



New Zealand Gazette

OF THURSDAY, 22 AUGUST 2002

WELLINGTON: MONDAY, 26 AUGUST 2002 — ISSUE NO. 118

WEL NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001

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 2002.



 Sir Dryden Spring



 Rodger Fisher

Date: 19.6.02

Date: 19.6.02 .

WEL NETWORKS LIMITED**Statement of Financial Performance
For the year ended 31 March 2002**

	Note	Line Business	
		2002 (\$000s)	2001 (\$000s)
Total revenue	1	52,912	52,327
Operating expenses	2	(27,260)	(28,152)
Operating surplus before interest & taxation		<u>25,652</u>	24,175
Interest expense	3	(1)	(3)
Operating surplus before taxation		<u>25,651</u>	24,172
Taxation expense	4	(9,333)	(9,265)
Surplus attributable to the shareholders of the parent company		<u><u>16,318</u></u>	<u>14,907</u>

**Statement of Movements in Equity
For the year ended 31 March 2002**

	Note	Line Business	
		2002 (\$000s)	2001 (\$000s)
Equity as at 1 April		<u>158,162</u>	226,906
Net Surplus for the year		16,318	14,907
Revaluation of Assets	5	-	7,372
Total Recognised Revenue and Expenses		<u>16,318</u>	22,279
Dividends		(9,909)	(10,573)
Transfer to Other Business			(80,450)
		<u>(9,909)</u>	(91,023)
Equity as at 31 March		<u><u>164,571</u></u>	<u>158,162</u>

WEL NETWORKS LIMITED**Statement of Financial Position
As at 31 March 2002**

	Note	Line Business	
		2002 (\$000s)	2001 (\$000s)
Tangible assets			
Current assets	6	15,590	12,340
Fixed assets	7	165,360	161,153
Total tangible assets		180,950	173,493
Intangible assets			
Goodwill		-	-
Other intangible assets		-	-
Total intangible assets		-	-
Total Assets		180,950	173,493
Liabilities			
Current liabilities	8	7,311	7,512
Non current liabilities	9	9,068	7,819
Total liabilities		16,379	15,331
Equity			
Capital Notes		-	-
Equity	5	164,571	158,162
Total capital funds		164,571	158,162
Total equity and liabilities		180,950	173,493

19 June 2002

WEL NETWORKS LIMITED**Statements of Cash Flows
For the year ended 31 March 2002**

	Note	Line Business	
		2002 (\$000s)	2001 (\$000s)
Cash Flows From Operating Activities			
Cash received from operations			
Receipts from customers		52,313	52,720
Interest received		1,463	1,410
Total cash received from operations		<u>53,776</u>	<u>54,130</u>
Cash disbursed on operations			
Payments to employees and suppliers		(21,455)	(20,055)
Interest paid		(1)	(3)
Income tax paid		(10,775)	(9,625)
Total cash disbursed on operations		<u>(32,231)</u>	<u>(29,683)</u>
Net cash flow from operations (refer to reconciliation below)		<u>21,545</u>	<u>24,447</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		(10,523)	(13,665)
Total cash disbursed on investing activities		<u>(10,523)</u>	<u>(13,665)</u>
Net cash flow applied to/(from) investing activities		<u>(10,523)</u>	<u>(13,665)</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		(9,658)	(12,892)
Total cash disbursed on financing activities		<u>(9,658)</u>	<u>(93,342)</u>
Net cash flow applied to/(from) financing activities		<u>(9,658)</u>	<u>(93,342)</u>
Net increase in cash held		1,364	(82,560)
Cash at the beginning of the year		6,236	88,796
Cash at the end of the year		<u>7,600</u>	<u>6,236</u>

WEL NETWORKS LIMITED**Statements of Cash Flows (continued)
For the year ended 31 March 2002**

	Note	Line Business	
		2002 (\$000s)	2001 (\$000s)
Reconciliation of net cash flows from operating activities with surplus after taxation.			
Surplus after taxation		16,318	14,907
Non cash items			
Depreciation		6,272	6,682
Total non cash items		6,272	6,682
Increase/(decrease) in working capital			
Trade Debtors		818	1,807
Other current assets		(15)	33
Trade & other creditors		(426)	1,400
Customer deposits		-	-
Annual and long service leave provision		(25)	(22)
Provision for taxation		(2,691)	(2,128)
Deferred tax		1,249	1,768
Net decrease/(increase) in working capital		(1,090)	2,858
Items classified as investing activities			
Net loss/(gain) on sale of fixed assets		45	-
Net cash inflow from operating activities		21,545	24,447

WEL NETWORKS LIMITED**Statement of Accounting Policies
For the Year Ended 31 March 2002**

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.

