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WAITOMO ENERGY SERVICES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

WAITOMO ENERGY SERVICES LIMITED

Line Business Activity
Statement of Financial Performance
For Year Ending 31st March 1996

	<u>Note</u>	\$ 000
Income		8,749
Transmission costs		(2,466)
Line losses		<u>(644)</u>
		5,639
System costs		1,623
Insurance		72
Indirect costs		866
Interest		181
Depreciation		<u>876</u>
		3,618
Net Profit before Tax & Discount		2,021
Taxation expense	2	<u>634</u>
Net Profit After Tax		<u>1,387</u>
Customer Discount	3	<u>795</u>
Net Profit after Tax and Discount		592
Retained Earnings at Beginning of Year		<u>944</u>
Total Retained Earnings		<u>1,536</u>

Line Business Activity
Statement of Financial Position
As At 31st March 1996

	<u>Note</u>	\$ 000
CORPORATE FUNDS		
Share Capital		8,000
Retained Earnings		1,536
Revaluation Reserve		<u>(49)</u>
		<u>9,487</u>
Fixed Assets	4	11,775
Investments		850
Current Assets		
Cash		1,291
Receivables and Prepayments		<u>445</u>
Inventory		1,736
Total Assets Employed		14,361
Term Liabilities		
Loans	5	3,000
Deferred Tax	6	<u>528</u>
		3,528
Current Liabilities		
Account Payable		395
General Provisions		248
Customer Discount Provision		<u>703</u>
		1,346
Total Liabilities		<u>4,874</u>
Net Assets Employed		<u>9,487</u>

WAITOMO ENERGY SERVICES LIMITED**Line Business Activity
Notes to the Financial Statements****NOTE 1: STATEMENT OF ACCOUNTING POLICIES****GENERAL ACCOUNTING POLICIES**

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed. Accrual accounting is used to match expenses with revenues. Reliance is placed on the fact that the Company is a going concern. The accounts are prepared in accordance with the Companies Act 1955 and 1993 and the Financial Reporting Act 1993.

PARTICULAR ACCOUNTING POLICIES

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

Debtors

Debtors are stated at their estimated realisable value.

Fixed Assets

The Company has five classes of fixed assets:

- Freehold Land
- Freehold Buildings
- Motor Vehicles, Plant and Equipment
- Distribution System
- Generation Plant

Land and Buildings were revalued on 1st April 1995 based on the lower of estimated market value or Government Valuation. All other assets are valued at cost.

Statutory Base

The Company was incorporated under the Companies Act 1955 in accordance with the Energy Companies Act 1992. The assets of the Company were transferred from the Waitomo Electric Power Board in accordance with an Order in Council dated 7th May 1993. All assets were transferred at net book value as at 31st March 1993. The preparation of these financial statements is in accordance with the Companies Act 1955 (as amended) and the Energy Companies Act 1992. Additional disclosures have also been made as required by the Energy Disclosure Information Regulations 1994.

Staff Leave and Gratuity Payments

Provision is made in respect of the Company's liability for annual leave and gratuity payments. At the balance date retiring gratuities have been accrued in respect of all employees with more than 10 years service with the Company and aged 45 years or over. Gratuity payment is paid on the retirement of an employee who has at the time of retirement been currently continuously employed by the Company for a period of at least 10 years.

Depreciation

Depreciation is provided on either a straight line or a diminishing value basis on all fixed assets other than freehold land, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful life.

Major depreciation rates and methods:

Buildings and generation headworks	40-100 years	Straight Line
Generation plant	10%	Diminishing Value
Distribution system	5% to 10%	Diminishing Value
Distribution system (pre 1987)	20 years	Straight line
Motor vehicles, plant & equipment	10% to 50%	Diminishing Value

Inventory

Stocks are stated at the lower of cost, determined on an average cost basis, or net realisable value.

Investments

Investments are stated at cost, less any share of post acquisition increases/decreases in net assets.

WAITOMO ENERGY SERVICES LIMITED

Line Business Activity

Notes to the Financial Statements continued...

Capitalisation of Distribution Work

The Company carries out a program of patrolling each of its distribution lines and testing individual poles. Where work is carried out as a result of the program and the cost of the work is five times greater than the normal cost of maintaining the relevant segment of line, the cost is capitalised.

