

# New Zealand Gazette

OF THURSDAY, 4 SEPTEMBER 1997

---

WELLINGTON: MONDAY, 8 SEPTEMBER 1997 — ISSUE NO. 119

---

## TOP ENERGY LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1994

---

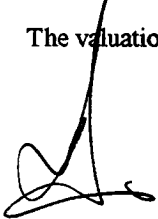
**TOP ENERGY LIMITED**

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

We, Jack Poutsma and Victor Green, directors of Top Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a. The attached audited financial statements of Top Energy 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 Top 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.



Jack Poutsma  
21 August 1997



Victor Green  
21 August 1997

**IMPORTANT NOTE**

Information disclosed in this 1997 Information Disclosure package issued by Top Energy Limited has been prepared solely for the purposes of the Electricity (Information Disclosure) Regulations 1994.

The regulations require the information to be disclosed in the manner it is presented.

The information should not be used for any other purpose than that intended under the regulations.

The information contained in this package may change at any time. Pricing and terms are as at the date of disclosure indicated and are not a quote or estimate of rates or terms that will apply in the future.

Coopers  
& Lybrand

chartered accountants  
and business advisers

telephone 0-9-438 4159  
fax 0-9-438 9548

PO Box 445  
National Mutual Building  
Rathbone Street  
Whangarei  
New Zealand

Whangarei Auckland Manukau City  
Hamilton Tauranga New Plymouth  
Napier Hastings Palmerston North  
Feilding Wellington Christchurch  
Dunedin Invercargill

**CERTIFICATION BY AUDITORS IN RELATION  
TO THE LINE BUSINESS AND ENERGY BUSINESS  
FINANCIAL STATEMENTS**

We have examined for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994, the Top Energy Limited Line and Energy Business financial statements for the year ended 31 March 1997, prepared by Top Energy Limited and set out on the attached pages.

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.



.....  
A R BRITTON  
COOPERS & LYBRAND  
CHARTERED ACCOUNTANTS  
WHANGAREI  
On Behalf Of The Controller And Auditor-General

21 AUGUST 1997

Coopers  
& Lybrand

chartered accountants  
and business advisers

telephone 0-9-438 4159  
fax 0-9-438 9548

PO Box 445  
National Mutual Building  
Rathbone Street  
Whangarei  
New Zealand

Whangarei Auckland Manukau City  
Hamilton Tauranga New Plymouth  
Napier Hastings Palmerston North  
Feilding Wellington Christchurch  
Dunedin Invercargill

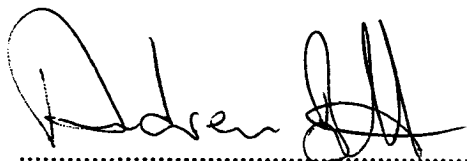
## CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

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 Top Energy Limited for the year ended 31 March 1997 for the purposes of Regulation 13 of those regulations.

We certify that, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1994.



.....  
A R BRITTON  
COOPERS & LYBRAND  
CHARTERED ACCOUNTANTS  
WHANGAREI, N.Z.  
On Behalf Of The Controller And Auditor-General

21 AUGUST 1997

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

	<i>Notes</i>	<b>LINE BUSINESS</b>		<b>ENERGY TRADING</b>	
		<b>\$</b>		<b>\$</b>	
		<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
Income	1	16,037,252	15,292,569	14,291,302	12,888,196
Less expenses, excluding finance costs	2	11,517,996	11,040,501	13,608,772	12,294,357
Profit before finance, abnormals and taxation		4,519,256	4,252,068	682,530	593,839
Less net finance costs	3	841,607	960,023	2,783	2,925
Profit before debt restructuring and taxation		3,677,649	3,292,045	679,747	590,914
Plus reassessed debt restructuring provision	18	604,739	321,115	2,000	978
Profit after debt restructuring and before taxation		4,282,388	3,613,160	681,747	591,892
Less taxation	4	790,271	769,401	125,810	126,040
Profit after taxation		3,492,117	2,843,759	555,937	465,852

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report. The Financial Statements have been prepared solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

