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WEL NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000

Form 5 – Reg 32(2)

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN
TRANSPOWER.**

We, Sir Dryden Thomas Spring of Matamata and Rodger Herbert Fisher of Auckland, being directors of WEL Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) the attached audited financial statements of WEL Networks Limited, prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) 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 WEL Networks 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 2001.



Sir Dryden Spring



Rodger Fisher

Date: 18/7/2001

Date: 18/7/2001

WEL NETWORKS LIMITED**Statement of Financial Performance
For the year ended 31 March 2001**

	Note	Line Business	
		2001 (\$000s)	2000 (\$000s)
Total revenue	1	52,327	54,993
Operating expenses	2	(28,152)	(29,436)
Operating surplus before interest & taxation		<u>24,175</u>	<u>25,557</u>
Interest expense	3	(3)	(40)
Operating surplus before taxation		<u>24,172</u>	<u>25,517</u>
Taxation expense	4	(9,265)	(9,273)
Surplus attributable to the shareholders of the parent company		<u><u>14,907</u></u>	<u><u>16,244</u></u>

**Statement of Movements in Equity
For the year ended 31 March 2001**

	Note	Line Business	
		2001 (\$000s)	2000 (\$000s)
Equity as at 1 April		<u>226,906</u>	<u>224,656</u>
Net Surplus for the year		14,907	16,244
Revaluation of Assets	5	7,372	-
Total Recognised Revenue and Expenses		<u><u>22,279</u></u>	<u><u>16,244</u></u>
Dividends		(10,573)	(13,994)
Transfer to Other Business		(80,450)	-
		<u><u>(91,023)</u></u>	<u><u>(13,994)</u></u>
Equity as at 31 March		<u><u>158,162</u></u>	<u><u>226,906</u></u>

WEL NETWORKS LIMITED**Statement of Financial Position
As at 31 March 2001**

	Note	Line Business	
		2001 (\$000s)	2000 (\$000s)
Tangible assets			
Current assets	6	12,340	96,421
Fixed assets	7	161,153	146,793
Total tangible assets		<u>173,493</u>	<u>243,214</u>
Intangible assets			
Goodwill		-	-
Other intangible assets		-	-
Total intangible assets		<u>-</u>	<u>-</u>
Total Assets		<u>173,493</u>	<u>243,214</u>
Liabilities			
Current liabilities	8	7,512	10,257
Non current liabilities	9	7,819	6,051
Total liabilities		<u>15,331</u>	<u>16,308</u>
Equity			
Capital Notes		-	-
Equity	5	158,162	226,906
Total capital funds		<u>158,162</u>	<u>226,906</u>
Total equity and liabilities		<u>173,493</u>	<u>243,214</u>

18 July 2001

WEL NETWORKS LIMITED

Statements of Cash Flows
For the year ended 31 March 2001

	Note	Line Business	
		2001 (\$000s)	2000 (\$000s)
Cash Flows From Operating Activities			
Cash received from operations			
Receipts from customers		52,720	47,388
Interest received		1,410	4,502
Total cash received from operations		<u>54,130</u>	<u>51,890</u>
Cash disbursed on operations			
Payments to employees and suppliers		(20,055)	(22,794)
Interest paid		(3)	(40)
Income tax paid		(9,625)	(6,554)
Total cash disbursed on operations		<u>(29,683)</u>	<u>(29,388)</u>
Net cash flow from operations (refer to reconciliation below)		<u>24,447</u>	<u>22,502</u>
Cash Flows From Investing Activities			
Cash received from investing activities			
Investments maturing		-	-
Total cash from investing activities		<u>-</u>	<u>-</u>
Cash disbursed on investing activities			
Fixed asset purchases		(13,665)	(10,609)
Total cash disbursed on investing activities		<u>(13,665)</u>	<u>(10,609)</u>
Net cash flow applied to/(from) investing activities		<u>(13,665)</u>	<u>(10,609)</u>
Cash Flows From Financing Activities			
Cash received from financing activities			
Total cash received from financing activities		<u>-</u>	<u>-</u>
Cash disbursed on financing activities			
Transfer to Other Business		(80,450)	
Dividend Paid		(12,892)	(9,017)
Total cash disbursed on financing activities		<u>(93,342)</u>	<u>(9,017)</u>
Net cash flow applied to/(from) financing activities		<u>(93,342)</u>	<u>(9,017)</u>
Net increase in cash held		(82,560)	2,876
Cash at the beginning of the year		88,796	85,920
Cash at the end of the year		<u>6,236</u>	<u>88,796</u>

