



# New Zealand Gazette

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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 AND 2001



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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 2003. 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 2003, 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
- 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 in the provision of other assurance services we have no relationship with or interests in WEL Networks Limited.



## Auditor's Report

WEL Networks Limited - Lines Business

### 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
- (b) the financial statements referred to above:
  - (i) comply with generally accepted accounting practice
  - (ii) give a true and fair view of the financial position of WEL Networks Limited - Lines Business as at 31 March 2003 and the results of its operations and cash flows for the year then ended
  - (iii) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 17 June 2003 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.

Chartered Accountants

Auckland



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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
- (b) the annual ODV reconciliation report in regulation 16A
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1
- (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 17 June 2003 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', written over a horizontal line.

Chartered Accountants  
17 June 2003

Auckland

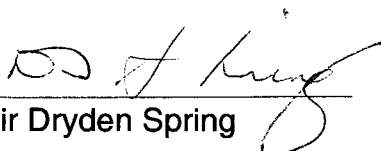
Form 5 – Reg 32(2)

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,  
AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN  
TRANSPOWER, DATED 16 JUNE 2003**

We, Sir Dryden Thomas Spring and Rodger Herbert Fisher, 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, 16A, 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: 17 June 2003

Date: 17 June 2003

## WEL NETWORKS LIMITED

**Statement of Financial Performance**  
**For the year ended 31 March 2003**

|                                                                   | Note | Line Business        |                      |
|-------------------------------------------------------------------|------|----------------------|----------------------|
|                                                                   |      | 2003<br>(\$000s)     | 2002<br>(\$000s)     |
| Total revenue                                                     | 1    | 48,957               | 52,912               |
| Operating expenses                                                | 2    | (28,564)             | (27,260)             |
| Operating surplus before interest & taxation                      |      | <u>20,393</u>        | <u>25,652</u>        |
| Interest expense                                                  | 3    | (435)                | (1)                  |
| Operating surplus before taxation                                 |      | <u>19,958</u>        | <u>25,651</u>        |
| Taxation expense                                                  | 4    | (7,885)              | (9,333)              |
| Surplus attributable to the shareholders of<br>the parent company |      | <u><u>12,073</u></u> | <u><u>16,318</u></u> |

**Statement of Movements in Equity**  
**For the year ended 31 March 2003**

|                                       | Note | Line Business         |                       |
|---------------------------------------|------|-----------------------|-----------------------|
|                                       |      | 2003<br>(\$000s)      | 2002<br>(\$000s)      |
| Equity as at 1 April                  |      | <u>164,571</u>        | <u>158,162</u>        |
| Net Surplus for the year              |      | 12,073                | 16,318                |
| Total Recognised Revenue and Expenses |      | <u>12,073</u>         | <u>16,318</u>         |
| Dividends                             |      | (7,261)               | (9,909)               |
| Loss on amalgamation                  |      | (11,015)              | -                     |
|                                       |      | <u>(18,276)</u>       | <u>(9,909)</u>        |
| Equity as at 31 March                 |      | <u><u>158,368</u></u> | <u><u>164,571</u></u> |

## WEL NETWORKS LIMITED

Statement of Financial Position  
As at 31 March 2003

|                                     | Note | Line Business         |                       |
|-------------------------------------|------|-----------------------|-----------------------|
|                                     |      | 2003<br>(\$000s)      | 2002<br>(\$000s)      |
| <b>Tangible assets</b>              |      |                       |                       |
| Current assets                      | 6    | 9,226                 | 15,590                |
| Fixed assets                        | 7    | 167,087               | 165,360               |
| <b>Total tangible assets</b>        |      | <u>176,313</u>        | <u>180,950</u>        |
| <b>Intangible assets</b>            |      |                       |                       |
| Goodwill                            |      | -                     | -                     |
| Other intangible assets             |      | -                     | -                     |
| <b>Total intangible assets</b>      |      | <u>-</u>              | <u>-</u>              |
| <b>Total Assets</b>                 |      | <u><u>176,313</u></u> | <u><u>180,950</u></u> |
| <b>Liabilities</b>                  |      |                       |                       |
| Current liabilities                 | 8    | 8,166                 | 7,311                 |
| Non current liabilities             | 9    | 9,779                 | 9,068                 |
| <b>Total liabilities</b>            |      | <u>17,945</u>         | <u>16,379</u>         |
| <b>Equity</b>                       |      |                       |                       |
| Capital Notes                       |      | -                     | -                     |
| Equity                              | 5    | 158,368               | 164,571               |
| <b>Total capital funds</b>          |      | <u>158,368</u>        | <u>164,571</u>        |
| <b>Total equity and liabilities</b> |      | <u><u>176,313</u></u> | <u><u>180,950</u></u> |

