



New Zealand Gazette

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POWER COMPANIES

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

INDEX

	Page
Mercury Energy Limited.....	3525
WEL Energy Group Limited	3549

MERCURY ENERGY LIMITED

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS
DISCLOSED BY LINE OWNERS OTHER THAN TRANS POWER

We, *JEFFREY CHRISTOPHER GREEN* and *KAREN ANNETTE SHERRY* directors, of Mercury Energy Limited, certify that, having made all reasonable enquiry, to the best of our knowledge.-

(a) The attached audited financial statements of Mercury Energy Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994, give a true and fair view of the matters to which they relate and comply with the requirements of those regulations,
and;

(b) The attached information, being financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Mercury Energy Limited, and having been prepared for the purposes of regulations 13, 14, 15, and 16 of the Electricity (Information Disclosure) Regulations 1994, comply with the requirements of the Electricity (Information Disclosure) Regulations 1994.

The valuations on which those financial performance measures are based are as at 31 March 1995.

Signatures of Directors

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Date: *31 August 1995*

MERCURY ENERGY LIMITED AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

FOR THE YEAR ENDED 31 MARCH 1995

(FOR THE PURPOSES OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994)

	<u>NOTE</u>	Line Activities \$000	Other Activities \$000	Total Activities \$000
SALES OF ELECTRICITY AND OTHER INCOME		192,366	253,406	445,772
NET PROFIT BEFORE TAXATION	2	45,366	17,995	63,361
Taxation Expense	3	(14,955)	(5,932)	(20,887)
NET PROFIT AFTER TAXATION		30,411	12,063	42,474
Retained Earnings at Beginning of Year		2,396	242	2,638
Dividend Paid		(6,500)	(3,500)	(10,000)
Provision for Dividend		(8,500)	(4,500)	(13,000)
RETAINED EARNINGS AT END OF YEAR		17,807	4,305	22,112

The accompanying notes form part of these financial statements.

MERCURY ENERGY LIMITED AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 1995

(FOR THE PURPOSES OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994)

	<u>NOTE</u>	Line Activities \$000	Other Activities \$000	Total Activities \$000
SHAREHOLDERS' FUNDS				
Share Capital	5			300,000
ODV Revaluation Reserve				345,891
Retained Earnings				22,112
Total Shareholders' Funds				668,003
NOTIONAL EQUITY				
Retained Earnings		296,000	349,891	645,891
		17,807	4,305	22,112
		<u>313,807</u>	<u>354,196</u>	<u>668,003</u>
NOTIONAL DEBT				
Interdivisional Loan		300,000	(300,000)	-
		<u>613,807</u>	<u>54,196</u>	<u>668,003</u>
LONG TERM LIABILITIES				
	6	-	140,846	140,846
CURRENT LIABILITIES				
Accounts Payable and Accruals	7	18,996	67,697	86,693
Current Portion of Long Term Liabilities	6	-	20,536	20,536
Provision for Dividend		8,500	4,500	13,000
Taxation Payable		255	(32)	223
Total Current Liabilities		<u>27,751</u>	<u>92,701</u>	<u>120,452</u>
Total Shareholders' Funds and Liabilities		<u>641,558</u>	<u>287,743</u>	<u>929,301</u>
FIXED ASSETS				
	8	621,021	80,656	701,677
INVESTMENTS				
	9	-	150,989	150,989
OTHER LONG TERM ASSETS				
Prepayments	10	-	11,500	11,500
Future Taxation Benefit	4	2,057	930	2,987
Total Other Long Term Assets		<u>2,057</u>	<u>12,430</u>	<u>14,487</u>
CURRENT ASSETS				
Cash and Deposits	11	687	246	933
Receivables and Prepayments	12	17,793	37,245	55,038
Stores		-	6,177	6,177
Total Current Assets		<u>18,480</u>	<u>43,668</u>	<u>62,148</u>
Total Assets		<u>641,558</u>	<u>287,743</u>	<u>929,301</u>

The accompanying notes form part of these financial statements.

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995****Electricity (Information Disclosure) Regulations 1994.****1. STATEMENT OF ACCOUNTING POLICIES****Reporting Entity**

Mercury Energy Limited is a public company registered under the Companies Act 1955.

The group consists of Mercury Energy Limited and its subsidiaries.

The Financial Statements are prepared pursuant to Regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

The methodology for the allocation of revenues, costs, assets and liabilities between Line and Other activities is publicly disclosed in accordance with Regulation 19 of the Regulations.

Generally Accepted Accounting Principles

There is no G.A.A.P. for activity reporting.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the group.

The activity reporting has been prepared on the basis of a notional 50:50 debt equity ratio in the Lines Business.

All costs have been allocated in accordance with either the guidelines issued, or as disclosed by the company.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied :

a) Basis of Consolidation

The consolidated financial statements include the holding company and its subsidiaries, accounted for by the purchase method. All significant inter-company transactions are eliminated on consolidation.

MERCURY ENERGY LIMITED AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Specific Accounting Policies (Continued)

b) Recognition of Revenue

Income from electricity sales includes the value of units assessed as being recorded on meters as at 31 March 1995, but for which invoices had not been rendered.

c) Fixed Assets

The Group has the following classes of fixed assets:

Land

Buildings

Distribution System

Generation Plant and Buildings

Plant and Equipment

Fixed assets other than the Distribution System are recorded at cost less accumulated depreciation. The Distribution System has been revalued to its Optimised Deprival Value.

d) Depreciation

Depreciation is provided to allocate the assets' cost over their estimated useful lives as follows:

Buildings on Freehold Land	- Straight Line basis over 25 years.
Leasehold Improvement	- Over the term of the lease.
Generation	- Straight Line Basis over 10 years.
Other Plant and Equipment	- Diminishing Value method at 20% per annum.
Computer Hardware and Software	- Straight Line basis over 3 years.

e) Accounts Receivable

Receivables are valued at their estimated realisable value.

f) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

g) Stores

Stores are valued on the basis of weighted average cost price.

