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WEL ENERGY GROUP LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

Regulation 30 (1)

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

I, Brooke Des Forges, of Whitiakahu, RD2, Taupiri, 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 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.

BROOKE DES FORGES

Declared at Hamilton this 24 day of July 1997.

TIMOTHY JOHN WHITELEY, SOLICITOR

Justice of the Peace (or Solicitor or
other person authorised to take a
statutory declaration).

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

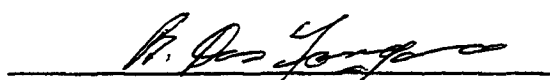
We, Shane Ringa Solomon and Brooke Des Forges, Directors of WEL Energy Group Limited, certify that, having made all reasonable enquiry, to the best of our knowledge,-

- 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.


Shane Ringa Solomon

21 July 1997


Brooke Des Forges

21 July 1997

Statement of Financial Performance
For the year ended 31 March 1997

	Note	Line Business		Energy Business	
		1997 (\$000s)	1996 (\$000s)	1997 (\$000s)	1996 (\$000s)
Total revenue	1	47,270	44,536	44,231	41,715
Operating expenses	2	(29,544)	(28,659)	(40,502)	(37,566)
Net profit before taxation		17,726	15,877	3,729	4,149
Taxation expense	3	(6,805)	(6,105)	(1,230)	(1,369)
Net profit after taxation		10,921	9,772	2,499	2,780
Share of surplus of Associate Entity		-	-	144	-
Surplus Attributable to the Shareholders of the Parent Company		10,921	9,772	2,643	2,780

Statement of Financial Position
As at 31 March 1997

	Note	Line Business		Energy Business	
		1997 (\$000s)	1996 (\$000s)	1997 (\$000s)	1996 (\$000s)
Shareholders' funds	4	113,157	110,009	2,715	1,850
Represented by:					
Current assets	5	7,891	6,543	4,864	4,924
Fixed assets	6	110,880	110,622	780	756
Investments in Associates		-	-	1,250	-
Other non current assets		328	-	-	-
Total assets		119,099	117,165	6,894	5,680
Current liabilities	7	3,509	4,848	4,168	3,916
Deferred Taxation	3	2,433	2,308	11	(86)
Total liabilities		5,942	7,156	4,179	3,830
Net assets		113,157	110,009	2,715	1,850

21 July 1997

These statements are to be read in conjunction with the attached notes and Certification by the Auditor.

Statement of Accounting Policies
For the Year Ended 31 March 1997

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) Investments in Associates

The equity method has been used for those entities in which the Group has a significant but not controlling interest.

Investments are valued at cost plus the Group's share of retained earnings.

(f) Fixed Assets

The distribution system is revalued by independent valuers every three years based on an optimised deprival value basis. Additions to the distribution system are stated at cost. Land and buildings are revalued by independent valuers every three years on the basis of open market value for existing use.

Cost for internally constructed assets comprise direct labour, materials, freight, and a proportion of production overheads based on a normal level of activity. All other fixed assets are recorded at cost less accumulated depreciation.

(g) 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	4.5%

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

Furniture	20 - 25%
Plant and Equipment	20 - 30%
Vehicles	25%

(h) 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 businesses.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