17 June 2003

## WEL NETWORKS LIMITED

**Statements of Cash Flows**  
**For the year ended 31 March 2003**

|                                                                                | Note | Line Business    |                  |
|--------------------------------------------------------------------------------|------|------------------|------------------|
|                                                                                |      | 2003<br>(\$000s) | 2002<br>(\$000s) |
| <b>Cash Flows From Operating Activities</b>                                    |      |                  |                  |
| Cash received from operations                                                  |      |                  |                  |
| Receipts from customers                                                        |      | 50,367           | 52,313           |
| Interest received                                                              |      | 114              | 1,463            |
| Total cash received from operations                                            |      | <u>50,481</u>    | <u>53,776</u>    |
| Cash disbursed on operations                                                   |      |                  |                  |
| Payments to employees and suppliers                                            |      | (23,686)         | (21,455)         |
| Interest paid                                                                  |      | (495)            | (1)              |
| Income tax paid                                                                |      | (3,094)          | (10,775)         |
| Total cash disbursed on operations                                             |      | <u>(27,275)</u>  | <u>(32,231)</u>  |
| <b>Net cash flow from operations</b><br><b>(refer to reconciliation below)</b> |      | <u>23,206</u>    | <u>21,545</u>    |
| <b>Cash Flows From Investing Activities</b>                                    |      |                  |                  |
| Cash received from investing activities                                        |      |                  |                  |
| Sale of fixed assets                                                           |      | -                | -                |
| Investments maturing                                                           |      | -                | -                |
| Total cash from investing activities                                           |      | <u>-</u>         | <u>-</u>         |
| Cash disbursed on investing activities                                         |      |                  |                  |
| Investments made                                                               |      | -                | -                |
| Fixed asset purchases                                                          |      | (8,146)          | (10,523)         |
| Total cash disbursed on investing activities                                   |      | <u>(8,146)</u>   | <u>(10,523)</u>  |
| <b>Net cash flow applied to/(from) investing activities</b>                    |      | <u>(8,146)</u>   | <u>(10,523)</u>  |
| <b>Cash Flows From Financing Activities</b>                                    |      |                  |                  |
| Cash received from financing activities                                        |      |                  |                  |
| Cash received on amalgamation with WETSL                                       |      | 1,209            | -                |
| Total cash received from financing activities                                  |      | <u>1,209</u>     | <u>-</u>         |
| Cash disbursed on financing activities                                         |      |                  |                  |
| Loans repaid                                                                   |      | (7,488)          | -                |
| Dividend Paid                                                                  |      | (10,894)         | (9,658)          |
| Total cash disbursed on financing activities                                   |      | <u>(18,382)</u>  | <u>(9,658)</u>   |
| <b>Net cash flow applied to/(from) financing activities</b>                    |      | <u>(17,173)</u>  | <u>(9,658)</u>   |
| Net increase/(decrease) in cash held                                           |      | (2,113)          | 1,364            |
| Cash at the beginning of the year                                              |      | 7,600            | 6,236            |
| Cash at the end of the year                                                    |      | <u>5,487</u>     | <u>7,600</u>     |



## WEL NETWORKS LIMITED

## Statements of Cash Flows (continued)

For the year ended 31 March 2003

|                                                                                                | Note | Line Business    |                  |
|------------------------------------------------------------------------------------------------|------|------------------|------------------|
|                                                                                                |      | 2003<br>(\$000s) | 2002<br>(\$000s) |
| <b>Reconciliation of net cash flows from operating activities with surplus after taxation.</b> |      |                  |                  |
| Surplus after taxation                                                                         |      | <b>12,073</b>    | 16,318           |
| Non cash items                                                                                 |      |                  |                  |
| Depreciation                                                                                   |      | <b>6,231</b>     | 6,272            |
| Total non cash items                                                                           |      | <b>6,231</b>     | <b>6,272</b>     |
| Increase/(decrease) in working capital                                                         |      |                  |                  |
| Trade Debtors                                                                                  |      | <b>1,330</b>     | 818              |
| Other current assets                                                                           |      | <b>(90)</b>      | (15)             |
| Trade & other creditors                                                                        |      | <b>(1,335)</b>   | (426)            |
| Customer deposits                                                                              |      | -                | -                |
| Annual and long service leave provision                                                        |      | <b>16</b>        | (25)             |
| Provision for taxation                                                                         |      | <b>4,081</b>     | (2,691)          |
| Deferred tax                                                                                   |      | <b>711</b>       | 1,249            |
| Net decrease/(increase) in working capital                                                     |      | <b>4,713</b>     | <b>(1,090)</b>   |
| Items classified as investing activities                                                       |      |                  |                  |
| Net loss/(gain) on sale of fixed assets                                                        |      | <b>189</b>       | 45               |
| Net cash inflow from operating activities                                                      |      | <b>23,206</b>    | <b>21,545</b>    |

**WEL NETWORKS LIMITED****Statement of Accounting Policies  
For the year ended 31 March 2003**

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 2003

|                                                                 | Line Business    |                  |
|-----------------------------------------------------------------|------------------|------------------|
|                                                                 | 2003<br>(\$000s) | 2002<br>(\$000s) |
| <b>1 Operating Revenue</b>                                      |                  |                  |
| Revenue from Other                                              | -                | -                |
| Line access charges                                             | 47,202           | 49,813           |
| Interest                                                        | 114              | 474              |
| AC Rental Rebates                                               | 1,641            | 2,625            |
| Revenue from other business                                     | -                | -                |
| Other operating revenue                                         | -                | -                |
| <b>Total Operating Income</b>                                   | <b>48,957</b>    | <b>52,912</b>    |
| Deducted from Line access charges is \$7.5M discount (2002 NIL) |                  |                  |
| <b>2 Operating Expenditure</b>                                  |                  |                  |
| Transmission charges                                            | 10,762           | 10,472           |
| Transfer payments to Other business for:                        |                  |                  |
| Asset Maintenance                                               | 3,993            | 3,942            |
| Disconnections/Reconnection                                     | -                | -                |
| Meter data                                                      | -                | -                |
| Consumer based load control                                     | -                | -                |
| Avoided transmission (own generation)                           | -                | -                |
| Royalties & patents                                             | -                | -                |
| Other goods/services                                            | -                | -                |
| <b>Total</b>                                                    | <b>3,993</b>     | <b>3,942</b>     |
| Expenses to entities that are not related parties for:          |                  |                  |
| Asset Maintenance                                               | -                | -                |
| Disconnections/Reconnection                                     | -                | -                |
| Meter data                                                      | -                | -                |
| Consumer based load control                                     | -                | -                |
| Royalties & patents                                             | -                | -                |
| Other goods/services                                            | -                | -                |
| <b>Total</b>                                                    | <b>-</b>         | <b>-</b>         |
| Employee salaries and redundancies                              | 3,293            | 3,377            |
| Customer billing & Information System expense                   |                  |                  |
| Depreciation on:                                                |                  |                  |
| Distribution system                                             | 5,235            | 4,539            |
| Other assets                                                    | 996              | 1,677            |
| <b>Total</b>                                                    | <b>6,231</b>     | <b>6,216</b>     |
| Amortisation of:                                                |                  |                  |
| Goodwill                                                        | -                | -                |
| Other Intangibles                                               | -                | -                |
| <b>Total</b>                                                    | <b>-</b>         | <b>-</b>         |
| Corporate & administration                                      | 155              | 364              |
| Human resource expenses                                         | 206              | 229              |
| Marketing & advertising                                         | 276              | 316              |
| Merger and acquisition                                          | 1,300            | 110              |
| Takeover defence                                                | -                | -                |
| Research & development                                          | 10               | -                |
| Consultancy & legal                                             | 660              | 1,090            |

