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KING COUNTRY ENERGY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

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

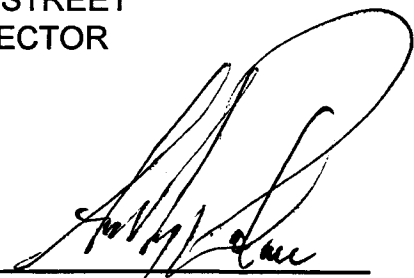
We, KENNETH STUART STREET and ANTHONY JAMES PALMER Directors of King Country Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

- (a) The attached audited financial statements of King Country Energy Limited prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994, give a fair and true 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 King Country Energy 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 31 March 1997.



K S STREET
DIRECTOR



A J PALMER
DIRECTOR

31st July 1997

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Price Waterhouse



King Country Energy Limited

Certification by auditor in relation to financial statements

We have examined the attached financial statements prepared by King Country Energy 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.

GE Burns
Price Waterhouse
On behalf of the Controller and Auditor-General
Auckland, New Zealand

28 July 1997

This certificate is issued pursuant to Regulation 25(2) of the Electricity (Information Disclosure) Regulations 1994.

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King Country Energy Limited

Certification by auditor in relation to ODV valuation

We have examined the valuation report prepared by Catherall Taylor Associates and dated 31 March 1997, which report contains an ODV valuation of the lines business of King Country Energy Limited as at 31 March 1997.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the ODV valuation 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.

GE Burns
Price Waterhouse
On behalf of the Controller and Auditor-General
Auckland, New Zealand

28 July 1997

This certificate is issued pursuant to Regulation 25(4) of the Electricity (Information Disclosure) Regulations 1994.

KING COUNTRY ENERGY LIMITED

STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH

THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994

AS AT 31 MARCH 1997

	Note	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
Shareholders Equity:							
Share Capital	6	12,426,811	3,159,838	11,963,189	3,036,811	11,963,189	3,036,811
Reserves	7	37,519	61,316	505,065	148,776	484,650	123,027
Retained Earnings	7	<u>1,285,245</u>	<u>54,464</u>	<u>578,103</u>	<u>931,668</u>	<u>290,832</u>	<u>822,089</u>
Total Equity		<u><u>13,749,575</u></u>	<u><u>3,275,618</u></u>	<u><u>13,046,357</u></u>	<u><u>4,117,255</u></u>	<u><u>12,738,671</u></u>	<u><u>3,981,927</u></u>
Represented by:							
Current Assets:							
Cash & Bank Balances		2,616,232	1,217,708	2,166,750	1,781,328	2,410,823	1,352,661
Receivables	8	696,283	793,563	640,969	789,876	644,936	896,811
Inventories	9	593,643	9,155	461,359	17,217	459,584	33,039
Income Tax Receivable		<u>63,828</u>	<u>(6,003)</u>	<u>50,781</u>	<u>14,323</u>	<u>71,344</u>	-
Total Current Assets		<u><u>3,969,986</u></u>	<u><u>2,014,423</u></u>	<u><u>3,319,859</u></u>	<u><u>2,602,744</u></u>	<u><u>3,586,687</u></u>	<u><u>2,282,511</u></u>
Non Current Assets:							
Fixed Assets	11	10,825,373	1,897,791	10,641,806	1,501,931	9,851,174	1,347,097
Investments	10	36,365	-	85,112	-	86,062	-
Development Assets	12	-	133,959	-	857,439	-	973,736
Future Income Tax Benefit	4	<u>107,302</u>	<u>17,504</u>	<u>152,397</u>	<u>26,299</u>	<u>56,747</u>	<u>6,912</u>
Total Non Current Assets		<u><u>10,969,040</u></u>	<u><u>2,049,254</u></u>	<u><u>10,879,315</u></u>	<u><u>2,385,669</u></u>	<u><u>9,993,983</u></u>	<u><u>2,327,745</u></u>
Total Assets		<u><u>14,939,026</u></u>	<u><u>4,063,677</u></u>	<u><u>14,199,174</u></u>	<u><u>4,988,413</u></u>	<u><u>13,580,670</u></u>	<u><u>4,610,256</u></u>
Current Liabilities:							
Trade and Other Creditors		(698,195)	(551,618)	(724,129)	(542,817)	(672,777)	(563,239)
Customer Credit Balances		(6,545)	(187,074)	-	(256,795)	-	-
Provision for Holiday Pay		(129,086)	(27,886)	(128,708)	(33,971)	(169,222)	(5,090)
Proposed Dividend		<u>(80,000)</u>	-	<u>(62,549)</u>	<u>(17,451)</u>	-	<u>(60,000)</u>
Total Current Liabilities		<u><u>(913,826)</u></u>	<u><u>(766,578)</u></u>	<u><u>(915,386)</u></u>	<u><u>(851,034)</u></u>	<u><u>(841,999)</u></u>	<u><u>(628,329)</u></u>

