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ELECTRICITY CORPORATION OF NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994

FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

These financial statements are presented in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994. The financial statements are for the Electricity Corporation of New Zealand Limited (the "Corporation"), as defined in Regulation 4 of the Electricity (Information Disclosure) Regulations 1994 (the "Regulations").

(a) Constitution, ownership and activities

The Corporation was incorporated on 26 February 1987, pursuant to the State-Owned Enterprises Act 1986, and commenced business on 1 April 1987. With effect from that date the Corporation acquired under a sale and purchase agreement with Her Majesty the Queen in Right of New Zealand (the "Crown")the electricity generation and transmission business of the Electricity Division of the Ministry of Energy. The assets and liabilities acquired by the Corporation with effect from 1 April 1987 were recorded in the opening balance sheet at values stated within the sale and purchase agreement.

The Corporation is wholly-owned by the Crown.

The Corporation's business is primarily the generation and wholesale marketing of electricity.

(b) Generation and supply of electricity activities

To comply with the Regulations the Corporation has consolidated the following entities involved in the generation and supply of electricity: ECNZ Parent (excluding Brightspot and Appliance Wholesale divisions), Rutherford House Limited and ECNZ Insurance Limited.

Entities which are not involved in the generation and supply of electricity have not been consolidated and are accounted for using the cost method. These subsidiaries are referred to as non-core business activities. The activities and balances that relate to non-core business activities have been separately identified in these financial statements and consist of:

Dividends from non-core business activities

Interest from non-core business activities

Investments in non-core business activities

Advances to non-core business activities

(c) 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. No statement of cashflows is required by the Regulations.

The historical cost method, as modified by the revaluation of certain assets, has been followed.

(d) Specific accounting policies

The following accounting policies, which significantly affect the measurement of financial performance and of financial position, have been consistently applied:

(i) Sales

Sales shown in the statement of financial performance comprise the amounts received and receivable by the Corporation for electricity supplied to customers in the ordinary course of business. Sales are stated exclusive of Goods and Services Tax collected from customers.

(ii) Foreign currencies

Assets and liabilities denominated in a foreign currency are translated at the rates of exchange ruling at balance date. Exchange differences on translation are taken to the statement of financial performance. Hedged assets and liabilities are translated at the rate of exchange determined by the underlying hedge contract.

Foreign currency items in the statement of financial performance of New Zealand operations recognised through the period are translated at the average monthly exchange rate ruling for that month. Statements of financial performance of foreign operations are translated at the average monthly exchange rate ruling for the year.

Outstanding forward foreign exchange contracts which are not designated as hedges are valued at the forward rate of exchange at balance date and the resulting gains and losses are recognised in the statement of financial performance.

(iii) Investments

Investments in subsidiaries and associate entities are stated at cost.

Short term investments consist of investments which mature or are otherwise realisable within not more than 12 months from the date of purchase and are stated at market value (where available), with resulting gains and losses taken to the statement of financial performance.

(iv) Debt

Debt is stated at face value less unamortised discounts, premiums and prepaid interest. Discounts, premiums and prepaid interest are amortised to interest expense on a yield to maturity basis over the period of the borrowing. Borrowing costs such as origination, commitment and transaction fees are deferred and amortised to expense over the period of the borrowing.

(v) Joint ventures

The Corporation's method for accounting for a material interest in a joint venture is to recognise in the respective classification categories the amount of:

(a) the Corporation's share in each of the individual assets employed in the joint venture;

(b) liabilities incurred in relation to the joint venture, including the Corporation's share of liabilities for which it is severally liable; and

(c) the Corporation's share of revenue earned and expenses incurred in relation to the joint venture.

(vi) Fixed assets

Fixed assets are valued at the cost at which they were purchased from the Crown as at 1 April 1987, adjusted by subsequent additions at cost, disposals and depreciation.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Corporation, including capital work in progress, includes the cost of all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs. Financing costs on uncompleted capital work in progress are capitalised at the Corporation's weighted average interest rate.