C. Changes in Accounting Policy

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

WEL NETWORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

	Line Business	
	2002	2001
	(\$000s)	(\$000s)
1 Operating Revenue		
Line access charges	49,813	49,858
Interest	474	421
AC Rental Rebates	2,625	2,048
Revenue from other business	-	-
Other operating revenue	-	-
Total Operating Income	52,912	52,327
2 Operating Expenditure		
Transmission charges	10,472	11,148
Transfer payments to Other business for:		
Asset Maintenance	3,942	4,263
Disconnections/Reconnection	-	-
Meter data	-	-
Consumer based load control	-	-
Avoided transmission (own generation)	-	-
Royalties & patents	-	-
Other goods/services	-	-
Total	3,942	4,263
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	3,377	3,204
Customer billing & Information System expense		
Depreciation on:		
Distribution system	4,539	4,573
Other assets	1,677	2,109
Total	6,216	6,682
Amortisation of:		
Goodwill	-	-
Other Intangibles	-	-
Total	-	-
Corporate & administration	364	385
Human resource expenses	229	326
Marketing & advertising	316	331
Merger and acquisition	110	-
Takeover defence	-	-
Research & development	-	10
Consultancy & legal	1,090	627

Line Business

WEL NETWORKS LIMITED

	2002 (\$000s)	2001 (\$000s)
Operating Expenditure <i>(continued)</i>		
Donations	-	-
Directors' Fees	215	213
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	37	44
Total	<u>57</u>	<u>64</u>
Net loss on sale of fixed assets	45	62
Cost of offering credit		
Bad Debts	4	1
Movement in provision for doubtful debts	-	-
Total	<u>4</u>	<u>1</u>
Local Authority rates	42	42
AC Loss-rental expense	-	-
Rebates to customers due to ownership	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure	781	794
Total expenditure	<u>27,260</u>	<u>28,152</u>

3 Interest

Interest expense on borrowings	1	3
Finance charges relating to finance leases	-	-
Other interest expenses	-	-
	<u>1</u>	<u>3</u>

WEL NETWORKS LIMITED

Line Business
2002 **2001**
(\$000s) **(\$000s)**

4 Taxation

Profit before taxation	25,651	24,172
Tax on profit at 33%	8,465	7,976
Tax effect of permanent differences	868	1,289
Total taxation expense	9,333	9,265
Represented by:		
Deferred income tax liability	1,249	1,701
Current taxation provision	8,084	7,564
	9,333	9,265
Deferred income tax liability		
Balance at the beginning of the year	7,819	6,051
Adjustments for prior periods	-	67
Current year timing differences	1,249	1,701
Balance at the end of the year	9,068	7,819

The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$15,400,000, 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	90,171
Retained earnings	32,895	26,486
Other Reserves	41,374	41,374
Total Equity	164,571	158,162
Asset Revaluation Reserve		
Balance at the beginning of the year	90,171	82,799
Asset revaluations		7,372
Balance at the end of the year	90,171	90,171
Retained Earnings		
Balance at the beginning of the year	26,486	22,152
Net surplus after tax	16,318	14,907
Dividends	(9,909)	(10,573)
Balance at the end of the year	32,895	26,486
Other Reserves		
Balance at the beginning of the year	41,374	121,824
Transfer to other business	-	(80,450)
Balance at the end of the year	41,374	41,374

WEL NETWORKS LIMITED

Line Business
2002 **2001**
(\$000s) **(\$000s)**

6 Current assets

Cash and Bank	7,600	6,236
Trade debtors	4,947	5,766
Short term investments	-	-
Inventories	-	-
Other assets	33	19
Tax recoverable	3,010	319
	<u>15,590</u>	<u>12,340</u>

