

# **Eastland Network Ltd**

## **Information for Disclosure 2001/2002**

**Pursuant to the Electricity  
(Information Disclosure) Regulations 1999 and  
the Electricity ( Information Disclosure)  
Amendment Regulations 2000 and the  
Electricity ( Information Disclosure) Amendment  
Regulations 2001**

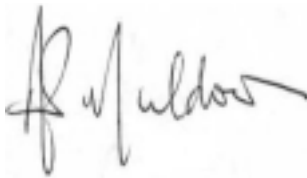


**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES  
DISCLOSED BY EASTLAND NETWORK LIMITED**

We, Arthur Patrick Muldoon and Trevor William Taylor, directors of Eastland Network Ltd certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of Eastland Network Ltd, prepared for the purposes of regulation 6 of the Electricity (Information Disclosures) Regulations 1999 comply with the requirements of those regulations; 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 Eastland Network Limited, and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2002.



.....  
Director



.....  
Director

Dated this 14th day of August 2002

**Statement of financial performance***For the year ended 31 March 2002*

	Note	2002 \$'000	2001 \$'000
Operating Revenue	2	22,361	22,053
Operating Expenses	3	<u>16,242</u>	<u>16,048</u>
Earnings before Interest and Tax		6,120	6,005
Interest Expense	4	<u>1,952</u>	<u>451</u>
Net Surplus before Taxation		4,168	5,554
Taxation	5	<u>1,807</u>	<u>1,591</u>
Net Surplus after Taxation		<u>2,361</u>	<u>3,963</u>

**Statement of movements in equity***For the year ended 31 March 2002*

	Note	2002 \$'000	2001 \$'000
Total equity at beginning of year		<u>17,729</u>	<u>14,903</u>
Net surplus after taxation		2,361	3,963
Increase (decrease) in value of fixed recognised in equity			
<i>Land and Buildings</i>		(17)	(344)
<i>System Assets</i>		<u>18,116</u>	<u>-</u>
		18,099	(344)
Total recognised revenues and expenses		20,460	3,619
Dividends paid		-	793
Repayment of capital		<u>6,966</u>	<u>-</u>
Distributions to owners		6,966	793
Total equity at end of year		<u>31,223</u>	<u>17,729</u>

**Statement of financial position**  
*For the year ended 31 March 2002*

	Note	2002 \$'000	2001 \$'000
<b>Equity</b>			
Share Capital	8	5,573	12,539
Reserves	9	18,273	174
Retained earnings		<u>7,377</u>	<u>5,016</u>
Total equity		31,223	17,729
<b>Non-current liabilities</b>			
Bank Borrowings	11	26,850	13,200
Capital Notes		<u>10,000</u>	<u>-</u>
		36,850	13,200
<b>Current Liabilities</b>			
Bank Overdraft		-	1,024
Borrowings	11	-	3,209
Payables and accruals	12	<u>5,643</u>	<u>2,493</u>
Total Current Liabilities		5,643	6,726
Total Equity & Liabilities		<u>73,716</u>	<u>37,655</u>
<b>Non-current Assets</b>			
Property, plant & equipment	10	70,855	34,974
Future Tax benefit	6	<u>153</u>	<u>155</u>
Total non-current assets		71,008	35,129
<b>Current Assets</b>			
Cash		17	-
Receivables and prepayments		2,197	2,117
Income Tax refundable		229	408
Inventories		<u>265</u>	<u>-</u>
Total Current Assets		2,708	2,525
<b>Total Assets</b>		<u>73,716</u>	<u>37,655</u>

## Statement of cash flows

For the year ended 31 March 2002

	Note	2002 \$'000	2001 \$'000
<b>Cash flows from operating activities</b>			
Cash was received from (disbursed to):			
Receipts from customers		22,462	21,933
Interest Received		-	140
Payments to suppliers and employees		(12,116)	(13,464)
Interest paid		(1,718)	(395)
Income Tax paid		(1,635)	(2,208)
Net GST		<u>174</u>	<u>(66)</u>
<b>Net cash flows from (to) operating activities</b>	14	<u>7,167</u>	<u>5,940</u>
<b>Cash flows from (to) investing activities</b>			
Cash was provided by (applied to)			
Disposal of fixed assets		55	120
Acquisition of fixed assets		<u>(19,665)</u>	<u>(7,488)</u>
<b>Net cash flows from (to) investing activities</b>		<u>(19,610)</u>	<u>(7,368)</u>
<b>Cash Flows from (to) financing activities</b>			
Cash was provided by (applied to)			
Proceeds of Capital Notes		10,000	-
Proceeds of borrowings		26,850	-
Repayment of borrowings		(6,400)	(9)
Repayment of Subordinated debt		(10,000)	-
Repayment of Capital		(6,966)	-
Dividends paid		<u>-</u>	<u>(1,246)</u>
<b>Net cash flows from (to) financing activities</b>		<u>13,484</u>	<u>(1,255)</u>
Net increase (decrease) in cash held		1,041	(2,683)
Add opening cash brought forward		(1,024)	1,659
<b>Ending cash carried forward</b>		<u><u>17</u></u>	<u><u>(1,024)</u></u>

