



New Zealand Gazette

OF THURSDAY, 21 AUGUST 1997

WELLINGTON: FRIDAY, 22 AUGUST 1997 — ISSUE NO. 100

TRUSTPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994



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

I, **AVON LEAVETT CARPENTER**, of 309 Joyce Road, R D 3, **TAURANGA**, being a Director of **TRUSTPOWER 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.

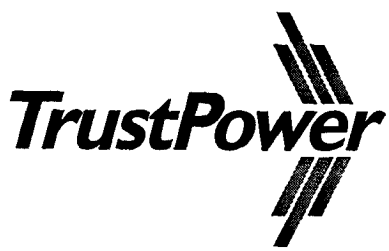
A handwritten signature in black ink, appearing to read "Avon Leavett Carpenter".

Declared at TE MAUNGA this 15th day of August 1997.

H. TIPENE J. FAULTMAN
 11 RAYMOND AVE,
 TE PUKE. PH. 573 8841

H. J. P. J.P.

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 TRANS POWER

We, **AVON LEAVETT CARPENTER** and **FRANCIS NORMAN McMASTER** of **TRUSTPOWER LIMITED** certify that having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of TrustPower 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 TrustPower 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 valuation on which those financial performance measures are based is as at 31 March 1997.

Director
 Date 1 August 1997

Director
 Date 12 August 1997

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**CERTIFICATION BY AUDITOR IN RELATION TO
FINANCIAL STATEMENTS**

We have examined the attached financial statements prepared by TrustPower Limited and dated 31 March 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.

Price Waterhouse

Price Waterhouse
1 August 1997

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CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

We have examined the attached information, being -

- (a) Financial performance measures specified in clause 1 of Part II of the First Schedule of 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 TrustPower Limited and dated 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.

Price Waterhouse

Price Waterhouse
1 August 1997

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CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

We have examined the valuation report prepared by Worley Consultants Limited dated 31 March 1997, which contains a valuation of the lines business of TrustPower Limited as at 31 March 1997.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the valuation of the reticulation system contained in the report has been made in accordance with the Handbook for Optimised Deprival Valuation of Electricity Line Businesses issued by the Energy & Resources Division of the Ministry of Commerce and dated 23 June 1994.

Price Waterhouse

Price Waterhouse
1 August 1997

TRUSTPOWER LIMITED AND SUBSIDIARIES**STATEMENTS OF FINANCIAL PERFORMANCE****FOR THE YEAR ENDED 31 MARCH 1997**

	NOTE	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
CONTINUING ACTIVITIES				
Total Revenue	2	66,596	64,848	16,081
Operating Surplus Before Income Tax	3	14,130	2,577	7,878
Income Tax Expense	4	4,726	862	2,635
Operating Surplus After Income Tax		9,404	1,715	5,243
Operating Surplus Attributable to the Shareholders of the Parent Company	1	9,404	1,715	5,243

The Accompanying Notes Form Part Of These Financial Statements

TRUSTPOWER LIMITED AND SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION****AS AT 31 MARCH 1997**

	NOTE	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
SHAREHOLDERS EQUITY				
Share Capital	6	49,858	3,179	40,865
Reserves	7	96,277	-	-
Retained Earnings	7	7,171	(639)	23,521
TOTAL SHAREHOLDERS EQUITY		153,306	2,540	64,386
CONVERTIBLE NOTES	8	22,113	454	17,047
TOTAL CORPORATE OWNERSHIP		175,419	2,994	81,433
Represented By:				
CURRENT ASSETS	9	9,816	8,549	181
NON CURRENT ASSETS				
Investments	10	1	0	26,629
Fixed Assets	11	204,569	2,620	81,859
Goodwill		8,627	1,035	7,593
TOTAL ASSETS		223,013	12,204	116,262
CURRENT LIABILITIES	12	11,876	9,190	2,896
NON-CURRENT LIABILITIES	13	35,718	20	31,933
TOTAL LIABILITIES		47,594	9,210	34,829
NET ASSETS		175,419	2,994	81,433

The Accompanying Notes Form Part Of These Financial Statements

ON BEHALF OF THE BOARD

DATED 1 AUGUST 1997


 DIRECTOR


 DIRECTOR

TRUSTPOWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

Note 1: Statement of Accounting Policies

The financial statements presented here are for the reporting entity TrustPower Limited.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The reporting entity and the group are issuers under the Financial Reporting Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified:

(a) Principles of Consolidation

The financial statements for the year ended 31 March 1997 are for the entity TrustPower Limited only. The group had no operating subsidiaries during the 1997 year.

