



New Zealand Gazette

OF THURSDAY, 14 FEBRUARY 2008

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WEL NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986



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Auditors' 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 2007. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 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 2007, and the results of operations and cash flows for the year then ended.

Auditors' 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. We obtained 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 capacities as auditors and the provision of other assurance services we have no relationship with or interests in WEL Networks Limited.



Auditors' 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 maintained by WEL Networks Limited – Lines Business 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
 - (ii) give a true and fair view of the financial position of WEL Networks Limited - Lines Business as at 31 March 2007 and the results of its operations and cash flows for the year then ended; and
 - (iii) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 31 January 2008 and our unqualified opinion is expressed as at that date.

Chartered Accountants

Auckland

MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS IN THE NEW ZEALAND GAZETTE

This audit report relates to the financial statements of WEL Networks Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of WEL Networks Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the financial statements of WEL Networks Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 31 January 2008 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



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Auditors' Opinion of Performance Measures

WEL Networks Limited - Lines Business

We have examined the attached information, being:-

- (a) a derivation table; and
- (b) an annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures

that were prepared by WEL Networks Limited – Lines Business and dated 31 January 2008 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.

PricewaterhouseCoopers
 31 January 2008

Auckland

MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES IN THE NEW ZEALAND GAZETTE

This audit report relates to the performance measures of WEL Networks Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of WEL Networks Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of WEL Networks Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 31 January 2008 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

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Form 4

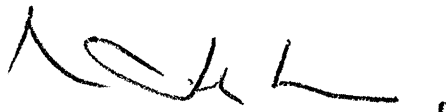
Requirement 31(1)

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE
MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES
(OTHER THAN TRANSPower)**

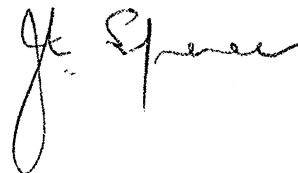
We, Rodger Herbert Fisher and John Lewis Spencer, directors of WEL Networks Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

- (a) The attached audited financial statements of WEL Networks Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; 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 requirements 14, 15, 20, and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2004



Rodger Herbert Fisher



John Lewis Spencer

31 January 2008

WEL NETWORKS LIMITED

Statement of Financial Performance
For the year ended 31 March 2007

	Note	Line Business	
		2007 (\$000s)	2006 (\$000s)
Operating revenue	1	55,203	51,215
Operating expenses	2	(36,936)	(31,474)
Operating surplus before interest & taxation		<u>18,267</u>	<u>19,741</u>
Interest expense	3	(3,205)	(4,130)
Operating surplus before taxation		<u>15,062</u>	<u>15,611</u>
Taxation expense	4	(4,776)	(5,273)
Net surplus attributable to the shareholders of the parent company		<u><u>10,286</u></u>	<u><u>10,338</u></u>

Statement of Movements in Equity
For the year ended 31 March 2007

	Note	Line Business	
		2007 (\$000s)	2006 (\$000s)
Equity as at 1 April		<u>165,242</u>	<u>154,904</u>
Net Surplus for the year		10,286	10,338
Total Recognised Revenue and Expenses		<u>10,286</u>	<u>10,338</u>
Dividends		-	-
Asset revaluation		53,606	-
		<u>53,606</u>	<u>-</u>
Equity as at 31 March		<u><u>229,134</u></u>	<u><u>165,242</u></u>

WEL NETWORKS LIMITED

Statement of Financial Position
As at 31 March 2007

	Note	Line Business	
		2007 (\$000s)	2006 (\$000s)
Tangible assets			
Current assets	6	12,488	23,344
Fixed assets	7	301,912	223,025
Total tangible assets		314,400	246,369
Intangible assets			
Goodwill		-	-
Other intangible assets		-	-
Total intangible assets		-	-
Total Assets		314,400	246,369
Liabilities			
Current liabilities	8	30,039	26,821
Non current liabilities	9	55,227	54,306
Total liabilities		85,266	81,127
Equity			
Capital Notes		-	-
Equity	5	229,134	165,242
Total capital funds		229,134	165,242
Total equity and liabilities		314,400	246,369