	Line Business		Energy Business	
	1997 (\$000s)	1996 (\$000s)	1997 (\$000s)	1996 (\$000s)
1 Revenue				
Line rental & electricity sales	46,675	44,349	43,268	40,778
Contracting sales	-	2	1	-
Interest	128	0	3	33
Other income	467	185	959	904
	<u>47,270</u>	<u>44,536</u>	<u>44,231</u>	<u>41,715</u>
2 Operating Expenditure				
Net profit before tax is stated after charging:				
Transmission Charges & electricity purchase	11,964	12,303	37,793	34,805
Line losses	2,200	1,832		
Wages and salaries	2,049	1,918	819	884
Depreciation	5,309	4,725	92	98
Rental and Operating Lease Costs	31	26	4	-
Interest	37	-	1	-
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	17,726	15,877	3,729	4,149
Tax on profit at 33%	5,850	5,239	1,230	1,369
Tax effect of permanent differences	955	866	-	-
Total taxation expense	<u>6,805</u>	<u>6,105</u>	<u>1,230</u>	<u>1,369</u>
Represented by:				
Deferred income tax liability	125	417	97	(37)
Current taxation provision	6,680	5,688	1,133	1,406
	<u>6,805</u>	<u>6,105</u>	<u>1,230</u>	<u>1,369</u>
Deferred income tax liability				
Balance at the beginning of the year	2,308	1,891	(86)	(49)
Current year timing differences	125	417	97	(37)
Balance at the end of the year	<u>2,433</u>	<u>2,308</u>	<u>11</u>	<u>(86)</u>

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.

	Line Business		Energy Business	
	1997 (\$000s)	1996 (\$000s)	1997 (\$000s)	1996 (\$000s)
4 Shareholders Funds				
Capital Reserve	39,903	39,903	581	582
Asset Revaluation Reserve	63,835	63,835	12	11
Retained Earnings	9,419	6,271	152	1,257
Share of Associates Retained Earnings	-	-	144	-
Energy Trading Price Reserve	-	-	1,826	-
	<u>113,157</u>	<u>110,009</u>	<u>2,715</u>	<u>1,850</u>
Asset Revaluation Reserve				
Balance at the beginning of the year	63,835	30,345	11	-
Asset revaluations	-	33,490	-	11
Balance at the end of the year	<u>63,835</u>	<u>63,835</u>	<u>11</u>	<u>11</u>
Retained Earnings				
Balance at the beginning of the year	6,271	2,440	1,257	167
Net surplus after tax	10,921	9,772	2,499	2,780
Dividends	(7,773)	(5,941)	(1,778)	(1,690)
Transfer to Energy Trading Price Reserve	-	-	(1,826)	-
Balance at the end of the year	<u>9,419</u>	<u>6,271</u>	<u>152</u>	<u>1,257</u>
Share of Associates Retained Earnings				
Balance at the beginning of the year	-	-	-	-
Net surplus after tax	-	-	144	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>144</u>	<u>-</u>
Energy Trading Price Reserve				
Balance at the beginning of the year	-	-	-	-
Transfer from retained Earnings	-	-	1,826	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>1,826</u>	<u>-</u>
5 Current assets				
Trade debtors	4,611	4,340	4,395	4,147
Due from WEL Energy Group	1,332	-	338	777
Other Assets	1,222	2,203	-	-
Tax Recoverable	726	-	131	-
	<u>7,891</u>	<u>6,543</u>	<u>4,864</u>	<u>4,924</u>

		Line Business		Energy Business	
		1997	1996	1997	1996
		(\$000s)	(\$000s)	(\$000s)	(\$000s)
6	Fixed Assets				
	Freehold Land and Buildings				
Land	At cost	-	-	-	-
	At valuation	797	747	63	54
Buildings	At cost	1,355	1,355		
	At valuation	2,493	2,716	397	419
		<u>4,645</u>	<u>4,818</u>	<u>460</u>	<u>473</u>
Accumulated depreciation	At cost	(209)	(168)	-	-
	At valuation	(246)	(224)	(8)	(12)
Net book value		<u>4,190</u>	<u>4,426</u>	<u>452</u>	<u>461</u>
	Vehicles				
Cost		457	524	212	229
Accumulated depreciation		(291)	(283)	(51)	(115)
Net book value		<u>166</u>	<u>241</u>	<u>161</u>	<u>114</u>
	Furniture, Plant and Equipment				
Cost		1,868	1,715	571	531
Accumulated depreciation		(1,327)	(1,140)	(404)	(350)
Net book value		<u>541</u>	<u>575</u>	<u>167</u>	<u>181</u>
	Distribution System				
Cost		12,144	6,656		
Valuation		102,428	102,428		
		<u>114,572</u>	<u>109,084</u>		
Accumulated depreciation	At cost	(426)	(150)		
	At Valuation	(8,163)	(3,554)		
Net book value		<u>105,983</u>	<u>105,380</u>		
Total net book value		<u>110,880</u>	<u>110,622</u>	<u>780</u>	<u>756</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 in 1989 for the use of substations buildings. This amount is being depreciated over a period of 33 years.

