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WEL ENERGY GROUP LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

WEL ENERGY GROUP LIMITED

Statement of Financial Performance
For the year ended 31 March 1996

	Note	Line Business		Energy Business	
		1996 (\$000s)	1995 (\$000s)	1996 (\$000s)	1995 (\$000s)
Total revenue	1	44,536	41,642	41,715	40,927
Operating expenses	2	(28,659)	(29,038)	(37,566)	(39,244)
Net profit before taxation		15,877	12,604	4,149	1,683
Taxation expense	3	(6,105)	(4,559)	(1,369)	(556)
Net profit after taxation		9,772	8,045	2,780	1,127
Provision for dividends		(5,941)	(6,937)	(1,690)	(973)
Surplus to Retained Earnings		3,831	1,108	1,090	154

Statement of Financial Position
As at 31 March 1996

	Note	Line Business		Energy Business	
		1996 (\$000s)	1995 (\$000s)	1996 (\$000s)	1995 (\$000s)
Shareholders' funds	4	110,009	72,688	1,850	749
Represented by:					
Current assets	5	6,543	5,930	4,924	4,174
Fixed assets	6	110,622	75,213	756	782
Total assets		117,165	81,143	5,680	4,956
Current liabilities	7	4,848	6,564	3,916	4,256
Deferred Taxation	3	2,308	1,891	(86)	(49)
Total liabilities		7,156	8,455	3,830	4,207
Net assets		110,009	72,688	1,850	749

These statements are to be read in conjunction with the notes on pages 2 to 8, and the Certification by Auditor on page 10.

WEL ENERGY GROUP LIMITED

**Statement of Accounting Policies
For the Year Ended 31 March 1996**

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 realizable value after adequate provision for doubtful debts. Bad debts are written off in the period they are identified.

(c) Revenue Recognition

Line and energy 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 realizable 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 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.

Costs 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.

WEL ENERGY GROUP LIMITED**(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	4.4%

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%

(g) Principles of Line and Energy Business Split

The line and energy businesses form segments 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 line or 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 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 or energy business activities in addition to other functions each item of expenditure incurred by that segment has been allocated to the line or energy business in proportion to the total level of line or energy 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 line or energy business.

Electricity Debtors

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

WEL ENERGY GROUP LIMITED**Inventory / Work in Progress**

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

Fixed Assets

Fixed assets used by both the line or energy business and another activity have been allocated to the line or energy 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 or energy 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 or energy business and other activities has been allocated to the line or energy business in proportion to wages expenditure.

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. Changes in Accounting Policy

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

WEL ENERGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1996

	Line Business		Energy Business	
	1996 (\$000s)	1995 (\$000s)	1996 (\$000s)	1995 (\$000s)
1 Revenue				
Line rental & electricity sales	44,349	41,436	40,778	40,039
Contracting sales	2	163	-	
Interest on investments	0	4	33	
Other income	185	39	904	888
	44,536	41,642	41,715	40,927
2 Operating Expenditure				
Net profit before tax is stated after charging:				
Transmission Charges & electricity purchases	12,303	12,782	34,805	36,344
Line losses	1,832	1,913		
Wages and salaries	1,918	2,322	884	795
Depreciation	4,725	3,631	98	100
Rental and Operating Lease Costs	26	504	-	145
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.				
3 Taxation expense				
Profit before taxation	15,877	12,604	4,149	1,683
Tax on profit at 33%	5,239	4,159	1,369	556
Tax effect of permanent differences	866	400	-	-
Total taxation expense	6,105	4,559	1,369	556
Represented by:				
Deferred income tax liability	417	385	(37)	5
Current taxation provision	5,688	4,174	1,406	551
	6,105	4,559	1,369	556
Deferred income tax liability				
Balance at the beginning of the year	1,891	1,506	(49)	(54)
Current year timing differences	417	385	(37)	5
Balance at the end of the year	2,308	1,891	(86)	(49)

The tax effect of timing differences arising from asset revaluations of the distribution system approximating \$3,800,000, which would only crystallise on disposal, have not been recognised.