## **Notes to the financial statements**

*For the year ended 31 March 2002*

### **1) Statement of accounting policies**

#### **Basis of Preparation**

Eastland Network Ltd is registered under the Companies Act 1993 and is a reporting entity for purposes of the Financial Reporting Act 1993.

The financial statements are those of the Line Business Activities only of Eastland Network Ltd and have been prepared in accordance with the Electricity (information Disclosure) Regulations 1999 and only for that purpose.

#### **Measurement base**

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed, with the exception that certain property has been revalued.

#### Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

#### **(A) Fixed Assets**

##### Owned Assets

Fixed assets are initially stated at cost and depreciated as outlined below. Where appropriate, the cost of fixed assets includes site preparation costs, installation costs, and the cost of obtaining resource consents.

##### Leased Assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the present value of the future minimum lease payments, and are depreciated as outlined below.

##### Revaluations

Land and buildings are stated at valuation as determined, on a cyclical basis not exceeding three years by an independent valuer. The basis of valuation is market value less the estimated costs of disposal, on an existing use basis.

Network assets are stated at valuation as determined, on a cyclical basis not exceeding five years. The basis of valuation is optimised depreciated replacement cost, as reviewed by an independent engineering consultant.

## **Notes to the financial statements** (continued)

*For the year ended 31 March 2002*

Any surplus on revaluation is transferred directly to equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the statement of financial performance. A decrease in value is recognised in the statement of financial performance where it exceeds the surplus previously transferred to equity.

### **Disposal of Fixed Assets**

Where a fixed asset is disposed of, the profit or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying value of the fixed asset.

### **Depreciation**

Depreciation is calculated on a straight line basis to allocate the cost or revalued amount of an asset, less any residual value, over its useful life.

Major depreciation periods are:

Buildings	40 – 100 years
Distribution system	10 – 60 years
Motor Vehicles	5 – 10 years
Plant & Equipment	5 – 15 years

### **(B) Receivables**

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful.

### **(C) Inventories**

Inventories are stated at the lower of cost or net realisable value. The estimated costs of marketing, selling and distribution are deducted in calculating net realisable value.

Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

### **(D) Taxation**

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences 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 only recognised if there is virtual certainty of realisation.

**Notes to the financial statements** (continued)

*For the year ended 31 March 2002*

**(E) Financial instruments**

The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, accounts receivable, accounts payable and term borrowings. All financial instruments are recognised in the statement of financial position and all revenues in relation to financial instruments are recognised in the statement of financial performance.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their fair value.

**(F) Employee Entitlements**

A liability for annual leave and long service leave is accrued and recognised in the statement of financial position. The liability is calculated on an actual entitlement basis.

**(G) Foreign Currency Transactions**

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date.

Monetary items receivable or payable in a foreign currency, other than those resulting from short term transactions covered by forward exchange contracts, are translated at balance date at the closing rate. For transactions covered by short term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction.

Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance.

**(H) Changes in Accounting Policies**

There have been no changes in accounting policies. All Policies have been applied on bases consistent with those in the prior year.

**Notes to the financial statements** (continued)  
For the year ended 31 March 2002

	2002 \$'000	2001 \$'000
<b>2) Operating revenue comprises</b>		
Revenue from line/access charges	19,570	19,532
Revenue from "Other" business for services carried out by the line business (transfer payment)	422	46
Interest on cash, bank balances and short term investments	-	153
AC loss-rental rebates	2,086	790
Other revenue	<u>283</u>	<u>1,531</u>
Total Operating revenue	22,361	22,052
<b>3) Operating Expenditure includes</b>		
(a) Payment for transmission charges	6,179	5,132
(b) Transfer payments for "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer based load control services	-	-
(v) Royalty and patent expenses	-	-
(vii) Avoided transmission charges on account owned generation	599	396
(viii) Other goods & services not listed in (i) to (vi) above	-	-
(viii) Total transfer payment to "Other" business	599	396
(c) Expense to entities that are not related parties for:		
(i) Asset Maintenance	3,085	5,896
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Total of specified expenses to non-related parties	3,085	5,896
(d) Employee salaries, wages and redundancies	950	1,137
(e) Consumer billing and information system expense	65	127
(f) Depreciation on:		
(i) System fixed assets: *	3,835	1,797
(ii) Other assets not listed in (i)	107	299
(iii) Total depreciation	3,942	2,096
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate and administration	354	374
(i) Human Resource expenses	66	112
(j) Marketing advertising	7	18

