



# New Zealand Gazette

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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 2005. 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 2005, 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 2005 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 17 May 2005 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script, reading 'Price Waterhouse Coopers', is written over a horizontal line.

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) 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 17 May 2005 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, stylized script.

PricewaterhouseCoopers  
17 May 2005

Auckland

**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 Brian Vincent Walsh 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 2005



Rodger Herbert Fisher



Brian Vincent Walsh

17 May 2005

**WEL NETWORKS LIMITED****Statement of Financial Performance  
For the year ended 31 March 2005**

	Note	<b>Line Business</b>	
		<b>2005</b>	<b>2004</b>
		<b>(\$000s)</b>	<b>(\$000s)</b>
Total revenue	1	<b>46,123</b>	44,975
Operating expenses	2	<b>(28,402)</b>	(27,264)
Operating surplus before interest & taxation		<b>17,721</b>	17,711
Interest expense	3	<b>(3,696)</b>	(41)
Operating surplus before taxation		<b>14,025</b>	17,670
Taxation expense	4	<b>(5,719)</b>	(6,726)
Surplus attributable to the shareholders of the parent company		<b>8,306</b>	10,944

**Statement of Movements in Equity  
For the year ended 31 March 2005**

	Note	<b>Line Business</b>	
		<b>2005</b>	<b>2004</b>
		<b>(\$000s)</b>	<b>(\$000s)</b>
<b>Equity as at 1 April</b>		<b>176,988</b>	158,368
Net Surplus for the year		<b>8,306</b>	10,944
<b>Total Recognised Revenue and Expenses</b>		<b>8,306</b>	10,944
Dividends		<b>(30,390)</b>	(6,896)
Revaluation of Assets		-	14,572
		<b>(30,390)</b>	7,676
<b>Equity as at 31 March</b>		<b>154,904</b>	176,988

## WEL NETWORKS LIMITED

Statement of Financial Position  
As at 31 March 2005

	Note	Line Business	
		2005 (\$000s)	2004 (\$000s)
<b>Tangible assets</b>			
Current assets	6	26,136	22,697
Fixed assets	7	202,570	188,189
<b>Total tangible assets</b>		<b>228,706</b>	<b>210,886</b>
<b>Intangible assets</b>			
Goodwill		-	-
Other intangible assets		-	-
<b>Total intangible assets</b>		<b>-</b>	<b>-</b>
<b>Total Assets</b>		<b>228,706</b>	<b>210,886</b>
<b>Liabilities</b>			
Current liabilities	8	22,641	21,505
Non current liabilities	9	51,161	12,393
<b>Total liabilities</b>		<b>73,802</b>	<b>33,898</b>
<b>Equity</b>			
Capital Notes		-	-
Equity	5	154,904	176,988
<b>Total capital funds</b>		<b>154,904</b>	<b>176,988</b>
<b>Total equity and liabilities</b>		<b>228,706</b>	<b>210,886</b>

## WEL NETWORKS LIMITED

**Statements of Cash Flows**  
**For the year ended 31 March 2005**

	Note	Line Business	
		2005 (\$000s)	2004 (\$000s)
<b>Cash Flows From Operating Activities</b>			
Cash received from operations			
Receipts from customers		47,867	55,482
Interest received		1,051	681
Total cash received from operations		48,918	56,163
Cash disbursed on operations			
Payments to employees and suppliers		(20,113)	(18,727)
Interest paid		(3,696)	(41)
Income tax paid		(4,756)	(3,301)
Total cash disbursed on operations		(28,565)	(22,069)
<b>Net cash flow from operations</b> <b>(refer to reconciliation below)</b>		20,353	34,094
<b>Cash Flows From Investing Activities</b>			
Cash received from investing activities			
Sale of fixed assets		-	-
Investments maturing		-	-
Total cash from investing activities		-	-
Cash disbursed on investing activities			
Investments made		-	-
Fixed asset purchases		(21,138)	(12,884)
Total cash disbursed on investing activities		(21,138)	(12,884)
<b>Net cash flow applied to/(from) investing activities</b>		(21,138)	(12,884)
<b>Cash Flows From Financing Activities</b>			
Cash received from financing activities			
Loans raised		36,546	-
Total cash received from financing activities		36,546	-
Cash disbursed on financing activities			
Loans repaid		-	(3,447)
Dividend Paid		(32,549)	(4,735)
Total cash disbursed on financing activities		(32,549)	(8,182)
<b>Net cash flow applied to/(from) financing activities</b>		3,997	(8,182)
Net increase/(decrease) in cash held		3,212	13,028
Cash at the beginning of the year		18,515	5,487
Cash at the end of the year	6	21,727	18,515