Non Current Liabilities:						
Provision for Retirement Benefits	<u>(275,625)</u>	<u>(21,481)</u>	<u>(237,431)</u>	<u>(20,124)</u>	<u>-</u>	<u>-</u>
Total Non Current Assets	<u>(275,625)</u>	<u>(21,481)</u>	<u>(237,431)</u>	<u>(20,124)</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>(1,189,451)</u>	<u>(788,059)</u>	<u>(1,152,817)</u>	<u>(871,158)</u>	<u>(841,999)</u>	<u>(628,329)</u>
Net Assets	<u>13,749,575</u>	<u>3,275,618</u>	<u>13,046,357</u>	<u>4,117,255</u>	<u>12,738,671</u>	<u>3,981,927</u>

The Accompanying notes form an integral part of these Financial Statements.

KING COUNTRY ENERGY LIMITED
STATEMENT OF FINANCIAL PERFORMANCE PREPARED IN ACCORDANCE WITH
THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994
FOR THE YEAR ENDED 31 MARCH 1997

	Note	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
Revenue	2	7,692,262	12,175,230	7,527,534	11,734,892	6,784,464	12,782,216
Expenses	3	<u>6,563,298</u>	<u>12,226,956</u>	<u>6,755,598</u>	<u>11,491,535</u>	<u>6,774,145</u>	<u>11,566,708</u>
Operating Surplus		1,128,964	(51,726)	771,936	243,357	10,319	1,215,508
Less Write Off Development Costs		-	<u>(848,084)</u>	-	<u>(27,999)</u>	-	-
Surplus before Income Tax		1,128,964	(899,810)	771,936	215,358	-	-
Income Tax		<u>(381,807)</u>	<u>22,605</u>	<u>(257,583)</u>	<u>(71,068)</u>	<u>(11,896)</u>	<u>(414,354)</u>
Operating Surplus / (Deficit) After Income Tax		<u>747,157</u>	<u>(877,205)</u>	<u>514,353</u>	<u>144,290</u>	<u>(1,577)</u>	<u>801,154</u>

The Accompanying notes form an integral part of these Financial Statements.

KING COUNTRY ENERGY LIMITED**STATEMENT OF MOVEMENTS IN EQUITY PREPARED IN ACCORDANCE WITH****THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1997**

	Note	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
Equity at Beginning of the Year		13,046,357	4,117,255	12,738,671	3,981,927	12,789,982	3,240,773
Transfer to Provision for Retirement Benefit (Net of related future tax benefit of \$79,689)		-	-	(148,896)	(12,897)	-	-
Surplus and Revaluation's:							
Net Surplus / (Deficit) for the Period		747,156	(877,205)	514,353	144,290	(1,577)	801,154
Loss on Disposal of houses attributable to equity issued on vesting date				-	-	(49,734)	-
Revaluation of Assets		<u>36,062</u>	<u>35,568</u>	<u>20,416</u>	<u>25,748</u>	-	-
Total recognised revenues and expenses for the period		<u>783,218</u>	<u>(841,637)</u>	<u>534,769</u>	<u>170,038</u>	<u>(51,311)</u>	<u>801,154</u>
Other Movements:							
Distributions to Owners	5	<u>(80,000)</u>	-	<u>(78,187)</u>	<u>(21,813)</u>	-	<u>(60,000)</u>
Total other movements for the period		<u>(80,000)</u>	-	<u>(78,187)</u>	<u>(21,813)</u>		
Equity at end of the period		<u>13,749,575</u>	<u>3,275,618</u>	<u>13,046,357</u>	<u>4,117,255</u>	<u>12,738,671</u>	<u>3,981,927</u>
The Accompanying notes form an integral part of these Financial Statements.							

KING COUNTRY ENERGY LIMITED**NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH****THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1997****1. STATEMENT OF ACCOUNTING POLICIES**

The Financial Statements presented here are for the reporting entity King Country Energy Limited.

The Financial Statements have been prepared in accordance with the requirements of the Companies Act 1993 and 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.

ACCOUNTING PERIOD

These financial statements cover trading for the year to 31 March 1997.