## WEL NETWORKS LIMITED

|                                                 | Line Business    |                  |
|-------------------------------------------------|------------------|------------------|
|                                                 | 2003<br>(\$000s) | 2002<br>(\$000s) |
| <b>Operating Expenditure</b> <i>(continued)</i> |                  |                  |
| Donations                                       | -                | -                |
| Directors' Fees                                 | 222              | 215              |
| 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   | 43               | 37               |
| <b>Total</b>                                    | <b>63</b>        | <b>57</b>        |
| Net loss on sale of fixed assets                | 189              | 45               |
| Cost of offering credit                         |                  |                  |
| Bad Debts                                       | 3                | 4                |
| Movement in provision for doubtful debts        | -                | -                |
| <b>Total</b>                                    | <b>3</b>         | <b>4</b>         |
| Local Authority rates                           | 184              | 42               |
| AC Loss-rental expense                          | -                | -                |
| Rebates to customers due to ownership           | -                | -                |
| Subvention payments                             | -                | -                |
| Unusual expenses                                | -                | -                |
| Other expenditure                               | 1,017            | 781              |
| <b>Total expenditure</b>                        | <b>28,564</b>    | <b>27,260</b>    |
| <br>                                            |                  |                  |
| <b>3 Interest</b>                               |                  |                  |
| Interest expense on borrowings                  | 435              | 1                |
| Finance charges relating to finance leases      | -                | -                |
| Other interest expenses                         | -                | -                |
|                                                 | <b>435</b>       | <b>1</b>         |

## WEL NETWORKS LIMITED

|                                                                                                                                                                                                 | Line Business    |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                                                                                                 | 2003<br>(\$000s) | 2002<br>(\$000s) |
| <b>4 Taxation</b>                                                                                                                                                                               |                  |                  |
| Profit before taxation                                                                                                                                                                          | 19,958           | 25,651           |
| Tax on profit at 33%                                                                                                                                                                            | 6,586            | 8,465            |
| Tax effect of permanent differences                                                                                                                                                             | 1,299            | 868              |
| Total taxation expense                                                                                                                                                                          | 7,385            | 9,333            |
| Represented by:                                                                                                                                                                                 |                  |                  |
| Deferred income tax liability                                                                                                                                                                   | 711              | 1,249            |
| Current taxation provision                                                                                                                                                                      | 7,174            | 8,084            |
|                                                                                                                                                                                                 | 7,885            | 9,333            |
| Deferred income tax liability                                                                                                                                                                   |                  |                  |
| Balance at the beginning of the year                                                                                                                                                            | 9,068            | 7,819            |
| Adjustments for prior periods                                                                                                                                                                   | -                | -                |
| Current year timing differences                                                                                                                                                                 | 711              | 1,249            |
| Balance at the end of the year                                                                                                                                                                  | 9,779            | 9,068            |
| The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$17,100,000, which would only crystallise on disposal, have not been recognised. |                  |                  |
| <b>5 Shareholders Funds</b>                                                                                                                                                                     |                  |                  |
| Issued and Paid In Capital                                                                                                                                                                      | 131              | 131              |
| All ordinary shares carry equal voting rights                                                                                                                                                   |                  |                  |
| Asset revaluation reserve                                                                                                                                                                       | 90,040           | 90,171           |
| Retained earnings                                                                                                                                                                               | 37,838           | 32,895           |
| Other Reserves                                                                                                                                                                                  | 30,359           | 41,374           |
| <b>Total Equity</b>                                                                                                                                                                             | 158,368          | 164,571          |
| <b>Asset Revaluation Reserve</b>                                                                                                                                                                |                  |                  |
| Balance at the beginning of the year                                                                                                                                                            | 90,171           | 90,171           |
| Transfer to Retained Earnings                                                                                                                                                                   | (131)            | -                |
| Balance at the end of the year                                                                                                                                                                  | 90,040           | 90,171           |
| <b>Retained Earnings</b>                                                                                                                                                                        |                  |                  |
| Balance at the beginning of the year                                                                                                                                                            | 32,895           | 26,486           |
| Net surplus after tax                                                                                                                                                                           | 12,073           | 16,318           |
| Dividends                                                                                                                                                                                       | (7,261)          | (9,909)          |
| Transfer from Revaluation Reserve                                                                                                                                                               | 131              | -                |
| Balance at the end of the year                                                                                                                                                                  | 37,838           | 32,895           |
| <b>Other Reserves</b>                                                                                                                                                                           |                  |                  |
| Balance at the beginning of the year                                                                                                                                                            | 41,374           | 41,374           |
| Loss on Amalgamation with WETSL                                                                                                                                                                 | (11,015)         | -                |
| Balance at the end of the year                                                                                                                                                                  | 30,359           | 41,374           |