## WEL NETWORKS LIMITED

**Statements of Cash Flows (continued)**  
**For the year ended 31 March 2005**

		Line Business	
	Note	2005 (\$000s)	2004 (\$000s)
<b>Reconciliation of net cash flows from operating activities with surplus after taxation.</b>			
Surplus after taxation		8,306	10,944
Non cash items			
Depreciation	2	6,438	6,243
Deferred tax	4	2,217	2,614
Total non cash items		<u>8,655</u>	<u>8,857</u>
(Increase)/decrease in working capital			
Trade Debtors		(208)	11,079
Other current assets		(19)	(19)
Trade & other creditors		4,579	2,298
Customer deposits		-	-
Annual and long service leave provision		(30)	21
Provision for taxation		(1,254)	807
Net decrease/(increase) in working capital		<u>3,068</u>	<u>14,186</u>
Items classified as investing activities			
Net loss/(gain) on sale of fixed assets		324	107
Net cash inflow from operating activities		<u>20,353</u>	<u>34,094</u>

**WEL NETWORKS LIMITED****Statement of Accounting Policies  
For the year ended 31 March 2005**

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 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 2005

	<b>Line Business</b>	
	<b>2005</b>	<b>2004</b>
	<b>(\$000s)</b>	<b>(\$000s)</b>
<b>1 Operating Revenue</b>		
Revenue from Other	-	-
Line access charges	43,838	42,566
Interest	1,051	681
AC Rental Rebates	1,234	1,728
Revenue from other business	-	-
Other operating revenue	-	-
<b>Total Operating Income</b>	<b>46,123</b>	<b>44,975</b>
Deducted from Line access charges is \$14.1M discount (2004 \$11.4M)		
<b>2 Operating Expenditure</b>		
Transmission charges	11,755	10,615
Transfer payments to Other business for:		
Asset Maintenance	3,813	2,958
Disconnections/Reconnection	-	-
Meter data	-	-
Consumer based load control	-	-
Avoided transmission (own generation)	-	-
Royalties & patents	-	-
Other goods/services	-	-
<b>Total</b>	<b>3,813</b>	<b>2,958</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	3,555	3,768
Customer billing & Information System expense		
Depreciation on:		
Distribution system	5,690	5,351
Other assets	748	892
<b>Total</b>	<b>6,438</b>	<b>6,243</b>
Amortisation of:		
Goodwill	-	-
Other Intangibles	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Corporate & administration	467	199
Human resource expenses	248	239
Marketing & advertising	245	266
Merger and acquisition	0	2
Takeover defence	-	-
Research & development	-	1
Consultancy & legal	911	1,140

## WEL NETWORKS LIMITED

	<b>Line Business</b>	
	<b>2005</b>	<b>2004</b>
	<b>(\$000s)</b>	<b>(\$000s)</b>
<b>Operating Expenditure</b> <i>(continued)</i>		
Donations	-	-
Directors' Fees	241	242
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	79	87
<b>Total</b>	<b>99</b>	<b>107</b>
Net loss on sale of fixed assets	324	134
Cost of offering credit		
Bad Debts	(0)	0
Movement in provision for doubtful debts	-	-
<b>Total</b>	<b>(0)</b>	<b>0</b>
Local Authority rates	216	262
AC Loss-rental expense	-	-
Rebates to customers due to ownership	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure	90	1,088
<b>Total expenditure</b>	<b>28,402</b>	<b>27,264</b>