WEL NETWORKS LIMITED

Statements of Cash Flows
For the year ended 31 March 2007

	Note	Line Business	
		2007 (\$000s)	2006 (\$000s)
Cash Flows From Operating Activities			
Cash received from operations			
Receipts from customers		57,157	54,210
Interest received		513	837
Total cash received from operations		<u>57,670</u>	<u>55,047</u>
Cash disbursed on operations			
Payments to employees and suppliers		(26,574)	(25,125)
Interest paid		(3,205)	(4,130)
Income tax paid		(3,742)	(1,504)
Total cash disbursed on operations		<u>(33,521)</u>	<u>(30,759)</u>
Net cash flow from operations (refer to reconciliation below)		<u>24,149</u>	<u>24,288</u>
Cash Flows From Investing Activities			
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		(34,621)	(27,984)
Total cash disbursed on investing activities		<u>(34,621)</u>	<u>(27,984)</u>
Net cash flow applied to/(from) investing activities		<u>(34,621)</u>	<u>(27,984)</u>
Cash Flows From Financing Activities			
Cash received from financing activities			
Loans raised		-	-
Total cash received from financing activities		<u>-</u>	<u>-</u>
Cash disbursed on financing activities			
Loans repaid		-	-
Dividend Paid		-	-
Total cash disbursed on financing activities		<u>-</u>	<u>-</u>
Net cash flow applied to/(from) financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held		(10,472)	(3,696)
Cash at the beginning of the year		18,031	21,727
Cash at the end of the year	6	<u>7,559</u>	<u>18,031</u>

WEL NETWORKS LIMITED

Statements of Cash Flows (continued)
For the year ended 31 March 2007

	Note	Line Business	
		2007 (\$000s)	2006 (\$000s)
Reconciliation of net cash flows from operating activities with surplus after taxation.			
Surplus after taxation		10,286	10,338
Non cash items			
Depreciation	2	8,563	7,221
Deferred tax	4	921	3,145
Total non cash items		9,484	10,366
(Increase)/decrease in working capital			
Trade Debtors		546	(1,062)
Other current assets		(161)	(3)
Trade & other creditors		3,062	3,535
Customer deposits		-	-
Annual and long service leave provision		44	21
Provision for taxation		113	624
Net decrease/(increase) in working capital		3,604	3,115
Items classified as investing activities			
Net loss/(gain) on sale of fixed assets		775	469
Net cash inflow from operating activities		24,149	24,288

WEL NETWORKS LIMITED**Statement of Accounting Policies
For the year ended 31 March 2007**

These financial statements are prepared and presented in accordance with the Electricity Information Disclosure Requirements 2004.

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 2004 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 WEL Networks and Subsidiaries (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.

(h) Leased Assets**Operating Leases**

Operating Lease payments are recognised as an expense in the period the amount is payable.

C. Changes in Accounting Policy

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

Certain comparatives have been re-classified to ensure greater transparency and comparability between periods.

WEL NETWORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007

	Line Business	
	2007 (\$000s)	2006 (\$000s)
1 Operating Revenue		
Revenue from Other	-	-
Line access charges	68,248	63,381
Discount	(19,750)	(18,600)
AC Rental Rebates	1,366	2,521
Interest	513	837
Revenue from other business	-	-
Other operating revenue	4,826	3,076
Total Operating Revenue	55,203	51,215
2 Operating Expenditure		
Transmission charges	15,032	12,950
Transfer payments to Other business for:		
Asset Maintenance	5,862	4,920
Disconnections/Reconnection services	-	-
Meter data	-	-
Consumer based load control services	-	-
Avoided transmission (own generation)	-	-
Royalty & patent expenses	-	-
Other goods/services	-	-
Total transfer payment to Other business	5,862	4,920
Expenses to entities that are not related parties for:		
Asset Maintenance	-	-
Disconnections/Reconnection services	-	-
Meter data	-	-
Consumer based load control services	-	-
Royalty & patent expenses	-	-
Other goods/services	-	-
Total of specified expenses to non-related parties	-	-
Employee salaries, wages and redundancies	2,911	2,747
Customer billing & Information System expense		
Depreciation on:		
System fixed assets	6,938	6,222
Other assets	1,625	999
Total depreciation	8,563	7,221
Amortisation of:		
Goodwill	-	-
Other Intangibles	-	-
Total amortisation of intangibles	-	-
Corporate & administration	682	642
Human resource expenses	541	318
Marketing/advertising	175	132
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research & development expenses	-	-
Consultancy & legal expenses	536	456