WEL NETWORKS LIMITED

Statements of Cash Flows (*continued*)

For the year ended 31 March 2001

	Note	Line Business	
		2001 (\$000s)	2000 (\$000s)
Reconciliation of net cash flows from operating activities with surplus after taxation.			
Surplus after taxation		14,907	16,244
Non cash items			
Depreciation		6,682	5,821
Total non cash items		<u>6,682</u>	<u>5,821</u>
Increase/(decrease) in working capital			
Trade Debtors		1,807	(3,106)
Other current assets		33	(34)
Trade & other creditors		1,400	800
Customer deposits		-	-
Annual and long service leave provision		(22)	55
Provision for taxation		(2,128)	1,750
Deferred tax		1,768	969
Net decrease/(increase) in working capital		<u>2,858</u>	<u>434</u>
Items classified as investing activities			
Net loss/(gain) on sale of fixed assets		-	3
Net cash inflow from operating activities		<u>24,447</u>	<u>22,502</u>

WEL NETWORKS LIMITED**Statement of Accounting Policies
For the Year Ended 31 March 2001**

These financial statements are prepared and presented in accordance with the Electricity (Information Disclosure) Regulations 1999 (as amended).

A. General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of results and the financial position have been followed in the preparation of these financial statements.

The historical cost method, as modified by the revaluation of certain assets, has been followed.

The Electricity Information Disclosure Handbook 2000 has been followed in the preparation of these financial statements.

B. Particular Accounting Policies

The particular accounting policies which have a significant effect on the financial performance and financial position are as follows:

(a) 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 comprehensive basis, except that deferred tax is not provided on asset revaluations of the distribution system.

(b) Trade Debtors

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

(c) Revenue Recognition

Line revenues include an accrual for charges incurred by customers but not billed at balance date.

(d) Inventories

Inventories are valued at the lower of weighted average cost and net realisable value. Work in Progress is valued at cost comprising direct labour, materials, freight and a proportion of production overheads based on a normal level of activity.

WEL NETWORKS LIMITED**(e) Fixed Assets**

The distribution system is revalued by independent valuers every three years based on an optimised deprival value basis. Additions to the distribution system are stated at cost.

Land and buildings are revalued by independent valuers every three years on the basis of open market value for existing use.

Cost for internally constructed assets comprise direct labour, materials, freight, and a proportion of production overheads based on a normal level of activity. All other fixed assets are recorded at cost less accumulated depreciation.

(f) Depreciation of Fixed Assets

Depreciation of the distribution system and buildings is provided for on a straight line basis over their estimated useful lives as follows:

Buildings	3.0%
Distribution system	2.9%

Depreciation of other fixed assets is provided for on a diminishing value basis as follows:

Plant and Equipment	20 - 50%
Vehicles	25%

(g) Principles of Line Business Split

The line business forms a segment of the operations of the Group. The allocation of costs, revenue, assets and liabilities was carried out on a basis which reflects the items attributable to this segment of the Group.

Where possible, financial statement items were allocated directly to the line business. In those instances where direct allocation was not possible, the avoidable cost allocation methodology was employed, which has resulted in allocations as follows:

Corporate Overheads

Corporate overhead costs were allocated as follows:

Directors fees and associated costs	Weighted fixed assets
Chief executive and associated costs	Weighted fixed assets
Consultants and business analysts	Weighted fixed assets
All other costs	Weighted staff numbers

Items have been weighted by multiplying the value attributable to Other by 33%

Property Costs

Allocated using market based rentals.