**3 Interest**

Interest expense on borrowings	3,696	41
Finance charges relating to finance leases	-	-
Other interest expenses	-	-
	<b>3,696</b>	<b>41</b>

## WEL NETWORKS LIMITED

	Line Business	
	2005	2004
	(\$000s)	(\$000s)
<b>4 Taxation</b>		
Profit before taxation	14,025	17,670
Tax on profit at 33%	4,628	5,831
Tax effect of permanent differences	1,091	895
Total taxation expense	5,719	6,726
Represented by:		
Deferred income tax liability	2,217	2,614
Current taxation provision	3,502	4,112
	5,719	6,726
Deferred income tax liability		
Balance at the beginning of the year	12,393	9,779
Adjustments for prior periods	5	-
Current year timing differences	2,217	2,614
Balance at the end of the year	14,615	12,393
The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$23,689,000, which would only crystallise on disposal, have not been recognised.		
<b>5 Shareholders Funds</b>		
Issued and Paid In Capital	41,504	41,504
All ordinary shares carry equal voting rights		
Asset revaluation reserve	104,612	104,612
Retained earnings	8,788	30,872
<b>Total Equity</b>	154,904	176,988
<b>Asset Revaluation Reserve</b>		
Balance at the beginning of the year	104,612	90,040
Asset revaluation	-	14,572
Transfer to Retained Earnings	-	-
Balance at the end of the year	104,612	104,612
<b>Retained Earnings</b>		
Balance at the beginning of the year	30,872	26,824
Net surplus after tax	8,306	10,944
Dividends	(30,390)	(6,896)
Transfer from Revaluation Reserve		
Balance at the end of the year	8,788	30,872

## WEL NETWORKS LIMITED

		Line Business	
		2005	2004
		(\$000s)	(\$000s)
<b>6</b>	<b>Current assets</b>		
	Cash and Bank	21,727	18,515
	Trade debtors	4,245	4,037
	Short term investments	-	-
	Inventories	161	96
	Other assets	3	49
	Tax recoverable	-	-
		<u>26,136</u>	<u>22,697</u>
<b>7</b>	<b>Fixed Assets</b>		
	<b>System Fixed assets</b>		
	Distribution System		
	At cost	14,302	-
	At valuation	182,189	182,189
	Land		
	At cost	-	-
	At valuation	1,276	1,276
	Buildings		
	At cost	-	-
	At valuation	1,403	1,403
	Furniture Plant & Equipment		
	At cost	-	-
	At valuation	-	-
		<u>199,170</u>	<u>184,868</u>
	Accumulated depreciation		
	Distribution System		
	At cost	(213)	-
	At valuation	(5,283)	-
	Buildings		
	At cost	-	-
	At valuation	(42)	-
	Furniture Plant & Equipment		
	At cost	-	-
	At valuation	-	-
		<u>(5,538)</u>	<u>-</u>
	<b>Total System Fixed Assets</b>	<u>193,632</u>	<u>184,868</u>
	<b>Vehicles</b>		
	Cost	411	467
	Accumulated depreciation	(152)	(182)
	Net book value	<u>259</u>	<u>285</u>



## WEL NETWORKS LIMITED

	Line Business	
	2005	2004
	(\$000s)	(\$000s)
<b>Fixed Assets</b> <i>(continued)</i>		
<b>Furniture, Plant and Equipment</b>		
Cost	11,730	11,062
Accumulated depreciation	(9,829)	(9,257)
Net book value	1,901	1,805
<b>Total before assets under construction</b>	195,792	186,958
<b>Capital assets under construction</b>	6,060	473
<b>Consumer billing &amp; information system assets</b>	-	-
<b>Other fixed assets</b>		
Cost	1,355	1,355
Accumulated depreciation	(637)	(596)
Net book value	718	759
<b>Total net book value</b>	202,570	188,189

Land and Buildings were revalued on 31 March 2004 by DTZ Registered Valuers.