Taxation

The income tax charge to the Statement of Financial Performance includes both the current year taxation and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting has been applied on a comprehensive basis to timing differences.

Financial Instruments

The Company has entered into transactions using financial instruments as part of its ongoing business activities. These transactions are accounted for on the basis of the accounting policies set out above. There are no off balance sheet financial instruments.

Changes in Accounting Policies

There have been no changes in accounting policies during the year. All accounting policies have been applied on a basis consistent with last year, with the exception of the format of the Statement of Financial Performance which shows total Revenue and Expenses.

NOTE 2:	1996 \$
Taxation Expense	
Nominal Profit Before Taxation	2,021,000
Prima Facie Taxation @ 33%	666,930
Add/(Less) Effect of Permanent Tax Diff	(32,997)
Plus Prior Period Liability	<u>0</u>
Net Taxation Expense	633,933

NOTE 3:	\$
Customer Discount	
Discount Declared	1,186,000
Less Taxation Effect	<u>391,000</u>
Net Customer Discount	<u>\$ 795,000</u>

NOTE 4:

Fixed Assets 1996	<u>At Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
	\$	\$	\$
Land	28,500	0	28,500
Buildings	447,800	9,349	438,451
Distribution System	12,054,123	1,870,389	10,183,734
MV Plant & Equipment	1,186,891	497,312	689,579
Capital Work in Progress	<u>435,246</u>	<u>0</u>	<u>435,246</u>
Total	<u>14,152,560</u>	<u>2,377,050</u>	<u>\$11,775,510</u>

WAITOMO ENERGY SERVICES LIMITED**Line Business Activity****Notes to the Financial Statements continued ...**

	1996
NOTE 5: Loans	\$
Periods of Repayment:	
Current Portion	
(due within one year)	
Perpetual	
The term loans are perpetual subordinated debentures issued to:	<u>3,000,000</u>
- Waitomo Energy Services Customer Trust	<u>3,000,000</u>
\$1,000,000 at a rate of 8.4%	
- Northern King Country Development Trust	
\$2,000,000 at a rate of 5.0%	
The subordinated debentures are unsecured	
	\$
NOTE 6: Deferred Taxation	
Represented by the following timing differences:	
- Fixed Assets	838,284
- Accruals & Provisions	<u>(309,831)</u>
	<u>528,453</u>

NOTE 7: Financial Instruments**Fair Values**

The fair values of financial instruments are considered to be not materially different from the carrying values shown in the Financial Statements.

Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank deposits and accounts receivable.

Credit risk with respect to bank deposits is reduced by spreading deposits with a range of high credit quality financial institutions.

Credit risk in respect of debtors is limited due to the large numbers of customers. These debtors are subject to credit control and, with the exception of hire purchase debtors, are unsecured.

NOTE 8: Segmental Information

Waitomo Energy Services operates predominantly in one geographical segment. It is located in the mid-central North Island in the King Country. The head office is located in the township of Te Kuiti.

WAITOMO ENERGY SERVICES LIMITED

**Electricity and Other Business Activity
Statement of Financial Performance
For Year Ending 31st March 1996**

	<u>Note</u>	\$
		000
Income		
Electricity		7,172
Other		2,412
Interest (net)		<u>529</u>
		10,113
Electricity Costs		5,198
Cost of Goods & Services Supplied		2,158
Projects		193
Corporate Expenses		607
Depreciation		<u>207</u>
		8,363
Abnormal Expenses		180
Net Profit before Tax and Discount		1,570
Taxation expense	2	<u>584</u>
Net Profit After Tax		<u>986</u>
Customer Discount	3	<u>391</u>
Net Profit after Tax and Discount		595
Retained Earnings at Beginning of Year		<u>930</u>
Total Retained Earnings		<u>1,525</u>

WAITOMO ENERGY SERVICES LIMITED

**Electricity & Other Business Activity
Statement of Financial Position
As At 31st March 1996**

	<u>Note</u>	\$
		000
CORPORATE FUNDS		
Share Capital		8,013
Retained Earnings		1,503
Revaluation Reserve		<u>181</u>
		<u>9,697</u>
Fixed Assets	4	4,172
Investments		5,426
Current Assets		
Cash		74
Receivables and Prepayments		1,324
Work in Progress		79
Inventory		<u>421</u>
		1,898
Total Assets Employed		11,496
Term Liabilities		
Deferred Tax	5	(224)
Current Liabilities		
Accounts Payable		1,189
General Provisions		488
Customer Discount Provision		<u>346</u>
		2,023
Total Liabilities		<u>1,799</u>
Net Assets Employed		<u>9,697</u>

WAITOMO ENERGY SERVICES LIMITED**Electricity & Other Business Activity
Notes to the Financial Statements****NOTE 1: STATEMENT OF ACCOUNTING POLICIES****GENERAL ACCOUNTING POLICIES**

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Stocks are stated at the lower of cost, determined on an average cost basis, or net realisable value.