WEL NETWORKS LIMITED**Expenditure**

Where a segment of the Group performs line activities in addition to other functions each item of expenditure incurred by that segment has been allocated to the line business in proportion to the total level of line business activity undertaken by the segment. This has been achieved using the following methodologies:

Customer services/billing	10% Lines
Marketing	Revenue

Bank Balances

Cash and bank balances have been allocated based on cash movements as per the cash flow statement.

Fixed Assets

Fixed assets used by both the line and another activity have been allocated to the line business on the following basis:

Motor vehicles	Weighted staff numbers
Plant, Furniture and equipment	Weighted staff numbers

Items have been weighted by multiplying the value attributable to Other by 33%

Creditors

Creditors not directly attributable to the line business have been allocated in proportion to the expenditure allocation as noted above.

Provision for Annual and Long Service Leave

The amount of the provision attributable to employees working on both the line business and other activities has been allocated to the line business in proportion to wages expenditure.

Changes in Accounting Policy

Pursuant to FRS-5 "Events After Balance Date" which was issued in July 2000, dividends that are proposed or declared after balance date can no longer be recognised as a liability at balance date. This change has had no impact on the Financial Statements.

There have been no other changes in accounting policies applied during the period under review.

WEL NETWORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

	Line Business	
	2001 (\$000s)	2000 (\$000s)
1 Operating Revenue		
Line access charges	49,858	49,817
Interest	421	4,502
AC Rental Rebates	2,048	674
Revenue from other business	-	-
Other operating revenue	-	-
Total Operating Income	52,327	54,993
2 Operating Expenditure		
Transmission charges	11,148	12,122
Transfer payments to Other business for:		
Asset Maintenance	4,263	3,964
Disconnections/Reconnection	-	-
Meter data	-	-
Consumer based load control	-	-
Avoided transmission (own generation)	-	-
Royalties & patents	-	-
Other goods/services	-	-
Total	4,263	3,964
Expenses to entities that are not related parties for:		
Asset Maintenance	-	-
Disconnections/Reconnection	-	-
Meter data	-	-
Consumer based load control	-	-
Royalties & patents	-	-
Other goods/services	-	-
Total	-	-
Employee salaries and redundancies	3,204	3,660
Customer billing & Information System expense		2
Depreciation on:		
Distribution system	4,473	4,264
Other assets	2,209	1,557
Total	6,682	5,821
Amortisation of:		
Goodwill	-	-
Other Intangibles	-	-
Total	-	-
Corporate & administration	385	667
Human resource expenses	326	503
Marketing & advertising	331	371
Merger and acquisition	-	-
Takeover defence	-	-
Research & development	10	1
Consultancy & legal	627	1,053

WEL NETWORKS LIMITED

	Line Business	
	2001 (\$000s)	2000 (\$000s)
Operating Expenditure <i>(continued)</i>		
Donations	-	-
Directors' Fees	213	235
Other payments to directors	-	-
Audit Fees		
Audit Fees to principal auditors	20	20
Audit Fees to other auditors	-	-
Other Fees paid to principal & other auditors	44	57
Total	<u>64</u>	<u>77</u>
Net loss on sale of fixed assets	62	3
Cost of offering credit		
Bad Debts	1	1
Movement in provision for doubtful debts	-	-
Total	<u>1</u>	<u>1</u>
Local Authority rates	42	36
AC Loss-rental expense	-	-
Rebates to customers due to ownership	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure	794	920
Total expenditure	<u>28,152</u>	<u>29,436</u>
3 Interest		
Interest expense on borrowings	3	40
Finance charges relating to finance leases	-	-
Other interest expenses	-	-
	<u>3</u>	<u>40</u>