MERCURY ENERGY LIMITED AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Specific Accounting Policies (Continued)

h) Leases

The Group leases certain land and buildings. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased assets, are included in the determination of the operating profit in equal instalments over the lease term. The cost of improvements to leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

i) Joint Venture

The Group is party to several joint venture arrangements. The Group has accounted for its interest in these ventures by recognising its share of revenue and expenses. There are no assets owned by the joint ventures, each party contributes its own share of assets.

j) Other Investments

Investments in other companies are stated at cost.

k) Long Term Prepayments

The Group has entered into several contracts for the supply of gas. These are recorded at cost as long term prepayments.

Changes in Accounting Policies

All costs incurred for the conversion of overhead lines to underground cables since 1 October 1993 have been capitalised in the current year. The net book value of the only a portion of the conversion costs were capitalised. The financial effect of this change has been the capitalisation of \$11 million in costs of which \$3 million relates to the prior year.

	Total Activities \$000
2. NET PROFIT BEFORE TAXATION	
After Charging :	
Audit fees and expenses	95
Depreciation	21,461
Directors' Fees	279
Interest	6,648
Employee Benefits Restructuring Costs	450
Loss on Sale of Fixed Assets	147
Rental and Operating Leasing Costs	541
Inter-activity interest of \$27,000	-
After Crediting :	
Investment Income	
- Short term money market	1,798
- Rents	475
- Other Interest Income	1,123

Interest costs of the bid for Power New Zealand were absorbed, no income from Mercury's stake in that company has been included in the annual results.

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 1995 continued

	Total Activities \$000
3. TAXATION	
Profit before Taxation	<u>63,361</u>
Prima facie Taxation @ 33%	20,909
Plus (Less) Permanent Differences:	
Non Deductible Entertainment Expenses	33
Non Deductible Legal and Consulting Fees	130
Other Permanent Differences	(34)
Prior year adjustments	<u>(151)</u>
Taxation Expense	20,887
The Taxation Expense is represented by:	
Current Taxation Payable	19,137
Future Taxation Benefit	1,901
Prior year adjustments	<u>(151)</u>
	<u>20,887</u>
Imputation Credit Account	Total Activities \$000
Balance as at 31 March 1994	2,444
Prior Period Adjustment	(139)
Income tax payments during year	18,055
Imputation Credits attaching to dividends received in year	65
Imputation Credits attaching to dividends paid in year	<u>(5,246)</u>
Balance as at 31 March 1995	<u>15,179</u>
At balance date the imputation credits available to the shareholders of the parent company were:	
Through direct shareholding in the parent company	15,179
Through indirect interests in subsidiaries and in-substance subsidiaries	-
	<u>15,179</u>

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued**

	Total Activities \$000
4. FUTURE TAXATION BENEFIT	
Balance Brought Forward	4,790
Transfer to Statement of Financial Performance	(1,803)
	<u>2,987</u>
	<u>2,987</u>
	Total Activities \$000
5.a SHARE CAPITAL	
Authorised Capital	
102,020,202 Ordinary Class A Shares of \$1 each	102,020
197,979,798 Ordinary Class B Shares of \$1 each	197,980
100,000,000 Ordinary Class C Shares of \$1 each	100,000
	<u>400,000</u>
	<u>400,000</u>
Issued and Paid Up Capital	
Ordinary Class A Shares	
102,020,202 issued and fully paid shares	102,020
Ordinary Class B Shares	
197,979,798 issued and fully paid shares	197,980
Ordinary Class C Shares	
6 issued and uncalled shares	
	<u>300,000</u>
	<u>300,000</u>

On 1 October 1993, 102,020,202 Ordinary Class A Shares and 197,979,798 Ordinary Class B Shares were issued fully paid to the Auckland Energy Consumer Trust in consideration for the assets of the Auckland Electric Power Board being vested in the company.

5.b Notional Equity

Notional gearing has been applied at 50% of the net assets relating to the Line activities. This has given rise to a notional equity in the Lines business of \$296 million.

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued**

		Total Activities \$000
6. TERM LIABILITIES		
Maturing:	Interest Rates	
Within one year	5.8% to 14.0%	20,536
One to Two Years	6.8% to 16.0%	1,000
Two to Five Years	5.8% to 13.5%	139,846
Beyond Five Years	6.3%	-
Total Term Liabilities		<u>161,382</u>
Less Current Portion of Term Liabilities		<u>20,536</u>
Total Term Liabilities		<u><u>140,846</u></u>

Debt issued in the current year of \$150.900 million is secured by way of negative pledge over the assets of the group. Debt issued prior to 1 October 1993 of \$10.482 million is secured by a right to levy pursuant to the Auckland Electric Power Board Act 1978.

	Line Activities \$000	Other Activities \$000	Total Activities \$000
7. ACCOUNTS PAYABLE AND ACCRUALS			
Trade and Other Creditors	18,996	64,774	83,770
Interest Payable	-	1,037	1,037
Customer Prepayments	<u>-</u>	<u>1,886</u>	<u>1,886</u>
	<u>18,996</u>	<u>67,697</u>	<u>86,693</u>

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued**

	Line Activities \$000	Other Activities \$000	Total Activities \$000
8. FIXED ASSETS			
Land at cost	4,170	15,287	19,457
Revaluation to ODV	3,494		3,494
	<u>7,664</u>	<u>15,287</u>	<u>22,951</u>
Freehold Buildings	-	24,005	24,005
Leasehold Improvements	-	773	773
		<u>24,778</u>	<u>24,778</u>
Accumulated Depreciation	-	(5,745)	(5,745)
Net Book Value		<u>19,033</u>	<u>19,033</u>
Distribution System	394,023		394,023
Accumulated Depreciation	(125,304)		(125,304)
Net Book Value	<u>268,719</u>		<u>268,719</u>
Revaluation to ODV	342,397		342,397
	<u>611,116</u>		<u>611,116</u>
Generation Plant and Buildings		24,549	24,549
Accumulated Depreciation		(2,916)	(2,916)
Net Book Value		<u>21,633</u>	<u>21,633</u>
Plant and Equipment			
Motor Vehicles and Mobile Equipment	-	16,014	16,014
Computer and Telecommunication Equipment		24,086	24,086
Miscellaneous Plant and Equipment	700	11,114	11,814
	<u>700</u>	<u>51,214</u>	<u>51,914</u>
Accumulated Depreciation		(26,511)	(26,511)
Net Book Value	<u>700</u>	<u>24,703</u>	<u>25,403</u>
Capital Work in Progress	1,541	-	1,541
Total Fixed Assets Revalued to ODV	746,325	115,828	862,153
Provision for Depreciation	(125,304)	(35,172)	(160,476)
Net ODV Book Value	<u>621,021</u>	<u>80,656</u>	<u>701,677</u>