WEL NETWORKS LIMITED

	Line Business	
	2007 (\$000s)	2006 (\$000s)
Operating Expenditure <i>(continued)</i>		
Donations	-	-
Directors' Fees	236	229
Auditors' Fees		
Audit Fees to principal auditors	15	20
Audit Fees to other auditors	-	-
Other services provided by principal and other auditors	92	61
Total auditors' fees	107	81
Net loss on sale of fixed assets	775	469
Cost of offering credit		
Bad Debts written off	222	-
Increase in estimated doubtful debts	-	-
Total cost of offering credit	222	-
Local Authority rates expense	211	212
AC Loss-rental rebates (distribution to retailers/customers) expense	-	-
Rebates to customers due to ownership interest	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure	1,083	1,097
Total operating expenditure	36,936	31,474

The prior year comparative for employee salaries and wages and other expenditure has been restated for wages that have been capitalised.

3 Interest expense

Interest expense on borrowings	3,205	4,130
Finance charges relating to finance leases	-	-
Other interest expenses	-	-
Total interest expense	3,205	4,130

WEL NETWORKS LIMITED

	Line Business	
	2007	2006
	(\$000s)	(\$000s)
4 Taxation		
Profit before taxation	15,062	15,611
Tax on profit at 33%	4,971	5,152
Tax effect of permanent differences	(195)	121
	<hr/>	<hr/>
Total taxation expense	4,776	5,273
Represented by:		
Deferred income tax liability	921	3,145
Current taxation provision	3,855	2,128
	<hr/>	<hr/>
	4,776	5,273
Deferred income tax liability		
Balance at the beginning of the year	17,760	14,615
Adjustments for prior periods	(1,407)	(21)
Current year timing differences	2,328	3,166
Balance at the end of the year	18,681	17,760
	<hr/>	<hr/>
	18,681	17,760
The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$30,553,000, which would only crystallise on disposal, have not been recognised.		
5 Shareholders Funds		
Issued and Paid In Capital	41,504	41,504
All ordinary shares carry equal voting rights		
Asset revaluation reserve	158,218	104,612
Retained earnings	29,412	19,126
Minority interests in subsidiaries	-	-
	<hr/>	<hr/>
Total Equity	229,134	165,242
Asset Revaluation Reserve		
Balance at the beginning of the year	104,612	104,612
Asset revaluation	53,606	-
Transfer to Retained Earnings	-	-
Balance at the end of the year	158,218	104,612
	<hr/>	<hr/>
	158,218	104,612
Retained Earnings		
Balance at the beginning of the year	19,126	8,788
Net surplus after tax	10,286	10,338
Dividends	-	-
Transfer from Revaluation Reserve	-	-
Balance at the end of the year	29,412	19,126
	<hr/>	<hr/>
	29,412	19,126