(b) Goodwill

Goodwill, representing the excess of the cost of shares in a subsidiary, now amalgamated, over the fair value of the net assets acquired at the date of acquisition, is shown as an intangible asset. Goodwill is amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 years from the date of acquisition. The carrying amount of goodwill is reviewed annually by the directors and adjusted where it is considered necessary.

(c) Goods & Services Tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(d) Fixed Assets

All fixed assets are initially recorded at cost less accumulated depreciation where applicable. Reticulation network assets have subsequently been revalued as at 31 March 1997 to their Optimised Deprival Value as at that date.

Costs for internally constructed assets comprise direct labour, materials and a proportion of production overheads based on a normal level of activity.

Changes in accounting policies

In previous years all fixed assets have been initially recorded at cost. This is the first year in which assets have been revalued. The change in the basis of valuation of reticulation network assets has resulted in an increase in their value and the value of the corresponding revaluation reserve by \$96,277,000. This change has not effected the result.

(e) Depreciation

Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to allocate the assets cost over their estimated useful life.

Depreciation is charged as follows:

Dams, Headworks & Canals	1% straight line
Reticulation Network	3-5.5% straight line
Buildings	1-2.5% straight line
Plant & Equipment and	20% diminishing
Motor Vehicles	value or 5.5-7% straight line

Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the period.

(f) Investments

Investments are stated at cost.

The investment in the Tauranga Joint Generation Committee trading as Kaimai Hydropower has been equity accounted. Income received from Kaimai Hydropower is recognised by way of a rebate deducted from electricity purchases.

(g) Revenue Recognition

Revenues from electricity sales include an accrual for units sold but not billed at balance date.

(h) Income Tax

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

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

(i) Receivables

Receivables are stated at their estimated realisable value after adequate provision for doubtful debts. Bad debts are written off in the year in which they are identified.

(j) Inventories and Work in Progress

Inventories are valued at the lower of weighted average cost or net realisable value.

Work in progress is valued at cost comprising direct labour, materials and a proportion of production overheads based on a normal level of activity.

(k) Foreign Currencies

There were no material foreign currency transactions during the period or outstanding foreign currency balances at balance date.

(l) Financial Instruments**Interest Rate Risk**

The company has various financial instruments to reduce exposure to fluctuations in interest rates. Any resulting differential to be paid or received is accrued as interest rates change and is recognised as a component of operating revenue or expense.

Electricity Price Risk

TrustPower in common with other electricity companies has entered into a number of electricity hedge contracts to reduce the risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased.

Any resulting differential to be paid or received is recognised as a component of operating expenses upon maturity of the contract.

Credit Risk

The company minimises its credit risk by limiting transactions to counterparties with high credit ratings and limiting the amount of funds placed with any parties at one time.

Collateral

The company does not require collateral or other security to support financial instruments with credit risk.

While the company may be subject to credit losses up to the notional principal or contract amounts in the event of non-performance by its counterparties, it does not expect such losses to occur.

Concentration of Credit Risk

The company does not have any significant concentrations of credit risk.

Cash and short term investments are placed with high credit quality financial institutions and limits are applied to the amount of credit exposure to any one financial institution.

Trade receivables credit risk is limited due to the large number of customers included in the company's customer base.

(m) Generation Development Expenditure

Exploration, evaluation and development costs that relate to specific generation prospects are recognised as assets to the extent that such costs are expected to be recouped through successful development and generation of electricity. Costs will ultimately be amortised over the estimated economic life of a project.

Directors review the status of development expenditure on an annual basis and in the event that a project is abandoned, or if the directors consider the expenditure to be of no value accumulated costs are written off in the year in which that assessment is made.