The distribution system was revalued on 31 March 2004 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)	1,180	1,215
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## 8 Current liabilities

Bank overdraft & short term borrowings		-
Trade creditors	21,430	16,745
Provision for annual and long service leave	178	208
Provision for dividend	-	2,160
Provision for tax	624	1,878
Other current liabilities	409	514
	22,641	21,505

**WEL NETWORKS LIMITED**

	<b>Line Business</b>	
	<b>2005</b> <b>(\$000s)</b>	<b>2004</b> <b>(\$000s)</b>
<b>9 Non-current Liabilities</b>		
Payables and accruals	-	-
Borrowings (refer note 17 )	<b>36,546</b>	-
Deferred tax	<b>14,615</b>	12,393
Other non-current liabilities	-	-
	<b>51,161</b>	<b>12,393</b>

**10 Contingencies**

There are no contingent liabilities (2004: nil).

**11 Capital commitments****Capital expenditure**

Capital commitments as at 31 March 2005 are estimated at \$4,314,000 (2004: \$474,000).

**Operating Leases**

Non-cancellable operating lease commitments:

Within one year	<b>73</b>	73
Later than one, not later than two years	<b>54</b>	73
Later than two, not later than five years	<b>123</b>	137
Later than five years	<b>799</b>	839
Total Operating Leases	<b>1,049</b>	<b>1,122</b>

The Group leases land and premises. Operating leases held over properties give the Group 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 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.

**WEL NETWORKS LIMITED**

This debt is subject to a written agreement and regular credit checks. The Group 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 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:

	<b>Line Business</b>	
	<b>2005</b>	<b>2004</b>
	<b>(\$000s)</b>	<b>(\$000s)</b>
<b>(a)</b> Construction of subtransmission assets	<b>5,897</b>	<b>147</b>
<b>(b)</b> Construction of zone substations	<b>260</b>	<b>498</b>
<b>(c)</b> Construction of distribution lines and cables.	<b>6,975</b>	<b>6,399</b>
<b>(d)</b> Construction of medium voltage switchgear	<b>856</b>	<b>204</b>
<b>(e)</b> Construction of distribution transformers.	<b>773</b>	<b>547</b>
<b>(f)</b> Construction of distribution substations	<b>91</b>	<b>726</b>
<b>(g)</b> Construction of Low voltage lines & cables	<b>3,007</b>	<b>1,958</b>
WEL Networks was involved in connecting new consumers to its network and the following costs were incurred:		
<b>(h)</b> Relays for new connections	<b>-</b>	<b>-</b>
Consumer connections	<b>4,020</b>	<b>2,638</b>
<b>(i)</b> Maintenance of distribution system	<b>3,813</b>	<b>2,958</b>
	<b>25,692</b>	<b>16,075</b>

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

**WEL NETWORKS LIMITED**

	<b>Line Business</b>	
	<b>2005</b> <b>(\$000s)</b>	<b>2004</b> <b>(\$000s)</b>
<b>14 Imputation Credit Memorandum Account</b>		
Balance at the beginning of the year	<b>31,747</b>	30,201
Dividends allocated	<b>(15,988)</b>	(2,302)
Taxation paid	<b>4,980</b>	3,848
Balance at the end of the year	<b>20,739</b>	<b>31,747</b>
<b>15 Adjusted net working capital</b>	<b>(17,607)</b>	(13,285)
<b>16 Interest tax shield</b>	<b>873</b>	(211)
<b>17 Convertible Note</b>		

On 30 June 2004 the Company 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 2005**

	<b>2005</b>	2004	2003	2002
<b>Financial measures</b>				
Return on Funds	<b>9.2%</b>	9.9%	12.2%	15.2%
Return on Equity	<b>5.0%</b>	6.5%	7.6%	10.2%
Return on Investment	<b>5.6%</b>	18.6%	7.4%	9.7%
<b>Efficiency Measures</b>				
Direct Line cost per Kilometre	<b>\$ 1,054</b>	\$1,042	\$1,256	\$1,247
Indirect line costs per Electricity Customer	<b>\$ 65.31</b>	\$70.51	\$82.23	\$67.90

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).