**WEL NETWORKS LIMITED****Amalgamation with WEL Energy Trust Shareholding Limited**

On 30 April 2002 WEL Energy Trust Shareholding Ltd has amalgamated with the Parent. Until the date of the amalgamation WEL Energy Trust Shareholding Ltd had a controlling interest in the Parent. Both companies were ultimately controlled by the WEL Energy Trust. Under the amalgamation the Parent took control of the assets of WEL Energy Trust Shareholding Ltd and assumed its liabilities. WEL Energy Trust Shareholding Ltd has been removed from the New Zealand register of companies.

**Summary of the effect of amalgamation of WEL Energy Trust Shareholding Limited**

|                                                            | <b>Line Business</b> |                 |
|------------------------------------------------------------|----------------------|-----------------|
|                                                            | <b>2003</b>          | <b>2002</b>     |
|                                                            | <b>(\$000s)</b>      | <b>(\$000s)</b> |
| Assets and liabilities amalgamated:                        |                      |                 |
| Bank balances                                              | 1,209                | -               |
| Net current assets/current liabilities                     | (1,289)              | -               |
| Borrowings                                                 | (10,935)             | -               |
| Balance recognised in the statement of movements in equity | (11,015)             | -               |

The assets and liabilities have been brought into the Company's financial statements at their carrying amounts which approximate their fair value. The operating results of WEL Energy Trust Shareholding Ltd after the amalgamation have been included in the statement of financial performance of the Company since 1 May 2002. The balance on amalgamation has been recognised in the statement of movements in equity of the Company. The comparatives for the Company have not been adjusted for the amalgamation.

**6 Current assets**

|                        |       |        |
|------------------------|-------|--------|
| Cash and Bank          | 5,487 | 7,600  |
| Trade debtors          | 3,616 | 4,947  |
| Short term investments | -     | -      |
| Inventories            | 115   | -      |
| Other assets           | 8     | 33     |
| Tax recoverable        | -     | 3,010  |
|                        | 9,226 | 15,590 |



## WEL NETWORKS LIMITED

|                          |                                                         | Line Business  |                |
|--------------------------|---------------------------------------------------------|----------------|----------------|
|                          |                                                         | 2003           | 2002           |
|                          |                                                         | (\$000s)       | (\$000s)       |
| 7                        | <b>Fixed Assets</b>                                     |                |                |
|                          | <b>Freehold Land and Buildings</b>                      |                |                |
| Land                     | At cost                                                 | 67             | 67             |
|                          | At valuation                                            | 996            | 996            |
| Buildings                | At valuation                                            | 1,111          | 1,111          |
|                          |                                                         | <u>2,174</u>   | <u>2,174</u>   |
| Accumulated depreciation | At valuation                                            | (67)           | (33)           |
|                          |                                                         | <u>2,107</u>   | <u>2,141</u>   |
|                          | Net book value                                          |                |                |
|                          | <b>Vehicles</b>                                         |                |                |
|                          | Cost                                                    | 377            | 408            |
|                          | Accumulated depreciation                                | (121)          | (147)          |
|                          | Net book value                                          | <u>256</u>     | <u>261</u>     |
|                          | <b>Furniture, Plant and Equipment</b>                   |                |                |
|                          | Cost                                                    | 11,304         | 10,250         |
|                          | Accumulated depreciation                                | (9,067)        | (7,742)        |
|                          | Net book value                                          | <u>2,237</u>   | <u>2,508</u>   |
|                          | <b>Distribution System</b>                              |                |                |
|                          | Cost                                                    | 16,642         | 9,874          |
|                          | Valuation                                               | 154,133        | 154,133        |
|                          |                                                         | <u>170,775</u> | <u>164,007</u> |
|                          | Accumulated depreciation values                         |                |                |
|                          | Cost                                                    | (1,923)        | (1,434)        |
|                          | Valuation                                               | (8,940)        | (4,470)        |
|                          | Net book value                                          | <u>159,912</u> | <u>158,103</u> |
|                          | <b>Total before assets under construction</b>           | <u>164,512</u> | <u>163,013</u> |
|                          | <b>Capital assets under construction</b>                | 1,776          | 1,507          |
|                          | <b>Consumer billing &amp; information system assets</b> | -              | -              |
|                          | <b>Other fixed assets</b>                               |                |                |
|                          | Cost                                                    | 1,355          | 1,355          |
|                          | Accumulated depreciation                                | (556)          | (515)          |
|                          | Net book value                                          | <u>799</u>     | <u>840</u>     |

## WEL NETWORKS LIMITED

|                                                                                                                   | Line Business    |                  |
|-------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                   | 2003<br>(\$000s) | 2002<br>(\$000s) |
| <b>Fixed Assets (continued)</b>                                                                                   |                  |                  |
| <b>Reconciliation to annual valuation reconciliation report</b>                                                   |                  |                  |
| Distribution System net book value above                                                                          | 159,912          | 158,103          |
| add system assets included in ODV valuation classified as<br>Land & Buildings and Furniture, Plant and Equipment: |                  |                  |
| Land & Buildings net book value                                                                                   | 1,419            | 1,431            |
| Furniture, Plant and Equipment net book value                                                                     | 432              | 727              |
| <b>System fixed assets at ODV in reconciliation report</b>                                                        | <b>161,763</b>   | <b>160,261</b>   |