7 Fixed Assets**Freehold Land and Buildings**

Land	At cost	67	-
	At valuation	996	996
Buildings	At valuation	1,111	1,080
		<u>2,174</u>	<u>2,076</u>

Accumulated depreciation	At valuation	(33)	-
		<u>2,141</u>	<u>2,076</u>

Net book value

Vehicles

Cost	408	442
Accumulated depreciation	(147)	(188)
Net book value	<u>261</u>	<u>254</u>

Furniture, Plant and Equipment

Cost	10,250	10,130
Accumulated depreciation	(7,742)	(6,739)
Net book value	<u>2,508</u>	<u>3,391</u>

WEL NETWORKS LIMITED

	Line Business	
	2002	2001
	(\$000s)	(\$000s)
Fixed Assets (continued)		
Distribution System		
Cost	9,874	-
Valuation	154,133	154,133
	<u>164,007</u>	<u>154,133</u>
Accumulated depreciation values		
Cost	(1,434)	-
Valuation	(4,470)	-
Net book value	<u>158,103</u>	<u>154,133</u>
Total before assets under construction	<u>163,013</u>	<u>159,854</u>
Capital assets under construction	1,507	419
Consumer billing & information system assets	-	-
Other fixed assets	-	-
Cost	1,355	1,355
Accumulated depreciation	(515)	(475)
Net book value	<u>840</u>	<u>880</u>
Total net book value	<u>165,360</u>	<u>161,153</u>

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 as Leyland Consultants).

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

Centralised load control equipment (included as part of the distribution system)	1,246	1,283
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8 Current liabilities

Bank overdraft & short term borrowings	-	-
Trade creditors	3,033	3,520
Provision for annual and long service leave	171	196
Provision for dividend	3,633	3,382
Provision for tax	-	-
Other current liabilities	474	414
	<u>7,311</u>	<u>7,512</u>

WEL NETWORKS LIMITED

Line Business	
2002	2001
(\$000s)	(\$000s)

9 Non-current Liabilities

Payables and accruals	-	-
Borrowings	-	-
Deferred tax	9,068	7,819
Other non-current liabilities	-	-
	<hr/> 9,068	<hr/> 7,819 <hr/>

10 Contingencies

There are no contingent liabilities (2001: nil)

11 Capital commitments

Capital commitments as at 31 March 2002 are estimated at \$276,000 (2001: \$973,000).

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	
		2002	2001
		(\$000s)	(\$000s)
(a)	Construction of subtransmission assets Approximately 15 km of 33kV underground cable laid.	412	1,618
(b)	Construction of zone substations Upgrading of six substations	2,950	4,034
(c)	Construction of distribution lines and cables. Cost of undergrounding 11 kV cable	2,616	2,416
(d)	Construction of medium voltage switchgear	97	726
(e)	Construction of distribution transformers.	874	517
(f)	Construction of distribution substations	449	685
(g)	Construction of Low voltage lines & cables	915	745
WEL Networks was involved in connecting new consumers to its network and the following costs were incurred:			
(h)	Relays for new connections	425	253
	Consumer connections	1,404	1,609
(i)	Maintenance of distribution system	3,942	4,263
		14,084	16,866

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

WEL NETWORKS LIMITED

		Line Business	
		2002	2001
		(\$000s)	(\$000s)
14	Imputation Credit Memorandum Account		
	Balance at the beginning of the year	15,675	11,281
	Dividends allocated	(4,996)	(5,918)
	Taxation paid	10,525	10,312
	Balance at the end of the year	21,204	15,675
15	Adjusted net working capital	4,312	1,974
16	Interest tax shield	(156)	(138)

**Statement of Performance Measures
For the year ended 31 March 2002**

	2002	2001	2000	1999
Financial measures				
Return on Funds	15.2%	15.2%	14.4%	12.6%
Return on Equity	10.2%	7.8%	7.2%	8.1%
Return on Investment	9.7%	16.1%	9.0%	7.4%
Efficiency Measures				
Direct Line cost per Kilometre	\$ 1,247	\$1,389	\$1,533	\$1,613
Indirect line costs per Electricity Customer	\$ 67.90	\$60.81	\$71.07	\$84.79