**Notes to the financial statements (continued)**  
*For the year ended 31 March 2002*

	2002 \$'000	2001 \$'000
<b>3) Operating Expenditure (continued)</b>		
(k) Merger and acquisition expenses	2	77
(l) Takeover defense expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy and legal expenses	698	266
(o) Donations	-	-
(p) Directors' fees	133	123
(q) Auditors' fees:		
(i) audit fees paid to principal auditors	30	28
(ii) audit fees paid to other auditors	-	-
(iii) fees paid for other services provided by principal and other auditors	-	3
(iv) Total auditors fees	30	31
(r) Costs of offering credit		
(i) Bad debts written off	2	12
(ii) Increase in estimated doubtful debts	-	-
(iii) Total cost of offering credit	2	12
(s) Local authority rates	6	9
(t) AC loss-rentals (distribution to retailers /customers) expense	-	-
(u) Rebates to consumers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	<u>122</u>	<u>241</u>
Total operating expenditure	16,242	16,048

\* Network assets were previously written off over a period of 25 years. The Company has reviewed the lives of these assets and considers that periods between 40 and 60 years are more appropriate, being periods in line with the ODV handbook. The longer lives have been applied to assets acquired during this period whilst existing assets continue to be depreciated over the shorter period. The effect of this change is that depreciation in this period is \$225,000 less than if calculated using the shorter lives.

**4) Interest expense**

a) Interest expense on borrowings	1,952	449
(b) Financing charges related to finance leases	-	2
(c) Other Interest expense	-	-
(d) Total Interest Expense	<u>1,952</u>	<u>451</u>

**Notes to the financial statements (continued)**  
*For the year ended 31 March 2002*

	2002 \$'000	2001 \$'000
<b>5) Taxation</b>		
Profit before taxation	4,168	5,554
Prima facie taxation at 33 %	1,375	1,833
Add (subtract) tax effect of permanent differences	<u>432</u>	<u>(242)</u>
<b>Income tax expense</b>	<u>1,807</u>	<u>1,591</u>
Income Tax expense is made up of		
Current Taxation	1,805	1,589
Deferred Taxation	<u>2</u>	<u>2</u>
	<u>1,807</u>	<u>1,591</u>
<b>6) Deferred Taxation</b>		
Balance at beginning of year	155	157
Recognised in the statement of financial performance	<u>(2)</u>	<u>(2)</u>
Balance at end of year	<u>153</u>	<u>155</u>
<b>7) Imputation credits</b>		
Balance at beginning of year	3,433	1,911
Taxation paid	1,597	2,208
Imputation credits attached to dividends paid	-	(686)
Balance at end of year	<u>5,030</u>	<u>3,433</u>
<b>8) Paid in share capital</b>		
Balance at beginning of year	12,539	12,539
Shares repurchased	<u>6,966</u>	<u>-</u>
	<u>5,573</u>	<u>12,539</u>
<b>9) Asset revaluation reserve</b>		
Balance at beginning of year	174	527
Revaluation current year		
<i>Land and Buildings</i>	(17)	(344)
<i>Network Assets</i>	<u>18,116</u>	<u>-</u>
	<u>18,273</u>	<u>174</u>

**Notes to the financial statements** (continued)  
*For the year ended 31 March 2002*

	2002 \$'000	2001 \$'000
<b>10) Fixed assets</b>		
System fixed assets at cost	83,713	51,101
Less accumulated depreciation	<u>(20,431)</u>	<u>(17,780)</u>
	63,282	33,321
Customer billing & information system assets at cost	466	310
Less accumulated depreciation	<u>(261)</u>	<u>(132)</u>
	205	178
Motor vehicles at cost	199	164
Less accumulated depreciation	<u>(114)</u>	<u>(70)</u>
	85	94
Office equipment at cost	406	472
Less accumulated depreciation	<u>(309)</u>	<u>(348)</u>
	97	124
Land & building at cost	-	136
Land and buildings at valuation	1,048	696
Less accumulated depreciation	<u>(51)</u>	<u>(19)</u>
	997	813
Capital works under construction at cost	5,818	25
Other plant and equipment at cost	1,366	897
Less accumulated depreciation	<u>(995)</u>	<u>(478)</u>
	371	419
Total fixed assets	<u>70,855</u>	<u>34,974</u>

**Valuation**

Revalued freehold land and buildings on hand at balance date are stated at net current value as determined by an independent registered valuer Roger Kelly ANZIV of the firm Valuation & Property Services in February 2002.