DISTINCTION BETWEEN CAPITAL AND REVENUE EXPENDITURE

Capital Expenditure is all expenditure on the creation of a new asset and any expenditure which results in a significant improvement of the original function of an existing asset. Revenue Expenditure is expenditure which restores an asset to its original condition and all expenditure incurred in maintaining and operating the Company's business.

ELECTRICITY SALES

Electricity meters are read on the basis of constant cycles each year. Account has been taken of the unbilled sales at the end of the financial period which have been accrued.

FINANCIAL INSTRUMENTS

The Company has entered into electricity price hedging contracts with electricity generators in order to minimise the risk of price fluctuations on the electricity spot market. Assets, liabilities, and any unrealised revenues and expenses associated with these instruments as at balance date are not recognised in the financial statements. Realised revenues and expenses are recognised in the statement of financial performance on maturity of the hedging contracts and are incorporated as part of the cost of wholesale electricity.

Full disclosure of information about electricity price hedging contracts to which the Company is a party is provided in note 13.

ACCOUNTS RECEIVABLE

Accounts Receivable are stated at expected net realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

CAPITAL CONTRIBUTIONS

Capital Contributions are taken to income when received.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined at average in store prices. Allowance is made for obsolescence where necessary.

INVESTMENTS

Investments are shown at cost. Interest from investments has been accrued.

FIXED ASSETS

Fixed Assets, other than Land and Buildings, are stated at cost less accumulated depreciation. Land and Buildings are originally stated at cost and then revalued to latest Government Valuation less accumulated depreciation on buildings. As future revisions of Government Valuation are received Land and Buildings are revalued accordingly being a period not greater than three years from the previous valuation, with the exception stated in Note 11.

DEPRECIATION

Fixed Assets have been depreciated on the following basis.

Distribution Equipment	4% straight line on Cost
Buildings	2% straight line on Valuation
Generation Plant	4% straight line on Cost
Motor Vehicles	20% DV on Cost
Plant and Equipment	20% to 33% DV on Cost

TAXATION

The Income Tax charged to the Statement of Financial Performance includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs. Deferred taxation, calculated using the comprehensive liability method, is accounted for in respect of those timing differences expected to reverse in the foreseeable future. A deferred tax benefit is recognised only if there is a virtual certainty of realisation.

DEVELOPMENT ASSETS

Development Costs Capitalised are valued at the lower of cost or Directors Valuation. Where a project has not yet reached a stage which permits a reasonable assessment of the likelihood of it continuing, the value attributed to the project remains capitalised. Project values are assessed at least annually to see if any diminution in value is likely to have accrued over and above any amortisation. Development costs are then written off or transferred to fixed assets.

GOODS AND 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.

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.

CHANGES IN ACCOUNTING POLICY

All accounting policies have been applied on a basis consistent with those used by the Company in the Period to 31 March 1996.

KING COUNTRY ENERGY LIMITED**NOTES TO THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH****THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1997**

Note	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
2. REVENUE						
Sales Revenue	6,828,647	11,844,997	6,631,790	11,472,244	5,982,924	11,599,812
Interest Received	193,133	158,658	224,566	126,319	156,298	76,982
Capital Contributions from Customers	135,147	-	192,124	-	42,724	-
Other Income	<u>535,334</u>	<u>171,575</u>	<u>479,054</u>	<u>136,329</u>	<u>602,518</u>	<u>1,105,422</u>
	<u>7,692,261</u>	<u>12,175,230</u>	<u>7,527,534</u>	<u>11,734,892</u>	<u>6,784,464</u>	<u>12,782,216</u>
3. EXPENSES						
Included in Operating Expense are the following items:						
Transpower Charges	2,216,938	-	2,070,729	-	2,606,923	-
Line Charges and Bulk Electricity Purchases	-	11,187,803	-	10,756,284	-	10,002,454
Depreciation	845,660	95,464	852,486	82,257	715,595	73,683
Bad Debts Written Off	13,006	10,694	14,923	20,034	28,020	17,672
Decrease in Estimated Doubtful Debts	-	-	-	(8,800)	-	10,200
Audit Fees	14,310	9,540	6,585	4,388	6,615	4,200
Other Fees paid to Auditors	(406)	(271)	17,355	11,572	-	-
Directors' Fees	65,200	16,300	64,000	16,000	64,518	12,982
Loss on Sale of Fixed Assets	24,253	-	-	-	-	-

KING COUNTRY ENERGY LIMITED**NOTES TO THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE****WITH THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1997**