The latest Government valuations
of freehold land total
The latest Government valuations
of buildings total

\$18,448,650 (1994: \$16,829,000)
\$20,078,350 (1994: \$20,468,000)

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 1995 continued**

	Line Activities \$000	Other Activities \$000	Total Activities \$000
9. INVESTMENTS			
Shares listed on the Stock Exchange, at cost	-	150,989	150,989
Shares listed on the Stock Exchange, at market value	-	170,277	170,277

JOINT VENTURES

The company has interests in the following joint ventures:

	% Interest	Balance Date	Principal Activity
Rosedale/ Greenmount	87.76	31 March	Energy Generation
Silverstream	46.50	31 March	Energy Generation

The company's share of assets and liabilities of the joint ventures which have been included in the financial statements are nil.

Silverstream started operations in October 1994.

Ownership of and responsibility for the assets of the joint ventures are retained by the party contributing those assets. The net book value of the assets used by the joint ventures included in the financial statements of the Company is as follows:

Rosedale/Greenmount	\$8.663 million
Silverstream	\$2.302 million

The company's share of capital commitments for the purchase of joint venture fixed assets which have been included in the financial statements are \$0.632 million.

The company's share of revenue and expenses of joint ventures which have been included in the financial statements are:

	Rosedale/Greenmount	Silverstream
Share of revenue	\$2.046 million	\$0.101 million
Share of expenses	\$0.713 million	\$0.048 million

The financial statements of the joint ventures are unaudited.

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued**

	Line Activities \$000	Other Activities \$000	Total Activities \$000
10. LONG TERM PREPAYMENTS			
Forward Gas Supply Contracts	-	11,500	11,500
	-	11,500	11,500
	Line Activities \$000	Other Activities \$000	Total Activities \$000
11. CASH AND DEPOSITS			
Cash and Bank	687	246	933
	Line Activities \$000	Other Activities \$000	Total Activities \$000
12. RECEIVABLES AND PREPAYMENTS			
Trade Debtors	17,342	36,711	54,053
Provision for Doubtful Debts	(299)	(353)	(652)
Provision for Discounts	(1,770)	(2,093)	(3,863)
	15,273	34,265	49,538
Other Debtors	677	801	1,478
Provision for Doubtful Debts	(172)	(203)	(375)
	505	598	1,103
Prepayments	2,015	2,382	4,397
	17,793	37,245	55,038

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued****13. FINANCIAL INSTRUMENTS****Credit risk**

Financial instruments which potentially subject the company to credit risk principally consist of bank balances, money market deposits and accounts receivable.

The company performs credit evaluations on all customers and requires a bond from customers who have yet to establish a suitable credit history with the company.

The company monitors the credit quality of the major financial institutions that are counter parties to its off balance sheet financial instruments and does not anticipate non performance by the counter parties.

Maximum exposures to credit risk as at balance date are:

	Line Activities \$000	Other Activities \$000	Total Activities \$000
Bank Balances	44	889	933
Money market deposits	-	-	-
Accounts receivable	15,778	34,863	50,641

The above maximum exposures are net of any recognised provision for losses on these financial instruments. Collateral in the form of customer bonds totalling \$1,885 million is held in respect of the above amounts.

Concentrations of credit risk

	Line Activities \$000	Other Activities \$000	Total Activities \$000
Bank Accounts	44	889	933
Term Deposits (various banks)	-	-	-
	<hr/> 44	<hr/> 889	<hr/> 933

The company is not exposed to any other concentrations of credit risk.

Foreign exchange contracts

At balance date the company had entered into foreign exchange contracts maturing NZD 6.411 million in foreign currency. These are to cover purchases of stores and equipment to be made within the next year.

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued**

13. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

Interest rates on debt issued in the current year are generally fixed for periods of between one and three months at rates from 9.5% to 9.9%. The interest rates are based on the BKBM rate plus a margin.

Interest rates on debt issued prior to 1 October 1993 are fixed until maturity at rates from 5.8% to 16.0%.

Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Accounts receivable, bank balances, money market deposits, accounts payable, short term liabilities, long term liabilities

The carrying amount is the fair value for each of these classes of financial instrument.

Foreign currency forward exchange contracts

The fair value of this class of financial instrument is based on the quoted market price of comparable instruments.

	Line Activities Carrying Amount \$000	Other Activities Carrying Amount \$000	Total Activities Carrying Amount \$000
Bank balances	44	889	933
Accounts receivable	15,778	34,863	50,641
Accounts payable	18,996	64,774	83,770
Short term liabilities	-	20,536	20,536
Long term liabilities	-	140,846	140,846

MERCURY ENERGY LIMITED AND SUBSIDIARIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued**

13. FINANCIAL INSTRUMENTS CONTINUED

	Line Activities Fair Value \$000	Other Activities Fair Value \$000	Total Activities Fair Value \$000
Bank balances	44	889	933
Accounts receivable	15,778	34,863	50,641
Accounts payable	18,996	64,774	83,770
Short term liabilities	-	20,536	20,536
Long term liabilities	-	140,846	140,846
Forward exchange contracts to buy			
- Amounts receivable	-	6,227	6,227
- Amounts payable	-	6,411	6,411
			Total Activities \$000

14. COMMITMENTS

Capital Expenditure Commitments:

Estimated Capital Expenditure contracted for at balance date but not provided for	6,745
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Operating Lease Commitments:

On land and buildings were:	
Within one year	429
One to two years	307
Two to five years	677
Beyond five years	702

2,115

MERCURY ENERGY LIMITED AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995 continued

Total
Activities
\$000

15. CONTINGENT LIABILITIES

Performance Bonds

57

The amount payable to the Electricity Corporation of New Zealand for bulk electricity since 1 April 1993 is subject to litigation. Prudent provision has been made to cover the amount claimed.