Network assets have been valued at Optimised Depreciated Replacement Cost as confirmed by Kerslake and Partners, Consulting Engineers, as at 31 March 2002.

**Capitalised Interest**

The Capital works programme undertaken during the year was partly financed from borrowings. Interest incurred on these borrowing during the period of construction has been capitalised being recognition that borrowing cost was part of the cost of the resulting assets. The total amount of interest capitalised in this manner is \$128,000.

**Notes to the financial statements (continued)**  
*For the year ended 31 March 2002*

	2002 \$'000	2001 \$'000
<b>11) Borrowings</b>		
a. Non-Current		
Bank loans unsecured	26,850	3,200
Shareholder subordinated Debt	<u>-</u>	<u>10,000</u>
	26,850	13,200
b. Current		
Bank loans unsecured	-	3,200
Lease Liability	<u>-</u>	<u>9</u>
	-	3,209
<b>12) Payables and accruals</b>		
Trade Creditors	2,903	2,299
Other accruals	2,561	36
Employee provisions	<u>179</u>	<u>158</u>
	5,643	2,493
<b>13) Bank Loans</b>		

The Company has a creditline with ASB Bank for \$40 million. This credit line is unsecured, but subject to a Deed of Negative Pledge. The facility is initially for a period of 5 years from 28 July 2001. Borrowings are rolled over on either 3 monthly or on a call basis. The Company has a policy of hedging interest rates and currently has interest rate cover of \$18 million for various periods up to 5 years.

Average rate of fixed Rate cover at 31 March 2002 is 6.61%.

**Notes to the financial statements (continued)***For the year ended 31 March 2002*

	2002 \$'000	2001 \$'000
<b>14) Net Cash Flow from Operating Activities</b>		
The following is a reconciliation between the surplus after taxation shown in the statement of financial performance and the net cash flow from operating activities.		
Surplus after taxation	2,361	3,963
Add/(less) non-cash items		
Depreciation	3,678	2,096
Decrease in future tax benefit	2	2
Loss(gain) on disposal of assets	264	85
Overhead recovered in fixed assets	<u>(371)</u>	<u>-</u>
	3,573	2,183
Add/(less) movement in working capital		
Decrease/(increase) in trade debtors and other receivables	(79)	58
Decrease/(increase) in inventories	(265)	-
(Decrease)/increase in trade creditors and other payables	1,398	536
(Decrease)/increase in Income Tax payable	179	(800)
Net cash flow from operations	<u>7,167</u>	<u>5,940</u>

**15) Transpower Dispute**

During the year ended 31 March 2001 Transpower invoiced the Company \$1,935,648 (plus GST) in respect of their costs to date in respect to the formerly proposed Frasertown - Gisborne transmission line. The Directors, having sought legal advice, disputed that the Company is liable for these costs. Both parties agreed to the appointment of mediator and a mediation hearing was held in July 2002. The outcome of the mediation resulted in an agreed settlement to avoid further costly litigation. Provision has been made in the Financial Statements for an estimation of this amount plus legal costs.

**16) Contingent Liability**

At 31 March 2002, the Company has a contingent liability of \$98,549 (2001 \$112,299) in respect of Subdivision Developers' Rebates on sections that are reticulated but undeveloped. The individual liabilities will be brought to charge as each section is developed and line charges become payable.

## **Notes to the financial statements (continued)**

*For the year ended 31 March 2002*

### **17 Contingent Asset**

Last year the Company reported a contingent asset in respect of an insurance claim resulting from storm damage incurred in September 2000. The Company is still working through the final claim and still expects final settlement to be between \$1.25 million and \$1.5 million. \$750,000 of this amount has previously been received.

### **18 Commitments**

There were no capital commitments not provided for at year end. The figure for 2001 was also nil.

### **19 Financial instruments**

#### **Credit risk**

Financial assets which potentially subject the Company to a credit risk principally consist of bank balances and accounts receivable. The maximum credit risk is the book value of these financial instruments however, the Company considers the risk of non recovery of these amounts to be minimal.

Bank balances and investments in short term deposits are made with registered banks with satisfactory credit ratings. Exposure with any one financial institution is restricted in accordance with company policy.

#### **Currency risk**

The Company has no material exposure to currency risk.

#### **Interest risk**

The interest rate risk is limited to bank borrowings. The Company has a policy of hedging interest rates and has hedges covering \$18 million of borrowings for periods between two and five years at less than 7.5%.

#### **Fair Values**

The carrying value of cash and bank deposits, accounts receivable and accounts payable is equivalent to their fair value.

**Notes to the financial statements (continued)***For the year ended 31 March 2002***20 Transactions with related parties****(a) Eastland Energy Community Trust**

The Company is 100% owned by Eastland Energy Community Trust.