	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
4. INCOME TAX						
The amount of Income Tax attributable to the financial period differs from the prima facie tax payable on the net profit before tax. The difference is reconciled as follows:						
Net Surplus before Taxation	1,128,963	(899,810)	771,936	215,358	10,319	1,215,508
Taxation thereon at 33%	372,558	(296,938)	254,739	71,068	3,405	401,118
Permanent differences						
- Write off non-deductible development costs	-	279,868				
-Other	9,197	(5,535)	2,778	-	13,359	13,236
-Under / (Over) Provision in prior year	52	-	66	-	(4,868)	-
INCOME TAX ATTRIBUTABLE TO OPERATING SURPLUS	<u>381,807</u>	<u>(22,605)</u>	<u>257,583</u>	<u>71,068</u>	<u>11,896</u>	<u>414,354</u>
Comprising:						
-Current Tax Provision	336,660	(31,400)	278,704	85,229	(19,975)	377,631
-Deferred Income Tax Provision	45,095	8,795	(21,187)	(14,161)	36,739	36,723
-Over Provision in prior year	52	-	66	-	(4,868)	-
	<u>381,807</u>	<u>(22,605)</u>	<u>257,583</u>	<u>71,068</u>	<u>11,896</u>	<u>414,354</u>
FUTURE INCOME TAX BENEFIT						
Balance at beginning of year	152,397	26,299	56,747	6,912	93,486	43,635
Current year timing differences	(45,095)	(8,795)	95,650	19,387	(36,739)	(36,723)
Balance at end of year	<u>107,302</u>	<u>17,504</u>	<u>152,397</u>	<u>26,299</u>	<u>56,747</u>	<u>6,912</u>
IMPUTATION CREDIT MEMORANDUM ACCOUNT						
Balance at beginning of period	346,495	568,003	96,521	498,264	91,181	108,819
Dividend Paid	(39,403)	-	(30,808)	(8,595)	-	-

Taxation Payments Made
Balance at end of period

329,027
636,119

(30,943)
537,060

280,782
346,495

78,334
568,003

5,340
96,521

389,445
498,264

KING COUNTRY ENERGY LIMITED**NOTES TO THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE****WITH THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1997**

	Note	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
5. DIVIDENDS							
Interim Dividend		-	-	15,637	4,363	-	-
Final Dividend Proposed		<u>80,000</u>	-	<u>62,550</u>	<u>17,450</u>	-	<u>60,000</u>
		<u>80,000</u>	-	<u>78,187</u>	<u>21,813</u>	-	<u>60,000</u>
6. SHARE CAPITAL							
Authorised Share Capital - Total Company 15,000,000 ordinary shares of \$1.00 each		<u>12,426,811</u>	<u>3,159,838</u>	<u>11,963,189</u>	<u>3,036,811</u>	<u>11,963,189</u>	<u>3,036,811</u>
Issued and Paid up Capital Ordinary shares of \$1.00 each full paid		<u>12,426,811</u>	<u>3,159,838</u>	<u>11,963,189</u>	<u>3,036,811</u>	<u>11,963,189</u>	<u>3,036,811</u>
7. RESERVES							
Movements in Reserves were:							
Share Premium Reserve							
Balance at Beginning of Year		463,622	123,027	463,622	123,027	463,622	123,027
Transfer to Share Capital in Accordance with Companies Act 1993		<u>463,622</u>	<u>123,027</u>	-	-	-	-
Balance at End of the Year		-	-	<u>463,622</u>	<u>123,027</u>	<u>463,622</u>	<u>123,027</u>
Asset Revaluation Reserve							
Balance at Beginning of the Year		41,443	25,749	21,028	-	21,028	-
Net Surplus on Revaluation of Land and Buildings		<u>(3,924)</u>	<u>35,567</u>	<u>20,415</u>	<u>25,749</u>	-	-
Balance at End of the Year		<u>37,519</u>	<u>61,316</u>	<u>41,443</u>	<u>25,749</u>	<u>21,028</u>	-
Total Reserves		<u>37,519</u>	<u>61,316</u>	<u>505,065</u>	<u>148,776</u>	<u>484,650</u>	<u>123,027</u>

Retained Earnings

Balance at Beginning of the Year	578,103	931,668	290,832	822,089	342,143	80,935
Net Surplus for the Period	747,156	(877,204)	514,353	144,290	(1,577)	801,154
Dividends provided	(80,000)	-	(78,187)	(21,813)	-	(60,000)
Loss on Disposal of houses attributable to Equity issued on vesting date	-	-	-	-	(49,734)	-
Transfer to provision for Retirement Gratuity and Leave	-	-	(148,895)	(12,898)	-	-
Transfer from Revaluation Reserve on disposal of fixed assets	<u>39,987</u>	-				
Balance at End of the Year	<u>1,285,246</u>	<u>54,464</u>	<u>578,103</u>	<u>931,668</u>	<u>290,832</u>	<u>822,089</u>