(vii) Leased assets

The Corporation leases certain plant, equipment, land and buildings.

Leases under which the Corporation assumes substantially all the risks and rewards incidental to ownership have been classified as finance leases and are capitalised. The asset and corresponding liability are recorded at inception of the lease at the fair value of the leased asset, at amounts equivalent to the discounted present value of minimum lease payments, including residual values.

The cost of improvements to leasehold property is capitalised and amortised over the estimated useful life of the improvements, or over the unexpired portion of the lease, which- ever is shorter.

Capitalised leased assets are depreciated over their expected lives in accordance with rates established for other similar Corporation assets.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the statement of financial performance in the periods in which they are incurred.

(viii) Depreciation

Depreciation is charged on a straight line basis so as to write down the cost or valuation of the fixed assets to their estimated residual value over their expected useful lives. The annual depreciation rates shown below are calculated on a weighted average basis for each classification of asset.

Freehold buildings	*2.5%*
Generation plant	*2.6%*
Plant and equipment	*13.1%*

(ix) Inventories

Stocks, including fuels stock, are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

(x) Debtors

Debtors are stated at estimated realisable value after providing for debts where collection is doubtful.

(xi) Taxation

The Corporation follows the liability method of accounting for deferred taxation.

The taxation charge against the profit for the year is the estimated liability in respect of that profit, after allowance for permanent differences and timing differences not expected to reverse in the foreseeable future. Deferred taxation resulting from timing differences is adjusted against profit for the year using the liability method and is accounted for on a comprehensive basis.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences or losses will be utilised by the Corporation.

(xii) Research and development

Costs incurred on all research and development projects are written off as incurred, except that development costs are capitalised to the extent that such costs are expected, beyond any reasonable doubt, to be recoverable.

Where development costs are deferred they are amortised over future periods on a basis related to expected future benefits.

(xiii) Financial instruments

The Corporation has various financial instruments with off-balance sheet risk for the purpose of reducing its exposure to movements in foreign exchange rates and interest rates. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

For interest rate swap agreements the differential to be paid or received is accrued as interest rates change and is recognised as a component of the interest expense over the life of the agreement.

Premiums paid on interest rate options and the net settlement on maturity of forward rate agreements, futures and options are amortised over the period of the underlying asset or liability protected by the instrument.

Forward exchange contracts entered into as a hedge of foreign currency transactions (other than offshore funding activities) are not revalued at balance date.

Financial instruments entered into with no corresponding underlying position are accounted for on a mark to market basis and movements taken to the statement of financial performance as they accrue.

(xiv) Comparative figures

Prior year comparative figures have not been included as they are not required by the Regulations.

(xv) Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure on the creation of a new asset, and any expenditure which results in a significant improvement of the original function of a total existing asset.

Revenue expenditure is defined as expenditure which restores an asset to its original condition and all expenditure incurred in maintaining and operating the Corporation.

(xvi) Hydrology reserve

Variances against planned fuel costs, to the extent that they have arisen from hydrological conditions, are applied to the hydrology reserve.

The Corporation plans to increase the reserve progressively to the level which, based on historical trends, is sufficient to absorb the cost of two successive dry years.

Movements to and from the reserve are an appropriation, rather than a charge against the statement of financial performance.

(xvii) Employee entitlements

Provision has been made for annual, long service and retirement leave entitlements estimated to be payable to employees on the basis of statutory and contractual requirements. The provision for long service and retirement leave is based on an actuarial estimate.

(xviii) Insurance

The Corporation has fixed assets valued at approximately $4.2 billion which are predominantly concentrated at power station locations and have the potential to sustain major losses through damage to plant and resultant consequential costs.

To minimise the financial impact of such exposures, the major portion of the risk is transferred to insurance companies by taking out appropriate policies.