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

## Schedule 1 Part 4 Energy Delivery Efficiency Performance Measures and Statistics

	2005	2004	2003	2002	2001
1 a) Load factor	61.1%	57.6%	54.0%	55.6%	52.8%
b) Loss ratio	4.9%	4.9%	4.9%	4.9%	5.5%
c) Capacity utilization	36.6%	37.6%	42.3%	39.9%	42.6%
2 a) Circuit km (total)					
33 kV	277.27	280.37	278.08	278.08	276.96
11 kV	2,547.28	2,564.77	2,591.37	2,568.08	2,525.11
400 V	2,059.44	2,030.17	1,872.93	1,845.97	1,781.41
TOTAL	4,884.00	4,875.31	4,742.38	4,692.13	4,583.48
b) Circuit km (overhead)					
33 kV	186.98	192.26	194.85	194.85	194.30
11 kV	2,061.86	2,087.41	2,127.37	2,124.27	2,104.92
400 V	1,166.02	1,167.64	1,044.04	1,041.34	1,034.72
TOTAL	3,414.86	3,447.31	3,366.26	3,360.46	3,333.94
c) Circuit km (underground)					
33 kV	90.30	88.11	83.23	83.23	82.66
11 kV	485.42	477.36	464.00	443.81	420.19
400 V	893.42	862.53	828.89	804.63	746.69
TOTAL	1,469.14	1,428.00	1,376.12	1,331.67	1,249.54
d) Transformer capacity (kVA)	546,510	538,475	502,730	495,120	489,900
e) Maximum demand (kW)	199,997	202,344	212,861	197,505	208,936
f) Total electricity entering the system (before losses of electricity) in kWh	1,070,454,387	1,021,426,991	1,006,223,026	962,390,051	965,824,000
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	46,086,557	47,722,117	31,642,235	21,716,095	43,969,905
B	800,354,641	765,127,446	782,777,620	766,161,536	15,502,725
C	79,677,607	60,246,415	42,087,338	40,455,072	37,727,235
D	59,069,184	64,429,904	45,763,771	31,608,348	24,311,070
E	-	-	-	3,728,698	403,515
F	-	-	-	-	35,129,430
G	31,033,126	33,007,687	55,150,245	50,943,452	49,501,935
H	1,353,930	1,354,213	-	-	706,135,185
J	-	-	-	-	-
K	-	-	-	-	22,680
L	-	-	-	1,100,934	-
M	62,327	-	-	-	-
	1,017,637,372	971,887,782	957,421,209	915,714,135	912,703,680
h) Total customers	77,480	75,595	73,959	72,942	71,473

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

1,2,3	Total Interruptions	Target		Actual		Actual		Actual	
		2006 to 2010	2006	2005	2004	2003	2002	2001	2001
4	Class A Planned - by TransPower			-	-	-	-	-	-
	Class B Planned - by WEL	30	30	14.00	22.00	30.00	74.00	118.00	
	Class C Unplanned - by WEL	273	255	233.00	224.00	287.00	202.00	207.00	
	Class D Unplanned - by TransPower			4.00	4.00	7.00	-	2.00	
	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			-	-	-	-	-	
	<b>Total</b>			<b>251</b>	<b>250</b>	<b>324</b>	<b>276</b>	<b>327</b>	
5	Class C interruptions not restored within 3 hours			<b>25.3%</b>	<b>19.6%</b>	<b>17.6%</b>	<b>23.3%</b>	<b>15.0%</b>	
	Class C interruptions not restored within 24 hours			<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	
	Faults per 100 km (Total)								
	33 kV	1.27	1.27	<b>3.25</b>	2.14	0.72	1.08	2.89	
	11 kV	10.00	9.56	<b>8.79</b>	8.50	10.88	7.75	7.76	
	<b>TOTAL</b>	<b>9.00</b>	<b>8.60</b>	<b>8.25</b>	<b>7.87</b>	<b>9.90</b>	<b>7.10</b>	<b>7.28</b>	
6	Faults per 100 km (Overhead)								
	33 kV			<b>4.81</b>	3.12	1.03	1.54	3.01	
	11 kV			<b>10.38</b>	9.96	12.88	8.61	8.60	
	<b>TOTAL</b>			<b>9.92</b>	<b>9.39</b>	<b>11.89</b>	<b>8.02</b>	<b>7.92</b>	