16. TRANSACTIONS WITH RELATED PARTIES

During the year Mercury Energy Limited had the following transactions with the Auckland Energy Consumer Trust, which is the majority shareholder of Mercury Energy Limited:

Repayment of advance \$12.400 million.

Payment of dividends \$10.609 million.

No related party debts have been written off or forgiven during the year.

17. SEGMENT INFORMATION

The company operates in the electricity supply business. All operations are carried out within New Zealand.

MERCURY ENERGY LIMITED

Performance Measures And Statistics For the Year Ended 31 March 1995

FIRST SCHEDULE - PART II

1. Financial Performance Measures

(a)	Accounting Return on Total Assets	14.65%
(b)	Accounting Return on Equity	13.27%
(c)	Accounting Rate of Profit	10.85%

2. Efficiency Performance Measures

(a)	Direct Line Cost Per kilometre	\$3,526/km
(b)	Indirect Line Cost Per Electricity customer	\$52.74/customer

FIRST SCHEDULE - PART III

1. Energy Delivery Efficiency Performance Measures

(a)	Load Factor	64.25%
(b)	Loss Ratio	3.96%
(c)	Capacity Utilisation	29.57%

2. Statistics

(a)	System length (in kilometres)	400V	6.6kV	11kV	22kV	33kV	110kV	Total:
		4,655.20	421.47	2,902.65	249.36	241.08	60.86	8,530.62
(b)	Total circuit length (in kilometres) of overhead electric lines.	440V	6.6kV	11kV		33kV		Total:
		1,834.45	99.00	1,214.17		64.66		3,212.28
(c)	Total circuit length (in kilometres) of underground electric cables.	400V	6.6kV	11kV	22kV	33kV	110kV	Total:
		2,820.75	322.47	1,688.48	249.36	176.42	60.86	5,318.34
(d)	Transformer capacity.							2,535,580 kVA

Performance Measures And Statistics

(e)	Maximum demand (in kilowatts).	749,826
(f)	Total electricity supplied from the system (in kilowatt hours).	4,052,907,567
(g)	Total amount of electricity (in kilowatt hours) conveyed through the system on behalf of other persons, that are electricity retailers or generators, not being persons that are in a prescribed business relationship with Mercury Energy Limited.	4,323,226
(h)	Total customers (average).	242,859

FIRST SCHEDULE - PART IV**Reliability Performance Measures****1. Interruptions**

Total number of interruptions according to class.

Class A:	Planned Trans Power interruption.	-
Class B:	Planned interruption by an Line Operator (other than Trans Power)	454
Class C:	Unplanned interruption originating within the principal Line Owner's works.	466
Class D:	Unplanned Trans Power interruption.	2
Class E:	Unplanned ECNZ interruption.	-
Class F:	Unplanned interruption originating from a Generator other than ECNZ.	-
Class G:	Other	-

Total Interruptions: **922**

Faults

2.	Total number of faults per 100 circuit kilometres of prescribed voltage electric lines.	12.7												
3.	Number of faults per 100 circuit kilometres of prescribed voltage overhead lines.	<table> <tr> <td>6.6kV</td> <td>11kV</td> <td>22kV</td> <td>33kV</td> <td>119kV</td> <td><i>Total:</i></td> </tr> <tr> <td>.9</td> <td>5.3</td> <td>2.4</td> <td>3.4</td> <td>3.3</td> <td>4.2</td> </tr> </table>	6.6kV	11kV	22kV	33kV	119kV	<i>Total:</i>	.9	5.3	2.4	3.4	3.3	4.2
6.6kV	11kV	22kV	33kV	119kV	<i>Total:</i>									
.9	5.3	2.4	3.4	3.3	4.2									
4.	Number of faults per 100 circuit kilometres of prescribed voltage underground cables.	<table> <tr> <td>6.6kV</td> <td>11kV</td> <td>33kV</td> <td><i>Total:</i></td> </tr> <tr> <td>10.1</td> <td>30.3</td> <td>13.9</td> <td>28.1</td> </tr> </table>	6.6kV	11kV	33kV	<i>Total:</i>	10.1	30.3	13.9	28.1				
6.6kV	11kV	33kV	<i>Total:</i>											
10.1	30.3	13.9	28.1											

SAIDI (System Average Interruption Duration Index)

5.	The SAIDI for the total interruptions.	125.8
6.	The SAIDI for the total interruptions within each interruption class.	
	Class A: Planned Transport interruption	-
	Class B: Planned interruption by any Line Operator (other than Trans Power)	39.7
	Class C: Unplanned interruption originating within the principal Line Owner's works.	82.5
	Class D: Unplanned Trans Power interruption.	3.6
	Class E: Unplanned ECNZ interruption.	-
	Class F: Unplanned interruption originating from a generator other than ECNZ.	-
	Class G: Other	-

SAIFI (System Average Interruption Frequency Index).