Any uninsured loss is charged to the statement of financial performance in the year in which the loss is incurred.

Claims expenditure is recorded after making provision for claims notified but not yet settled and for the estimated cost of claims incurred but not yet reported until after balance date. Claims expenditure is also net of any other claims related recoveries.

(e) Changes in accounting policies

There have been no changes in accounting policies during the 12 month period. All policies have been applied on bases consistent with those used in previous years.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 30 JUNE 1994

	Notes	12 months ended June 1994 $000
Gross income	1	1,279,043
Operating expenses, excluding abnormal costs	2	612,145
Net finance costs external		333,375
Less: Finance income attributable to non-core business activities		275,906
Net finance costs	3	57,469
Profit before taxation		609,429
Taxation	4	184,404
Profit after taxation		425,025
Opening retained earnings		580,723
Less : Ordinary and preference dividends	5	373,112
Special dividend	5	116,000
Total dividends		489,112
Transfers to (from) reserves	14	10,426
Total appropriations		499,538
Closing retained earnings	14	506,210

The accounting policies on pages 3826 to 3829 and notes on pages 3832 to 3842 form part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1994

	Notes	June 1994 $000
FUNDS EMPLOYED		
Current assets	7	380,094
Term assets	8	1,739
Fixed assets	9	4,242,365
Subtotal		4,624,198
Investment in and advances to non-core subsidiaries	10	2,983,236
Total funds employed		7,607,434
LIABILITIES AND SHAREHOLDERS' FUNDS		
Current liabilities	11	2,760,416
Term liabilities	12	813,274
Deferred taxation	13	193,108
Total liabilities		3,766,798
Shareholders' funds	14	3,840,636
Total liabilities and shareholders' funds		7,607,434

On behalf of the Board

V. Wu
Director

The accounting policies on pages 3826 to 3829 and notes on pages 3832 to 3842 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

	12 months ended June 1994 $000
1. GROSS INCOME	
Sales of electricity	1,230,091
Other sales revenue - subsidiaries	25,785
Sales revenue	1,255,876
Other income	23,167
Total income	1,279,043
2. OPERATING EXPENSES	
Expenses include the following:	
Audit fees	337
Depreciation	127,339
Directors' fees	300
Payments to subsidiaries (note 23)	86,057
Lease and rental costs	3,075
3. NET FINANCE COSTS	
Interest paid	363,708
Add: Realised foreign currency losses (gains)	(685)
Less: Interest capitalised	(8,504)
	354,519
Less : Investment income	21,144
Total external interest costs	333,375
Less interest earned from non-core business activities	208,258
Less dividends earned from non-core business activities	67,648
Finance income attributable to non-core business activities	275,906
Net finance costs	57,469
4. TAXATION	
Profit before taxation	609,429
Prima facie tax at 33%	201,112
Less: Tax effect of permanent differences	24,277
Tax effect of prior year adjustments	(7,569)
Taxation charge in statement of financial performance	184,404
Current taxation	186,547
Deferred taxation (note 13)	(2,143)
	184,404

There are no income tax losses carried forward and available to be set-off against future assessable income.

NOTES TO THE FINANCIAL STATEMENTS

	12 months ended June 1994 $000
5. DIVIDENDS	
Redeemable cumulative preference shares	
Dividend provided at 8.625% per annum	69,000

The preference dividend is payable on the total paid up amount on these shares, including a share premium (note 14). In accordance with their terms of issue, preference dividends were accumulated (note 11) on the basis that they would be paid when the interest cover ratio equalled or exceeded 2.25 times, or out of the proceeds of sale of substantial assets by the Corporation or its subsidiaries. The current year's preference dividend of $69 million, and the outstanding accumulated balance to 30 June 1993 of $368.25 million, were paid on 1 July 1994 from the proceeds of the sale of Trans Power New Zealand Limited. (note 27)

Ordinary shares	
Interim dividend paid	134,000
Final dividend recommended by Directors (note 11)	170,112
Ordinary dividends paid or provided	304,112
Special dividend paid	116,000
Total dividends paid or provided	489,112

The special dividend of $116 million resulted from a prior period adjustment made in the 1992/93 financial year.