KING COUNTRY ENERGY LIMITED**NOTES TO THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE****WITH THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1997**

	Note	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
8. RECEIVABLES							
Trade and Sundry Debtors		<u>696,283</u>	<u>793,563</u>	<u>640,969</u>	<u>789,876</u>	<u>644,936</u>	<u>896,811</u>
9. INVENTORY							
Inventory comprises:							
Stocks of Materials for Line Construction & Maintenance		593,643	-	461,359	-	459,584	-
Finished goods and parts		-	<u>9,155</u>	-	<u>17,217</u>	-	<u>33,039</u>
		<u>593,643</u>	<u>9,155</u>	<u>461,359</u>	<u>17,217</u>	<u>459,584</u>	<u>33,039</u>
10. INVESTMENTS							
Staff Housing Loans		<u>36,365</u>	-	<u>85,112</u>	-	<u>86,062</u>	-
11. FIXED ASSETS							
Distribution Equipment							
-Cost		16,486,138	-	15,521,278	-	14,515,339	-
-Less Accumulated Depreciation		<u>(7,506,762)</u>	-	<u>(6,857,781)</u>	-	<u>(6,251,566)</u>	-
Book Value		8,979,376	-	8,663,497	-	8,263,773	-
Generation Equipment							
-Cost Plant and Machinery		-	1,778,495	-	1,366,306	-	853,087
-Valuation Land and Buildings		-	<u>265,000</u>	-	<u>265,000</u>	-	<u>306,244</u>
		-	2,043,495	-	1,631,306	-	1,159,331
Less Accumulated Depreciation		-	<u>(379,339)</u>	-	<u>(322,197)</u>	-	<u>(307,430)</u>
Book Value		-	1,664,156	-	1,309,109	-	851,901
Land							
-Cost		8,536	445	10,020	445	8,253	445

-Valuation	<u>272,945</u>	<u>16,555</u>	<u>295,845</u>	<u>16,555</u>	<u>306,845</u>	<u>16,555</u>
-Book Value	281,481	17,000	305,865	17,000	315,098	17,000
Buildings						
-Cost	8,409	-	38,833	-	-	-
-Valuation	<u>730,000</u>	<u>75,000</u>	<u>851,371</u>	<u>74,800</u>	<u>948,387</u>	<u>74,800</u>
	738,409	75,000	890,204	74,800	948,387	74,800
-Less Accumulated Depreciation	<u>(10,214)</u>	<u>(751)</u>	<u>(68,404)</u>	<u>(3,550)</u>	<u>(55,590)</u>	<u>(2,050)</u>
Book Value	728,195	74,249	821,800	71,250	892,797	72,750
Motor Vehicles						
-Cost	778,628	89,453	776,969	61,514	801,514	19,231
-Less Accumulated Depreciation	<u>(493,879)</u>	<u>(50,997)</u>	<u>(471,957)</u>	<u>(37,855)</u>	<u>(509,553)</u>	<u>(11,550)</u>
-Book Value	284,749	38,456	305,012	23,659	291,961	7,681

KING COUNTRY ENERGY LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE

WITH THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994

FOR THE YEAR ENDED 31 MARCH 1997

	Note	Lines Business 1996/1997	Energy Business 1996/1997	Lines Business 1995/1996	Energy Business 1995/1996	Lines Business 1994/1995	Energy Business 1994/1995
Furniture, Plant and Equipment							
-Cost		1,350,905	259,149	1,276,068	174,167	231,263	1,050,756
-Less Accumulated Depreciation		<u>(799,333)</u>	<u>(155,219)</u>	<u>(730,436)</u>	<u>(93,254)</u>	<u>(143,718)</u>	<u>(652,991)</u>
-Book Value		<u>551,572</u>	<u>103,930</u>	<u>545,632</u>	<u>80,913</u>	<u>87,545</u>	<u>397,765</u>
Total Fixed Assets		<u>10,825,373</u>	<u>1,897,791</u>	<u>10,641,806</u>	<u>1,501,931</u>	<u>9,851,174</u>	<u>1,347,097</u>
Total Government Valuations dated 1995-1996 of							
-Land		272,500	17,000	295,400	17,000	235,400	17,000
-Buildings		730,000	75,000	713,600	74,800	733,300	74,800
-Generation		<u>-</u>	<u>4,243,000</u>	<u>-</u>	<u>4,418,000</u>	<u>-</u>	<u>4,500,000</u>

GOVERNMENT VALUATIONS

Land and buildings at the Kuratau Power Station were valued by Valuation New Zealand as at 1 October 1992 at \$4,300,000. This was considerably higher than the previous calculation of \$332,000 as at 1 July 1989 and was due to Valuation New Zealand adopting the same method for valuation as they have used for Electricity Corporation power stations. The method has been appealed in the High Court by Electricity Corporation and King Country Energy Limited has appealed the valuation of \$4,300,000 to Valuation New Zealand.