WEL ENERGY GROUP LIMITED

	Line Business		Energy Business	
	1996 (\$000s)	1995 (\$000s)	1996 (\$000s)	1995 (\$000s)
4 Shareholders Funds				
Capital Reserve	39,903	39,903	582	582
Asset Revaluation Reserve	63,835	30,345	11	-
Retained Earnings	6,271	2,440	1,257	167
	<u>110,009</u>	<u>72,688</u>	<u>1,850</u>	<u>749</u>
Asset Revaluation Reserve				
Balance at the beginning of the year	30,345	30,345	-	-
Asset revaluations	33,490	-	11	-
Balance at the end of the year	<u>63,835</u>	<u>30,345</u>	<u>11</u>	<u>-</u>
Retained Earnings				
Balance at the beginning of the year	2,440	1,332	167	13
Net surplus after tax	9,772	8,045	2,780	1,127
Dividends	(5,941)	(6,937)	(1,690)	(973)
Balance at the end of the year	<u>6,271</u>	<u>2,440</u>	<u>1,257</u>	<u>167</u>
5 Current assets				
Trade debtors	4,340	4,008	4,148	4,048
Due from WEL Energy Group	-	-	777	126
Other Assets	2,203	1,922	(0)	49
	<u>6,543</u>	<u>5,930</u>	<u>4,924</u>	<u>4,223</u>
6 Fixed Assets				
Freehold Land and Buildings				
Land				
At cost		-		-
At valuation	747	736	54	52
Buildings				
At cost	1,355	1,355		-
At valuation	2,716	2,804	419	438
	<u>4,818</u>	<u>4,895</u>	<u>473</u>	<u>490</u>
Accumulated depreciation				
At cost	(168)	(168)		-
At valuation	(224)	(228)	(12)	(28)
Net book value	<u>4,426</u>	<u>4,499</u>	<u>461</u>	<u>462</u>
Vehicles				
Cost	524	517	229	227
Accumulated depreciation	(283)	(206)	(115)	(81)
Net book value	<u>241</u>	<u>311</u>	<u>114</u>	<u>146</u>

WEL ENERGY GROUP LIMITED

	Line Business		Energy Business	
	1996 (\$000s)	1995 (\$000s)	1996 (\$000s)	1995 (\$000s)
Furniture, Plant and Equipment				
Cost	1,715	1,497	531	472
Accumulated depreciation	(1,140)	(973)	(350)	(298)
Net book value	<u>575</u>	<u>524</u>	<u>181</u>	<u>174</u>
Distribution System				
Cost	6,656	7,664		
Valuation	102,428	70,401		
	<u>109,084</u>	<u>78,065</u>		
Accumulated depreciation				
At cost	(150)	(462)		
At Valuation	(3,554)	(7,724)		
Net book value	<u>105,380</u>	<u>69,879</u>		
Total net book value	<u>110,622</u>	<u>75,213</u>	<u>756</u>	<u>782</u>

Land and Buildings were revalued on 1 July 1995 by Ford Valuations Limited Registered Valuers. The distribution system was revalued on 1 July 1995 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	2,898	5,619	3,400	3,984
Customer deposits	231	224	231	224
Provision for annual and long service leave	313	194	82	42
Provision for taxation	903	46	203	6
Due to WEL Energy Group	503	481	-	-
	<u>4,848</u>	<u>6,564</u>	<u>3,916</u>	<u>4,256</u>

8 **Financial Instruments**

In the normal course of its business, the company incurs credit risk from trade receivables from 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**9 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 in the unlikely event that it should arise.

10 Contingencies

There are no capital commitments in the line business (1995 nil) or the energy business (1995 nil).

WEL ENERGY GROUP LIMITED

Statement of Performance Measures
For the year ended 31 March 1996

	1996	1995
Financial measures		
Accounting return on Total Assets (pre-tax)	14.2%	10.3%
Accounting return on Equity (post-tax)	9.5%	6.0%
Accounting Rate of Profit (post-tax)	9.9%	6.0%
Efficiency Measures		
Direct Line cost per Kilometre	\$ 1,608 /km	\$ 1,802 /km
Indirect line costs per Electricity Customer	\$ 61.85 /customer	\$ 68.71 /customer

The following amounts have been adjusted in deriving the above performance measures:

	Financial Statements		Performance Measures	
	1996 (\$000s)	1995 (\$000s)	1996 (\$000s)	1995 (\$000s)
Depreciation has been adjusted to reflect the ODV valuation of the distribution system.	4,725	3,631	5,240	5,312
Tax has been adjusted to reflect cash paid.	6,105	4,559	5,052	4,542
Fixed assets have been adjusted to reflect the ODV valuation for the distribution system	110,622	75,213	110,622	108,770

The latest available ODV Valuation was prepared by Worley International Limited as at 1 July 1995 and amounted to \$105,770,000.

These statements are to be read in conjunction with the Certification by Auditor on page 11.

Coopers
& Lybrand

chartered accountants
and business advisers

telephone 0-7-838 2169
fax 0-7-838 3322

PO Box 911
Bryant Trust Building
Alexandra Street
Hamilton
New Zealand

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**CERTIFICATION BY AUDITOR IN RELATION TO
LINES AND 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 Lines and Energy Business financial statements for the year ended 31 March 1996 set out on pages 1 to 8.