6. IMPUTATION CREDIT ACCOUNT	
Opening balance	92,002
Plus:	
Income tax paid	141,000
Imputation credit attached to dividends received	642
Less:	
Imputation credit attached to dividends paid to shareholder	70,304
Other debits	110
Closing balance	163,230

7. CURRENT ASSETS	
Cash at bank and call deposits	3,200
Short term deposits	54,484
Debtors	
Sales of electricity	199,881
Subsidiary companies	29,166
Other	9,923
Interest receivable	243
Prepayments	4,989
Stocks	
Fuel stock	40,730
Consumable spares	37,478
Total current assets	380,094

NOTES TO THE FINANCIAL STATEMENTS

	June 1994 $000
8. TERM ASSETS	
Other term assets	1,739
Total term assets	1,739
9. FIXED ASSETS	
Freehold land at cost	58,512
Freehold buildings	
At cost	54,313
Accumulated depreciation	8,215
Book value	46,098
Generation plant	
At cost	4,636,518
Accumulated depreciation	702,604
Book value	3,933,914
Capital work in progress at cost	130,739
Other plant and equipment	
At cost	70,415
Accumulated depreciation	37,066
Book value	33,349
Assets intended for sale	
At cost	56,943
Accumulated depreciation	17,190
Book value	39,753
Total fixed assets	
At cost	5,007,440
Accumulated depreciation	765,075
Total book value of fixed assets	4,242,365

The aggregate of the latest available Government valuations of land is $30 million. Separate valuations of buildings are not available, but the aggregate cost shown above would not differ materially from current values.
Assets intended for sale are disclosed at the lower of net book value and net current value.

10. INVESTMENT IN AND ADVANCES TO NON-CORE SUBSIDIARIES	
Advances	1,767,271
Shares	1,215,965
Total investment in and advances to non-core subsidiaries	2,983,236

NOTES TO THE FINANCIAL STATEMENTS

	June 1994 $000
11. CURRENT LIABILITIES	
Creditors	
Subsidiary companies	18,127
Trade	82,827
Other	23,417
Interest payable	65,335
Short term loans	90,017
Current portion of term loans (note 12)	1,833,613
Provision for taxation	39,718
Provision for preference dividend (notes 5 & 27)	437,250
Provision for ordinary dividend (note 5)	170,112
Total current liabilities	2,760,416
12. TERM LIABILITIES	
ECNZ bond programme	
Face value of bonds on issue	1,566,000
Less: Unamortised discount	102,041
	1,463,959
Loans from other sources	1,182,928
	2,646,887
Less: Current portion (note 11)	1,833,613
Total term liabilities	813,274

Term loans are repayable as follows:

Between one and two years	181,955
Between two and three years	11,015
Between three and four years	11,015
Between four and five years	11,015
Later than five years	598,274
	813,274

Interest rates payable on term liabilities range from 7.46% to 13.87%

ECNZ bonds

The Corporation offers bonds (ECNZ bonds) to institutional and retail investors. These are issued as zero coupon, indexed and callable bonds and are offered for a term of from two to fifteen years. The interest or discount rate on offer, as the case may be, is generally adjusted relative to New Zealand Government debt securities and, upon issue of the ECNZ bonds, is fixed for the period of the investment.

ECNZ bonds are issued under a trust deed with The New Zealand Guardian Trust Company Limited dated 23 August 1988, whereby the Corporation and certain of of its subsidiaries (the "Guaranteeing Group") have given a negative pledge that while any of the ECNZ bond debt remains outstanding they will not, subject to certain exceptions, create or permit to exist any charge or lien over any of their respective assets. Each member of the Guaranteeing Group has guaranteed the payment of the ECNZ bond debt, including interest. The Guarantee Group at 30 June 1994 consisted of only the Parent Company. ECNZ bonds have interest rates ranging from 8% to 10% and maturity dates between June 1996 and April 2009.