	Line Business		Energy Business		
	1997 (\$000s)	1996 (\$000s)	1997 (\$000s)	1996 (\$000s)	
7	Current liabilities				
	Trade creditors	2,842	2,898	3,769	3,400
	Customer deposits	306	231	306	231
	Provision for annual and long service leave	361	313	93	82
	Provision for taxation	-	903	-	203
	Due to WEL Energy Group	-	503	-	-
		<u>3,509</u>	<u>4,848</u>	<u>4,168</u>	<u>3,916</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.

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 Capital commitments

There are no capital commitments in the line business (1996 nil) or the energy business (1996 nil).

Statement of Performance Measures
For the year ended 31 March 1997

	1997	1996	1995
Financial measures			
Accounting return on Total Assets (pre-tax)	15.8%	14.2%	10.3%
Accounting return on Equity (post-tax)	8.9%	9.6%	6.0%
Accounting Rate of Profit (post-tax)	8.8%	9.9%	6.0%
Efficiency Measures			
Direct Line cost per Kilometre	\$1,795	\$1,608	\$1,802
Indirect line costs per Electricity Customer	\$54.57	\$61.85	\$68.71

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


	Financial Statements			Performance Measures		
	1997 (\$000s)	1996 (\$000s)	1995 (\$000s)	1997 (\$000s)	1996 (\$000s)	1995 (\$000s)
Depreciation has been adjusted to reflect the ODV valuation of the distribution system.	5,309	4,725	3,631	5,309	5,240	5,312
Tax has been adjusted to reflect cash paid.	6,805	6,105	4,559	7,836	5,052	4,542
Fixed assets have been adjusted to reflect the ODV valuation for the distribution system.	110,880	110,622	75,213	110,880	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.

**CERTIFICATION BY AUDITOR IN RELATION TO
LINES AND ENERGY BUSINESS FINANCIAL STATEMENTS**

We have examined the attached financial statements prepared by WEL Energy Group Limited and dated 21 July 1997 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.



COOPERS & LYBRAND
CHARTERED ACCOUNTANTS
HAMILTON

25 July 1997

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITOR

We 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 WEL Energy Group Limited for the year ended 31 March 1997 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
HAMILTON

25 July 1997

Coopers
& Lybrand

chartered accountants
and business advisers

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Coopers & Lybrand Tower
23-29 Albert Street
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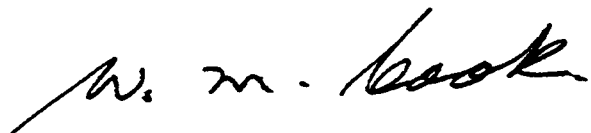
125 years
of innovation

The Directors
WEL Energy Group Ltd
P O Box 925
HAMILTON 2020

**CERTIFICATION BY AUDITOR IN RELATION TO
ODV VALUATION OF WEL ENERGY GROUP LIMITED
LINES BUSINESS**

I have examined the valuation report prepared by Worley International and dated 30 August 1996, which report contains valuations as at 1 July, 1995.

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.