WEL NETWORKS LIMITED

	Line Business	
	2001	2000
	(\$000s)	(\$000s)
4 Taxation		
Profit before taxation	24,172	25,517
Tax on profit at 33%	7,976	8,421
Tax effect of permanent differences	1,289	852
Total taxation expense	<u>9,265</u>	<u>9,273</u>
Represented by:		
Deferred income tax liability	1,701	969
Current taxation provision	7,564	8,304
	<u>9,265</u>	<u>9,273</u>
Deferred income tax liability		
Balance at the beginning of the year	6,051	5,082
Adjustments for prior periods	67	-
Current year timing differences	1,701	969
Balance at the end of the year	<u>7,819</u>	<u>6,051</u>
The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$11,900,000, which would only crystallise on disposal, have not been recognised.		
5 Shareholders Funds		
Issued and Paid In Capital	131	131
All ordinary shares carry equal voting rights		
Asset revaluation reserve	90,171	82,799
Retained earnings	26,486	22,152
Other Reserves	41,374	121,824
Total Equity	<u>158,162</u>	<u>226,906</u>
Asset Revaluation Reserve		
Balance at the beginning of the year	82,799	82,799
Asset revaluations	7,372	-
Balance at the end of the year	<u>90,171</u>	<u>82,799</u>
Retained Earnings		
Balance at the beginning of the year	22,152	19,902
Net surplus after tax	14,907	16,244
Dividends	(10,573)	(13,994)
Balance at the end of the year	<u>26,486</u>	<u>22,152</u>
Other Reserves		
Balance at the beginning of the year	121,824	121,824
Transfer to other business	(80,450)	-
Balance at the end of the year	<u>41,374</u>	<u>121,824</u>

WEL NETWORKS LIMITED

		Line Business	
		2001	2000
		(\$000s)	(\$000s)
6	Current assets		
	Cash and Bank	6,236	88,796
	Trade debtors	5,766	7,573
	Short term investments	-	-
	Inventories	-	-
	Other assets	19	52
	Tax recoverable	319	-
		<u>12,340</u>	<u>96,421</u>
7	Fixed Assets		
	Freehold Land and Buildings		
	Land At cost	-	85
	At valuation	996	744
	Buildings At valuation	<u>1,080</u>	<u>1,366</u>
		<u>2,076</u>	<u>2,195</u>
	Accumulated depreciation At valuation	-	(123)
		<u>2,076</u>	<u>2,072</u>
	Net book value		
	Vehicles		
	Cost	442	557
	Accumulated depreciation	<u>(188)</u>	<u>(256)</u>
	Net book value	<u>254</u>	<u>301</u>
	Furniture, Plant and Equipment		
	Cost	10,130	7,943
	Accumulated depreciation	<u>(6,739)</u>	<u>(4,459)</u>
	Net book value	<u>3,391</u>	<u>3,484</u>

WEL NETWORKS LIMITED

	Line Business	
	2001	2000
	(\$000s)	(\$000s)
Fixed Assets (continued)		
Distribution System		
Cost	-	20,155
Valuation	154,133	127,380
	154,133	147,535
Accumulated depreciation values		
Cost	-	(777)
Valuation	-	(7,388)
Net book value	154,133	139,370
Total before assets under construction	159,854	145,227
Capital assets under construction	419	604
Consumer billing & information system assets	-	-
Other fixed assets	-	-
Cost	1,355	1,355
Accumulated depreciation	(475)	(393)
Net book value	880	962
Total net book value	161,153	146,793

Land and Buildings were revalued on 31 March 2001 by Knight Frank Limited Registered Valuers.

The distribution system was revalued on 31 March 2001 by Sinclair Knight Merz (NZ) Limited (trading Leyland Consultants).

Other fixed assets represent the amount paid to Hamilton City Council in 1989 for the use of substation buildings. This amount is being depreciated over a period of 33 years.