Negative Pledge

In addition to the negative pledge given in the Trust Deed for ECNZ bonds dated 23 August 1988, the Guaranteeing Group has given undertakings that it will not create or permit to exist any security interest on its assets as security for any other indebtedness.

NOTES TO THE FINANCIAL STATEMENTS

	June 1994 $000
13. DEFERRED TAXATION	
Opening balance (1993 restated)	195,251
Less: Movement for the period (note4)	(2,143)
Closing balance	193,108
14. SHAREHOLDERS' FUNDS	
Authorised capital	
1,999,200,000 ordinary shares of $1 each	1,999,200
800,000 preference shares of $1 each	800
Total authorised capital	2,000,000
Issued and uncalled capital	
100,000 ordinary shares of $1 each	-
Issued and paid up capital	
1,000,000,000 ordinary shares of $1 each, issued at a premium of $1.50 each	1,000,000
800,000 redeemable cumulative preference shares of $1 each, issued at a premium of $999 each	800
Total issued and paid up capital	1,000,800
Share premium reserve	
In respect of ordinary shares	1,500,000
In respect of preference shares	799,200
Total share premium reserve	2,299,200
Total paid up capital and share premium reserve	3,300,000
Hydrology reserve	
Opening balance	24,000
Transferred (to) from statement of financial performance:	
Fuel burnt	(4,574)
Rebuilding the reserve	15,000
Closing balance	34,426
Retained earnings	
Per statement of financial performance	506,210
Total shareholders' funds	3,840,636

As stated in note 27 the preference shares of $800 million, together with preference dividends of $437 million, were repaid on 1 July 1994 out of the proceeds of the sale of the shares in Trans Power New Zealand Limited to the Crown.

NOTES TO THE FINANCIAL STATEMENTS

	June 1994 $000
15. CAPITAL COMMITMENTS	
Commitments in respect of contracts for capital expenditure	47,772
16. OPERATING LEASE COMMITMENTS	
Commitments in respect of non-cancellable operating leases payable:	
Within one year	1,820
One to two years	1,709
Two to five years	4,533
Later than five years	8,332
	16,394

17. CONTRIBUTIONS TO RETIREMENT SAVINGS PLAN

Contributions are made into the Corporation's Retirement Savings Plan in respect of the Corporation's employees who are members of the Plan. The Corporation contributes a maximum of 10% of the relevant employee's basic salary. Contributions to the Plan are charged against earnings.

18. CONTINGENT LIABILITIES	-

Lawsuits and other claims

The amounts of various lawsuits and claims made against the Corporation are not considered to be material to the results or to the financial position.

Guarantees

Energy Advances Limited (EAL) is a special purpose short term funding vehicle. Notes issued by EAL amounting to $67 million as at 30 June 1994 are jointly and severally guaranteed by the Corporation and Citibank, N.A. The Corporation's obligations under the EAL guarantee are offset by a counter-guarantee from Citibank, N.A.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS

Currency and interest rate risk

Nature of activities and management policies with respect to financial instruments:

(a) Currency

The Corporation has exposure to foreign exchange risk as a result of offshore funding activities, and transactions denominated in foreign currencies, arising from normal trading activities.

Where exposures are certain, such as borrowings or capital commitments, it is the the Corporation's policy to hedge these risks as they arise.

The Corporation uses currency and interest rate swaps and forward foreign exchange contracts to manage these exposures.

Contract amounts of currency and interest rate swaps and foreign exchange contracts outstanding at balance date are as follows:

	June 1994 $000
Currency and interest rate swaps	1,148,123
Forward foreign exchange contracts	147,547

The cash settlement requirements of the above instruments approximate the contract amounts shown above.