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<br>(included as part of the distribution system) | 1,210 | 1,246 |
|-------------------------------------------------------------------------------------|-------|-------|

## 8 Current liabilities

|                                                |              |              |
|------------------------------------------------|--------------|--------------|
| Bank overdraft & short term borrowings         | 3,447        | -            |
| Trade creditors                                | 3,260        | 3,033        |
| Customer deposits                              | -            | -            |
| Provision for annual and long<br>service leave | 187          | 171          |
| Provision for dividend                         | -            | 3,633        |
| Provision for tax                              | 1,071        | -            |
| Other current liabilities                      | 201          | 474          |
|                                                | <b>8,166</b> | <b>7,311</b> |

## 9 Non-current Liabilities

|                               |              |              |
|-------------------------------|--------------|--------------|
| Payables and accruals         | -            | -            |
| Borrowings                    | -            | -            |
| Deferred tax                  | 9,779        | 9,068        |
| Other non-current liabilities | -            | -            |
|                               | <b>9,779</b> | <b>9,068</b> |

**WEL NETWORKS LIMITED****10 Contingencies**

There are no contingent liabilities (2002: nil)

**11 Capital commitments**

Capital commitments as at 31 March 2003 are estimated at \$271,000 (2002: \$276,000).

**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 Network Services 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    |                  |
|-------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                             | 2003<br>(\$000s) | 2002<br>(\$000s) |
| (a) Construction of subtransmission assets                                                                  | 213              | 412              |
| (b) Construction of zone substations                                                                        | 392              | 2,950            |
| (c) Construction of distribution lines and cables.                                                          | 2,009            | 2,616            |
| (d) Construction of medium voltage switchgear                                                               | 81               | 97               |
| (e) Construction of distribution transformers.                                                              | 351              | 874              |
| (f) Construction of distribution substations                                                                | 1,563            | 449              |
| (g) Construction of Low voltage lines & cables                                                              | 928              | 915              |
| WEL Networks was involved in connecting new consumers to its network and the following costs were incurred: |                  |                  |
| (h) Relays for new connections                                                                              | 173              | 425              |
| Consumer connections                                                                                        | 1,394            | 1,404            |
| (i) Maintenance of distribution system                                                                      | 3,993            | 3,942            |
|                                                                                                             | <b>11,097</b>    | <b>14,084</b>    |

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

## 14 Imputation Credit Memorandum Account

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Balance at the beginning of the year | 21,204        | 15,675        |
| Dividends allocated                  | (5,520)       | (4,996)       |
| Taxation paid                        | 4,706         | 10,525        |
| Transfer on amalgamation with WETSL  | 9,811         | -             |
| Balance at the end of the year       | <b>30,201</b> | <b>21,204</b> |
| 15 Adjusted net working capital      | 91            | 4,312         |
| 16 Interest tax shield               | 106           | (156)         |

**Statement of Performance Measures  
For the year ended 31 March 2003**

|                                              | 2003     | 2002    | 2001    | 2000    |
|----------------------------------------------|----------|---------|---------|---------|
| <b>Financial measures</b>                    |          |         |         |         |
| Return on Funds                              | 12.2%    | 15.2%   | 15.2%   | 14.4%   |
| Return on Equity                             | 7.6%     | 10.2%   | 7.8%    | 7.2%    |
| Return on Investment                         | 7.4%     | 9.7%    | 16.1%   | 9.0%    |
| <b>Efficiency Measures</b>                   |          |         |         |         |
| Direct Line cost per Kilometre               | \$ 1,256 | \$1,247 | \$1,389 | \$1,533 |
| Indirect line costs per Electricity Customer | \$ 82.23 | \$67.90 | \$60.81 | \$71.07 |