For this reason the 1 July 1989 valuation of Kuratau Power Station has been shown in the accounts.

Valuation New Zealand have confirmed that the Government Valuation of all land and buildings except the Kuratau Power Station are appropriate for financial reporting purposes. They cannot confirm this for the Power Station until after the outcome of Appeals to the High Court.

The Directors have considered all the circumstances and have used the Valuation which they consider would be most appropriate for consistency purposes in the accounts pending resolution of the outcome of Court decisions.

12. DEVELOPMENT COSTS CAPITALISED

-Cost	-	133,959	-	28,826	-	145,123
-Valuation	-	-	-	<u>828,613</u>	-	<u>828,613</u>
	<u>-</u>	<u>133,959</u>	<u>-</u>	<u>857,439</u>	<u>-</u>	<u>973,736</u>
Opening Cost	-	857,439	-	973,736	-	868,192
Plus Additions	-	<u>124,604</u>	-	<u>68,307</u>	-	<u>105,544</u>
	-	982,043	-	1,042,043	-	973,736
Less Writeoffs	-	(848,084)	-	(27,999)	-	-
Less Transfer to Fixed Assets	-	-	-	<u>(156,605)</u>	-	-
Balance	<u>-</u>	<u>133,959</u>	<u>-</u>	<u>857,439</u>	<u>-</u>	<u>973,736</u>

Development Costs relate to Kuratau Upgrade and Resource Consent Application and Owhango Water Supply Generation Scheme which are still proceeding.

It was considered by the Directors that the Whangaehu / Karioi Project Hydro Generation Project is now not likely to proceed. The Development Costs relating to this incurred up to 1996 were written off during the year.

KING COUNTRY ENERGY LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE
WITH THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 1994
FOR THE YEAR ENDED 31 MARCH 1997

13. FINANCIAL INSTRUMENTS

Fair Values

The carrying amounts of cash, bank balances and investments are equivalent to their fair value.

The carrying amounts of receivables and creditors are invoiced amounts taking account of any amounts considered irrecoverable and are equivalent to their fair value.

The Fair value of electricity price hedging contracts can vary day to day as the spot market price for electricity varies. Hedges and Spot Prices are based on half hour Demands and there are therefore 48 varying prices for each block hedged. It is not possible to reliably measure the fair value of the electricity price hedging contracts at Balance Date due to an insufficient Secondary Market for these contracts.

The value of hedge prices contracted for at balance date relating to the period from 1 April 1997 to 30 September 2002 is estimated at \$21.5 million (1996: \$0). This amount has not been recognised in the financial statements.

Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash, investments and trade receivables. The maximum credit risk as defined by FRS 31 is the book value of these financial instruments, however the Company considers the risk of non recovery of these amounts as being minimal.

The Company places its cash deposits and investments with high-credit-quality financial institutions. Concentrations of credit risk with respect to receivables are limited due to a large number of customers included in the Company's base.

The Company requires a deposit for all new customers if no credit references are received from other Energy Companies. These are refunded after two years. No other form of security or collateral is required to support financial instruments with credit risk.

Market Risk

The Company is exposed to market risk in respect of electricity purchases, this being a type of price risk as defined by FRS 31.

King Country Energy Limited has entered into electricity hedge contracts with ECNZ and Contact NZ Ltd in order to minimise the risk of price fluctuations on the electricity spot market. It is the Company's current policy to hedge at least 95% of its estimated electricity purchases.

Under these contracts King Country Energy Limited agrees a fixed price (hedge price) for its estimated electricity needs with ECNZ and / or Contact NZ Ltd. On maturity of these agreements any difference between the hedge price and the spot market price is settled between the parties. Settlement occurs irrespective of the amount of electricity actually supplied. If the spot market price is greater than the hedge price, ECNZ and Contact NZ Ltd must settle the difference with King Country Energy Limited. Conversely if the spot market price is less than the hedge price, King Country Energy Limited must settle the difference with ECNZ and / or Contact NZ Ltd respectively.