(n) Employee Entitlements

Employee entitlements to salaries and wages, non-monetary benefits, annual leave, long service leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages, annual leave and long service leave as a result of services rendered by employees up to balance date.

(o) Changes in Accounting Policies

As described in note 1(d) there has been a change in the accounting policy adopted for fixed assets. There have been no other changes in accounting policies.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1997**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
NOTE 2 : TOTAL REVENUE FROM CONTINUING ACTIVITIES			
Sales	66,571	64,842	14,715
Interest Received	25	6	1,366
	66,596	64,848	16,081

NOTE 3 : OPERATING SURPLUS BEFORE INCOME TAX

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
The Operating Surplus Before Tax Is Stated After Charging/(Crediting):			
Amortisation Of Goodwill	478	57	420
Audit Fees And Expenses	38	20	7
Fees Paid For Other Auditor Services	51	26	8
Bad Debts Written Off	104	100	-
Change In Provision For Doubtful Debts	(44)	(43)	-
Depreciation	7,314	395	1,733
Directors Fees	122	62	21
Interest Paid On Loans	3,719	29	3,153
Interest Paid On Convertible Notes	1,945	15	1,648
Rental And Operating Lease Costs	468	87	2
Non-Recurring Items:			
Restructuring	198	-	-
Loss/ (Profit) On Sale Of Fixed Assets	138	152	123

NOTE 4 : INCOME TAX**(i) INCOME TAX**

Operating Surplus Before Taxation

Tax On Operating Surplus at 33%

Tax Effect of Permanent Differences

Income Tax

Adjustments From Previous Year

Total Income Tax

Represented By:

Current Tax

Deferred Tax

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Operating Surplus Before Taxation	14,130	2,577	7,878
Tax On Operating Surplus at 33%	4,663	850	2,600
Tax Effect of Permanent Differences	563	103	314
Income Tax	5,226	953	2,914
Adjustments From Previous Year	(500)	(91)	(279)
Total Income Tax	4,726	862	2,635
Represented By:			
Current Tax	4,601	839	2,565
Deferred Tax	125	23	70
	4,726	862	2,635

(ii) PROVISION FOR TAX

Balance At Beginning Of Year

Current Tax

Tax Paid

Balance At End Of Year

Balance At Beginning Of Year	(422)	(52)	(470)
Current Tax	4,601	839	2,565
Tax Paid	(4,083)	(745)	(2,276)
Balance At End Of Year	96	42	(181)

(iii) DEFERRED TAX LIABILITY

Balance At Beginning Of Year

Current Period Timing Differences

Balance At End Of Year

Balance At Beginning Of Year	(16)	(2)	(18)
Current Period Timing Differences	125	23	70
Balance At End Of Year	109	21	52

(iv) IMPUTATION CREDIT MEMORANDUM ACCOUNT

Balance at Beginning of Year

Tax Paid

Dividends Allocated

Other Credits

BALANCE AT END OF YEAR

Balance at Beginning of Year	1,974	304	1,883
Tax Paid	4,020	733	2,241
Dividends Allocated	(3,154)	(575)	(1,758)
Other Credits	2	0	1
BALANCE AT END OF YEAR	2,842	462	2,367

NOTE 5 : DIVIDENDS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Dividends on Ordinary Shares			
Interim Dividend Paid - Cash	894	162	498
Interim Dividend Paid - Shares	3,377	616	1,883
Final Dividend Proposed	4,379	799	2,441
	8,650	1,577	4,822

**NOTE 6 : SHARE CAPITAL
ISSUED AND PAID UP SHARE CAPITAL**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
<u>ORDINARY SHARES</u>			
Balance at Beginning of Year			
123,942,074 Issued Shares	32,591	1,589	27,791
Issue of Fully Paid Up Shares	1,543	250	932
Transfer From Share Premium Reserve	15,722	1,340	12,140
Balance at End of Year			
129,392,627 Issued Shares	49,856	3,179	40,863
<u>REDEEMABLE PREFERENCE SHARES</u>			
Balance at Beginning of Year			
360,040 Issued Shares	2	-	2
Issue of Fully Paid Up Shares Pursuant to Exercise of the Options	-	-	-
Balance at End of Year			
360,040 Issued Shares	2	-	2
<u>TOTAL ISSUED AND PAID UP CAPITAL</u>	49,858	3,179	40,865

Each Redeemable Preference Share has 100 Convertible Notes attached to it. The Redeemable Preference Shares have no rights to distribution of revenue or capital. They are redeemable at par upon conversion or redemption of the attached Convertible Note and carry voting rights equivalent to 100 Ordinary Shares.