The Company restructured its capital and borrowing during the year.

The following significant transactions occurred between the Company and its shareholder.

- 1.7 million shares were repurchased from the Trust for \$10 million
- The Subordinated debt of \$10 million was repaid to the Trust. Interest of \$312,328 was paid for the period 1 April to 30 July 2001
- An issue of Capital Notes was made to the Trust for \$10 million. These notes are for an initial period of 5 years and incur interest at 8.5%. Interest payments are made 6 monthly.

**(b) Port of Gisborne**

One of the Directors is also a director of Port of Gisborne Limited.

Eastland Network Limited leases land from Port of Gisborne Limited for a substation. Lease payments are \$280 per annum.

**21) Financial and efficiency performance measures under Regulation 15 of the Electricity (Information Disclosure) Regulations 1999**

	2002	2001	2000	1999
1) Financial performance measures				
a) Return on funds	14.4	11.3	9.40	1.30
b) Return on Equity	13.8	11.2	8.00	1.01
c) Return on Investment	2.4	-2.6	-11.40	0.95
2) Efficiency performance measures				
a) Direct line costs per Kilometre	\$1,034	\$1,837	\$1,300	\$1,471
b) Indirect line costs per electricity consumer	\$67	\$52	\$72	\$94

**22) Delivery efficiency performance measures under Regulation of the Electricity (Information Disclosure) Regulations 1999**

1. Load factor	58%	58%	57%	59%
2. Loss ratio	7.32%	8.51%	6.2%	7.3%
3. Capacity utilisation	25.37%	27.1%	28.5%	26.5%

**Annual Valuation Reconciliation Report**  
**Year ended 31 March 2002**

**\$'000**

	Systems fixed assets at ODV - end of the previous year	54,017
<i>Add</i>	system fixed assets aquired during the year at ODV	18,408
<i>less</i>	system fixed assets disposed of during year at ODV	305
<i>less</i>	depreciation on system fixed assets at ODV	1,595
<i>Add</i>	revaluations of system fixed assets	(4,476)
<i>equals</i>	system fixed assets at ODV - end of financial year	<u>66,049</u>

**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	6,119,658				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	6,119,658				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIIT minus ISTI	6,119,658	a	6,119,658		6,119,658
Net surplus after tax from financial statements	2,361,084				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	2,361,084	n		2,361,084	
Amortisation of goodwill and amortisation of other intangibles	0				
	0	g	add 0	add 0	add 0
Subvention payment	0				
	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,835,255				
Depreciation of SFA at ODV (y)	1,595,530				
ODV depreciation adjustment	2,239,725	d	add 2,239,725	add 2,239,725	add 2,239,725
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	644,134	q			deduct 644,134
Revaluations	-4,476,224	r			add -4,476,224
Income tax	1,806,654	p			deduct 1,806,654
<b>Numerator</b>			8,359,383	4,600,809	1,432,371
			$OSBIIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s^*t + c$	$TE^{ADJ} = a + g - q + r + s + d - p - s^*$
Fixed assets at end of previous financial year (FA <sub>0</sub> )	34,974,177				
Fixed assets at end of current financial year (FA <sub>1</sub> )	70,854,550				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-4,200,779				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-2,935,162				
Average total funds employed (ATFE)	49,346,393 (or regulation 33 time-weighted average)	c	49,346,393		49,346,393
Total equity at end of previous financial year (TE <sub>0</sub> )	17,728,343				
Total equity at end of current financial year (TE <sub>1</sub> )	31,222,594				
Average total equity	24,475,469 (or regulation 33 time-weighted average)	k		24,475,469	
WUC at end of previous financial year (WUC <sub>0</sub> )	24,761				
WUC at end of current financial year (WUC <sub>1</sub> )	5,817,825				
Average total works under construction	2,921,293 (or regulation 33 time-weighted average)	e	deduct 2,921,293	deduct 2,921,293	deduct 2,921,293
Revaluations	-4,476,224	r			
Half of revaluations	-2,238,112	r/2			deduct -2,238,112
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				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add 0	
Subvention payment at end of previous financial year (\$)	0				
Subvention payment at end of current financial year (\$)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA <sub>0,bv</sub> )	33,320,769				
System fixed assets at end of current financial year at book value (SFA <sub>1,bv</sub> )	63,281,567				
Average value of system fixed assets at book value	48,301,168 (or regulation 33 time-weighted average)	f	deduct 48,301,168	deduct 48,301,168	deduct 48,301,168
System Fixed assets at year beginning at ODV value (SFA <sub>0,odv</sub> )	54,017,000				
System Fixed assets at end of current financial year at ODV value (SFA <sub>1,odv</sub> )	66,048,645				
Average value of system fixed assets at ODV value	60,032,823 (or regulation 33 time-weighted average)	h	add 60,032,823	add 60,032,823	add 60,032,823
<b>Denominator</b>			58,156,755	33,285,830	60,394,867
			$ATFE^{ADJ} = c - e - f + h$	$Ave TE^{ADJ} = k - e - m + v - f + h$	$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
<b>Financial Performance Measure:</b>			14.4	13.8	2.4
			$ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	$ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