(b) Interest rate

The Corporation has a mixture of medium to long term borrowings that are used to fund ongoing activities. It is the Corporation's policy to manage exposure to interest rate risk with the use of interest rate swaps, forward rate agreements, interest rate options and interest rate futures.

The notional principal or contract amounts of interest rate contracts outstanding at balance date are as follows:

	June 1994 $000
Interest rate swaps	609,634
Forward rate agreements	198,000
Interest rate options	676,000

The cash settlement requirement of interest rate swaps is the net interest receivable/payable of $915,000 and for FRA's the best approximation is the current market value which is $16,842.
The cash settlement requirement of interest rate options is the net market value of the options, at strike date, if the option is exercised. Based on current market rates at 30 June 1994 this would be $805,722.

(c) Revenue - Electricity hedge contracts

The Corporation, as part of the energy supply contracts, has entered into electricity price hedges with customers for the period 1 July 1994 to 31 March 1995. Under these contracts the Corporation sells electricity forward at a fixed price (hedge price). Any difference on maturity between the hedged price and the spot price is settled between the parties irrespective of how much electricity is supplied. If the spot price is greater than the hedge price, the Corporation must settle with the counter-party. Conversely if the spot price is less than the hedge price the counter-party must settle with the Corporation. It is not practicable to estimate the fair value of electricity hedge contracts as the secondary market for electricity price hedge products, namely seasonal hedge, monthly hedge and anytime hedge, was not active as at 30 June 1994. The contract amount of electricity price hedges at balance date amounted to $266.1 million. The Corporation's Board has issued a policy to manage the Corporation's exposure to electricity price risk by issuing a hedge limit of 25,000 Gwh in any one year. This is equivalent to approximately 80% of total electricity sales.

NOTES TO THE FINANCIAL STATEMENTS

Fair values	June 1994 Carrying value $000	Fair value $000
Short term loans	90,017	104,380
Term liabilities	2,646,887	2,730,000
Currency and interest rate swaps	-	(23,977)
Foreign exchange contracts	-	286
Forward rate agreements	-	17
Interest rate options	-	806

Cash and liquid deposits, debtors, trade creditors, other/sundry debtors and creditors, and short term investments are excluded from the table above because, due to their short term nature, are the carrying value of these items are equal to the fair value.

The following methods were used to estimate the fair values of these classes of financial instrument:

Term liabilities and short term loans
The fair value of the Corporation's term liabilities and short term loans is estimated based on current market rates available to the Corporation for debt of similar maturity. The Corporation anticipates that these liabilities will be held to maturity and that settlement at fair value is unlikely.

Currency and interest rate swaps, foreign exchange contracts, interest rate swaps, forward rate agreements, interest rate options and interest rate futures.
The fair value of these instruments is estimated based on their quoted market prices.

Concentration of credit risk
In the normal course of its business the Corporation incurs credit risk from trade debtors and from transactions with financial institutions.

The Corporation has a credit policy that is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Corporation does not have any significant concentrations of credit risk. The Corporation does not require collateral or security to support financial instruments, due to the high credit rating of the financial institutions dealt with. The Corporation further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time. The Corporation does not anticipate the non-performance of any obligations that existed at balance date.

20. RESOURCE CONSENTS

The Corporation has water and air consents, obtained under the Resource Management Act 1991, which enable it to operate its thermal and hydro power stations. The consents are renewable between two and thirty years. The number of significant consents, and their respective renewable dates, are summarised below.