NOTE 7 : RESERVES

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(I) RESERVES			
SHARE PREMIUM RESERVE			
Balance at Beginning of Year	11,000	537	9,379
Premium on Shares Issued (Refer Note 6)	4,722	803	2,761
Transfer to Share Capital	(15,722)	(1,340)	(12,140)
Balance at End of Year	-	-	-
REVALUATION RESERVE			
Balance at Beginning of Year			
Revaluation of Fixed Assets	96,277	-	-
Balance at End of Year	96,277	-	-
TOTAL RESERVES			
	96,277	-	-

The Company has reregistered under the Companies Act 1993 on 23 June 1997. As an event subsequent to balance date but prior to reregistration, the Company redeemed 2,400,000 Convertible Notes at a premium and the associated 24,000 Redeemable Preference Shares at par on 13 June 1997. The premium was charged to the share premium reserve. For disclosure purposes, the share premium reserve has been treated as transferred to share capital as at 31 March 1997.

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(II) RETAINED EARNINGS			
Retained Earnings at the Beginning of the Year	6,417	(777)	23,100
Net Surplus for Year	9,404	1,715	5,243
Dividends	(8,650)	(1,577)	(4,822)
Retained Earnings at the End of the Year	7,171	(639)	23,521

NOTE 8 : CONVERTIBLE NOTES

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Balance at Beginning of Year	22,113	454	17,047
Balance at End of Year 36,012,852 Convertible Notes	22,113	454	17,047

The Convertible Notes used mature on the 31 March 2000, interest is payable quarterly in advance, have face value of \$1.10 per note, can be converted to Ordinary Shares on a one for one basis or may be redeemed for cash of up to \$1.50 per note under certain circumstances.

For every 100 Convertible Notes issued there is attached one Redeemable Preference Share. The Redeemable Preference Share carries voting rights equal to the conversion rights on the attached 100 Convertible Notes. Interest payable on 32,859,612 notes has been fixed at 9.25% for two years beginning 1 April 1997 and is set at 8.74% for one year beginning 1 April 1997 on the remaining notes.

NOTE 9 : CURRENT ASSETS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Cash and Short Term Deposits			
Trade Receivables	5,562	5,297	-
Less Provision for Doubtful Debts	(174)	(165)	-
Prepayments and other Receivables	3,631	3,459	-
Provision for Taxation	(96)	(42)	181
Inventories - Parts	893	-	-
	9,816	8,549	181

NOTE 10 :INVESTMENTS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Ownership in Kaimai Hydropower	-	-	26,629
Shares in other Companies	1	-	-
	1	-	26,629
Ownership in Kaimai Hydropower	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Loan Liability	-	-	15,000
Corporate Ownership	-	-	11,629
	-	-	26,629
Kaimai Hydropower: Total Assets			<u>54,813</u>
Net Surplus/(Deficit) For Period			<u>-</u>

An application has been made to the High Court by the Tauranga District Council a partner in Kaimai Hydropower for a Declaratory Judgement in respect of the deed that governs the operation of the scheme. It is not believed that the outcome of the case will result in any material change in the rights and obligations of TrustPower Limited under the deed.

The Tauranga District Council's representatives have however refused to sign the financial statements of Kaimai Hydropower and therefore the Partnership's auditors have been unable to issue an audit opinion. The Partnership's auditors have indicated that it is only the lack of signature on the Statement of Financial Position by both parties that prevents the issue of an unqualified audit opinion.