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

7	Faults per 100 km (Underground)	Target 2006 to 2010	Target 2006	Actual 2005	Actual 2004	Actual 2003	Actual 2002	Actual 2001
	33 kV			-	-	-	-	2.42
	11 kV			2.06	2.09	1.72	3.61	3.57
	<b>TOTAL</b>			<b>1.74</b>	<b>1.77</b>	<b>1.46</b>	<b>3.04</b>	<b>3.38</b>
8,9,10, 11	SAIDI							
	Class A			-	-	-	-	-
	Class B			1.12	1.51	1.67	4.57	4.55
	Class C		4.00	86.53	64.53	92.11	71.64	126.56
	Class D	49.46	60.90	44.78	2.44	0.15	-	26.56
	Class E			-	-	-	-	-
	Class F			-	-	-	-	-
	Class G			-	-	-	-	-
	Class H			-	-	-	-	-
	Class I			-	-	-	-	-
	Any other loss of supply			-	-	-	-	-
	<b>Total</b>			<b>132.43</b>	<b>68.48</b>	<b>93.93</b>	<b>76.21</b>	<b>157.67</b>



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

12, 13, 14, 15      SAIPI

		Target 2006 to 2010	Target 2006	Actual 2005	Actual 2004	Actual 2003	Actual 2002	Actual 2001
Class A	Planned - by TransPower			-	-	-	-	-
Class B	Planned - by WEL	0.05	0.05	0.01	0.03	0.03	0.04	0.05
Class C	Unplanned - by WEL	0.99	1.24	1.64	1.59	1.78	1.45	2.57
Class D	Unplanned - by TransPower			0.77	0.21	0.04	-	0.85
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			-	-	-	-	-
<b>Total</b>				<b>2.42</b>	<b>1.83</b>	<b>1.84</b>	<b>1.49</b>	<b>3.47</b>

16, 17, 18, 19      CAIDI

		Target 2006 to 2010	Target 2006	Actual 2005	Actual 2004	Actual 2003	Actual 2002	Actual 2001
Class A	Planned - by TransPower			-	-	-	-	-
Class B	Planned - by WEL	80.00	80.00	112.00	50.33	63.16	114.25	82.74
Class C	Unplanned - by WEL	50.00	49.00	52.76	40.58	51.89	49.41	49.22
Class D	Unplanned - by TransPower			58.16	11.62	4.01	-	31.32
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			-	-	-	-	-
<b>Total</b>				<b>54.72</b>	<b>37.42</b>	<b>51.09</b>	<b>51.15</b>	<b>45.44</b>

## ANNUAL VALUATION RECONCILIATION REPORT

\$000's

## Year ending 31 March 2004

System Fixed Assets at ODV (start of period)	189,495
Add system fixed asset acquired during the year at ODV	14,837
Less system fixed asset disposed of during the year at ODV	(528)
Less depreciation on system fixed assets at ODV	(5,690)
Add revaluations of system fixed assets	
Equals system fixed assets at ODV - end of the financial year	<u>198,114</u>