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

|                                                                                | 2003               | 2002               | 2001               | 2000               | 1999               |
|--------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 a) Load factor                                                               | 59.3%              | 55.6%              | 59.2%              | 60.1%              | 62.5%              |
| b) Loss ratio                                                                  | 4.9%               | 4.9%               | 5.5%               | 5.5%               | 5.5%               |
| c) Capacity utilization                                                        | 36.7%              | 38.0%              | 38.0%              | 37.6%              | 33.8%              |
| 2 a) Circuit km (total)                                                        |                    |                    |                    |                    |                    |
| 33 kV                                                                          | 278.08             | 278.08             | 276.96             | 270.70             | 264.00             |
| 11 kV                                                                          | 2,591.37           | 2,568.08           | 2,525.11           | 2,293.30           | 2,279.00           |
| 400 V                                                                          | 1,872.93           | 1,845.97           | 1,781.41           | 1,677.70           | 1,661.00           |
| <b>TOTAL</b>                                                                   | <b>4,742.38</b>    | <b>4,692.13</b>    | <b>4,583.48</b>    | <b>4,241.70</b>    | <b>4,204.00</b>    |
| b) Circuit km (overhead)                                                       |                    |                    |                    |                    |                    |
| 33 kV                                                                          | 194.85             | 194.85             | 194.30             | 196.50             | 196.50             |
| 11 kV                                                                          | 2,127.37           | 2,124.27           | 2,104.92           | 1,917.20           | 1,912.00           |
| 400 V                                                                          | 1,044.04           | 1,041.34           | 1,034.72           | 974.10             | 972.00             |
| <b>TOTAL</b>                                                                   | <b>3,366.26</b>    | <b>3,360.46</b>    | <b>3,333.94</b>    | <b>3,087.80</b>    | <b>3,080.50</b>    |
| c) Circuit km (underground)                                                    |                    |                    |                    |                    |                    |
| 33 kV                                                                          | 83.23              | 83.23              | 82.66              | 74.70              | 67.50              |
| 11 kV                                                                          | 464.00             | 443.81             | 420.19             | 376.10             | 367.00             |
| 400 V                                                                          | 828.89             | 804.63             | 746.69             | 703.60             | 689.00             |
| <b>TOTAL</b>                                                                   | <b>1,376.12</b>    | <b>1,331.67</b>    | <b>1,249.54</b>    | <b>1,154.40</b>    | <b>1,123.50</b>    |
| d) Transformer capacity (kVA)                                                  | 502,730            | 495,120            | 489,900            | 492,330            | 487,500            |
| e) Maximum demand (kW)                                                         | 184,452            | 187,872            | 186,202            | 185,000            | 164,700            |
| f) Total electricity supplied from the system (kWh) (excluding losses)         | 1,006,223,026      | 962,390,051        | 965,824,000        | 975,849,525        | 901,262,210        |
| g) Electricity conveyed through the system for other ER's and generators (kWh) |                    |                    |                    |                    |                    |
| A                                                                              | 31,642,235         | 21,716,095         | 43,969,905         | 97,098,750         | 780,570            |
| B                                                                              | 782,777,620        | 766,161,536        | 15,502,725         | 19,176,885         | 3,392,550          |
| C                                                                              | 42,087,338         | 40,455,072         | 37,727,235         | 22,414,455         | 2,312,415          |
| D                                                                              | 45,763,771         | 31,608,348         | 24,311,070         | 23,475,690         | 3,829,140          |
| E                                                                              | -                  | 3,728,698          | 403,515            | 1,787,940          | 2,453,220          |
| F                                                                              | -                  | -                  | 35,129,430         | 15,722,910         | 3,591,000          |
| G                                                                              | 55,150,245         | 50,943,452         | 49,501,935         | 36,522,360         | 23,875,425         |
| H                                                                              | -                  | -                  | 706,135,185        | 705,016,801        | 67,699,800         |
| J                                                                              | -                  | -                  | -                  | 962,010            | -                  |
| K                                                                              | -                  | -                  | 22,680             | -                  | -                  |
| L                                                                              | -                  | 1,100,934          | -                  | -                  | -                  |
|                                                                                | <b>957,421,209</b> | <b>915,714,135</b> | <b>912,703,680</b> | <b>922,177,801</b> | <b>107,934,120</b> |
| h) Total customers                                                             | 73,959             | 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<br>2004 to 2008 | Target<br>2004 | Actual<br>2003 | Actual<br>2002 | Actual<br>2001 | Actual<br>2000 | Actual<br>1999 |
|----------------------------------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1,2,3                                              |                        |                |                |                |                |                |                |
| Total Interruptions                                |                        |                |                |                |                |                |                |
| Class A Planned outages TransPower                 |                        |                | -              | -              | -              | -              | -              |
| Class B Planned outages WEL                        | 29                     | 28             | 30             | 74             | 118            | 50             | 46             |
| Class C Unplanned outages WEL                      | 206                    | 218            | 287            | 202            | 207            | 195            | 258            |
| Class D Unplanned outages TransPower               |                        |                | 7              | -              | 2              | 2              | 1              |
| Class E Unplanned Interruption ECNZ                |                        |                | -              | -              | -              | -              | -              |
| Class F Unplanned Interruption other generator     |                        |                | -              | -              | -              | -              | -              |
| Class G Other Interruption                         |                        |                | -              | -              | -              | -              | -              |
| <b>Total</b>                                       |                        |                | <b>324</b>     | <b>276</b>     | <b>327</b>     | <b>247</b>     | <b>305</b>     |
| Class C interruptions not restored within 3 hours  |                        |                | <b>17.6%</b>   | <b>23.3%</b>   | <b>15.0%</b>   | <b>14.4%</b>   | <b>20.9%</b>   |
| Class C interruptions not restored within 24 hours |                        |                | <b>0.0%</b>    | <b>0.0%</b>    | -              | -              | <b>0.00</b>    |
| 5                                                  |                        |                |                |                |                |                |                |
| Faults per 100 km (Total)                          |                        |                |                |                |                |                |                |
| 33 kV                                              | 0.87                   | 0.79           | 0.72           | 1.08           | 2.89           | 6.65           | 2.27           |
| 11 kV                                              | 7.58                   | 8.22           | 10.88          | 7.75           | 7.76           | 7.72           | 11.01          |
| <b>TOTAL</b>                                       | <b>6.85</b>            | <b>7.51</b>    | <b>9.90</b>    | <b>7.10</b>    | <b>7.28</b>    | <b>7.61</b>    | <b>10.11</b>   |
| 6                                                  |                        |                |                |                |                |                |                |
| Faults per 100 km (Overhead)                       |                        |                |                |                |                |                |                |
| 33 kV                                              |                        |                | 1.03           | 1.54           | 3.01           | 8.67           | 2.04           |
| 11 kV                                              |                        |                | 12.88          | 8.61           | 8.60           | 8.40           | 12.60          |
| <b>TOTAL</b>                                       |                        |                | <b>11.89</b>   | <b>8.02</b>    | <b>7.92</b>    | <b>8.33</b>    | <b>11.62</b>   |