Investments

Investments are stated at cost, less any share of post acquisition increases/decreases in net assets.

WAITOMO ENERGY SERVICES LIMITED**Electricity & Other Business Activity
Notes to the Financial Statements continued...****Capitalisation of Distribution Work**

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Changes in Accounting Policies

There have been no changes in accounting policies during the year. All accounting policies have been applied on a basis consistent with last year, with the exception of the format of the Statement of Financial Performance which shows total Revenue and Expenses.

NOTE 2: Taxation Expense	1996
	\$
Nominal Profit Before Taxation	1,570,000
Prima Facie Taxation @ 33%	518,100
Add/(Less) Effect of Permanent Tax Diff	61,492
Plus Prior Period Liability	<u>4,347</u>
Net Taxation Expense	583,939

NOTE 3: Customer Discount

Discount Declared	583,000
Less Taxation Effect	<u>192,000</u>
Net Customer Discount	<u>391,000</u>

NOTE 4:	<u>At Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Fixed Assets 1996	\$	\$	\$
Land	174,588	0	174,588
Buildings	736,788	26,377	710,411
MV Plant & Equipment	822,252	283,484	538,768
Generation	<u>2,964,326</u>	<u>216,420</u>	<u>2,747,906</u>
Total	<u>4,697,954</u>	<u>526,281</u>	<u>4,171,673</u>

NOTE 5: Deferred Taxation	1996
	\$
Represented by the following timing differences:	
Accruals & Provisions	<u>(223,787)</u>

NOTE 6: Contingent Liabilities

The Company has contingent liabilities of \$786,667. Included in this is exposure to the Electricity Spot Market.

WAITOMO ENERGY SERVICES LIMITED**Electricity & Other Business Activity
Notes to the Financial Statements continued...****NOTE 7: Financial Instruments****Fair Values**

The fair values of financial instruments are considered to be not materially different from the carrying values shown in the Financial Statements.

Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank deposits and accounts receivable.

Credit risk with respect to bank deposits is reduced by spreading deposits with a range of high credit quality financial institutions.

Credit risk in respect of debtors is limited due to the large numbers of customers. These debtors are subject to credit control and, with the exception of hire purchase debtors, are unsecured.

NOTE 8: Segmental Information

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NOTE 9: Other Services Provided by Auditors

In addition to the audit fees of \$11,871 to KPMG, the Company has also paid to them \$41,663 for other services provided.

FINANCIAL PERFORMANCE MEASURES AND EFFICIENCY PERFORMANCE MEASURES

1.	Financial Performance Measures	1996	1995
(a)	Accounting return on total assets being earnings before interest and tax, divided by average total funds employed	7.13%	6.24%
(b)	Accounting return on equity, being net profit after tax, divided by average total shareholders funds	5.41%	4.74%
(c)	Accounting rate of profit	5.07%	4.71%
2.	Efficiency Performance Measures		
(a)	Direct line costs per km	\$ 690	\$ 662
(b)	Indirect costs per customer	\$ 70	\$ 72

ODV VALUATION

As at 1st April 1994 the stand alone ODV Valuation of the line business was \$35.7 million.



Waitomo Energy Services Ltd

Certification by Auditor in Relation to Financial Statements

I have examined the attached financial statements prepared by Waitomo Energy Services Limited and dated 31 March 1996 for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

I hereby certify that, having made all reasonable enquiries, to the best of my 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.

KPMG

5 August 1996



Waitomo Energy Services Ltd

Certification of Performance Measures by Auditors

I have examined the attached information, 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 Waitomo Energy Services Limited and dated 31 March 1996 for the purposes of Regulation 13 of those regulations.