Renewable dates	*Number of consents*
Within 2 years	7
Between 2 and 4 years	-
Between 4 and 6 years	2
Between 6 and 8 years	19
Between 8 and 10 years	-
Later than 10 years	8
	36

21. DEBT DEFEASANCE

In the year ended 31 March 1993 a payment of $216.4 million was made to a third party which extinguished financial obligations of $233 million arising under a new finance lease for high voltage electricity equipment. As a result of the payment a net gain of $12.53 million was recorded in the 1992/93 year. The Corporation has a purchase option under the finance lease to acquire all of the leased equipment on 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

22. LAND CLAIMS

Under the Treaty of Waitangi Act 1975, the Waitangi Tribunal has the power to recommend, under appropriate circumstances, that land purchased by the Corporation under the State-Owned Enterprises Act 1986 may be resumed by the Crown in order that it be returned to the Maori claimants. In the event that the Tribunal's initial recommendation is confirmed and the land is to be returned, compensation will be paid to the Corporation under the provisions of the Public Works Act 1981. If this is insufficient to cover the loss, certain additional compensation is payable under the Sale and Purchase agreement between the Corporation and the Crown.

23. TRANSACTIONS WITH RELATED PARTIES

The ultimate shareholder of the Corporation is the Crown. The Corporation undertakes many transactions with other State-Owned Enterprises and Government Departments, carried out on a commercial and arms length basis. Because it is considered that these do not fall within the intended scope of related party disclosures they have not been treated as such in these financial statements.

The Corporation enters into certain transactions with its subsidiaries. Outstanding balances at year end are disclosed separately as current assets and liabilities.

Trans Power New Zealand Limited (Trans Power) was a wholly owned subsidiary of the Corporation. As at 1 July 1994 the Corporation disposed of its shares in Trans Power at book value to the Crown (ultimate shareholder of both companies). Trans Power owns and operates the National Grid (transmission system). The Corporation owns and operates the electricity generation assets. Due to the nature of the electricity business, Trans Power and the Corporation depend on each other for their revenue.

Following separation, the Corporation is committed to pay Trans Power the following :

- *an annual payment of $11 million for Trans Power, as agent for the Corporation, to reduce the cost of electricity to the Corporation's South Island customers. This payment will remain until new power generators, other than the Corporation, enter the electricity wholesale market.*

- *an amount to be determined each year and paid to Trans Power for variable transmission losses. The payment will remain until a wholesale electricity market pool is established.*

As at 1 July 1994 Trans Power had the following loans owing to the Corporation.

Loans	*($000)*	*Interest Rate*	*Repayment Date*
Loan 1	*127,633*	*10.48%*	*30 September 94*
Loan 2	*20,000*	*7.10%*	*30 September 94*
Loan 3	*32,500*	*10.48%*	*30 September 94*
Loan 4	*5,865*	*Interest free*	*On demand*
Total of all loans to the Trans Power Group	*185,998*		

24. INVESTMENTS IN ASSOCIATE ENTITIES

	Percentage interest	*Balance date*
Electricity Market Company Limited (EMCO)	*50%*	*30 June*
Energy Advances Limited (EAL)	*40%*	*30 June*

NOTES TO THE FINANCIAL STATEMENTS

25. LONG TERM CONTRACTS

Take or pay gas purchase contract

The Corporation has entered into a contract with the Crown whereby the Corporation is committed to purchase gas in annual contract quantities from 1 July 1994 to 27 June 2009. Under the terms of the contract the Corporation is required to pay for a minimum quantity of gas in each contract year, whether or not the Corporation takes that quantity of gas. Prepayments for gas not taken entitle the Corporation to gas in subsequent years without further payments. As at 30 June 1994 the aggregate amount of the minimum take or pay payments was as follows:

	$000
June 1995	96,030
June 1996	96,030
June 1997	103,420
June 1998	103,420
June 1999	96,030
Later years	975,120
Total	1,470,050

In addition, under the terms of the contract the Corporation is required to pay the Crown a margin based on the minimum quantity of gas in each contract year until 27 June 2009, whether or not the Corporation takes that quantity or takes more than the minimum quantity of gas. However the Crown will refund the margin under certain specified circumstances. As at 30 June 1994 the aggregate amount of the Crown margin payments was as follows:

	$000
June 1995	43,270
June 1996	44,520
June 1997	44,520
June 1998	44,520
June 1999	42,340
Later years	255,120
Total	474,290

As at 30 June 1994 all gas paid for had been taken.