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

|                                 | Target<br>2004 to 2008 | Target<br>2004 | Actual<br>2003 | Actual<br>2002 | Actual<br>2001 | Actual<br>2000 | Actual<br>1999 |
|---------------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 7                               |                        |                |                |                |                |                |                |
| Faults per 100 km (Underground) |                        |                |                |                |                |                |                |
| 33 kV                           |                        |                | -              | -              | 2.42           | 1.34           | 2.96           |
| 11 kV                           |                        |                | 1.72           | 3.61           | 3.57           | 4.25           | 2.72           |
| <b>TOTAL</b>                    |                        |                | <b>1.46</b>    | <b>3.04</b>    | <b>3.38</b>    | <b>3.77</b>    | <b>2.76</b>    |
| 8,9,10, 11                      |                        |                |                |                |                |                |                |
| SAIDI                           |                        |                |                |                |                |                |                |
| Class A                         |                        |                | -              | -              | -              | -              | -              |
| Class B                         | 4.00                   | 4.00           | 1.67           | 4.57           | 4.55           | 4.35           | 5.05           |
| Class C                         | 54.00                  | 67.23          | 92.11          | 71.64          | 126.56         | 106.83         | 132.27         |
| Class D                         |                        |                | 0.15           | -              | 26.56          | 5.02           | 47.29          |
| Class E                         |                        |                | -              | -              | -              | -              | -              |
| Class F                         |                        |                | -              | -              | -              | -              | -              |
| Class G                         |                        |                | -              | -              | -              | -              | -              |
| <b>TOTAL</b>                    |                        |                | <b>93.93</b>   | <b>76.21</b>   | <b>157.67</b>  | <b>116.21</b>  | <b>184.61</b>  |



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

|                | SAIFI                                  | Target<br>2004 to 2008 | Target<br>2004 | Actual<br>2003 | Actual<br>2002 | Actual<br>2001 | Actual<br>2000 | Actual<br>1999 |
|----------------|----------------------------------------|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 12, 13, 14, 15 |                                        |                        |                |                |                |                |                |                |
| Class A        | Planned outages TransPower             |                        | 0.05           | -              | -              | -              | -              | -              |
| Class B        | Planned outages WEL                    | 0.05                   | 0.05           | 0.03           | 0.04           | 0.05           | 0.06           | 0.05           |
| Class C        | Unplanned outages WEL                  | 1.08                   | 1.34           | 1.78           | 1.45           | 2.57           | 2.31           | 1.84           |
| Class D        | Unplanned outages TransPower           |                        |                | 0.04           | -              | 0.85           | 0.08           | 0.59           |
| Class E        | Unplanned Interruption ECNZ            |                        |                | -              | -              | -              | -              | -              |
| Class F        | Unplanned Interruption other generator |                        |                | -              | -              | -              | -              | -              |
| Class G        | Other Interruption                     |                        |                | -              | -              | -              | -              | -              |
| <b>TOTAL</b>   |                                        |                        |                | <b>1.84</b>    | <b>1.49</b>    | <b>3.47</b>    | <b>2.45</b>    | <b>2.48</b>    |
| 16, 17, 18, 19 | CAIDI                                  |                        |                |                |                |                |                |                |
| Class A        | Planned outages TransPower             |                        | 80.00          | -              | -              | -              | -              | -              |
| Class B        | Planned outages WEL                    | 80.00                  | 80.00          | 63.31          | 114.25         | 82.74          | 78.15          | 94.71          |
| Class C        | Unplanned outages WEL                  | 50.00                  | 50.00          | 51.89          | 49.41          | 49.22          | 46.25          | 71.97          |
| Class D        | Unplanned outages TransPower           |                        |                | 4.01           | -              | 31.32          | 63.31          | 80.07          |
| Class E        | Unplanned Interruption ECNZ            |                        |                | -              | -              | -              | -              | -              |
| Class F        | Unplanned Interruption other generator |                        |                | -              | -              | -              | -              | -              |
| Class G        | Other Interruption                     |                        |                | -              | -              | -              | -              | -              |
| <b>TOTAL</b>   |                                        |                        |                | <b>51.09</b>   | <b>51.15</b>   | <b>45.44</b>   | <b>47.52</b>   | <b>74.39</b>   |

## ANNUAL VALUATION RECONCILIATION REPORT

|                                                                      | \$000's               |
|----------------------------------------------------------------------|-----------------------|
| <b>Year ending 31 March 2003</b>                                     |                       |
| <b>System Fixed Assets at ODV (start of period)</b>                  | <b>160,261</b>        |
| Add system fixed asset acquired during the year at ODV               | 6,926                 |
| Less system fixed asset disposed of during the year at ODV           | (189)                 |
| Less depreciation on system fixed assets at ODV                      | (5,235)               |
| Add revaluations of system fixed assets                              | -                     |
| <b>Equals system fixed assets at ODV - end of the financial year</b> | <b><u>161,763</u></b> |