NOTE 11: FIXED ASSETS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Freehold Land (At Cost)	682	112	796
Freehold Buildings (At Cost)	4,014	839	3,511
Accumulated Depreciation	196	40	167
	3,818	799	3,344
Generation Assets (At Cost)	-	-	77,868
Accumulated Depreciation	-	-	2,984
	-	-	74,884
Reticulation Network (At Valuation - 31 March 1997)	195,824	-	-
Accumulated Depreciation	-	-	-
	195,824	-	-
Motor Vehicles (At Cost)	4,233	260	4
Accumulated Depreciation	2,777	118	2
	1,456	142	2
Plant And Equipment (At Cost)	7,291	3,130	3,218
Accumulated Depreciation	4,502	1,563	385
	2,789	1,567	2,833
Total Fixed Assets	204,569	2,620	81,859

The most recent Government valuation of land and buildings dated 1 September 1994, 1 September 1995 and 1 September 1996 amounted to \$6,786,000. The figures for freehold buildings includes buildings associated with generation with a book value of \$3,327,000 for which there is not a separate Government Valuation. The reticulation network assets have been revalued as at 31 March 1997 to their optimal deprival value as at that date. The optimal deprival value was completed by Worley Consultants. The increase in value amounted to \$96,277,000.

Where generation assets have been purchased they are carried at their fair value as established by independent valuers at the time of acquisition.

NOTE 12 : CURRENT LIABILITIES

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Bank Overdraft	105	19	58
Accounts Payable And Accruals	5,937	7,890	397
Employee Entitlements	1,455	482	
Provision for Dividend	4,379	799	2,441
	11,876	9,190	2,896

NOTE 13 : NON CURRENT LIABILITIES

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Unsecured Loans	35,609	-	31,881
Deferred Taxation	109	20	52
	35,718	20	31,933
Unsecured Loans:			
Repayment Terms			
One to Two Years	-	-	-
Two to Five Years	35,609	-	31,881
Weighted Average Interest	8.01%	8.01%	8.01%

NOTE 14 : FINANCIAL INSTRUMENTS

In the normal course of business, the Company incurs credit risk from trade receivables and transactions with financial institutions and electricity purchase price hedges. The Company has a credit policy to manage the risk from trade receivables and has a provision for trade receivables that are unlikely to be collected. The Company also requires a bond from customers who do not meet certain credit criteria.

The Company does not have any significant concentration of credit risk. The Company does not require any collateral or security to support financial instruments as it only deposits with banks or other financial institutions with high credit ratings. The Company further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time. The Directors estimate that the carrying amount of financial instruments in the balance sheet equal their face value.

INTEREST RATE HEDGING

TrustPower Limited has entered into a series of forward rate and option agreements to reduce the impact of changes in interest rates on its floating rate loans. These arrangements are timed to mature at the time the related loans mature and effectively fix the floating rate loans. The total value of interest rate hedging contracts at balance date amounted to \$75,000,000. The contract expiry dates range from one to five years and fixed interest in the range of 7.42% to 9.32%.

ELECTRICITY PRICE HEDGES

As a normal business practice the Company has entered into a number of electricity hedges in order to reduce the risk from price fluctuations on the electricity spot market. The Directors are of the opinion that the level of hedges carried are appropriate for TrustPower's business and in accordance with the Company's risk managements policies.

The fair value of electricity price hedging contracts can vary from day to day as the spot market price for electricity varies. As at balance date this secondary market for electricity price hedging contracts was not sufficiently active in order to obtain a reliable measure of fair value of TrustPowers hedging contracts.

The total contract value of the electricity hedges at balance date was \$60,265,263, ranging for a period of one to four years.

NOTE 15 : OPERATING LEASES

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Analysis of Non-Cancellable Operating Lease Commitments:			
Not Later Than One Year	255	47	1
Between One and Two Years	105	19	1
Between Two and Five Years	50	10	-
Later Than Five Years	-	-	-
	410	76	2

NOTE 16 : CAPITAL COMMITMENTS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Estimated Capital Expenditure Contracted for at Balance Date but not provided for :	1,490	-	315

NOTE 17 : CONTINGENT LIABILITIES

The following contingent liabilities have not been provided for in the financial statements:

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(i) LETTER OF CREDIT			
In order to satisfy the prudential security requirements of the Electricity Market Company Limited, Westpac Bank has issued a letter of credit on behalf of the company.	-	12,000	-
(ii) REDEMPTION OF CONVERTIBLE NOTES			
The convertible notes issued can be redeemed at a premium for cash under certain circumstances. Maximum contingent liability :	8,040	165	6,199
(iii) PENDING LITIGATION			
A defended case has been taken to Employment Court. The amount claimed is:	-	90	-

(iv) DECLARATORY JUDGEMENT

An application has been made to the High Court for a Declaratory Judgement in respect of the Deed that governs the operation of the Kaimai Hydropower Scheme. It is not believed that the outcome of the case will result in a material change to the rights and obligations of TrustPower Limited under the Deed.

(v) WAITANGI TRIBUNAL CLAIM

The Wairoa River and catchment area in which Kaimai Hydropower operates and the Rangitaiki and Wheao Rivers in which the Wheao scheme operates are the subject of a claim against the Crown to be heard by the Waitangi Tribunal. The likely effect of the outcome of these claims is not able to be quantified.

NOTE 18 : RELATED PARTY TRANSACTIONS

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

During the period to 31 March 1997 material transactions took place with the following related Parties:

Tauranga Joint Generation Committee (Kaimai Hydropower)

TrustPower Limited has a 50% interest in the assets of this Committee which trades as Kaimai Hydropower. Any generation surplus is rebated on the basis of each partner's annual energy purchases and is recognised as a deduction from the cost of electricity purchases. For the year ended 31 March 1997 TrustPower Limited was allocated 79.72% (80.51% in 1996) of the generation surplus.

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Transactions:			
Net Purchase of Electricity	-	19,710	-
Provision of Services	(116)	-	-
Interest Received	-	-	(1,457)
Balance Owing At End Of Year	-	1,466	-

NOTE 19 : SEGMENTAL REPORTING

The group operates within the electricity supply industry. All operations take place within New Zealand predominately in the Bay of Plenty.

NOTE 20 : EMPLOYEE SHARE OWNERSHIP TRUST

An Employee Share Ownership Trust was established by the Energy Companies (TrustPower Limited) Vesting Order 1993. All Employees who have been with the Company at least six months have equal entitlement to participate. Issues are made periodically at a discounted price set at the discretion of the Trustees by reference to the market. The Trustees are one Director (A. L. Carpenter), the Chief Executive (J. K. Williams) and an elected Staff Representative (T. M. Thorn). The Trustees have non-beneficial control of the shares not yet allocated. The Trustees are entitled to exercise the voting rights of unallocated shares. No financial support is provided to the Trust by the Company.

The Employee Share Ownership Trust held the following Ordinary Shares at the end of the year:

	LINE BUSINESS	ENERGY BUSINESS	GENERATION BUSINESS
Not Yet Allocated Fully Paid Up Ordinary Shares	Shares 452,147	Shares 24,353	Shares 380,443
Percentage of Ordinary Shares	0.35%	0.02%	0.29%

All Shares held by the Plan carry full voting rights.

NOTE 21 : METHODOLOGIES FOR ALLOCATING COSTS, REVENUES, ASSETS AND LIABILITIES**BANK ADVANCES AND SHORT TERM INVESTMENTS:**

Allocation based on Net Income After Taxation

CONVERTIBLE NOTES

Allocated based on Fixed Assets

EDP EXPENSES

Allocated on number of computers per Division

DEPRECIATION

Computers - allocated on number of computers

INTEREST EXPENSE

Allocated based on Fixed Assets

TERM LIABILITIES

More detailed analysis has been carried out on the allocation of borrowings based on specific assets financed. As a result, opening balances of term liabilities and retained earnings have been restated based on this new allocation. The reduction in term liabilities for the year has been allocated on the basis of Earnings before interest and taxation.

SHARES ISSUED FROM DIVIDEND REINVESTMENT PLAN

Allocated on profit after tax.