WEL NETWORKS LIMITED

		Line Business	
		2007	2006
		(\$000s)	(\$000s)
6	Current assets		
	Cash and Bank	7,559	18,031
	Trade debtors	4,762	5,307
	Short term investments	-	-
	Inventories	-	-
	Other current assets	167	6
	Tax recoverable	-	-
	Total current assets	12,488	23,344
7	Fixed Assets		
	System Fixed assets		
	Distribution System		
	At cost	5,254	37,858
	At valuation	282,780	182,188
	Land		
	At cost	-	-
	At valuation	3,510	1,276
	Buildings		
	At cost	-	-
	At valuation	3,793	1,402
	Furniture Plant & Equipment		
	At cost	-	-
	At valuation	-	-
	Accumulated depreciation	295,337	222,724
	Distribution System		
	At cost	-	(3,675)
	At valuation	-	(7,921)
	Buildings		
	At cost	-	-
	At valuation	-	(84)
	Furniture Plant & Equipment		
	At cost	-	-
	At valuation	-	-
	Total System Fixed Assets	295,337	211,044
	Capital Spares	864	944
	Vehicles		
	Cost	1,020	567
	Accumulated depreciation	(339)	(174)
	Net book value	681	393

WEL NETWORKS LIMITED

	Line Business	
	2007 (\$000s)	2006 (\$000s)
Fixed Assets <i>(continued)</i>		
Furniture, Plant and Equipment		
Cost	16,168	12,642
Accumulated depreciation	(12,858)	(10,630)
Net book value	<u>3,310</u>	<u>2,012</u>
Total before assets under construction	<u>300,192</u>	<u>214,393</u>
Capital assets under construction	1,084	7,954
Consumer billing & information system assets	-	-
Other fixed assets		
Cost	1,355	1,355
Accumulated depreciation	(719)	(677)
Net book value	<u>636</u>	<u>678</u>
Total net book value	<u>301,912</u>	<u>223,025</u>

Land and Buildings were revalued on 31 March 2007 by DTZ Registered Valuers.

The distribution system was revalued on 31 March 2007 by Sinclair Knight Merz (NZ) Limited Registered Engineers.

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)	1,109	1,145
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8 Current liabilities

Bank overdraft & short term borrowings	-	-
Trade creditors	27,974	24,956
Provision for annual and long service leave	244	199
Provision for dividend	-	-
Provision for tax	1,361	1,248
Other current liabilities	460	418
Total current liabilities	<u>30,039</u>	<u>26,821</u>

WEL NETWORKS LIMITED

	Line Business	
	2007 (\$000s)	2006 (\$000s)
9 Non-current Liabilities		
Payables and accruals	-	-
Borrowings (refer note 17)	36,546	36,546
Deferred tax	18,681	17,760
Other non-current liabilities	-	-
Total non-current liabilities	<u>55,227</u>	<u>54,306</u>

10 Contingencies

There are no contingent liabilities (2006: nil).

11 Capital commitments**Capital expenditure**

Capital commitments as at 31 March 2007 are estimated at \$1,124,000 (2006: \$1,499,000).

Operating Leases

Non-cancellable operating lease commitments:

Within one year	239	54
Later than one, not later than two years	758	43
Later than two, not later than five years	2,265	120
Later than five years	6,244	759
Total Operating Leases	<u>9,506</u>	<u>976</u>

The lines business leases land and premises. Operating leases held over properties give the lines business the right to renew the lease subject to a predetermination of the lease rental by the lessor. There are no options to purchase in respect of land and premises held under operating leases.

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 lines business 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 lines business 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 lines business has in excess of 90% of its trade debtors owing from the incumbent

WEL NETWORKS LIMITED

retailer. This debt is subject to a written agreement and regular credit checks. The lines business does not require any collateral.

