income tax | 1,953,225 | 942,536 |
| 17 Income Tax | 250,725 | 151,855 |
| 18 Net surplus after tax | 1,702,500 | 790,681 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 | 2005 | 2004 |
|--|------|------|------|------|
|--|------|------|------|------|

18 PERFORMANCE MEASURES

Disclosure of financial performance measures and efficiency performance measures.

1. Financial performance measures

| | | | | |
|--------------------------|-------|-------|-------|--------|
| (a) Return on funds | 3.38% | 1.76% | 1.49% | 2.93% |
| (b) Return on equity | 1.91% | 0.23% | 0.08% | 1.23% |
| (c) Return on investment | 2.54% | 1.08% | 0.93% | 22.73% |

2. Efficiency performance measures:

| | | | | |
|--|-------------|-------------|-------------|-------------|
| (a) Direct line costs per kilometre | \$1,392 | \$1,370 | \$1,046 | \$1,005 |
| Direct Expenditure | \$2,757,684 | \$2,679,050 | \$2,108,683 | \$1,911,216 |
| System Length | 1,981 | 1,955 | 2,015 | 1,902 |
| (b) Indirect line costs per electricity customer | \$62 | \$65 | \$60 | \$55 |
| Indirect Expenditure | \$1,368,659 | \$1,400,027 | \$1,265,989 | \$1,151,534 |
| Total consumers | 22,006 | 21,538 | 21,107 | 20,773 |

Disclosure of energy delivery efficiency performance measures.