7.	The SAIFI for the total interruptions	1.8
8.	The SAIFI for the total interruptions within each interruption class.	
	Class A: Planned Trans Power interruption.	-
	Class B: Planned interruption by any Line Operator (other than Trans Power).	.3
	Class C: Unplanned interruption originating within the principal Line Owner's works.	1.3
	Class D: Unplanned Trans Power interruption.	.1
	Class E: Unplanned ECNZ interruption.	-
	Class F: Unplanned interruption originating from a generator other than ECNZ.	-
	Class G: Other.	-

CAIDI (Electricity Customer Average Interruption Data Index)

9.	The CAIDI for the total interruptions.	70.7
10.	The CAIDI for the total interruptions within each interruption class.	
	Class A: Planned Trans Power interruption.	-
	Class B: Planned interruption by any Line Operator (other than Trans Power).	120.4
	Class C: Unplanned interruption originating within the principal Line Owner's works.	63.1
	Class D: Unplanned Trans Power interruption.	25.4
	Class E: Unplanned ECNZ interruption.	-
	Class F: Unplanned interruption originating from a generator other than ECNZ.	-
	Class G: Other.	-



■ Chartered Accountants

**To the Directors
Mercury Energy Limited**

Certification by Auditor in Relation to ODV Valuation

Auditors Report

We have examined the valuation report prepared by Mercury Energy Limited and dated 29 May 1995, which report contains valuations as at 31 March 1995 and identifies the ODV value of the system fixed assets at \$621,020,763.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report have in our opinion been made in accordance with the ODV Handbook.

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Auckland

31 August 1995

VALUATION OF MERCURY ENERGY'S EXISTING NETWORK

VALUATION OF OPTIMISED NETWORK

	Replacement	Depreciated
SUBTRANSMISSION		
Transformers	66,189,194	30,043,772
Switchgear	36,271,400	18,045,654
Cables	136,386,841	52,057,088
Submarine Cable (3 ccts)	5,586,536	3,189,317
Land	7,663,600	7,663,600
Buildings	42,795,500	28,527,950
Miscellaneous Items	5,544,343	2,602,326
SUBTRANSMISSION TOTAL	300,437,414	142,129,707
DISTRIBUTION		
Transformers	119,330,852	82,082,313
Switchgear(Isolators, RMU's)	39,885,810	27,541,812
Cables(11 kV, 6.6 kV and 400V)	430,714,392	259,816,945
Pillars	27,278,246	23,527,487
Lines(11 kV, 6.6 kV and 400V)	97,103,593	28,165,242
Buildings(Housing)	35,417,014	24,667,141
Meters	81,855,953	45,853,337
DISTRIBUTION TOTAL	831,585,860	491,654,278
Street lighting	7,140,881	3,633,459
Ripple Plant	9,842,574	8,734,857
Communications	22,628,046	13,136,200
OTHER EQUIPMENT TOTAL	39,611,501	25,504,515
TOTALS	1,171,634,776	659,288,500

	Replacement	Depreciated
SUBTRANSMISSION		
Transformers	56,071,841	24,351,444
Switchgear	25,972,980	12,614,947
Cables	88,715,906	38,907,872
Submarine Cable (2 ccts)	3,816,515	2,408,039
Land	3,623,600	3,623,600
Unused Land	4,040,000	4,040,000
Buildings	28,160,000	18,123,655
Miscellaneous Items	3,736,405	1,708,418
SUBTRANSMISSION TOTAL	214,137,248	105,777,976
DISTRIBUTION		
Transformers	119,330,852	82,082,313
Switchgear(Isolators, RMU's)	39,885,810	27,541,812
Cables(11 kV, 6.6 kV and 400V)	430,714,392	259,816,945
Pillars	27,278,246	23,527,487
Lines(11 kV, 6.6 kV and 400V)	97,103,593	28,165,242
Buildings(Housing)	35,417,014	24,667,141
Meters	81,855,953	45,853,337
DISTRIBUTION TOTAL	831,585,860	491,654,278
Street lighting	7,140,881	3,633,459
Ripple Plant	9,842,574	8,734,857
Communications	19,013,497	12,046,669
OTHER EQUIPMENT TOTAL	35,996,952	24,414,985
TOTALS	1,081,720,060	621,847,239

Reduction from ODRC to EV (Orere Pt.)

826,476

Mercury Energy ODV**621,020,763**worksheet totals
difference

1,081,720,060	621,847,239
(0)	0



■ Chartered Accountants

**To the Directors
Mercury Energy Limited**

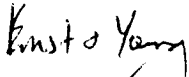
Certification by Auditor in Relation to Financial Statements

Auditors Report

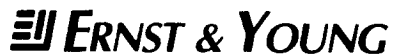
We have examined the financial statements on pages 3 to 17 prepared by Mercury Energy Limited as at 31 March 1995 and dated 31 August 1995 for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.


Ernst & Young
Auckland

31 August 1995



■ Chartered Accountants

**To the Directors
Mercury Energy Limited**

Certification of Performance Measures by Auditors

Auditors Report

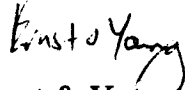
We have examined the attached information on page 18 being:

- a) Financial performance measures specified in clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and
- b) Financial components of the efficiency performance measures specified in clause 2 of Part II of that Schedule;

and having been prepared by Mercury Energy Limited as at 31 March 1995 and dated 31 August 1995 for the purposes of regulation 13 of those regulations.

We certify that, having made all reasonable enquiry, to the best of our knowledge, the attached information has been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.


Ernst & Young
Auckland

31 August 1995

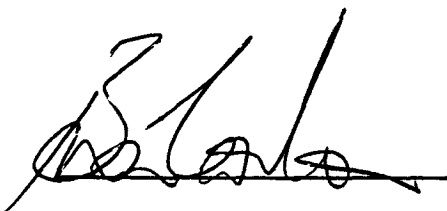
**WEL ENERGY GROUP
LIMITED**

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES
AND STATISTICS DISCLOSED BY LINE OWNERS
OTHER THAN TRANSPower

We, Brian Phillip Najib Corban, and Graeme David Edmond, Directors of WEL Energy Group Limited, certify that, having made all reasonable enquiry, to the best of our knowledge, -

- a) The attached audited financial statements of WEL Energy Group Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994, give a true and fair view of the matters to which they relate and comply with the requirements of those regulations; and
- b) The attached information, being financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to WEL Energy Group Limited, and having been prepared for the purposes of regulations 13, 14, 15, and 16 of the Electricity (Information Disclosure) Regulations 1994, comply with the requirements of the Electricity (Information Disclosure) Regulations 1994.

The valuations on which those financial performance measures are based are as at 31 December 1993.