Centralised load control equipment (included as part of the distribution system)	1,283	1,073
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8 Current liabilities

Bank overdraft & short term borrowings	-	-
Trade creditors	3,520	2,244
Provision for annual and long service leave	196	218
Provision for dividend	3,382	5,701
Provision for tax	-	1,809
Other current liabilities	414	285
	7,512	10,257

WEL NETWORKS LIMITED

		Line Business	
		2001	2000
		(\$000s)	(\$000s)
9	Non-current Liabilities		
	Payables and accruals	-	-
	Borrowings	-	-
	Deferred tax	7,819	6,051
	Other non-current liabilities	-	-
		<hr/> 7,819 <hr/>	<hr/> 6,051 <hr/>

10 Contingencies

There are no contingent liabilities (2000: nil)

11 Capital commitments

Capital commitments as at 31 March 2001 are estimated at \$973,000 (2000: Nil).

12 Financial Instruments**(a) Risk**

Nature of activities and management policies with respect to financial instruments:

(i) Concentrations of Credit Risk

In the normal course of its business, the Group incurs credit risk from trade receivables from customers and transactions with financial institutions. A provision has been set up for trade receivables which are unlikely to be collected.

The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and are monitored on a regular basis.

The Group has in excess of 90% of its trade debtors owing from the incumbent retailer. This debt is subject to a written agreement and regular credit checks. The Group does not require any collateral.

(b) Fair Values

The Directors estimate that the carrying amounts of financial instruments in the Statement of Financial Position equal their fair values.

WEL NETWORKS LIMITED**13 Related Party Transactions**

The Lines Business has received services from WEL Networks Operations Division. Both entities form part of WEL Networks. All transactions between the two parties are at arms length and at market rates. There have been no transactions at nil or nominal value.

There are no outstanding balances between the two parties. No debts were forgiven or written off.

Details of the transactions are as follows:

		Line Business	
		2001	2000
		(\$000s)	(\$000s)
(a)	Construction of subtransmission assets Approximately 15 km of 33kV underground cable laid.	1,618	1,657
(b)	Construction of zone substations Upgrading of six substations	4,034	3,228
(c)	Construction of distribution lines and cables. Cost of undergrounding 11 kV cable	2,416	1,699
(d)	Construction of medium voltage switchgear	726	124
(e)	Construction of distribution transformers.	517	641
(f)	Construction of distribution substations	685	757
(g)	Construction of Low voltage lines & cables	745	676
WEL Networks was involved in connecting new consumers to its network and the following costs were incurred:			
(h)	Relays for new connections	253	203
	Consumer connections	1,609	935
(i)	Maintenance of distribution system	4,263	3,964
		16,866	13,884

In some cases estimates have been used to apportion costs between the categories listed above.

WEL NETWORKS LIMITED

		Line Business	
		2001	2000
		(\$000s)	(\$000s)
14	Imputation Credit Memorandum Account		
	Balance at the beginning of the year	11,281	11,458
	Dividends allocated	(5,918)	(6,612)
	Taxation paid	10,312	6,435
	Balance at the end of the year	15,675	11,281
15	Adjusted net working capital	1,974	3,889
16	Interest tax shield	(138)	(1,472)

Statement of Performance Measures
For the year ended 31 March 2001

	2001	2000	1999	1998
Financial measures				
Return on Funds	15.2%	14.4%	12.6%	16.2%
Return on Equity	7.8%	7.2%	8.1%	10.5%
Return on Investment	16.1%	9.0%	7.4%	27.9%
Efficiency Measures				
Direct Line cost per Kilometre	\$ 1,389	\$1,533	\$1,613	\$1,885
Indirect line costs per Electricity Customer	\$ 60.81	\$71.07	\$84.79	\$49.60

The latest available ODV Valuation was prepared by Sinclair Knight Merz (NZ) Limited (trading as Leyland Consultants) as at 31 March 2001 and amounted to \$156,546,542 (31 March 1998 \$129,438,500).

Comparative numbers have not been restated to comply with the current regulations.