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

KPMG

5 August 1996

Coopers
& Lybrand

chartered accountants

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A Member Firm of
Coopers & Lybrand International

The Directors
Waitomo Energy Services Limited
P O Box 281
TE KUITI 2500

**CERTIFICATION BY AUDITOR IN RELATION TO
ODV VALUATION OF WAITOMO ENERGY SERVICES'
LINES BUSINESS**

I have examined the valuation report prepared by Coopers & Lybrand and dated 18 July 1995, which report contains valuations as at 1 April, 1994.

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

WILLIAM MURRAY COOK
.....

31 JULY 1995

Energy Efficiency Performance Measures and Statistics

1.	<u>Energy Delivery Efficiency Performance Measures</u>	1996	1995
(a)	Load factor	56.34 %	56.25 %
(b)	Loss ratio	8.86 %	8.89 %
(c)	Capacity utilisation	35.82 %	35.66 %
2.	<u>Statistics</u>		
(a)	System length, broken down by voltage		
	Total lengths:	2,562.4 km	2,562 km
	33kV	204.0 km	204 km
	11kV	2,220.4 km	2,220 km
	400/230V	138.0 km	138 km
(b)	Circuit length of overhead electric lines, broken down into voltage:		
	Total lengths:	2,541.4km	2,541 km
	33kV	204.0km	204 km
	11kV	2,214.4km	2,214 km
	400/230V	123.0km	123 km
(c)	Circuit length of underground electric lines		
	Total lengths:	21 km	21 km
	11kV	6 km	6 km
	400/230V	15 km	15 km
(d)	Transformer capacity	81,109 kVA	78,211 kVA
(e)	Maximum demand	29,050 kW	27,890 kW
(f)	Total electricity supplied from the system	130,673,302kWh	125,228,804kWh
(g)	Total electricity conveyed through the system during the financial year on behalf of other persons	Zero kWh	Zero kWh
(h)	Total customers	8,961	8,740
	Total metered installations	12,305	11,674

Reliability Performance Measures

	1996	1995
1. Interruptions (excluding interruptions caused by operation of 11kV transformer fuses and affecting only up to 3 customers)		
A. TransPower - Planned Shutdowns	0	0
B. Electricity Distributor - Planned Shutdowns	350	290
C. Electricity Distributor - Unplanned Cuts	369	300
D. TransPower - Unplanned Cuts	12	4
E. ECNZ Generator - Unplanned Cuts	0	0
F. Other Distributor or Generator - Unplanned Cuts	0	0
G. Other Distributor or Generator - Planned Shutdowns	0	0
Total all interruptions	731	594
2. Total faults per 100 kilometres:	14.4	12.1
3. Underground faults per 100km		
33kV	0	0
11kV	4.8	33.3
Total all voltages:	4.8	33.3
4. Overhead faults per 100km		
33kV	16.7	9.8
11kV	15.0	12.3
Total all voltages:	14.5	12.1
5. System performance indices:		

1996

<u>Class</u> (As in 1. above)	<u>SAIDI</u> (System Average Interruption Duration Index)	<u>SAIFI</u> (System Average Interruption Frequency Index)	<u>CAIDI</u> (Customer Average Interruption Duration Index)
A.	0	0	-
B.	331.05	1.68	196.73
C.	370.15	9.08	40.76
D.	13.71	0.27	51.37
E.	0	0	-
F.	0	0	-
G.	0	0	-
Total	714.92	11.03	64.81

1995

<u>Class</u> (As in 1. above)	<u>SAIDI</u> (System Average Interruption Duration Index)	<u>SAIFI</u> (System Average Interruption Frequency Index)	<u>CAIDI</u> (Customer Average Interruption Duration Index)
A.	0	0	-
B.	398.7	1.52	262.33
C.	468.8	7.59	61.77
D.	18.8	0.47	40.04
E.	0	0	-
F.	0	0	-
G.	0	0	-
Total	886.4	9.59	92.43

**Certification of Financial Statement, Performance Measures, and Statistics
Disclosed by Line Owners Other than Trans Power**

WE, **Charles Murray Loewenthal** and **William Henry Thompson**, Directors of **Waitomo Energy Services Limited**, certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of **Waitomo Energy Services 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 **Waitomo Energy Services 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 1st April 1994.

Signature: Charles Murray Loewenthal Director

Signature: William Henry Thompson Director

Date: 9th August 1996