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.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
HAMILTON

14 August 1996

Coopers
& Lybrand

chartered accountants
and business advisers

telephone 0-7-838 2169
fax 0-7-838 3322

PO Box 911
Bryant Trust Building
Alexandra Street
Hamilton
New Zealand

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CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We have examined the information on page 9, 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 1996 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.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
HAMILTON

14 August 1996

First Schedule Pt III Energy Delivery Efficiency Performance Measures and Statistics

1996

1 a)	Load factor			58%
b)	Loss ratio			5%
c)	Capacity utilization			35%
2 a)b)c)	Circuit km	Overhead	Underground	Total
	33 kV	186.40	61.60	248.00
	11 kV	1,772.80	340.90	2,113.70
	400 V	840.70	352.70	1,193.40
	TOTAL	<u>2,799.90</u>	<u>755.20</u>	<u>3,555.10</u>
d)	Transformer capacity			471,980 kVA
e)	Maximum demand			163,700 kW
f)	Total Electricity supplied from the system (excluding losses)			791,882,000 kWhrs
g)	Total amount of electricity conveyed through the system for other ER's and generators			50,967,000 kWhrs
h)	Total customers			64,961

1995

1 a)	Load factor			59%
b)	Loss ratio			5%
c)	Capacity utilization			34%
2 a)b)c)	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	<u>2796.78</u>	<u>732.64</u>	<u>3529.42</u>
d)	Transformer capacity			452,617 kVA
e)	Maximum demand			153,700 kW
f)	Total Electricity supplied from the system (excluding losses)			753,646,133 kWhrs
g)	Total amount of electricity conveyed through the system for other ER's and generators			19,455,380 kWhrs
h)	Total customers			63,323

First Schedule Pt IV Performance Statistics

1996

1	Total Interruptions		
	CLASS A	Planned outages TransPower	0
	CLASS B	Planned outages WEL	117
	CLASS C	Unplanned outages WEL	238
	CLASS D	Unplanned outages TransPower	3
	CLASS E	Unplanned Interruption ECNZ	0
	CLASS F	Unplanned Interruption other generator	0
	CLASS G	Other interruption	0
	Total		<u>358</u>

2,3,4	Faults per 100 km			
		Overhead	Underground	Total
	33 kV	16.30	8.50	14.10
	11 kV	11.20	2.40	9.70
	TOTAL	11.60	3.20	10.20

5,6,7,8,9,10 Class of Interruption

		SAIDI	SAIFI	CAIDI
Class A	Planned outages TransPower	0	0	0
Class B	Planned outages WEL	22.00	0.10	182.00
Class C	Unplanned outages WEL	141.00	2.40	58.00
Class D	Unplanned outages TransPower	36.00	0.50	77.00
CLASS E	Unplanned Interruption ECNZ	0	0	0
CLASS F	Unplanned Interruption other generat	0	0	0
CLASS G	Other interruption	0	0	0
		<u>199.00</u>	<u>3.00</u>	<u>66.00</u>

1995

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
	Total		<u>390</u>

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

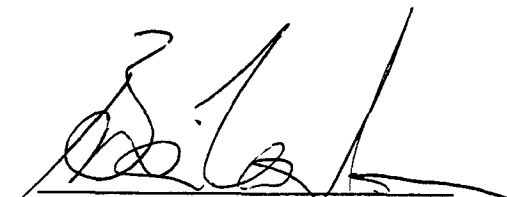
		SAIDI	SAIFI	CAIDI
Class A	Planned outages TransPower	0	0	0
Class B	Planned outages WEL	38.38	0.24	159.92
Class C	Unplanned outages WEL	125.08	2.53	49.44
Class D	Unplanned outages TransPower	0	0	0
CLASS E	Unplanned Interruption ECNZ	0	0	0
CLASS F	Unplanned Interruption other generator	0	0	0
CLASS G	Other Interruption	0	0	0
		<u>163.46</u>	<u>2.77</u>	<u>209.36</u>

regulation 30(1)

STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO THE SECRETARY OF COMMERCE

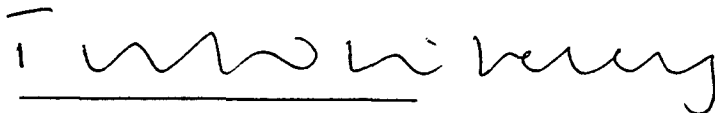
I, BRIAN PHILLIP NAJIB CORBAN, of 9 Oakfield Avenue, Mount Albert, Auckland, being a director of WEL Energy Group Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of the information made available to the public pursuant to the Electricity (Information Disclosure) Regulations 1994.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.


Brian Phillip Najib Corban

Declared at Hamilton this 14th day of August 1996

Before me:



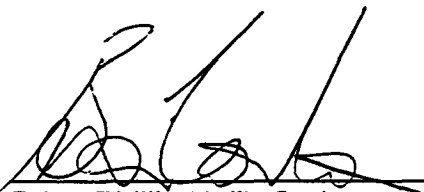
Solicitor of the High Court of New Zealand

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

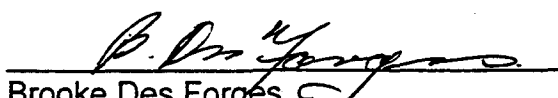
We, Brian Phillip Najib Corban and Brooke Des Forges, Directors of WEL Energy Group Limited, certify that, having made all reasonable enquiry, to the best of our knowledge,-

- 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 1 July 1995.


 Brian Phillip Najib Corban

14/8/96 Date


 Brooke Des Forges

14/8/96 Date