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

Symbol in		Input & calculations			ROF	ROE	ROI
		000's			000's	000's	000's
		formula					
Operating surplus before interest and income tax from financial statements		17,721					
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)		17,721					
Interest on cash bank balances and short term investments (ISTI)		1,051					
<b>OSBIT minus ISTI</b>		<b>OSBIT - ISTI</b>	<b>a</b>	<b>16,670</b>			<b>16,670</b>
Net surplus after tax from Financial Statements		8,306	<b>n</b>			<b>8,306</b>	
<b>Net surplus after tax adjusted pursuant to regulation 18 (NSAT)</b>			<b>g</b>				
Amortisation of goodwill and other intangibles			<b>s</b>				
Subvention Payment		5,690					
Depreciation of SFA at BV (x)		5,690					
Depreciation of SFA at ODV (y)							
<b>ODV Depreciation tax adjustment</b>		<b>= x - y</b>	<b>d</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>Subvention Payment tax adjustment</b>		<b>= s*t</b>	<b>s*t</b>			<b>-</b>	<b>-</b>
Interest Tax Shield		873	<b>q</b>				<b>873</b>
Revaluations		-	<b>r</b>				<b>-</b>
Income Tax		5,719	<b>p</b>				<b>5,719</b>
<b>Numerator (as adjusted)</b>					<b>16,670</b>	<b>8,306</b>	<b>10,078</b>

	Input & calculations	Symbol in formula	ROF	ROE	ROI
Fixed Assets at end of previous financial year (FA <sub>0</sub> )	188,189				
Fixed Assets at end of current financial year (FA <sub>1</sub> )	202,570				
Adjusted Net Working Capital at end of previous financial year (ANWC <sub>0</sub> )	(13,285)				
Adjusted Net Working Capital at end of current financial year (ANWC <sub>1</sub> )	(17,607)				
<b>Average total funds employed (ATFE)</b>	$=(FA_0+FA_1+ANWC_0+ANWC_1)/2$	<b>c</b>	179,934		179,934
Total Equity at end of previous financial year (TE <sub>0</sub> )	176,988				
Total Equity at end of current financial year (TE <sub>1</sub> )	154,904				
<b>Average total equity</b>	$=(TE_0+TE_1)/2$	<b>k</b>		165,946	
Works under construction at end of previous financial year (WUC <sub>0</sub> )	473				
Works under construction at end of current financial year (WUC <sub>1</sub> )	6,060				
<b>Average total Works under construction</b>	$=(WUC_0+WUC_1)/2$	<b>e</b>	3,267	3,267	3,267
<b>Revaluations</b>		<b>r</b>			
<b>Half of revaluations</b>	$=r/2$	<b>r/2</b>			-
Intangible assets at end of previous financial year (IA <sub>0</sub> )	-				
Intangible assets at end of current financial year (IA <sub>1</sub> )	-				
<b>Average Total Intangible asset</b>	$=(IA_0+IA_1)/2$	<b>m</b>		-	
Subvention payment for previous financial year (S <sub>0</sub> )	-				
Subvention payment current financial year (S <sub>1</sub> )	-				
Subvention payment tax adjustment for previous financial year	$=S_0 * t$				
Subvention payment tax adjustment for current financial year	$=S_1 * t$				
<b>Average subvention payment &amp; related tax adjustment</b>	$=[(S_0+S_1)(1-t)]/2$	<b>v</b>		-	
System Fixed assets at end of previous financial year at book value (SFA <sub>bv0</sub> )	184,868				
System Fixed assets at end of current financial year at book value (SFA <sub>bv1</sub> )	193,632				
<b>Average value of system fixed assets at book value</b>	$=(SFA_{bv0}+SFA_{bv1})/2$	<b>f</b>	189,250	189,250	189,250
System Fixed assets at end of previous financial year at ODV value (SFA <sub>odv0</sub> )	189,495				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv1</sub> )	198,114				
<b>Average value of system fixed assets at ODV value</b>	$=(SFA_{odv0}+SFA_{odv1})/2$	<b>h</b>	193,805	193,805	193,805
<b>Denominator (as adjusted)</b>					
<b>Financial Performance Measure:</b>			181,224	167,235	181,224
			9.2%	5.0%	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