 Brian Corban

25/8/95 Date

 Graeme Edmond

25/8/95 Date

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

**Statement of Financial Performance
For the year ended 31 March 1995**

	Note	1995 (\$000s)
Total revenue	1	41,642
Operating expenses		(29,038)
Net profit before taxation	2	<u>12,604</u>
Taxation expense	3	(4,559)
Net profit after taxation		<u>8,045</u>
Provision for dividends		(6,937)
Surplus to Retained Earnings		<u>1,108</u>

These statements are to be read in conjunction with the notes on pages 3 to 11, and the Certification by Auditor on page 17.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

**Statement of Financial Position
As at 31 March 1995**

	Note	1995 (\$000s)
Shareholders' funds	4	<u>72,688</u>
Represented by:		
Current assets	5	5,930
Fixed assets	6	75,213
Total assets		<u>81,143</u>
Current liabilities	7	6,564
Other liabilities and provisions	8	1,891
Total liabilities		<u>8,455</u>
Net assets		<u>72,688</u>

These statements are to be read in conjunction with the notes on pages 3 to 11, and the Certification by Auditor on page 17.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

**Statement of Accounting Policies
For the Year Ended 31 March 1995**

These financial statements are prepared and presented in accordance with the Electricity (Information Disclosure) Regulations 1994.

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 Disclosure Guidelines have 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.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

(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.

(e) Fixed Assets

The distribution system is revalued by independent valuers every three years based on a depreciated replacement cost 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%
Distribution system	4%

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

Furniture	20 - 25%
Plant and Equipment	20 - 25%
Vehicles	20 - 25%

**WEL ENERGY GROUP LIMITED
LINES BUSINESS****(g) Principles of Lines Business Split**

The lines business forms a segment of the operations of WEL Energy Group Limited. The allocation of costs, revenue, assets and liabilities was carried out on a basis which reflects the items attributable to each segment of the Group.

Where possible, financial statement items were allocated directly to the lines business. In those instances where direct allocation was not possible, the following allocation methodologies were employed:

Corporate Overheads

Corporate overhead costs were allocated as follows:

Personnel and payroll costs based on staff numbers; accounting costs based on complexity (primarily the number of transactions generated); Directors fees and consultancy based on an estimate of time spent on each segment. All other overheads were allocated in proportion to the allocation of other previously allocated overheads.

Property Costs

Allocated using market based rentals.

Expenditure

Where a segment of the company performs line business 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.

Bank Balances

All monies are managed centrally with each segment maintaining a current account with Corporate. Allocating bank balances directly has resulted in no bank balances being shown within the lines business.

Electricity Debtors

Electricity debtors have been allocated to the line business consistent with the proportion of line revenue to total line and energy revenue.

Inventory / Work in Progress

Inventory / work in progress attributable to both the line business and other activities have been allocated to the line business in proportion to the level of direct expenditure incurred by the line business.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

Fixed Assets

Fixed assets used by both the line business and another activity have been allocated to the line business in proportion to the level of use of those assets (where this is not known the level of expenditure is used as a proxy).

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.

Equity Reserves

Equity reserves unable to be directly allocated have been allocated based on net assets, with the exception of retained earnings which has been allocated in proportion to total equity reserves.

Except for line losses, where a departure has occurred for the reason explained in note 2, the Directors consider the principles outlined above are in accordance with the methodologies set out in the Electricity Disclosure Guidelines.

C. Comparatives

Comparatives are not available for previous years and have not been disclosed. This is in accordance with guidance from the Energy and Resources Division of the Ministry of Commerce.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

**Notes to the Financial Statements
For the Year Ended 31 March 1995**

		1995 (\$000s)
1	Revenue	
	Line charges	41,436
	Contracting sales	163
	Interest on investments	4
	Other income	39
		41,642
2	Operating Expenditure	
	Net profit before tax is stated after charging:	
	Transmission Charges	13,276
	Line losses	1,419
	Wages and salaries	2,322
	Depreciation	3,631
	Rental and Operating Lease Costs	504

WEL Energy Group Limited recovers line losses by way of line charges to its customers, accordingly the cost of those losses is charged to the line business.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

		1995 (\$000s)
3	Taxation expense	
	Profit before taxation	12,604
	Tax on profit at 33%	<u>4,159</u>
	Tax effect of permanent differences	400
	Total taxation expense	<u>4,559</u>
	Represented by:	
	Deferred income tax liability	385
	Current taxation provision	4,174
		<u>4,559</u>
	Deferred income tax liability	
	Balance at the beginning of the year	1,506
	Current year timing differences	385
	Adjustment for previous year	-
	Balance at the end of the year	<u>1,891</u>

The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$2,640,000, which would only crystallise on disposal, have not been recognised.

4 Shareholders' Funds

Capital Reserve	39,903
Asset Revaluation Reserve	30,345
Retained Earnings	2,440
	<u>72,688</u>

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

5	Current assets	1995 (\$000s)
	Trade debtors	4,197
	Provision for doubtful debts	(189)
		4,008
	Other Assets	1,922
		5,930
6	Fixed Assets	
	Freehold Land and Buildings	
	Land At cost	
	At valuation	736
	Buildings At cost	1,355
	At valuation	2,804
		4,895
	Accumulated depreciation	
	At cost	(168)
	At valuation	(228)
	Net book value	4,499
	Vehicles	
	Cost	517
	Accumulated depreciation	(206)
	Net book value	311
	Furniture, Plant and Equipment	
	Cost	1,497
	Accumulated depreciation	(973)
	Net book value	524

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

	1995 (\$000s)
Distribution System	
Cost	7,664
Valuation	70,401
	78,065
Accumulated depreciation	
At cost	(462)
At Valuation	(7,724)
	69,879
Net book value	
	75,213

Land and Buildings were revalued on 30 June 1993 by Ford Valuations Limited Registered Valuers

The distribution system was revalued on 1 July 1992 by Worley Consultants Ltd. Buildings at cost represents the amount paid to Hamilton City Council for the use of substations over a 33 year period.