Financial Instruments *(continued)***(b) Fair Values**

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

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	
	2007 (\$000s)	2006 (\$000s)
(a) Construction of subtransmission assets	3,514	7,539
(b) Construction of zone substations	6,882	1,955
(c) Construction of distribution lines and cables.	8,415	7,051
(d) Construction of medium voltage switchgear	1,494	475
(e) Construction of distribution transformers.	1,106	836
(f) Construction of distribution substations	148	398
(g) Construction of Low voltage lines & cables	3,982	3,640
WEL Networks was involved in connecting new consumers to its network and the following costs were incurred:		
(h) Relays for new connections	299	947
(i) Consumer connections	4,458	3,840
(j) Maintenance of distribution system	5,862	4,920
	36,160	31,601

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

WEL NETWORKS LIMITED

	Line Business	
	2007	2006
	(\$000s)	(\$000s)
14 Imputation Credit Memorandum Account		
Balance at the beginning of the year	22,256	20,739
Dividends allocated	-	-
Taxation paid	3,737	1,717
Taxation refunds received	(25)	(200)
Balance at the end of the year	25,968	<u>22,256</u>
15 Adjusted net working capital	(23,749)	(20,260)
16 Interest tax shield	888	1,087
17 Convertible Note		

On 30 June 2004 WEL Networks Limited paid a dividend of \$37.4m to its 100% shareholder, WEL Energy Trust. On the same day the Company issued \$37.4m of convertible notes to the WEL Energy Trust. The Notes are subordinated to all other forms of debt. They are unsecured and bear interest of 8.3% p.a, accrued monthly. The Notes are convertible into an amount of ordinary shares equal to the face value of the Notes, divided by the assessed fair value of WEL shares at the date of conversion. Conversion is at the discretion of the Directors provided 30 business days notice is given.

The Line Business share of the above transaction was \$36,546,000.

Statement of Performance Measures
For the year ended 31 March 2007

	2007	2006	2005	2004
Financial measures				
Return on Funds	8.3%	9.9%	9.2%	9.9%
Return on Equity	6.0%	6.6%	5.0%	6.5%
Return on Investment	5.6%	6.6%	5.6%	18.6%
Efficiency Measures				
Direct Line cost per Kilometre	\$ 1,689	\$1,362	\$1,054	\$1,042
Indirect line costs per Electricity Customer	\$ 60.47	\$57.22	\$65.31	\$70.51

The latest available ODV Valuation was prepared by Sinclair Knight Merz (NZ) Limited Registered Engineers as at 31 March 2004 and amounted to \$189,495,070 (31 March 2001 \$156,546,542).

Schedule 1 Part 4 Energy Delivery Efficiency Performance Measures and Statistics

	2007	2006	2005	2004	2003
1 a) Load factor	54.5%	53.3%	61.1%	57.6%	54.0%
b) Loss ratio	5.4%	5.5%	4.9%	4.9%	4.9%
c) Capacity utilization	39.1%	39.1%	36.6%	37.6%	42.3%
2 a) Circuit km (total)					
33 kV	309.29	325.73	277.27	280.37	278.08
11 kV	2,574.66	2,544.82	2,547.28	2,564.77	2,591.37
400 V	2,111.86	2,100.42	2,059.44	2,030.17	1,872.93
TOTAL	4,995.81	4,970.96	4,884.00	4,875.31	4,742.38
b) Circuit km (overhead)					
33 kV	187.04	188.70	186.98	192.26	194.85
11 kV	2,049.76	2,049.53	2,061.86	2,087.41	2,127.37
400 V	1,151.80	1,165.33	1,166.02	1,167.64	1,044.04
TOTAL	3,388.59	3,403.56	3,414.86	3,447.31	3,366.26
c) Circuit km (underground)					
33 kV	122.26	137.02	90.30	88.11	83.23
11 kV	524.90	495.29	485.42	477.36	464.00
400 V	960.06	935.09	893.42	862.53	828.89
TOTAL	1,607.22	1,567.40	1,469.14	1,428.00	1,376.12
d) Transformer capacity (kVA)	590,710	570,885	546,510	538,475	502,730
e) Maximum demand (kW)	231,000	223,000	199,997	202,344	212,861
f) Total electricity entering the system (before losses of electricity) in kWh	1,166,230,000	1,101,970,000	1,070,454,387	1,021,426,991	#####
g) Total Electricity (kWh) supplied from the system (after losses of electricity) during the financial year on behalf of each person that is an electricity generator or an electricity retailer or both					
A	44,799,975	35,564,540	46,086,557	47,722,117	31,642,235
B	801,198,430	790,691,252	800,354,641	765,127,446	782,777,620
C	100,438,377	94,364,260	79,677,607	60,246,415	42,087,338
D	77,207,236	69,419,933	59,069,184	64,429,904	45,763,771
E	-	-	-	-	-
F	-	-	-	-	-
G	47,219,271	42,241,770	31,033,126	33,007,687	55,150,245
H	2,070,469	1,528,448	1,353,930	1,354,213	-
J	-	-	-	-	-
K	-	-	-	-	-
L	-	-	-	-	-
M	182,889	162,262	62,327	-	-
	1,102,829,398	1,041,700,868	1,017,637,372	971,887,782	957,421,209
h) Total customers	81,461	79,195	77,480	75,595	73,959