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	<u>Financial Performance Measures</u>	1997	1996	1995
1(a)	Accounting Return on Total Assets	10.59%	7.76%	7.38%
1(b)	Accounting Return on Equity	6.90%	4.20%	5.17%
1(c)	Accounting Rate of Profit	11.15%	5.64%	5.07%

The Company has revalued its reticulation assets to the Optimised Deprival Value ("ODV") as at 31 March 1997. The ODV at 31 March 1997 amounted to \$211,976,503 an increase from previous years of \$7,060,000. The Company has reflected the total new ODV in the financial statements for the first time resulting in an increased in value of \$96,277,000. The Company has as a consequence changed its election under section 14(5) of the Electricity (Information Disclosure) Regulations 1994 to exclude expenditure that has the effect of maintaining the service potential of the line assets rather than depreciation which was excluded in previous years. The previous years comparatives for the above financial performance measures have been restated to reflect this change and to provide a consistent comparison year to year.

The accounting rate of profit calculation above for 1997 includes the affect of the increase in the ODV referred to above, as required by the regulations.

Efficiency Performance measures:

2(a)	Direct Line Costs per Km	\$ 1,522.96	\$ 1,489.29	\$ 1,798.85
2(b)	Indirect Line Costs per Electricity Customer	\$ 117.50	\$ 139.16	\$ 94.86

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Energy Delivery Efficiency Performance Measures:

1(a)	Load Factor	57.0%	59.4%	52.50%
1(b)	Loss Ratio	5.94%	6.1%	6.15%
1(c)	Capacity Utilisation	34.63%	34.5%	34.27%

Statistics:

2(a)	System Length		Km	Km	Km
		Total	5,948	5,544	2,597
		400v	1,991	1,759	799
		11kv	3,663	3,500	1,654
		33kv	294	285	144
2(b)	Circuit Length of Overhead Electric Lines		Km	Km	Km
		Total	4,445	4,273	1,818
		400v	1,008	969	338
		11kv	3,153	3,030	1,338
		33kv	284	274	142
2(c)	Circuit Length of Underground Electric Lines		Km	Km	Km
		Total	1,503	1,271	779
		400v	983	790	461
		11kv	510	470	316
		33kv	10	11	2
2(d)	Transformer Capacity (kva)	658,050	651,922	307,973	
2(e)	Maximum Demand (kw)	227,860	224,913	105,545	
2(f)	Total Electricity Supplied From the System (kwh)	1,150,130,916	1,102,147,000	455,877,628	
2(g)	Total Electricity Conveyed through the System on behalf of others (kwh)	26,911,088	6,500,000	5,500,000	
2(h)	Total Customers	88,100	86,866	47,759	

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<u>Reliability Performance Measures:</u>		1997	1996	1995
1	Total Number of Interruptions			
	Class B	253	187	247
	Class C	314	265	144
	Class D	10	8	0
	Class G	1	0	0
	All Other Classes	0	0	0
	Total	578	460	391
2	Total number of faults per 100 Km of prescribed voltage electric Line	7.94	7.48	21.75
3	Total number of faults per 100 Km of underground prescribed voltage electric line by nominal line voltage.			
	Total	1.54	7.7	3.15
	33Kv	0	0	0
	11Kv	1.57	7.88	3.16
4	Total number of faults per 100 Km of overhead prescribed voltage electric line by nominal line voltage			
	Total	8.90	6.9	25.84
	33Kv	7.75	2.34	12.68
	11Kv	9.01	7.16	8.67
5	SAIDI for total number of interruptions	253	192.94	302.71
6	SAIDI for total number of interruptions within each interruption class.			
	Class B	29	36.87	136.87
	Class C	176	138.83	165.84
	Class D	48	17.24	0
	Class G	0	0	0
7	SAIFI for total number of interruptions	4.88	3.015	3.34
8	SAIFI for total number of interruptions within each interruption class.			
	Class B	0.18	0.212	0.76
	Class C	3.91	2.42	2.58
	Class D	0.8	0.38	0
	Class G	0	0	0
9	CAIDI for total of all interruptions	52	63.98	90.67
10	CAIDI for total of all interruptions within each interruption class.			
	Class B	164	173.89	180.61
	Class C	45	57.36	64.26
	Class D	60	45.02	0
	Class G	191	0	0

Note: SAIDI, SAIFI measures for Class G are less than .0 .