Schedule 1 Part 4 Energy Delivery Efficiency Performance Measures and Statistics

	2001	2000	1999	1998
1 a) Load factor	59.2%	60.1%	62.5%	62.0%
b) Loss ratio	5.5%	5.5%	5.5%	5.5%
c) Capacity utilization	38.0%	37.6%	33.8%	34.3%
2 a) Circuit km (total)				
33 kV	276.96	270.70	264.00	251.40
11 kV	2,525.11	2,293.30	2,279.00	2,131.10
400 V	1,781.41	1,677.70	1,661.00	1,230.90
TOTAL	4,583.48	4,241.70	4,204.00	3,613.40
b) Circuit km (overhead)				
33 kV	194.30	196.50	196.50	188.50
11 kV	2,104.92	1,917.20	1,912.00	1,776.60
400 V	1,034.72	974.10	972.00	840.80
TOTAL	3,333.94	3,087.80	3,080.50	2,805.90
c) Circuit km (underground)				
33 kV	82.66	74.70	67.50	62.90
11 kV	420.19	376.10	367.00	354.50
400 V	746.69	703.60	689.00	390.10
TOTAL	1,249.54	1,154.40	1,123.50	807.50
d) Transformer capacity (kVA)	489,900	492,330	487,500	479,202
e) Maximum demand (kW)	186,202	185,000	164,700	164,330
f) Total electricity supplied from the system (kWh) (excluding losses)	912,700,000	922,180,000	851,690,000	845,085,000
g) Electricity conveyed through the system for other ER's and generators (kWh)				
A	46,529,000	102,750,000	826,000	
B	16,405,000	20,293,000	3,590,000	
C	39,923,000	23,719,000	2,447,000	
D	25,726,000	24,842,000	4,052,000	
E	427,000	1,892,000	2,596,000	
F	37,174,000	16,638,000	3,800,000	
G	52,383,000	38,648,000	25,265,000	
H	747,233,000	733,000,000	71,640,000	
J	-	1,018,000	-	
K	24,000	-	-	
	965,824,000	962,800,000	114,216,000	27,176,000
h) Total customers	71,473	70,202	68,580	67,265

Schedule 1 Part 5 Reliability Performance Measures to be Disclosed by Line Owners Other Than Transpower

	Target 2002 to 2006	Target 2002	Actual 2001	Actual 2000	Actual 1999	Actual 1998
1,2,3	Total Interruptions					
	28	30	-	-	-	-
Class A			118	50	46	50
Class B	148	165	207	195	258	261
Class C			2	2	1	1
Class D			-	-	-	-
Class E			-	-	-	-
Class F			-	-	-	-
Class G			-	-	-	-
Total	327	247	305	312		
4	Class C interruptions not restored within 3 hours					
			15.0%	0.14	0.21	
	Class C interruptions not restored within 24 hours					
			0.0%	-	0.00	
5	Faults per 100 km (Total)					
	0.78	1.09	2.89	6.65	2.27	10.08
33 kV	6.21	6.95	7.76	7.72	11.01	16.56
11 kV	5.63	6.33	7.28	7.61	10.11	15.73
TOTAL						
6	Faults per 100 km (Overhead)					
			3.01	8.67	2.04	10.08
33 kV			8.60	8.40	12.60	12.89
11 kV	7.92	8.33	11.62	12.62		
TOTAL						

Schedule 1 Part 5 Reliability Performance Measures to be Disclosed by Line Owners Other Than Transpower

	Target 2002 to 2006	Target 2002	Actual 2001	Actual 2000	Actual 1999	Actual 1998
7						
Faults per 100 km (Underground)						
33 kV			2.42	1.34	2.96	-
11 kV			3.57	4.25	2.72	3.67
TOTAL			3.38	3.77	2.99	3.11
8,9,10, 11						
SAIDI						
Class A			-	-	-	-
Class B			4.55	4.35	5.05	4.51
Class C	3.90	4.00	126.56	106.83	132.27	143.25
Class D	81.80	96.10	26.56	5.02	47.29	43.43
Class E			-	-	-	-
Class F			-	-	-	-
Class G			-	-	-	-
TOTAL			157.67	116.21	184.61	191.19