7 Current liabilities

Trade creditors	5,619
Customer deposits	224
Provision for annual and long service leave	194
Provision for taxation	46
Due to WEL Energy Group	481
	6,564

8 Other liabilities and provisions

Deferred income tax liability	1,891
-------------------------------	-------

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

9 Financial Instruments

In the normal course of its business, the company incurs credit risk from trade receivables from line customers. A provision has been set up for trade receivables which are unlikely to be collected.

The company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposure have been set and are monitored on a regular basis. There are no significant concentrations of credit risk and the company does not require any collateral.

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

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

**Statement of Performance Measures
For the year ended 31 March 1995**

Financial measures

Accounting return on Total Assets (pre-tax)	10.3%
Accounting return on Equity (post-tax)	6.0%
Accounting Rate of Profit (post-tax)	6.0%

Efficiency Measures

Direct Line cost per Kilometre	\$ 1,802 /km
Indirect line costs per Electricity Customer	\$ 68.71 /customer

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

	Unadjusted Financial Statements 1995 (\$000s)	Adjusted for Performance Measures 1995 (\$000s)
Statement of Financial Performance		
Distribution Revenue	41,642	41,642
less		
Transmission Charges & Line Losses	14,695	14,695
System Expenditure	6,361	6,361
Non-System Expenditure	4,351	4,351
Depreciation 1]	3,631	5,312
 Earnings before Interest and Tax	12,604	10,923
 Interest expense	-	-
 Net profit before tax	12,604	10,923
less		
Tax 2]	4,559	4,542
 Net profit after tax	8,045	6,381
less		
Dividend Declared	6,937	6,937
 Transfer to Retained Earnings	1,108	(556)

WEL Energy Group accounts for its distribution system by using the full depreciation accounting methodology.

- 1] Depreciation has been adjusted to reflect the ODV valuation of the distribution system.
- 2] Tax has been adjusted to reflect cash paid.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

	Unadjusted Financial Statements 1995 (\$000s)	Adjusted for Performance Measures 1995 (\$000s)
Statement of Financial Position		
Net Working Capital	(634)	(617)
Other Liabilities and Provisions	(1891)	(1891)
Fixed Assets	1] 75,213	108,770
Total Funds Employed	72,688	106,262
Represented by:		
Total shareholder's Funds	72,688	106,262

- 1] Fixed assets have been adjusted to reflect the ODV valuation for the distribution system.

**WEL ENERGY GROUP LIMITED
LINES BUSINESS**

Energy Delivery Efficiency Performance Measures and Statistics

Load factor	58.92
Loss ratio	5.0%
Capacity utilisation	33.96%

Circuit km

	Overhead	Underground	Total
33 kV	184.37	58.94	243.31
11 kV	1772.03	336.96	2108.99
400 V	840.38	336.74	1177.12
TOTAL	2796.78	732.64	3529.42

Transformer capacity	452,617 kVA
Maximum demand	153.7 kW
Total Electricity supplied from the system (excluding losses)	753,646,133 kWhrs
Total amount of electricity conveyed through the system for other ER's and generators	19,455,380 kWhrs
Total customers	63,323

First Schedule Pt IV**Performance Measures****1. Total Interruptions**

CLASS A	Planned outages TransPower	0
CLASS B	Planned outages WEL	177
CLASS C	Unplanned outages WEL	213
CLASS D	Unplanned outages TransPower	0
CLASS E	Unplanned interruption ECNZ	0
CLASS F	Unplanned interruption other generator	0
CLASS G	Other interruption	0
<hr/>		
TOTAL		390
<hr/>		<hr/>

2, 3, 4 Faults per 100 km

	OVERHEAD	UNDERGROUND	TOTAL
33 kV	13.56	0	10.27
11 kV	9.93	3.56	8.91
TOTAL	10.27	3.03	9.06

5, 6, 7, 8, 9, 10

CLASS OF INTERRUPTION	SAIDI	SAIFI	CAIDI
CLASS A	0.00	0.00	0.00
CLASS B	38.38	0.24	159.92
CLASS C	125.08	2.53	49.44
CLASS D	0.00	0.00	0.00
CLASS E	0.00	0.00	0.00
CLASS F	0.00	0.00	0.00
CLASS G	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
	163.46	2.77	59.01
	<hr/>	<hr/>	<hr/>

Coopers
& Lybrand

chartered accountants

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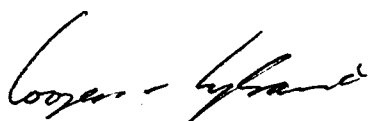
Whangarei Auckland Manukau City
Hamilton Tauranga New Plymouth
Napier Hastings Palmerston North
Feilding Wellington Johnsonville
Christchurch Dunedin Invercargill

A Member Firm of
Coopers & Lybrand International

CERTIFICATION BY AUDITOR
IN RELATION TO LINES BUSINESS FINANCIAL STATEMENTS

We have examined for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994, the WEL Energy Group Limited Lines Business financial statements for the year ended 31 March 1995 set out on pages 1 to 11.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.



COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
AUCKLAND

11 AUGUST 1995

Coopers
& Lybrand

chartered accountants

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Christchurch Dunedin Invercargill

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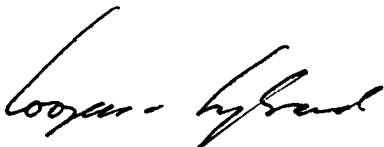
CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

We have examined the information on pages 12 to 14, being:

- (a) Financial performance measures specified in clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and
- (b) Financial components of the efficiency performance measures specified in clause 2 of Part II of that Schedule,

and having been prepared by WEL Energy Group Limited for the year ended 31 March 1995 for the purposes of regulation 13 of those regulations.

We certify that, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1994.



COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
AUCKLAND

11 AUGUST 1995

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS****Statement of Financial Performance
For the year ended 31 March 1995**

	Note	1995 (\$000s)
Total revenue	1	40,927
Operating expenses		(39,244)
Net profit before taxation	2	<u>1,683</u>
Taxation expense	3	(556)
Net profit after taxation		<u>1,127</u>
Provision for dividends		(973)
Surplus to Retained Earnings		<u>154</u>

These statements are to be read in conjunction with the notes on pages 3 to 9, and the Certification by Auditor on page 10.