## Statistics (Schedule 1, Part 4)

<b>Statistics</b>		<b>Nominal Voltage</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
(a)	<b>System Length (Total) (kms)</b>					
		50kV	258.33	253.55	295.69	258.00
		33kV	35.50	35.50	0.00	0.00
		11kV	2,637.41	2,569.33	2,599.42	2,081.00
		230/400 V	747.27	679.64	600.41	488.00
	<b>Total</b>	<b>3,678.51</b>	<b>3,538.02</b>	<b>3,495.52</b>	<b>2,827.00</b>	
(b)	<b>Circuit Length (Overhead) (kms)</b>					
		50kV	258.33	253.55	295.69	258.00
		33kV	35.40	35.40		
		11kV	2,532.90	2,472.49	2,499.60	1,984.00
		230/400 V	594.75	529.15	472.07	397.00
	<b>Total</b>	<b>3,421.38</b>	<b>3,290.59</b>	<b>3,267.36</b>	<b>2,639.00</b>	
(c)	<b>Circuit Length (Underground) (kms)</b>					
		33kV	0.10	0.10		
		11kV	104.51	96.84	99.82	97.00
		230/400 V	152.52	150.49	128.34	91.00
	<b>Total</b>	<b>257.13</b>	<b>247.43</b>	<b>228.16</b>	<b>188.00</b>	
(d)	<b>Transformer Capacity (kVA)</b>	in kVA	224,970	209,991	191,218	162,619
(e)	<b>Maximum Demand (kWh)</b>	in kW	57,077	56,950	54,446	43,010
(f)	<b>Total Electricity Supplied from System, before losses of electricity (kWh)</b>	in kWh	290,305,891	289,563,702	269,881,692	223,221,000
(g)		Name of retailer/generator				
	<b>Total amount of electricity conveyed through the system, after losses of electricity, on behalf of each person that is an electricity generator or electricity retailer or both:</b>	Contact Energy Ltd	161,212,700	160,749,080	177,632,149	80,136,634
		Eastland Energy Ltd	0			104,726,367
		Mercury Energy Ltd (Mighty River)	3,831,200	30,972,710	9,843,519	4,585,066
		Transalta NZ Ltd/On Energy	7,252,300	12,568,933	5,322,018	1,526,779
		Wairapapa Electricity Ltd	0			16,040,310
		Trustpower Ltd	51,533,500	53,783,112	39,066,269	
		Meridian Energy Ltd	34,965,200	3,023,455	273,606	
		Genesis Energy Ltd	10,236,100	2,989,299	21,064,139	
		NGC/Energy	24,500	14,949		
		Empower	0	849,248		
<b>TOTAL</b>	<b>269,055,500</b>	<b>264,950,786</b>	<b>253,201,700</b>	<b>207,015,155</b>		
(h)	<b>Total number of consumers</b>	Number	25,552	26,128	23,694	19,843

## 2 Efficiency Performance Measures (Schedule 1, Part 3)

	2002	2001	2000	1999
(a) <b>Direct line costs per kilometre</b>	1,034	1,837	1,297	1,472
Direct expenditure	3,804,374	6,500,929	4,535,030	4,159,959
System length	3,678.51	3,538.02	3,495.52	2,827.00

	2002	2001	2000	1999
(b) <b>Indirect line costs per consumer</b>	67	52	72	94
Indirect expenditure	1,716,912	1,355,848	1,699,925	1,864,051
Total consumers	25,552	26,128	23,694	19,843

## Energy Delivery Efficiency Performance Measures (Schedule 1, Part 4)

	2002	2001	2000	1999
(a) <b>Load Factor (= [a/bc]*100/1)</b>	58.06%	57.99%	56.59%	59.25%
where -				
a = Kwh of electricity entering system during the financial year	290,305,891	289,321,000	269,881,692	223,221,000
(this figure should be same as the total for (g) from Statistics)				
b = Maximum Demand	57,077	56,950	54,446	43,010
c = Total number of hours in financial year	8760	8760	8,760	8,760

