

REPORT FS1: REGULATORY PROFIT STATEMENT

| ref | | Electricity Distribution Business: | Waipa Networks |
|-----|---|------------------------------------|----------------|
| 5 | | For Year Ended | 2011 |
| 6 | Income | | |
| 7 | | | (\$000) |
| 8 | Net Line Charge Revenue Received | 16,066 | |
| 9 | plus Discretionary Discounts and Customer Rebates | 3,782 | FS1a |
| 10 | Gross Line Charge Income | | 19,848 |
| 11 | | | |
| 12 | | | |
| 13 | Capital Contributions | 689 | |
| 14 | plus Net Value of Vested Assets | - | |
| 15 | Total Capital Contributions and Vested Assets | | 689 |
| 16 | | | |
| 17 | AC Loss Rental Rebates Received | 568 | |
| 18 | less AC Loss Rental Rebates Passed On | 568 | |
| 19 | Net AC loss rental income (deficit) | | 0 |
| 20 | | | |
| 21 | | | |
| 22 | Other Income | 75 | |
| 23 | | | 75 |
| 24 | | | |
| 25 | Total regulatory income | | 20,613 |
| 26 | | | |
| 27 | Expenses | | |
| 28 | | | |
| 29 | | | |
| 30 | Transmission Charges - Payments to Transpower | 5,510 | |
| 31 | plus Avoided Transmission Charges - payments to parties other than Transpower | - | |
| 32 | Total Transmission Costs | | 5,510 |
| 33 | | | |
| 34 | Operational Expenditure: | | |
| 35 | General Management, Administration and Overheads | 1,689 | |
| 36 | System Management and Operations | 1,043 | |
| 37 | Routine and Preventative Maintenance | 1,950 | to AM1 |
| 38 | Refurbishment and Renewal Maintenance | 120 | to AM1 |
| 39 | Fault and Emergency Maintenance | 493 | to AM1 |
| 40 | Pass-through Costs | 122 | |
| 41 | Other | - | |
| 42 | Total Operational Expenditure | | 5,418 to MP2 |
| 43 | | | |
| 44 | | | |
| 45 | Operational earnings | | 9,684 |
| 46 | | | |
| 47 | | | |
| 48 | Regulatory Depreciation of System Fixed Assets (incl. value of assets decommissioned) | 3,294 | from AV1 |
| 49 | plus Depreciation of Non-System Fixed Assets (incl. value of assets decommissioned) | 128 | from AV1 |
| 50 | Total Regulatory Depreciation | | 3,422 to FS3 |
| 51 | | | |
| 52 | | | |
| 53 | Earnings before interest and tax (EBIT) | | 6,262 to FS3 |
| 54 | | | |
| 55 | less Regulatory Tax Allowance | | 248 from FS3 |
| 56 | | | |
| 57 | plus Indexed Revaluation (of System Fixed Assets) | | 3,508 from AV1 |
| 58 | plus Revaluations of Non-System Fixed Assets | | - from AV1 |
| 59 | | | |
| 60 | Regulatory profit / loss (pre-financing and distributions) | | 9,522 to MP2 |

REPORT FS1: REGULATORY PROFIT STATEMENT (cont)**Notes to Regulatory Profit Statement**

| | | | |
|----|--|-------|----------------|
| 69 | FS1a: Discretionary Discounts: Customer Rebates and other line charge adjustments | | (\$000) |
| 70 | Customer Rebates | 3,782 | |
| 71 | Line Charge Holidays and other Discretionary Discounts | | |
| 72 | Total Discretionary Discounts and Customer Rebates | | 3,782 |

| | | | |
|----|---|-------|----------------|
| 75 | FS1b: Related party expenditure - summary | | (\$000) |
| 76 | Avoided Transmission Charges | | |
| 77 | Operational Expenditure | 2,949 | |
| 78 | Subvention Payment | | |
| 79 | Other related party expenditure | 3,934 | |
| 80 | Total Related Party Expenditure | | 6,883 |
| 81 | <i>N.B.: The additional Related Party information that is required to be disclosed in accordance with Section 3 of the Information Disclosure Handbook is to be disclosed by way of a separate note to this Schedule and forms part of this Schedule.</i> | | |
| 82 | | | |
| 83 | | | |
| 84 | | | |