Schedule 1 Part 5 Reliability Performance Measures to be Disclosed by Line Owners Other Than Transpower

	SAIFI	Target 2002 to 2006	Target 2002	Actual 2001	Actual 2000	Actual 1999	Actual 1998
12, 13, 14, 15							
Class A	Planned outages	0.05	0.05	-	-	-	-
Class B	Planned outages TransPower			0.05	0.06	0.05	0.06
Class C	Planned outages WEL	1.37	1.55	2.57	2.31	1.84	2.12
Class D	Unplanned outages WEL			0.80	0.08	0.59	0.14
Class E	Unplanned outages TransPower			-	-	-	-
Class F	Unplanned Interruption ECNZ			-	-	-	-
Class G	Unplanned Interruption other generator			-	-	-	-
	Other Interruption			-	-	-	-
TOTAL				3.42	2.45	2.48	2.32
16, 17, 18, 19	CAIDI						
Class A	Planned outages	78.00	80.00	-	-	-	-
Class B	Planned outages TransPower			82.74	78.15	94.71	79.58
Class C	Planned outages WEL	59.60	62.00	49.22	46.25	71.97	67.73
Class D	Unplanned outages WEL			31.32	63.31	80.07	301.34
Class E	Unplanned outages TransPower			-	-	-	-
Class F	Unplanned Interruption ECNZ			-	-	-	-
Class G	Unplanned Interruption other generator			-	-	-	-
	Other Interruption			-	-	-	-
TOTAL				46.10	47.52	74.39	82.56

ANNUAL VALUATION RECONCILIATION REPORT

\$000's

Year ending 31 March 2001

System fixed assets at ODV - end of previous financial year	139,370
Add system fixed asset acquired during the year at ODV	9,739
Less system fixed asset disposed of during the year at ODV	-
Less depreciation on system fixed assets at ODV	(4,473)
Add revaluations of system fixed assets	9,497
Equals system fixed assets at ODV - end of the financial year	<u>154,133</u>

FORM FOR DERIVATION OF FINANCIAL AND EFFICIENCY MEASURES FROM THE FINANCIAL STATEMENTS

	Input & calculations 000's	Symbol in formula	ROF 000's	ROE 000's	ROI 000's
Operating surplus before interest and income tax from financial statements	24,175				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	24,175				
Interest on cash bank balances and short term investments (ISTI)	421				
OSBIIT minus ISTI	OSBIIT - ISTI	a	23,754		23,754
Net surplus after tax from Financial Statements	14,907			14,907	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)		n		14,907	
Amortisation of goodwill and other intangibles		g			
Subvention Payment		s			
Depreciation of SFA at BV (x)	4,473				
Depreciation of SFA at ODV (y)	4,473				
ODV Depreciation tax adjustment	= x - y	d	-	-	-
Subvention Payment tax adjustment	= s*t	s*t	-	-	-
Interest Tax Shield	(138)	q			(138)
Revaluations		r			9,816
Income Tax	9,265	p			9,265
Numerator (as adjusted)			23,754	14,907	24,444