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

	Target 2008 to 2012	Target 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004	Actual 2003
1,2,3	Total Interruptions						
			1.00	-	-	-	-
	30	30	30.00	18.00	14.00	22.00	30.00
	239	254	283.00	256.00	233.00	224.00	287.00
			-	-	4.00	4.00	7.00
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			314	274	251	250	324
4			36.4%	22.3%	25.3%	19.6%	17.6%
			1.77%	0.00%	0.00%	0.00%	0.00%
5							
	1.35	1.84	4.85	5.83	3.25	2.14	0.72
	8.82	9.52	10.41	9.55	8.79	8.50	10.88
	8.00	8.67	9.81	9.13	8.25	7.87	9.90
6							
			8.02	10.07	4.81	3.12	1.03
			12.15	11.03	10.38	9.96	12.88

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

	Target 2008 to 2012	Target 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004	Actual 2003
7	Faults per 100 km (Underground)						
			-	-	-	-	-
			3.62	-	2.06	2.09	1.72
			2.94	-	1.74	1.77	1.46
8,9,10, 11	SAIDI						
			5.01	-	-	-	-
Class A		3.00	2.87	2.12	1.12	1.51	1.67
Class B	3.00	61.00	95.55	67.51	86.53	64.53	92.11
Class C	50.80		-	-	44.78	2.44	0.15
Class D			-	-	-	-	-
Class E			-	-	-	-	-
Class F			-	-	-	-	-
Class G			-	-	-	-	-
Class H			-	-	-	-	-
Class I			-	-	-	-	-
Total			103.43	69.63	132.43	68.48	93.93

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

		Target 2008 to 2012	Target 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004	Actual 2003
12, 13, 14, 15	SAIFI							
Class A	Planned - by TransPower			0.01	-	-	-	-
Class B	Planned - by WEL	0.03	0.03	0.02	0.01	0.01	0.03	0.03
Class C	Unplanned - by WEL	1.06	1.27	1.83	1.52	1.64	1.59	1.78
Class D	Unplanned - by TransPower			-	-	0.77	0.21	0.04
Class E	Unplanned - by WEL Generation			-	-	-	-	-
Class F	Unplanned - by other generation			-	-	-	-	-
Class G	Unplanned - by Another Line Owner			-	-	-	-	-
Class H	Planned - by Another Line Owner			-	-	-	-	-
Class I	Any other loss of supply			-	-	-	-	-
	Total			1.86	1.53	2.42	1.83	1.84
16, 17, 18, 19	CAIDI							
Class A	Planned - by TransPower			406.01	-	-	-	-
Class B	Planned - by WEL	103.20	116.00	134.53	171.75	112.00	50.33	63.16
Class C	Unplanned - by WEL	47.87	48.00	52.21	44.41	52.76	40.58	51.89
Class D	Unplanned - by TransPower			-	-	58.16	11.62	4.01
Class E	Unplanned - by WEL Generation			-	-	-	-	-
Class F	Unplanned - by other generation			-	-	-	-	-
Class G	Unplanned - by Another Line Owner			-	-	-	-	-
Class H	Planned - by Another Line Owner			-	-	-	-	-
Class I	Any other loss of supply			-	-	-	-	-
	Total			55.49	45.44	54.72	37.42	51.09