| | | | |
|-----|--|--------------------|---------------------------------|
| 87 | FS1c: Operational Expenditure notes | | (\$000) |
| 88 | | | |
| 89 | Merger and Acquisition Expenses | | |
| 90 | Merger and Acquisition Expenses (not to be included in Operational Expenditure) | | |
| 91 | | | |
| 92 | Material items (if greater than 10% of the Operational Expenditure line item) | | |
| 93 | Material item amount 1 | 24 | Notes to be provided separately |
| 94 | within expenditure category: | Pass-through Costs | |
| 95 | | | |
| 96 | Material item amount 2 | 55 | Notes to be provided separately |
| 97 | within expenditure category: | Pass-through Costs | |
| 98 | | | |
| 99 | Material item amount 3 | 44 | Notes to be provided separately |
| 100 | within expenditure category: | Pass-through Costs | |
| 101 | | | |
| 102 | (further disclosures to be provided on separate page if required) | | |
| 103 | | | |

| | | | |
|-----|--------------------------------------|--|----------------|
| 106 | FS1d: Vested Assets | | (\$000) |
| 107 | Consideration Paid for Vested Assets | | |

| | | | |
|-----|---|------------|----------------|
| 110 | FS1e: Reclassified items in Operational Expenditure | | (\$000) |
| 111 | Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item) | | |
| 112 | Previous classification: | Select one | |
| 113 | New classification: | Select one | |
| 114 | | | |
| 115 | | | |
| 116 | Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item) | | (\$000) |
| 117 | Previous classification: | Select one | |
| 118 | New classification: | Select one | |
| 119 | | | |
| 120 | | | |
| 121 | Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item) | | (\$000) |
| 122 | Previous classification: | Select one | |
| 123 | New classification: | Select one | |
| 124 | | | |
| | <i>to be repeated as required for multiple reclassifications</i> | | |

REPORT FS1: REGULATORY PROFIT STATEMENT (cont)

Electricity Distribution Business: **Waipa Networks**

For Year Ended **2011**

FS1b: Related party expenditure - summary

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, for the year ended 31 March 2011

| | 2011 (\$000) | 2010 (\$000) |
|--|-----------------|-----------------|
| Construction of subtransmission assets | - | - |
| Construction of zone substations | - | - |
| Construction of distribution lines & cables | 896 | 754 |
| Construction of medium voltage switchgear | 1,011 | 584 |
| Construction of distribution transformers | 768 | 903 |
| Construction of distribution substations | 548 | 539 |
| Construction of low voltage lines and cables | 601 | 623 |
| Construction of other system fixed assets | 110 | 161 |
| Maintenance of assets | 2,881 | 2,799 |
| Consumer connections and reconnections | 6 | 6 |
| Other services | 62 | 34 |

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

| | | |
|---------------------------------------|-----|-----|
| Sale of Assets to Other at Book Value | - | - |
| Distribution of cash to Other | - | - |
| Interest paid to Other | 466 | 686 |

The line business has a loan from the other business.

The amount outstanding at balance date was \$9,800,000 (2010 \$9,800,000).

At year end there were no other outstanding balances for related parties (2010 Nil).

No related party debt has been written off or forgiven during 2011 or 2010.

No provision has been made in the accounts for payment of a final dividend to the Waipa Networks Trust. (2010 Nil). No Interim dividends have been paid (2010 Nil).

For Year Ended **2011**

FS1c: Operational Expenditure notes

(\$000)

Material items (if greater than 10% of the Operational Expenditure line item)

| | | |
|------------------------------|-----|--------------------|
| Commerce Commission | 24 | |
| within expenditure category: | 19% | Pass-through Costs |
| Local Authority Rates | 55 | |
| within expenditure category: | 45% | Pass-through Costs |
| Electricity Commission | 44 | |
| within expenditure category: | 36% | Pass-through Costs |