1. Energy Delivery efficiency performance measures:

| | | | | |
|--|-------------|-------------|-------------|-------------|
| (a) Load factor (=a/b*c*100) | 67.35 | 65.38 | 63.09 | 64.98 |
| a = kWh of electricity entering system | 343,030,496 | 336,382,834 | 334,710,530 | 323,352,769 |
| b = Maximum demand | 58,142 | 58,732 | 60,560 | 56,808 |
| c = Total number of hours in year | 8,760 | 8,760 | 8,760 | 8,760 |
| (b) Loss ratio (=a/b*100) | 6.39 | 6.31 | 6.30 | 6.23 |
| a = losses in electricity in kWh | 21,908,190 | 21,223,522 | 21,077,483 | 20,134,172 |
| b = kWh of electricity entering system | 343,030,496 | 336,382,834 | 334,710,530 | 323,352,769 |
| (c) Capacity utilisation (=a/b*100) | 31.13 | 31.84 | 34.28 | 33.43 |
| a = Maximum demand | 58,142 | 58,732 | 60,560 | 56,808 |
| b = Transformer Capacity | 186,777 | 184,434 | 176,646 | 169,941 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 | 2005 | 2004 |
|--|--------------------|--------------------|--------------------|--------------------|
| 2. Statistics | | | | |
| (a) System Length | | | | |
| Circuit Kilometres >11kV | 0 | 0 | 0 | 0 |
| Circuit Kilometres 11kV | 1,304 | 1,294 | 1,336 | 1,307 |
| Circuit Kilometres 400V | 677 | 661 | 679 | 595 |
| Total | 1,981 | 1,955 | 2,015 | 1,902 |
| (b) System Length - Overhead | | | | |
| Circuit Kilometres >11kV | 0 | 0 | 0 | 0 |
| Circuit Kilometres 11kV | 1,230 | 1,228 | 1,281 | 1,254 |
| Circuit Kilometres 400V | 497 | 495 | 538 | 475 |
| Total Overhead | 1,727 | 1,723 | 1,819 | 1,729 |
| (c) System Length - Underground | | | | |
| Circuit Kilometres >11kV | 0 | 0 | 0 | 0 |
| Circuit Kilometres 11kV | 74 | 66 | 55 | 53 |
| Circuit Kilometres 400V | 180 | 166 | 141 | 120 |
| Total Underground | 254 | 232 | 196 | 173 |
| (d) Transformer Capacity (In Kilovolt Amperes) | 186,777 | 184,434 | 176,646 | 169,941 |
| (e) Maximum Demand | 58,142 | 58,732 | 60,560 | 56,808 |
| (f) Total electricity entering the system before losses (in Kilowatt Hours) | 343,030,496 | 336,382,834 | 334,710,530 | 323,352,769 |
| (g) Electricity conveyed from the system after losses for each retailer. | | | | |
| Retailer 1 | 164,411,994 | 164,253,756 | 175,665,524 | 181,228,143 |
| Retailer 2 | 34,634,886 | 28,787,574 | 23,615,904 | 17,486,319 |
| Retailer 3 | 58,165,060 | 60,369,241 | 61,110,325 | 67,541,673 |
| Retailer 4 | 1,477,476 | 1,474,085 | 490,550 | 417,203 |
| Retailer 5 | 36,259,420 | 33,846,877 | 30,694,705 | 18,651,418 |
| Retailer 6 | 9,311,574 | 8,799,213 | 8,723,945 | 9,648,851 |
| Retailer 7 | 16,483,284 | 17,587,046 | 13,332,094 | 8,244,990 |
| Retailer 8 | 378,612 | 41,520 | 0 | 0 |
| | 321,122,306 | 315,159,312 | 313,633,047 | 303,218,597 |
| (h) Total Customers | 22,006 | 21,538 | 21,107 | 20,773 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 | 2005 | 2004 | |
|---|---|------------|------------|------------|------------|
| Disclosure of reliability performance measures. | | | | | |
| 1 | Total number of interruptions | | | | |
| | Class A - Planned - by Transpower | 1 | 0 | 0 | 1 |
| | Class B - Planned - by Waipa Networks | 61 | 51 | 38 | 50 |
| | Class C - Unplanned - by Waipa Networks | 127 | 109 | 131 | 133 |
| | Class D - Unplanned - by Transpower | 3 | 3 | 4 | 1 |
| | Class E - Unplanned - by Line Owner generator | 0 | 0 | 0 | 0 |
| | Class F - Unplanned - by other generation | 0 | 0 | 0 | 0 |
| | Class G - Unplanned - by another line owner | 2 | 1 | 1 | 2 |
| | Class H - Planned - by another line owner | 0 | 0 | 0 | 0 |
| | Class I - Any other loss of supply | 0 | 0 | 0 | 0 |
| | Total | 194 | 164 | 174 | 187 |
| 2 | Interruption targets for 2007 / 2008 | | | | |
| | Class B - Planned - by Waipa Networks | 75 | | | |
| | Class C - Unplanned - by Waipa Networks | 103 | | | |
| 3 | Average interruption targets for 2007 / 2008 to 2011 / 2012 years | | | | |
| | Class B - Planned - by Waipa Networks | 66 | | | |
| | Class C - Unplanned - by Waipa Networks | 98 | | | |
| 4 | Proportion of Class C interruptions not restored within: (=a/b*100) | | | | |
| | 3 Hours | 24% | 31% | 26% | 29% |
| | a = number of interruptions not restored within 3 hours | 30 | 34 | 34 | 39 |
| | b = Total number of Class C interruptions | 127 | 109 | 131 | 133 |
| | 24 Hours | 0% | 1% | 0% | 1% |
| | a = number of interruptions not restored within 24 hours | 0 | 1 | 0 | 1 |
| | b = Total number of Class C interruptions | 127 | 109 | 131 | 133 |
| 5 (a) | The total number of faults per 100 circuit kilometres of prescribed voltage electric line | | | | |
| | 11kV | 9.74 | 8.42 | 9.81 | 10.18 |
| (b) | Target for 2007 / 2008 year | | | | |
| | 11kV | 7.90 | | | |
| (c) | Average Target for 2007 / 2008 to 2011 / 2012 years | | | | |
| | 11kV | 7.52 | | | |
| 6 | The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line | | | | |
| | 11kV | 2.70 | 3.03 | 5.45 | 0.00 |
| 7 | The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line | | | | |
| | 11kV | 10.16 | 8.71 | 9.99 | 10.61 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 | 2005 | 2004 | |
|----|--|--------|--------|--------|--------|
| 8 | The SAIDI for the total number of interruptions | 541.43 | 176.23 | 278.74 | 491.04 |
| 9 | SAIDI targets for 2007 / 2008 | | | | |
| | Class B - Planned - by Waipa Networks | 38 | | | |
| | Class C - Unplanned - by Waipa Networks | 168 | | | |
| 10 | Average SAIDI target for 2007 / 2008 to 2011 / 2012 years | | | | |
| | Class B - Planned - by Waipa Networks | 34 | | | |
| | Class C - Unplanned - by Waipa Networks | 154 | | | |
| 11 | The SAIDI for the total number of interruptions within each interruption class | | | | |
| | Class A - Planned - by Transpower | 292.78 | 0.00 | 0.00 | 204.14 |
| | Class B - Planned - by Waipa Networks | 36.84 | 16.97 | 9.48 | 19.02 |
| | Class C - Unplanned - by Waipa Networks | 132.38 | 154.48 | 152.68 | 244.74 |
| | Class D - Unplanned - by Transpower | 77.63 | 4.70 | 113.08 | 20.57 |
| | Class E - Unplanned - by Line Owner generator | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class F - Unplanned - by other generation | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class G - Unplanned - by another line owner | 1.80 | 0.08 | 3.50 | 2.57 |
| | Class H - Planned - by another line owner | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class I - Any other loss of supply | 0.00 | 0.00 | 0.00 | 0.00 |
| 12 | The SAIFI for the total number of interruptions | 4.45 | 3.94 | 4.29 | 5.58 |
| 13 | SAIFI targets for 2007 / 2008 | | | | |
| | Class B - Planned - by Waipa Networks | 0.15 | | | |
| | Class C - Unplanned - by Waipa Networks | 2.54 | | | |
| 14 | Average SAIFI target for 2007 / 2008 to 2011 / 2012 years | | | | |
| | Class B - Planned - by Waipa Networks | 0.14 | | | |
| | Class C - Unplanned - by Waipa Networks | 2.40 | | | |
| 15 | The SAIFI for the total number of interruptions within each interruption class | | | | |
| | Class A - Planned - by Transpower | 0.55 | 0.00 | 0.00 | 0.56 |
| | Class B - Planned - by Waipa Networks | 0.18 | 0.08 | 0.05 | 0.08 |
| | Class C - Unplanned - by Waipa Networks | 2.06 | 2.68 | 3.04 | 4.31 |
| | Class D - Unplanned - by Transpower | 1.63 | 1.18 | 1.14 | 0.56 |
| | Class E - Unplanned - by Line Owner generator | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class F - Unplanned - by other generation | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class G - Unplanned - by another line owner | 0.03 | 0.00 | 0.06 | 0.07 |
| | Class H - Planned - by another line owner | 0.00 | 0.00 | 0.00 | 0.00 |
| | Class I - Any other loss of supply | 0.00 | 0.00 | 0.00 | 0.00 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