	2002	2001	2000	1999
(b) <b>Loss Ratio (= a/b*100/1)</b>	7.32%	8.51%	6.18%	7.26%
where -				
a = losses in electricity in kWh	21,250,391	24,612,917	16,679,992	16,205,845
(this figure should be the difference between (f) and (g) from Statistics)				
b = Kwh of electricity entering system during the financial year	290,305,891	289,321,000	269,881,692	223,221,000

	2002	2001	2000	1999
(C) <b>Capacity Utilisation (= a/b*100/1)</b>	25.37%	27.12%	28.47%	26.45%
where -				
a = Maximum Demand	57,077	56,950	54,446	43,010
b = Transformer Capacity	224,970	209,991	191,218	162,619

### Reliability Performance Measures (Schedule 1, Part 5)

Para

1 to 3

Interruptions	Class	Average Interruption Targets	Interruption Targets	Actual Interruptions			
		2003/07	2003	2002	2001	2000	1999
Planned Interruptions	Class A				7	1	0
Unplanned Interruptions	Class B	54	80	237	137	156	376
	Class C	104	140	138	224	179	140
	Class D			1	5	2	0
	Class E						0
	Class F						0
	Class G						0
	Class H						0
	Class I						0
	<b>Total</b>			376	373	338	516

4

Proportion of Total Class C Interruptions not restored: ( $= a/b*100/1$ )				Within 3 Hours	Within 24 Hours
where -					
a = No. of interruptions not restored within				21	0
b = Total number of Class C interruptions				138	138
Proportion expressed as a percentage				15.22%	0.00%

### Reliability Performance Measures (Schedule 1, Part 5)

para

5

Faults	Average Faults Targets	Faults Targets	Actual number of faults				
			2003/07	2003	2002	2001	2000
Faults per 100 circuit kilometres of prescribed voltage electric line	Nominal Voltage						
	50kV	3	3	2	4	4	5
	33kV			3			
	11kV	7	7	13	7	6	6
	<b>Total</b>				7	6	6

6

Faults	Actual number of faults	Actual number of faults				
		2002	2001	2000	1999	1999
Faults per 100 circuit kilometres of underground prescribed voltage electric line	Nominal Voltage					
	50kV					
	33kV					
	11kV	0	1	4	6	5
	<b>Total</b>	0	1	4	6	5

7

Faults	Actual number of faults	Actual number of faults				
		2002	2001	2000	1999	1999
Faults per 100 circuit kilometres of overhead prescribed voltage electric line	Nominal Voltage					
	50kV	2	4	4	5	6
	33kV	3				
	11kV	13	8	6	6	6
	<b>Total</b>	12	7	6	6	6

## Reliability Performance Measures (Schedule 1, Part 5)

Para

8

9, 10

11

SAIDI	Class	Average SAIDI Targets	SAIDI Targets	Actual SAIDI			
		2003/07	2003	2002	2001	2000	1999
<b>SAIDI for total number of interruptions (= a/b)</b> where - a = sum of interruption duration factors for <b>all</b> interruptions  b = Total consumers				189.78	1,043.04	235.34	404.01
<b>SAIDI Targets (=a/b)</b> Planned Interruptions	Class B	40	49				
Unplanned Interruptions	Class C	124	165				
where- <b>Planned Interruptions (pi)</b> a <sup>pi</sup> = sum of interruption duration factors for all interruptions	Class B	1,033,049	1,261,946				
<b>Unplanned Interruptions (ui)</b> a <sup>ui</sup> = sum of interruption duration factors for all interruptions	Class C	3,213,353	4,249,410				
b = Projected total consumers		25,956	25,754				
<b>SAIDI for total number of interruptions within each interruption class (= a/b)</b>	Class A			0.00	1.27	1.68	0.00
	Class B			75.89	24.12	47.95	164.46
	Class C			111.98	642.95	183.43	239.55
	Class D			1.91	374.71	2.28	0.00
	<b>SAIDI for total of interruptions</b>			<b>189.78</b>	<b>1,043.04</b>	<b>235.34</b>	<b>404.01</b>
where -  a = sum of interruption duration factors for all interruptions within the particular interruption class	Class A			0	32,862	39,732	
	Class B			1,939,160	626,231	1,136,102	3,263,380
	Class C			2,861,194	16,690,867	4,346,118	4,753,391
	Class D			48,870	9,727,476	54,126	
b = Total consumers				25,552	25,960	23,694	19,843