14. RELATED PARTY TRANSACTIONS

The only related party of the Company is the King Country Electric Power Trust.

All transactions with related parties are made on normal Terms and Conditions.

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

There have been no related party transactions of a material nature other than the payment of dividends to the Trust of \$80,000.

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 1997 the Company has not entered into any contracts to purchase and install Capital Equipment of a major nature.

16. OPTIMISED DEPRIVAL VALUE

An Optimised Deprival Valuation (ODV) of the Network Business of the Company was carried out as at 31 March 1997, during the 1996/97 Financial Year. This valuation was carried out for information disclosure purposes under the Energy Companies Act 1992, Electricity Act 1992 and The Electricity (Information Disclosure) Regulations 1994. Under the ODV Methodology the value of the Network Assets as at 31 March 1997 was \$27.3 million. (1996 \$25.3 million)

17. NETWORK, ENERGY TRADING AND GENERATION BUSINESS VALUATIONS

At the same time as the ODV was carried out a valuation of the Network, Energy Trading and Generation businesses was prepared. This valued the overall business at \$45 million (1996: \$35 million). This value has not been taken into account in the financial records of the Company.

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Price Waterhouse



King Country Energy Limited

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 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 King Country Energy Limited and dated 31 March 1997 for the purposes of regulation 13 of those regulations.

We hereby 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.

GE Burns
Price Waterhouse
On behalf of the Controller and Auditor-General
Auckland, New Zealand

28 July 1997

This certificate is issued pursuant to Regulation 25(2) of the Electricity (Information Disclosure) Regulations 1994.

KING COUNTRY ENERGY LIMITED
FINANCIAL PERFORMANCE MEASURES

As at 31 March 1997

1. (a) Accounting Return on Total Assets

Earnings before Interest and Tax, divided by Average Total Funds Employed.

	Note	1995 \$'000	1996 \$'000	1997 \$'000
Earnings before Interest and Tax		523	1,405	1249
Total Funds Employed Last Year		28,565	28,193	27695
Total Funds Employed This Year		<u>28,193</u>	<u>27,695</u>	<u>28269</u>
Average Total Funds Employed		<u>28,379</u>	<u>27,944</u>	<u>27982</u>
Accounting Return on Total Assets	1	<u>1.84%</u>	<u>5.03%</u>	<u>4.46%</u>

(b) Accounting Return on Equity

Net Profit after Tax, divided by Average Total Shareholders Funds.

	\$'000	\$'000	\$'000	
Net Profit after Tax	520	1,222	867	
Shareholders' Funds Last Year	28,565	28,193	27695	
Shareholders' Funds This Year	<u>28,193</u>	<u>27,695</u>	<u>28269</u>	
Average Shareholders Funds	<u>28,379</u>	<u>27,944</u>	<u>27982</u>	
Accounting Return on Equity	1	<u>1.83%</u>	<u>4.37%</u>	<u>3.10%</u>

(c) Accounting Rate of Profit

	\$'000	\$'000	\$'000	
Earnings Before Interest and Tax	523	1,405	1249	
Less Cash Tax	-5	-281	-317	
Less Interest Tax Shield	0	0	0	
Plus Revaluation's	<u>-557</u>	<u>407</u>	<u>-296</u>	
	<u>-39</u>	<u>1,531</u>	<u>636</u>	
Average Total Funds Employed, minus half the amount of revaluation's	<u>28,657</u>	<u>27741</u>	<u>28130</u>	
Accounting Rate of Profit	2	<u>-0.14%</u>	<u>5.52%</u>	<u>2.26%</u>

(d) Lines Business

Fixed Assets at Optimised Deprival Value (ODV) \$m	<u>25.30</u>	<u>25.29</u>	<u>25.34</u>
ODV Audited Valuation Report Date	31/03/94	31/03/94	31/03/97
Network ODV at Audited Valuation Report Date \$m	<u>22.46</u>	<u>22.46</u>	<u>23.35</u>

Note 1 - Accounting Return on Total Assets & Accounting Return on Equity for the 1996 year has been restated due to the discovery of an addition error in the calculation of the Non System Expenditure.

Note 2 - Accounting Rate of Profit for the 1996 year has been restated due to an error in the calculation of Revaluations.