ANNUAL VALUATION RECONCILIATION REPORT**\$000's****Year ending 31 March 2007**

System Fixed Assets at ODV (end of previous financial year)	215,410
Add system fixed assets acquired during the year at ODV	39,665
Less system fixed assets disposed of during the year at ODV	(140)
Less depreciation on system fixed assets at ODV	(6,938)
Add revaluations of system fixed assets	
Equals system fixed assets at ODV - end of the financial year	<u>247,997</u>

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

	Input & calculations 000's	Symbol in formula	ROF 000's	ROE 000's	ROI 000's
Operating surplus before interest and income tax from financial statements	18,267				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	18,267				
Interest on cash bank balances and short term investments (ISTI)	513				
OSBIIT minus ISTI		a	17,754		17,754
Net surplus after tax from Financial Statements	10,286			10,286	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)		n			
Amortisation of goodwill and other intangibles	-		-	-	-
Subvention Payment	-		-	-	-
Depreciation of SFA at BV (x)	6,938				
Depreciation of SFA at ODV (y)	6,938				
ODV Depreciation tax adjustment		d			
Subvention Payment tax adjustment	= x - y		-	-	-
Interest Tax Shield	= s*t				888
Revaluations	888				
Income Tax	-				-
	4,776				4,776
Numerator (as adjusted)			17,754	10,286	12,090

	Input & calculations	Symbol in formula	ROF	ROE	ROI
Fixed Assets at end of previous financial year (FA0)	223,025				
Fixed Assets at end of current financial year (FA1)	301,912				
Adjusted Net Working Capital at end of previous financial year (ANWC0)	(20,260)				
Adjusted Net Working Capital at end of current financial year (ANWC1)	(23,749)				
Average total funds employed (ATFE)	$= (FA0 + FA1 + ANWC0 + ANWC1) / 2$	c	240,464		240,464
Total Equity at end of previous financial year (TE0)	165,242				
Total Equity at end of current financial year (TE1)	229,134				
Average total equity	$= (TE0 + TE1) / 2$	k		197,188	
Works under construction at end of previous financial year (WUC0)	7,954				
Works under construction at end of current financial year (WUC1)	1,084				
Average total Works under construction	$= (WUC0 + WUC1) / 2$	e	4,519		4,519
Revaluations	-	r			
Half of revaluations	$= r / 2$	r/2			
Intangible assets at end of previous financial year (IA0)	-				
Intangible assets at end of current financial year (IA1)	-				
Average Total Intangible asset	$= (IA0 + IA1) / 2$	m			
Subvention payment for previous financial year (S0)	-				
Subvention payment current financial year (S1)	-				
Subvention payment tax adjustment for previous financial year	$= S0 * t$				
Subvention payment tax adjustment for current financial year	$= S1 * t$				
Average subvention payment & related tax adjustment	$= [(S0 + S1)(1 - t)] / 2$	v			
System Fixed assets at end of previous financial year at book value (SFAbv0)	211,044				
System Fixed assets at end of current financial year at book value (SFAbv1)	295,337				
Average value of system fixed assets at book value	$= (SFAbv0 + SFAbv1) / 2$	f	253,191	253,191	253,191
System Fixed assets at end of previous financial year at ODV value (SFAodv0)	215,410				
System Fixed assets at end of current financial year at ODV value (SFAodv1)	247,997				
Average value of system fixed assets at ODV value	$= (SFAodv0 + SFAodv1) / 2$	h	231,703	231,703	231,703
Denominator (as adjusted)					
Financial Performance Measure:			214,457	171,181	214,457
			8.3%	6.0%	5.6%

Key:

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year subscript '1' = end of the current financial year ROF = Return on funds ROE = return on equity ROI = return on investment