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

**Statement of Financial Position
As at 31 March 1995**

	Note	1995 (\$000s)
Shareholders' funds	4	<u>749</u>
Represented by:		
Current assets	5	4,223
Fixed assets	6	782
Total assets		<u>5,005</u>
Current liabilities	7	4,256
Total liabilities		<u>4,256</u>
Net assets		<u>749</u>

These statements are to be read in conjunction with the notes on pages 3 to 9, and the Certification by Auditor on page 10.

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

**Statement of Accounting Policies
For The Year Ended 31 March 1995**

1. These financial statements are prepared and presented in accordance with the Electricity (Information Disclosure) Regulations 1994.

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 has been followed.

The Electricity Disclosure Guidelines have 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.

(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

Electricity sales include an accrual for units sold but not billed at balance date.

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

(d) Fixed Assets

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

All other fixed assets are recorded at cost less accumulated depreciation.

(e) Depreciation of Fixed Assets

Depreciation of fixed assets is provided for as follows:

Buildings	3%	Straight Line
Furniture	20 - 25%	Diminishing Value
Plant and Equipment	20 - 25%	Diminishing Value
Vehicles	20 - 25%	Diminishing Value

(f) Principles of Energy Business Split

The energy business forms a segment of the operations of WEL Energy Group Limited. The allocation of costs, revenue, assets and liabilities was carried out on a basis which reflects the items attributable to each segment of the Group.

Where possible, financial statement items were allocated directly to the energy business. In those instances where direct allocation was not possible, the following allocation methodologies were employed:

Corporate Overheads

Corporate overhead costs were allocated as follows:

Personnel and payroll costs based on staff numbers; accounting costs were based on complexity (primarily the number of transactions generated); Directors fees and consultancy based on an estimate of time spent on each segment. All other overheads were allocated in proportion to the allocation of other previously allocated overheads.

Property Costs

Allocated using market based rentals.

Expenditure

Where a segment of the company performs energy business activities in addition to other functions each item of expenditure incurred by that segment has been allocated to the energy business in proportion to the total level of energy business activity undertaken by the segment.

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

Bank Balances

All monies are managed centrally with each segment maintaining a current account with Corporate. Allocating bank balances directly has resulted in no bank balances being shown within the energy business.

Electricity Debtors

Electricity debtors have been allocated consistent with the proportion of energy revenue to total line and energy revenue.

Fixed Assets

Fixed assets used by both the energy business and another activity have been allocated to the energy business in proportion to the level of use of those assets (where the level of use is not known the level of expenditure is used as a proxy).

Creditors

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

Provision for Annual and Long Service Leave

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

Equity Reserves

Equity reserves unable to be directly allocated have been allocated based on net assets, with the exception of retained earnings which has been allocated in proportion to total equity reserves.

Except for line losses, which have been allocated to the lines business, the Directors consider the principles outlined above are in accordance with the methodologies set out in the Electricity Disclosure Guidelines.

C. Comparatives

Comparatives are not available for previous years and have not been disclosed. This is in accordance with guidance from the Energy and Resources Division of the Ministry of Commerce.

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

**Notes to the Financial Statements
For the Year Ended 31 March 1995**

		1995 (\$000s)
1	Revenue	
	Electricity sales	40,039
	Other income	888
		40,927
2	Net Profit Before Tax	
	The Net Profit Before Tax is stated after charging	
	Electricity purchases	36,344
	Wages and salaries	795
	Depreciation	100
	Rental and Operating Lease Costs	145
3	Taxation expense	
	Profit before taxation	1,683
	Tax on profit at 33%	556
	Tax effect of permanent differences	-
	Taxation expense	556
	Represented by:	
	Deferred income tax liability	5
	Current taxation provision	551
		556

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

	1995 (\$000s)
Deferred income tax asset	
Balance at the beginning of the year	54
Current year timing differences	(5)
Balance at the end of the year	49
4 Shareholders' Funds	
Capital Reserve	582
Retained Earnings	167
	749
5 Current assets	
Trade debtors	4,120
Provision for doubtful debts	(72)
	4,048
Advance to WEL Energy Group	126
Deferred Income Tax Asset	49
	4,223

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

6 Fixed Assets	1995 (\$000s)
Freehold Land and Buildings	
Land At cost	-
At valuation	52
Buildings At cost	-
At valuation	438
	490
Accumulated depreciation	
At cost	-
At valuation	(28)
Net book value	462
Vehicles	
Cost	227
Accumulated depreciation	(81)
Net book value	146
Furniture, Plant and Equipment	
Cost	472
Accumulated depreciation	(298)
Net book value	174
Total net book value	782

Land and Buildings were revalued on 30 June 1993 by Ford Valuations Limited Registered Valuers

**WEL ENERGY GROUP LIMITED
ENERGY BUSINESS**

7	Current liabilities	1995 (\$000s)
	Trade creditors	3,984
	Customer deposits	224
	Provision for annual and long service leave	42
	Provision for taxation	6
		4,256

8 **Contingencies**

A contingency could arise for the difference between market and hedged energy prices should surplus energy units have to be sold on the spot market. It is not possible to quantify the value of this contingency, should it arise.

9 **Financial Instruments**

In the normal course of its business, the company incurs credit risk from trade receivables from energy customers. A provision has been set up for trade receivables which are unlikely to be collected.

The company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposure have been set and are monitored on a regular basis. There are no significant concentrations of credit risk and the company does not require any collateral.

The Directors estimate that the carrying amounts of financial instruments in the Balance Sheet equal their fair values.

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CERTIFICATION BY AUDITOR

IN RELATION TO ENERGY BUSINESS FINANCIAL STATEMENTS

We have examined for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994, the WEL Energy Group Limited Energy Business financial statements for the year ended 31 March 1995 set out on pages 1 to 9.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.



COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
AUCKLAND

11 AUGUST 1995