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

|                                                                                              | Input & calculations<br>000's      | Symbol in<br>formula | ROF<br>000's   | ROE<br>000's  | ROI<br>000's   |
|----------------------------------------------------------------------------------------------|------------------------------------|----------------------|----------------|---------------|----------------|
| Operating surplus before interest and income tax from financial statements                   | 20,393                             |                      |                |               |                |
| Operating surplus before interest and income tax, adjusted pursuant to regulation 18 (OSBIT) | 20,393                             |                      |                |               |                |
| Interest on cash, bank balances and short term investments (ISTI)                            | 114                                |                      |                |               |                |
| <b>OSBIT minus ISTI</b>                                                                      | <b>OSBIT - ISTI</b>                | <b>a</b>             | <b>20,279</b>  | <b>12,073</b> | <b>20,279</b>  |
| Net surplus after tax from Financial Statements                                              | 12,073                             |                      |                |               |                |
| Amortisation of goodwill and other intangibles                                               | 5,235                              |                      |                |               |                |
| Depreciation of SFA at BV (x)                                                                | 5,235                              |                      |                |               |                |
| Depreciation of SFA at ODV (y)                                                               | x - y                              | <b>d</b>             |                |               |                |
| ODV Depreciation tax adjustment                                                              | s <sup>4</sup>                     | <b>s<sup>4</sup></b> |                |               |                |
| Subvention Payment tax adjustment                                                            | 106                                | <b>q</b>             |                |               |                |
| Interest Tax Shield                                                                          | r                                  | <b>r</b>             |                |               |                |
| Revaluations                                                                                 | p                                  | <b>p</b>             |                |               |                |
| Income Tax                                                                                   | 7,885                              |                      |                |               |                |
| <b>Numerator (as adjusted)</b>                                                               | <b>7,885</b>                       |                      | <b>20,279</b>  | <b>12,073</b> | <b>12,288</b>  |
|                                                                                              |                                    | Symbol in formula    | ROF            | ROE           | ROI            |
| Fixed Assets at end of previous financial year (FAo)                                         | 165,360                            |                      |                |               |                |
| Fixed Assets at end of current financial year (FA1)                                          | 167,087                            |                      |                |               |                |
| Adjusted Net Working Capital at end of previous financial year (ANWC0)                       | 4,312                              |                      |                |               |                |
| Adjusted Net Working Capital at end of current financial year (ANWC1)                        | 91                                 |                      |                |               |                |
| <b>Average total funds employed (ATFE)</b>                                                   | <b>=(FA0+FA1+ANWC0+ANWC1)/2</b>    | <b>c</b>             | <b>168,425</b> |               | <b>168,425</b> |
| Total Equity at end of previous financial year (TE0)                                         | 164,571                            |                      |                |               |                |
| Total Equity at end of current financial year (TE1)                                          | 138,308                            |                      |                |               |                |
| <b>Average total equity</b>                                                                  | <b>=(TE0+TE1)/2</b>                | <b>k</b>             | <b>161,470</b> |               |                |
| Works under construction at end of previous financial year (WUC0)                            | 1,507                              |                      |                |               |                |
| Works under construction at end of current financial year (WUC1)                             | 1,776                              |                      |                |               |                |
| <b>Average total Works under construction</b>                                                | <b>=(WUC0+WUC1)/2</b>              | <b>e</b>             | <b>1,642</b>   |               | <b>1,642</b>   |
| Revaluations                                                                                 | r                                  |                      |                |               |                |
| Half of revaluations                                                                         | r/2                                |                      |                |               |                |
| Intangible assets at end of previous financial year (IA0)                                    | -                                  |                      |                |               |                |
| Intangible assets at end of current financial year (IA1)                                     | -                                  |                      |                |               |                |
| <b>Average Total Intangible asset</b>                                                        | <b>=(IA0+IA1)/2</b>                | <b>m</b>             |                |               |                |
| Subvention payment for previous financial year (S0)                                          | -                                  |                      |                |               |                |
| Subvention payment current financial year (S1)                                               | -                                  |                      |                |               |                |
| <b>Average subvention payment tax adjustment for previous financial year</b>                 | <b>=(S0+S1)/2</b>                  |                      |                |               |                |
| Subvention payment tax adjustment for current financial year                                 | -S1 <sup>4</sup>                   |                      |                |               |                |
| <b>Average subvention payment &amp; related tax adjustment</b>                               | <b>=(S0+S1)/2 - S1<sup>4</sup></b> | <b>v</b>             |                |               |                |
| System Fixed assets at end of previous financial year at book value (SF-A0v)                 | 160,261                            |                      |                |               |                |
| System Fixed assets at end of current financial year at book value (SF-A1v)                  | 161,763                            |                      |                |               |                |
| <b>Average value of system fixed assets at book value</b>                                    | <b>=(SF-A0v+SF-A1v)/2</b>          | <b>f</b>             | <b>161,012</b> |               | <b>161,012</b> |
| System Fixed assets at end of current financial year at ODV value (SF-A0dv)                  | 160,261                            |                      |                |               |                |
| System Fixed assets at end of current financial year at ODV value (SF-A1dv)                  | 161,763                            |                      |                |               |                |
| <b>Average value of system fixed assets at ODV value</b>                                     | <b>=(SF-A0dv+SF-A1dv)/2</b>        | <b>h</b>             | <b>161,012</b> |               | <b>161,012</b> |
| <b>Denominator (as adjusted)</b>                                                             |                                    |                      | <b>166,782</b> |               | <b>166,782</b> |
| <b>Financial Performance Measure:</b>                                                        |                                    |                      | <b>12.2%</b>   |               | <b>7.4%</b>    |

**Key:**  
 1 = maximum statutory income tax rate applying to corporate entities    b = book value    ave = average    dv = optimised depreciable valuation    e = end of the previous financial year    f = end of the current financial year    q = 4    r = 4    s = 4    s<sup>4</sup> = 4    t = 4    v = 4    w = 4    x = 4    y = 4    z = 4

## ADDITIONS TO THE DISTRIBUTION SYSTEM

|            |              |
|------------|--------------|
| Accounting | 5,450        |
| ODV        | <u>9,739</u> |
| Variance   | (4,289)      |