.....
W MURRAY COOK
30 AUGUST 1996

First Schedule Pt III Energy Delivery Efficiency Performance Measures and Statistics

	1997	1996	1995
1 a) Load factor	58%	58%	59%
b) Loss ratio	5.5%	5%	5%
c) Capacity utilization	36%	35%	34%
2 a) Circuit km (total)			
33 kV	248.00	248.00	248.00
11 kV	2,120.30	2,113.70	2,113.70
400 V	1,215.60	1,193.40	1,193.40
TOTAL	<u>3,583.90</u>	<u>3,555.10</u>	<u>3,555.10</u>
b) Circuit km (overhead)			
33 kV	186.40	186.40	184.37
11 kV	1,772.60	1,772.80	1,772.03
400 V	840.80	840.70	840.38
TOTAL	<u>2,799.80</u>	<u>2,799.90</u>	<u>2,796.78</u>
c) Circuit km (underground)			
33 kV	61.60	61.60	58.94
11 kV	347.70	340.90	336.96
400 V	374.80	352.70	336.74
TOTAL	<u>784.10</u>	<u>755.20</u>	<u>732.64</u>
d) Transformer capacity (kVA)	468,317	471,980	452,617
e) Maximum demand (kW)	167,380	163,700	153,700
f) Total Electricity supplied from the system (kWh) (excluding losses)	811,599,531	791,882,000	753,646,133
g) Total amount of electricity conveyed through the system for other ER's and generators (kWh)	37,700,000	50,967,000	19,455,380
h) Total customers	65,985	64,961	63,323

First Schedule Pt IV Performance Statistics

		1997	1996	1995
1	Total Interruptions			
	CLASS A Planned outages TransPower	-	-	-
	CLASS B Planned outages WEL	36	117	177
	CLASS C Unplanned outages WEL	263	238	213
	CLASS D Unplanned outages TransPower	-	3	-
	CLASS E Unplanned Interruption ECNZ	-	-	-
	CLASS F Unplanned Interruption other generator	-	-	-
	CLASS G Other Interruption	-	-	-
	Total	299	358	390
2	Faults per 100 km (Total)			
	Total			
	33 kV	15.02	14.10	10.27
	11 kV	15.35	9.70	8.91
	TOTAL	15.17	10.20	9.06
3	Faults per 100 km (Overhead)			
	33 kV	15.02	16.30	13.56
	11 kV	12.75	11.20	9.93
	TOTAL	12.97	11.60	10.27
4	Faults per 100 km (Underground)			
	33 kV	-	8.50	-
	11 kV	2.60	2.40	3.56
	TOTAL	2.20	3.20	3.03
5,6	SAIDI			
	Class A Planned outages TransPower	-	-	-
	Class B Planned outages WEL	2.98	22.00	38.38
	Class C Unplanned outages WEL	172.81	141.00	125.08
	Class D Unplanned outages TransPower	-	36.00	-
	CLASS E Unplanned Interruption ECNZ	-	-	-
	CLASS F Unplanned Interruption other generator	-	-	-
	CLASS G Other Interruption	-	-	-
	TOTAL	175.79	199.00	163.46

		1997	1996	1995
7,8	SAIFI			
	Class A	Planned outages TransPower	-	-
	Class B	Planned outages WEL	0.04	0.10
	Class C	Unplanned outages WEL	3.15	2.40
	Class D	Unplanned outages TransPower	-	0.50
	CLASS E	Unplanned Interruption ECNZ	-	-
	CLASS F	Unplanned Interruption other generator	-	-
	CLASS G	Other Interruption	-	-
	TOTAL	<u>3.19</u>	<u>3.00</u>	<u>2.77</u>
9,10	CAIDI			
	Class A	Planned outages TransPower	-	-
	Class B	Planned outages WEL	84.93	182.00
	Class C	Unplanned outages WEL	54.83	58.00
	Class D	Unplanned outages TransPower	-	77.00
	CLASS E	Unplanned Interruption ECNZ	-	-
	CLASS F	Unplanned Interruption other generator	-	-
	CLASS G	Other Interruption	-	-
		<u>55.16</u>	<u>66.00</u>	<u>59.00</u>

Regulation 20 Disclosure of Information relating to Transactions Between Persons in a Prescribed Business Relationship

WEL Energy Group Limited as line owner has not undertaken any transactions with a person with which it has a prescribed business relationship.