KING COUNTRY ENERGY LIMITED
EFFICIENCY PERFORMANCE MEASURES
FOR THE YEAR ENDED 31 MARCH 1997

	Note	1995	1996	1997
Direct Expenditure \$'000		<u>2,595</u>	<u>2,387</u>	<u>2,552</u>
System Length km		<u>2,280</u>	<u>2,228</u>	<u>2,288</u>
Direct Line Costs per Kilometre \$		<u>1,138</u>	<u>1,071</u>	<u>1,115</u>
 (b) Indirect Line Costs per Electricity Customer				
Indirect Expenditure \$'000	3	<u>909</u>	<u>879</u>	<u>902</u>
Total Customers		<u>12,765</u>	<u>12,987</u>	<u>13,000</u>
Indirect Line Costs per Customer \$		<u>71</u>	<u>68</u>	<u>69</u>

Note 3 - Indirect Expenditure has been restated for 1995 and 1996 to exclude Transpower Charges. This has affected the Indirect Line Costs per Customer.

PERFORMANCE MEASURES AND OTHER INFORMATION - PART III

Regulation 15

<i>Energy Delivery Efficiency Performance Measures and Statistics</i>	1995	1996	1997
ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES:			
Load Factor	- 45.9%	44%	56%
Loss Ratio	- 6.7%	7%	8%
Capacity Utilisation	- 13.8%	16%	12%
STATISTICS:			
System Length	- 2280 km	2288 km	2288 km
33kV	- 209 km	209 km	209 km
11kV	- 1603 km	1610 km	1610 km
230-400V	- 467 km	469 km	469 km
Total Circuit Length	- 2116 km (Overhead)	2123 km (Overhead)	2123 km (Overhead)
33kV	- 209 km	209 km	209 km
11kV	- 1513 km	1544 km	1544 km
230-400V	- 371 km	370 km	370 km
Total Circuit Length	- 163 km (Underground)	165 km (Underground)	165 km (Underground)
33kV	- 0 km	0 km	0 km
11kV	- 68 km	66 km	66 km
230-400V	- 95 km	99 km	99 km
Transformer Capacity	- 214,690 kVA	219,200 kVA	219,200 kVA
Maximum Demand	- 29,782 kW	33,950 kW	27,206 kW
Total Electricity Supplied	- 119,865,119 kWh	122,163,284 kWh	121,637,638 kWh
Total Electricity Conveyed on Behalf of Others	112,384 kWh	0 kWh	0 kWh
Total Number of Customers	- 12,765	12,987	13,000

PERFORMANCE MEASURES AND OTHER INFORMATION - PART IV
Regulation 16

Reliability Performance Measures to be Disclosed by Line

		1995	1996
1.	TOTAL NUMBER OF INTERRUPTIONS:		
	Class A	1	0
	Class B	78	37
	Class C	350	511
	Class D	10	7
	Class E	0	0
	Class F	0	0
	Class G	0	0
	Total	439	555
2.	TOTAL NUMBER OF FAULTS PER 100 CIRCUIT KM		
	Total	19	15
	33kV	6	1
	11 kV	13	14
		(This breakdown is an estimate)	
3.	TOTAL NUMBER OF FAULTS PER 100 CIRCUIT KM OF UNDERGROUND CABLE		
	Total	4	20
	33 kV	0	0
	11kV	4	20
4.	TOTAL NUMBER OF FAULTS PER 100 CIRCUIT KM OF OVERHEAD LINE		
	Total	16	19
	33kV	3	2
	11kV	13	17
		(This breakdown is an estimate)	
5.	THE SAIDI FOR THE TOTAL OF INTERRUPTIONS		
		336	313
6.	THE SAIDI FOR THE TOTAL NUMBER IF INTERRUPTIONS WITHIN EACH CLASS		
	Class A	37	0
	Class B	82	79
	Class C	203	222
	Class D	11	13
	Class E	0	0
	Class F	0	0
	Class G	0	0
7.	THE SAIFI FOR THE TOTAL NUMBER OF INTERRUPTIONS		
		5.6	3.7
8.	THE SAIFI FOR THE TOTAL NUMBER OF INTERRUPTIONS WITHIN EACH CLASS		
	Class A	0.1	0
	Class B	0.5	0.4
	Class C	3.9	2.5
	Class D	1.0	0.8

Class E	-	0	0	0
Class F	-	0	0	0
Class G	-	0	0	0

9. THE CAIDI FOR THE TOTAL OF ALL INTERRUPTIONS

	59	85	98
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0. THE CAIDI FOR THE TOTAL OF ALL INTERRUPTIONS WITH IN EACH INTERRUPTION CLASS

Class A	-	240	0	186
Class B	-	157	203	227
Class C	-	52	89	71
Class D	-	11	16	196
Class E	-	0	0	0
Class F	-	0	0	0
Class G	-	0	0	0