| | 2007 | 2006 | 2005 | 2004 |
|---|------|------|------|------|
| 16 The CAIDI for the total number of interruptions | 122 | 45 | 65 | 88 |
| 17 CAIDI targets for 2007 / 2008 | | | | |
| Class B - Planned - by Waipa Networks | 250 | | | |
| Class C - Unplanned - by Waipa Networks | 66 | | | |
| 18 Average CAIDI Target for 2007 / 2008 to 2011 / 2012 years | | | | |
| Class B - Planned - by Waipa Networks | 250 | | | |
| Class C - Unplanned - by Waipa Networks | 64 | | | |
| 19 The CAIDI for the total number of interruptions within each interruption class | | | | |
| Class A - Planned - by Transpower | 534 | 0 | 0 | 366 |
| Class B - Planned - by Waipa Networks | 207 | 222 | 205 | 253 |
| Class C - Unplanned - by Waipa Networks | 64 | 58 | 50 | 57 |
| Class D - Unplanned - by Transpower | 48 | 4 | 100 | 37 |
| Class E - Unplanned - by Line Owner generator | 0 | 0 | 0 | 0 |
| Class F - Unplanned - by other generation | 0 | 0 | 0 | 0 |
| Class G - Unplanned - by another line owner | 61 | 25 | 63 | 35 |
| Class H - Planned - by another line owner | 0 | 0 | 0 | 0 |
| Class I - Any other loss of supply | 0 | 0 | 0 | 0 |