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

	2002	2001	2000	1999
1 a) Load factor	58.5%	59.2%	60.1%	62.5%
b) Loss ratio	4.9%	5.5%	5.5%	5.5%
c) Capacity utilization	38.0%	38.0%	37.6%	33.8%
2 a) Circuit km (total)				
33 kV	278.08	276.96	270.70	264.00
11 kV	2,568.08	2,525.11	2,293.30	2,279.00
400 V	1,845.97	1,781.41	1,677.70	1,661.00
TOTAL	4,692.13	4,583.48	4,241.70	4,204.00
b) Circuit km (overhead)				
33 kV	194.85	194.30	196.50	196.50
11 kV	2,124.27	2,104.92	1,917.20	1,912.00
400 V	1,041.34	1,034.72	974.10	972.00
TOTAL	3,360.46	3,333.94	3,087.80	3,080.50
c) Circuit km (underground)				
33 kV	83.23	82.66	74.70	67.50
11 kV	443.81	420.19	376.10	367.00
400 V	804.63	746.69	703.60	689.00
TOTAL	1,331.67	1,249.54	1,154.40	1,123.50
d) Transformer capacity (kVA)	495,120	489,900	492,330	487,500
e) Maximum demand (kW)	187,872	186,202	185,000	164,700
f) Total electricity supplied from the system (kWh) (excluding losses)	915,714,000	912,700,000	922,180,000	851,690,000
g) Electricity conveyed through the system for other ER's and generators (kWh)				
A	22,823,011	46,529,000	102,750,000	826,000
B	805,214,436	16,405,000	20,293,000	3,590,000
C	42,517,153	39,923,000	23,719,000	2,447,000
D	33,219,493	25,726,000	24,842,000	4,052,000
E	3,918,758	427,000	1,892,000	2,596,000
F	-	37,174,000	16,638,000	3,800,000
G	53,540,149	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	-	-
L	1,157,051	-	-	-
	962,390,051	965,824,000	962,800,000	114,216,000
h) Total customers	72,942	71,473	70,202	68,580

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

	Target 2003 to 2007	Target 2003	Actual 2002	Actual 2001	Actual 2000	Actual 1999
Total Interruptions						
Class A Planned outages TransPower			-	-	-	-
Class B Planned outages WEL	27	30	74	118	50	46
Class C Unplanned outages WEL	140	165	202	207	195	258
Class D Unplanned outages TransPower			-	2	2	1
Class E Unplanned Interruption ECNZ			-	-	-	-
Class F Unplanned Interruption other generator			-	-	-	-
Class G Other Interruption			-	-	-	-
Total			276	327	247	305
Class C interruptions not restored within 3 hours			23.3%	15.0%	14.4%	20.9%
Class C interruptions not restored within 24 hours			0.0%	-	-	0.00
5						
Faults per 100 km (Total)						
33 kV	0.64	0.72	1.08	2.89	6.65	2.27
11 kV	5.17	5.88	7.75	7.76	7.72	11.01
TOTAL	4.70	5.39	7.10	7.28	7.61	10.11
6						
Faults per 100 km (Overhead)						
33 kV			1.54	3.01	8.67	2.04
11 kV			8.61	8.60	8.40	12.60
TOTAL			8.02	7.92	8.33	11.62

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

	Target 2003 to 2007	Target 2003	Actual 2002	Actual 2001	Actual 2000	Actual 1999
7						
Faults per 100 km (Underground)						
33 kV			-	2.42	1.34	2.96
11 kV			3.61	3.57	4.25	2.72
TOTAL			3.04	3.38	3.77	2.99
8,9,10, 11						
SAIDI						
Class A	4.00	4.00	-	-	-	-
Class B			4.57	4.55	4.35	5.05
Class C	63.34	70.00	71.64	126.56	106.83	132.27
Class D			-	26.56	5.02	47.29
Class E			-	-	-	-
Class F			-	-	-	-
Class G			-	-	-	-
TOTAL			76.21	157.67	116.21	184.61

