

**REPORT FS3: REGULATORY TAX ALLOWANCE CALCULATION**

ref	Electricity Distribution Business	Waipa Networks	
5		For Year Ended	2010
7			<b>(\$000)</b>
8	<b>Earnings before interest and tax (EBIT)</b>		6,779 <i>from FS1</i>
10	<i>add</i> Total Regulatory Depreciation	3,262	<i>from FS1</i>
11	Other Permanent Differences - not deductible	-	
12	Other Temporary Adjustments - Current Period	191	
13			3,453
15	<i>less</i> Non Taxable Capital Contributions and Vested Assets	901	
16	Tax Depreciation	2,194	
17	Deductible Discretionary Discounts and Customer Rebates	3,779	
18	Deductible Interest	1,797	<i>from row 53</i>
19	Other Permanent Differences - Non Taxable	-	
20	Other Temporary Adjustments - Prior Period	205	
21			8,875
23	<b>Regulatory taxable income for Year</b>		<b>1,357</b>
25	<i>less</i> Tax Losses Available at Start of Year		
26	<b>Net taxable income</b>		<b>1,357</b>
28	Statutory Tax Rate	30%	
29	<b>Regulatory Tax Allowance</b>		<b>407</b> <i>to FS1</i>

**Notes to Regulatory Tax Allowance Calculation**

36	<b>FS3a: Description of adjustments classified as "other"</b>
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38	The Electricity Distribution Business is to provide descriptions of items recorded in the four "other" categories above (explanatory notes can be provided in a separate note if necessary).
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48	<b>FS3b: Financing assumptions (for Deductible Interest and Interest Tax Shield calculation)</b>		
49			
50	Standard Debt Leverage Assumption (debt/total assets)	40%	%
51			
52	Standard Cost of Debt Assumption	5.52%	%
53			
54	Deductible Interest	1,797	\$000 <i>to row 18</i>
55			
56	Interest Tax Shield Adjustment	539	\$000 <i>to MP2</i>