Other gas purchase contracts

The Corporation has entered into a contract with Petrocorp Exploration Ltd (PEL), whereby the Corporation is committed to purchase a minimum quantity of gas each year from 1 July 1994 to 31 March 2005. As at 30 June 1994 the minimum amounts to be purchased were as follows:

	$000
June 1995	8,460
June 1996	10,912
June 1997	18,270
June 1998	18,270
June 1999	19,285
Later years	124,338
Total	199,535

Take or pay electricity supply contracts

The Corporation has entered into a contract with Comalco Power New Zealand Limited (Comalco) whereby the Corporation is committed to supply electricity in annual contract quantities from 1 July 1994 to 31 December 2022. Under the terms of the contract the Corporation will receive payment for a minimum quantity of electricity, whether or not Comalco has taken that quantity of electricity.
As part of this electricity supply contract with Comalco, the Corporation has entered into a contract with Trans Power New Zealand Limited (Trans Power) for the transmission of the contracted quantities of electricity to Comalco at a current annual charge of $38 million. This contract with Trans Power expires on 31 December 2022. The total amount payable to maturity at current prices amounts to $1,064 million.

NOTES TO THE FINANCIAL STATEMENTS

26. SEGMENTAL INFORMATION

The Corporation operates predominantly in one industry, the generation and wholesale marketing of electricity. Its operations are carried out predominantly in New Zealand and are therefore within one geographical segment for reporting purposes.

27. POST - BALANCE DATE EVENTS

Trans Power New Zealand Limited (Trans Power), a wholly owned subsidiary of the Corporation, was sold to the Crown on 1 July 1994. No gain or loss arose on disposal.

A part settlement of the sale took place on 1 July 1994, with the Corporation receiving $1.2billion from the Crown. The final settlement price was determined on 14 October 1994 and resulted in a payment from the Crown of $8,120, based on the net book value of Trans Power as disclosed in the audited accounts as at 30 June 1994. As part of the sale process the following additional transactions were completed on 1 July 1994:

- *Trans Power repaid $1.588 billion of internal advances to the Corporation,*
- *the Corporation extinguished borrowings of $1.588 billion through an in-substance defeasance with the Crown whereby the Crown assumed the primary obligation for the following debts:*

	NZDmillion
NZD June 1996 domestic bonds	880.8
USD200m Syndicated bank loan due in May 1995	347.4
USD200m Notes due in July 1996	359.9
	1588.1

The debts were defeased at net book value and there was no defeasance gain or loss.
The Corporation redeemed preference shares of $800 million issued to the Crown and paid accumulated dividends on them amounting to $437 million.

As a first step to restructuring of the Balance Sheet since Trans Power separation, the Corporation intends to pay a special dividend of approximately $600 million to the Crown in the year to 30 June 1995.

ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994

REGULATION 25(2)

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached financial statements prepared by the Electricity Corporation of New Zealand Limited and dated 24 November 1994 for the purposes of Regulation 4 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

Coopers & Lybrand
24 November 1994

CERTIFICATION OF FINANCIAL STATEMENT BY DIRECTORS OF THE CORPORATION

We, *Phillip John Pryke* and *Victor Wu*, being directors of the Electricity Corporation of New Zealand Limited, certify that having made all reasonable enquiry, to the best of our knowledge, the attached audited financial statement, having been prepared for the purposes of regulation 4 of the Electricity (Information Disclosure) Regulations 1994, gives a true and fair view of the matters to which it relates and complies with the requirements of those regulations.

Signature of Director

Signature of Director

28 November 1994

Date

DEPARTMENT OF INTERNAL AFFAIRS
TE TARI TAIWHENUA

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