## Reliability Performance Measures (Schedule 1, Part 5)

Para

CAIDI	Class	Average CAIDI Targets	CAIDI Targets	Actual CAIDI				
		2003/07	2003	2002	2001	2001	1999	
16	<b>CAIDI for total number of interruptions (= a/b)</b> where - a = sum of interruption duration factors for all interruptions  b = sum of electricity consumers affected by each of those interruptions			68	238	66	97	
17, 18	<b>CAIDI Targets (=a/b)</b> Planned Interruptions  Unplanned Interruptions  where- <b>Planned Interruptions</b> a = sum of interruption duration factors for all interruptions  b = projected number of electricity consumers affected by each of those interruptions  <b>Unplanned Interruptions</b> a = sum of interruption duration factors for all interruptions  b = projected number of electricity consumers affected by each of those interruptions	Class B  Class C  Class B  Class C	120  76  1,033,049  10,123  3,213,353  57,622	163  87  1,261,946  7,726  4,249,410  48,933				
19	<b>CAIDI for total number of interruptions within each interruption class (= a/b)</b>  where - a = sum of interruption duration factors for all interruptions  b = sum of electricity consumers affected by each of those interruptions within that interruption class	Class A Class B Class C Class D  Class A Class B Class C Class D Class I			0 259 49 9  0 1,939,160 2,861,194 48,870  0 7,478 58,178 5,430 0	11 58 179 1,399  32,862 626,231 16,690,867 9,727,476  2,889 10,841 93,310 6,955 0	86 106 71 5  39,732 1,136,102 4,346,118 54,126  462 10,714 61,081 11,743 0	0 124 85 0  0 3,263,380 4,753,391 0  0 26,391 56,156 0 0
	<b>CAIDI for total of interruptions</b>			<b>68</b>	<b>238</b>	<b>66</b>	<b>97</b>	

**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE FINANCIAL STATEMENTS OF EASTLAND NETWORK LIMITED  
FOR THE YEAR ENDED 31 MARCH 2002**

We have audited the financial statements of Eastland Network Limited on pages 2 to 15. The financial statements provide information about the past financial performance of Eastland Network Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 5 to 7.

**Directors' Responsibilities**

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Eastland Network Limited as at 31 March 2002, and results of operations and cash flows for the year then ended.

**Auditor's Responsibilities**

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 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 Controller and Auditor-General has appointed Bruce Taylor of Deloitte Touche Tohmatsu 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 Eastland Network Limited's circumstances, consistently applied and adequately disclosed.

We conducted our 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 our capacity acting on behalf of the Auditor-General, we have no relationship with or interest in Eastland Network Limited.

**Unqualified Opinion**

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

In our opinion:

- € proper accounting records have been maintained by Eastland Network Limited as far as appears from our examination of those records, and
- € the financial statements on pages 2 to 15:
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of the financial position of Eastland Network Limited as at 31 March 2002 and the results of its operations and cash flows for the year then ended; and
  - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 15 August 2002 and our unqualified opinion is expressed as at that date.

Bruce Taylor  
**Deloitte Touche Tohmatsu**  
**On behalf of the Auditor-General**  
**Hamilton, New Zealand**

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

We have examined the attached information on pages 15 to 18, being:

- (a) The derivation table in regulation 16; and
- (b) The annual ODV reconciliation report in regulation 16A; and
- (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 Eastland Network Limited and dated 31 March 2002 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



**Bruce Taylor**  
**Deloitte Touche Tohmatsu**  
**On behalf of the Auditor-General**  
**Hamilton, New Zealand**  
**15 August 2002**



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**AUDITORS OPINION IN RELATION TO ODV VALUATION**  
**EASTLAND NETWORK LIMITED**

I have examined the valuation report of Eastland Network Limited by KPMG and dated 17 July 2002, which contains valuations of system fixed assets as at 31 March 2002.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$66,048,645 have been made in accordance with the ODV Handbook.

Bruce Loader  
*Partner*

17 July 2002



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KPMG International

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Rarotonga  
Christchurch  
Hamilton  
Tauranga  
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Gore  
Otautau  
Queenstown  
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Palmerston North

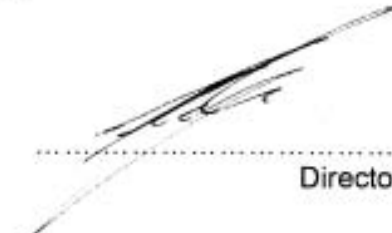
## CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Arthur Patrick Muldoon and Trevor William Taylor, directors of Eastland Network Limited certify that, having made all reasonable enquiry, to the best of our knowledge –

- (a) the attached valuation report of Eastland Network Limited, prepared for the purposes of regulation 20 of the Electricity (information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) the replacement cost of the lines business system fixed assets of Eastland Network Limited is \$140,632,000; and
- (c) the depreciated replacement cost of the line business system fixed assets of Eastland Network Limited is \$60,010,000; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Eastland Network Limited is \$66,393,000; and
- (e) the optimised deprival valuation of the line business system fixed assets of Eastland Network Limited is \$66,048,645; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2002.

  
.....  
Director

  
.....  
Director

14 ..... August 2002