WAIPA NETWORKS LIMITED - LINES BUSINESS

SCHEDULE 1 - PART 7
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

| Derivation Table | Input and Calculations | Symbol in formula | ROF | ROE | ROI |
|---|--|-------------------|---|---|---|
| Operating surplus before interest and income tax from financial statements | 2,811,445 | | | | |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT) | 2,811,445 | | | | |
| Interest on cash, bank balances, and short-term investments (ISTI) | 7,255 | | | | |
| OSBIT minus ISTI | 2,804,190 | a | 2,804,190 | | 2,804,190 |
| Net surplus after tax from financial statements | 1,702,500 | | | | |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT) | 1,702,500 | n | | 1,702,500 | |
| Amortisation of goodwill and amortisation of other intangibles | 0 | g | add 0 | add 0 | add 0 |
| Subvention payment | 0 | s | add 0 | add 0 | add 0 |
| Depreciation of SFA at BV (x) | 1,594,079 | | | | |
| Depreciation of SFA at ODV (y) | 2,279,063 | | | | |
| ODV depreciation adjustment | -684,984 | d | add -684,984 | add -684,984 | add -684,984 |
| Subvention payment tax adjustment | 0 | s*t | | deduct 0 | deduct 0 |
| Interest tax shield | 280,818 | q | | | deduct 280,818 |
| Revaluations | 0 | r | | | add 0 |
| Income tax | 250,725 | p | | | deduct 250,725 |
| Numerator | | | 2,119,206 | 1,017,516 | 1,587,663 |
| | | | OSBIT ^{ADJ} = a + q + s + d | NSAT ^{ADJ} = n + q + s - s*t + d | T ^{ADJ} = a + q - q + r + s + d - p - s*t |
| Fixed assets at end of previous financial year (FA0) | 60,784,458 | | | | |
| Fixed assets at end of current financial year (FA1) | 64,055,220 | | | | |
| Adjusted net working capital at end of previous financial year (ANWC0) | 803,188 | | | | |
| Adjusted net working capital at end of current financial year (ANWC1) | 207,587 | | | | |
| Average total funds employed (ATFE) | 62,925,227 (or regulation 33 time-weighted average) | c | 62,925,227 | | 62,925,227 |
| Total equity at end of previous financial year (TE0) | 52,755,507 | | | | |
| Total equity at end of current financial year (TE1) | 54,458,007 | | | | |
| Average total equity | 53,606,757 (or regulation 33 time-weighted average) | k | | 53,606,757 | |
| WUC at end of previous financial year (WUC0) | 0 | | | | |
| WUC at end of current financial year (WUC1) | 0 | | | | |
| Average total works under construction | 0 (or regulation 33 time-weighted average) | e | deduct 0 | deduct 0 | deduct 0 |
| Revaluations | 0 | r | | | |
| Half of revaluations | 0 | r/2 | | | deduct 0 |
| Intangible assets at end of previous financial year (IA0) | 0 | | | | |
| Intangible assets at end of current financial year (IA1) | 0 | | | | |
| Average total intangible asset | 0 (or regulation 33 time-weighted average) | m | | add 0 | |
| Subvention payment at end of previous financial year (S0) | 0 | | | | |
| Subvention payment at end of current financial year (S1) | 0 | | | | |
| Subvention payment tax adjustment at end of previous financial year | 0 | | | | |
| Subvention payment tax adjustment at end of current financial year | 0 | | | | |
| Average subvention payment & related tax adjustment | 0 | v | | add 0 | |
| System fixed assets at end of previous financial year at book value (SFA _{bv,0}) | 59,845,149 | | | | |
| System fixed assets at end of current financial year at book value (SFA _{bv,1}) | 63,135,500 | | | | |
| Average value of system fixed assets at book value | 61,490,325 (or regulation 33 time-weighted average) | f | deduct 61,490,325 | deduct 61,490,325 | deduct 61,490,325 |
| System Fixed assets at year beginning at ODV value (SFA _{odv,0}) | 59,948,163 | | | | |
| System Fixed assets at end of current financial year at ODV value (SFA _{odv,1}) | 62,439,736 | | | | |
| Average value of system fixed assets at ODV value | 61,193,950 (or regulation 33 time-weighted average) | h | add 61,193,950 | add 61,193,950 | add 61,193,950 |
| Denominator | | | 62,628,852 | 53,310,382 | 62,628,852 |
| | | | ATFE ^{ADJ} = c - e - f + h | Ave TE ^{ADJ} = k - e - m + v - f + h | ATFE ^{ADJ} = c - e - 1/2r - f + h |
| Financial Performance Measure: | | | 3.38 | 1.91 | 2.54 |
| | | | ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100 | ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100 | ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100 |

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

AUDIT NEW ZEALAND

Chartered Accountants

**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF
WAIPA NETWORKS LIMITED
FOR THE YEAR ENDED 31 MARCH 2007**

We have audited the financial statements of Waipa Networks Limited on pages 1 to 12. The financial statements provide information about the past financial performance of Waipa Networks Limited and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

Directors' responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Waipa Networks Limited as at 31 March 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 J Scott of Audit New Zealand to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Waipa Networks Limited's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out other audit assignments for Waipa Networks Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2007 as well as audit certificates pursuant to the Commerce Act Electricity Lines Threshold Notice 2004. These assignments are compatible with those independence requirements. Other than these assignments we have no relationship with or interest in Waipa Networks Limited.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by Waipa Networks Limited as far as appears from our examination of those records; and
- the financial statements of Waipa Networks Limited on pages 1 to 12:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Waipa Networks Limited's financial position as at 31 March 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 11 December 2007 and our unqualified opinion is expressed as at that date.



John Scott
Audit New Zealand
On behalf of the Auditor-General
Auckland, 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 Waipa Networks Limited 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 Waipa Networks Limited 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 Waipa Networks Limited 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 11 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.

AUDIT NEW ZEALAND

Matters Relating to Audited Performance Measures

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

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

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

that were prepared by Waipa Networks Limited and dated 11 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.



John Scott
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
11 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 Waipa Networks Limited 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 Waipa Networks Limited 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 Waipa Networks Limited 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 11 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.