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

		Target 2003 to 2007	Target 2003	Actual 2002	Actual 2001	Actual 2000	Actual 1999
12, 13, 14, 15	SAIFI						
Class A	Planned outages TransPower	0.05	0.05	-	-	-	-
Class B	Planned outages WEL	1.27	1.40	0.04	0.05	0.06	0.05
Class C	Unplanned outages WEL			1.45	2.57	2.31	1.84
Class D	Unplanned outages TransPower			-	0.80	0.08	0.59
Class E	Unplanned Interruption ECNZ			-	-	-	-
Class F	Unplanned Interruption other generator			-	-	-	-
Class G	Other Interruption			-	-	-	-
TOTAL				1.49	3.42	2.45	2.48
16, 17, 18, 19	CAIDI						
Class A	Planned outages TransPower	80.00	80.00	-	-	-	-
Class B	Planned outages WEL	50.00	50.00	114.25	82.74	78.15	94.71
Class C	Unplanned outages WEL			49.41	49.22	46.25	71.97
Class D	Unplanned outages TransPower			-	31.32	63.31	80.07
Class E	Unplanned Interruption ECNZ			-	-	-	-
Class F	Unplanned Interruption other generator			-	-	-	-
Class G	Other Interruption			-	-	-	-
TOTAL				51.15	46.10	47.52	74.39

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	25,652				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	25,652				
Interest on cash bank balances and short term investments (ISTI)	474				
OSBIIT minus ISTI	OSBIIT - ISTI	a	25,179		25,179
Net surplus after tax from Financial Statements	16,318			16,318	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	16,318	n			
Amortisation of goodwill and other intangibles					
Subvention Payment					
Depreciation of SFA at BV (x)	4,539				
Depreciation of SFA at ODV (y)	4,539				
ODV Depreciation tax adjustment	= x - y	d	-	-	-
Subvention Payment tax adjustment					
Interest Tax Shield	(156)				(156)
Revaluations					
Income Tax	9,333				9,333
Numerator (as adjusted)			25,179	16,318	16,002

	Input & calculations	Symbol in formula	ROF	ROE	ROI
Fixed Assets at end of previous financial year (FA ₀)	161,153				
Fixed Assets at end of current financial year (FA ₁)	165,360				
Adjusted Net Working Capital at end of previous financial year (ANWC ₀)	1,974				
Adjusted Net Working Capital at end of current financial year (ANWC ₁)	4,312				
Average total funds employed (ATFE)	$=(FA_0+FA_1+ANWC_0+ANWC_1)/2$	c	166,400	166,400	166,400
Total Equity at end of previous financial year (TE ₀)	158,162				
Total Equity at end of current financial year (TE ₁)	164,571				
Average total equity	$=(TE_0+TE_1)/2$	k		161,366	
Works under construction at end of previous financial year (WUC ₀)	419				
Works under construction at end of current financial year (WUC ₁)	1,507				
Average total Works under construction	$=(WUC_0+WUC_1)/2$	e	963	963	963
Revaluations		f			
Half of revaluations	$=r/2$	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	$=(IA_0+IA_1)/2$	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	$=(S_0+S_1)(1-t)/2$	v		-	
System Fixed assets at end of previous financial year at book value (SFA _{bv0})	154,133				
System Fixed assets at end of current financial year at book value (SFA _{bv1})	158,103				
Average value of system fixed assets at book value	$=(SFA_{bv0}+SFA_{bv1})/2$	f	156,118	156,118	156,118
System Fixed assets at end of previous financial year at ODV value (SFA _{odv0})	154,133				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	158,103				
Average value of system fixed assets at ODV value	$=(SFA_{odv0}+SFA_{odv1})/2$	h	156,118	156,118	156,118
Denominator (as adjusted)					
Financial Performance Measure:			165,437	160,403	165,436
			15.2%	10.2%	9.7%

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

ANNUAL VALUATION RECONCILIATION REPORT

	\$000's
Year ending 31 March 2002	
System fixed assets at ODV - end of previous financial year	154,133
Add system fixed asset acquired during the year at ODV	8,509
Less system fixed asset disposed of during the year at ODV	-
Less depreciation on system fixed assets at ODV	(4,539)
Add revaluations of system fixed assets	-
Equals system fixed assets at ODV - end of the financial year	<u>158,103</u>



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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 19 June 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers', with a horizontal line 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 2002. 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 2002, 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 2002 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 19 June 2002 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script that reads "Price Waterhouse Coopers".

Chartered Accountants

Auckland