	Input & calculations	Symbol in formula	ROF	ROE	ROI
Fixed Assets at end of previous financial year (FA ₀)	146,793				
Fixed Assets at end of current financial year (FA ₁)	161,153				
Adjusted Net Working Capital at end of previous financial year (ANWC ₀)	3,889				
Adjusted Net Working Capital at end of current financial year (ANWC ₁)	1,974				
Average total funds employed (ATFE)	=(FA₀+FA₁+ANWC₀+ANWC₁)/2	c	156,905		156,905
Total Equity at end of previous financial year (TE ₀)	226,906				
Total Equity at end of current financial year (TE ₁)	158,162				
Average total equity	=(TE₀+TE₁)/2	k		192,534	
Works under construction at end of previous financial year (WUC ₀)	604				
Works under construction at end of current financial year (WUC ₁)	419				
Average total Works under construction	=(WUC₀+WUC₁)/2	e	512	512	512
Revaluations	=r/2	r			4,908
Half of revaluations		r/2			
Intangible assets at end of previous financial year (IA ₀)	-				
Intangible assets at end of current financial year (IA ₁)	-				
Average Total Intangible asset	=(IA₀+IA₁)/2	m		-	
Subvention payment for previous financial year (S ₀)	-				
Subvention payment current financial year (S ₁)	-				
Subvention payment tax adjustment for previous financial year	=S ₀ *t				
Subvention payment tax adjustment for current financial year	=S ₁ *t				
Average subvention payment & related tax adjustment	=[(S₀+S₁)(1-t)]/2	v		-	
System Fixed assets at end of previous financial year at book value (SFA _{bv0})	139,370				
System Fixed assets at end of current financial year at book value (SFA _{bv1})	154,133				
Average value of system fixed assets at book value	=(SFA_{bv0}+SFA_{bv1})/2	f	146,751	146,751	146,751
System Fixed assets at end of previous financial year at ODV value (SFA _{odv0})	139,370				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	154,133				
Average value of system fixed assets at ODV value	=(SFA_{odv0}+SFA_{odv1})/2	h	146,751	146,751	146,751
Denominator (as adjusted)			156,393	192,022	151,484
Financial Performance Measure:			15.2%	7.8%	16.1%

Key:

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



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Auditors' Opinion of Performance Measures

WEL Networks Limited – Lines Business

We have examined the attached information, 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 WEL Networks Limited – Lines Business and dated 18 July 2001 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers". A horizontal line is drawn underneath the signature.

Chartered Accountants

Auckland



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Auditor's Report

To the readers of the financial statements of WEL Networks Limited – Lines Business

We have audited the accompanying financial statements of WEL Networks Limited – Lines Business. The financial statements provide information about the past financial performance of WEL Networks Limited – Lines Business and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

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 WEL Networks Limited – Lines Business as at 31 March 2001, and the results of operations and cash flows for the year then ended.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

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 WEL Networks Limited – Lines Business' circumstances, consistently applied and adequately disclosed.

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

Other than in our capacity as auditors and consultants we have no relationship with or interests in WEL Networks Limited.



Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by WEL Networks Limited as far as appears from our examination of those records; and
- (b) the financial statements referred to above:
 - (i) comply with generally accepted accounting practice; and
 - (ii) give a true and fair view of the financial position of WEL Networks Limited – Lines Business as at 31 March 2001 and the results of its operations and cash flows for the year then ended; and
 - (iii) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 18 July 2001 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'Price Waterhouse Coopers'. The signature is written in a cursive, flowing style and is underlined with a single horizontal stroke.

Chartered Accountants

Auckland



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CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of WEL Networks Limited and dated 2 July 2001, which report contains valuations of system fixed assets as at 31 March 2001.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$156,546,542 have been made in accordance with the ODV Handbook.

A handwritten signature in black ink that reads "PricewaterhouseCoopers" with a flourish at the end.

PricewaterhouseCoopers
Chartered Accountants
Auckland
23 July 2001


Form 7 – Reg 32(6)

CERTIFICATION OF VALUATION REPORT OF LINE OWNERS

We, Sir Dryden Thomas Spring of Matamata, and Rodger Herbert Fisher of Auckland, being directors of WEL Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge—

- (a) the attached valuation report of WEL Networks 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 line business system fixed assets of WEL Networks Limited is \$259,600,000 and
- (c) the depreciated replacement cost of the line business system fixed assets of WEL Networks Limited is \$157,000,000; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of WEL Networks Limited is \$156,500,000; and
- (e) the optimised deprival valuation of the line business system fixed assets of WEL Networks Limited is \$156,500,000; 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 2001.



Director



Director

Dated: 18 July 2001