	<i>Notes</i>	<b>LINE BUSINESS</b>		<b>ENERGY TRADING</b>	
		<b>\$</b>		<b>\$</b>	
		<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
EQUITY AS AT 1 APRIL 1996		43,936,457	28,645,486	550,904	85,923
Profit after taxation		3,492,117	2,843,759	555,937	465,852
Plus revaluation of distribution asset		-	12,503,524	-	-
Total recognised revenue and expenses for the year		3,492,117	15,347,283	555,937	465,852
Less dividends	5	42,435	56,312	540	871
EQUITY AS AT 31 MARCH 1997		47,386,139	43,936,457	1,106,301	550,904
Represented by:					
RETAINED EARNINGS					
Opening balance		7,767,440	5,041,086	480,156	15,175
Profit after taxation		3,492,117	2,843,759	555,937	465,852
Dividend paid	5	(42,435)	(56,312)	(540)	(871)
Transfer to capital contribution reserve		(264,544)	(61,093)	-	-
		10,952,578	7,767,440	1,035,553	480,156
CAPITAL CONTRIBUTIONS RESERVE	<i>Policy 2</i>				
Opening balance		447,513	386,420	-	-
Transferred from retained earnings		264,544	61,093	-	-
		712,057	447,513	-	-
ASSET REVALUATION RESERVE	<i>Policy 6</i>				
Revaluation of distribution infrastructure asset		12,503,524	12,503,524	-	-
PAID IN CAPITAL	6	23,217,980	23,217,980	70,748	70,748
		47,386,139	43,936,457	1,106,301	550,904

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report. The Financial Statements have been prepared solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 1997**

	<i>Notes</i>	<b>LINE BUSINESS</b>		<b>ENERGY TRADING</b>	
		<b>\$</b>		<b>\$</b>	
		<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>SHAREHOLDERS' FUNDS</b>		<b>47,386,139</b>	<b>43,936,457</b>	<b>1,106,301</b>	<b>550,904</b>
Represented by:					
<b>TERM LIABILITIES</b>	<i>9</i>	<b>727,786</b>	<b>5,789,070</b>	<b>2,406</b>	<b>17,640</b>
Debt restructuring provision	<i>18</i>	<b>-</b>	<b>610,833</b>	<b>-</b>	<b>1,861</b>
		<b>727,786</b>	<b>6,399,903</b>	<b>2,406</b>	<b>19,501</b>
<b>CURRENT LIABILITIES</b>					
Bank balances		<b>379,378</b>	<b>-</b>	<b>1,254</b>	<b>-</b>
Creditors and accruals	<i>10</i>	<b>2,056,852</b>	<b>2,689,831</b>	<b>1,775,744</b>	<b>1,372,921</b>
Term Liabilities within 12 months	<i>9</i>	<b>5,003,532</b>	<b>-</b>	<b>16,544</b>	<b>-</b>
Taxation payable		<b>94,482</b>	<b>196,890</b>	<b>15,041</b>	<b>32,254</b>
		<b>7,534,244</b>	<b>2,886,721</b>	<b>1,808,583</b>	<b>1,405,175</b>
<b>INTER DIVISIONAL CURRENT ACCOUNTS</b>		<b>4,108,599</b>	<b>2,749,977</b>	<b>727,481</b>	<b>(102,433)</b>
<b>FIXED ASSETS</b>	<i>11</i>	<b>49,244,586</b>	<b>47,546,275</b>	<b>164,949</b>	<b>145,883</b>
<b>INVESTMENTS</b>	<i>8</i>	<b>-</b>	<b>-</b>	<b>180,395</b>	<b>180,395</b>
<b>CURRENT ASSETS</b>					
Cash and bank balances	<i>12</i>	<b>182,204</b>	<b>855,010</b>	<b>743</b>	<b>3,190</b>
Accounts receivable	<i>13</i>	<b>2,112,780</b>	<b>2,071,819</b>	<b>1,843,722</b>	<b>1,748,545</b>
		<b>2,294,984</b>	<b>2,926,829</b>	<b>1,844,465</b>	<b>1,751,735</b>
		<b>47,386,139</b>	<b>43,936,457</b>	<b>1,106,301</b>	<b>550,904</b>

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report. The Financial Statements have been prepared solely for the purpose of complying with regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.



## **TOP ENERGY LIMITED**

### **NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

#### **STATEMENT OF ACCOUNTING POLICIES**

**FOR THE 12 MONTHS ENDED 31 MARCH 1997**

#### **STATEMENT OF ACCOUNTING POLICIES**

The financial statements are those of the Line and Energy Trading businesses of Top Energy Limited. Top Energy Limited is owned 100% by the Bay of Islands Electric Power Trust and these organisations are in a "Prescribed Business Relationship" as defined by Regulation 3(1)(a)(ii) of the Electricity (Information Disclosure) Regulations 1994.

The period reported is 1 April 1996 to 31 March 1997.

These financial statements are prepared in accordance with Regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1994. The financial statements have not been prepared for the purpose of the Financial Reporting Act 1993, or the Energy Companies Act 1992.

#### **GENERAL ACCOUNTING POLICIES**

The general accounting policies recognised as appropriate for the measurement and reporting of results and financial position under the historical cost method, as modified by revaluation of the distribution system, have been followed in the preparation of these financial statements.

#### **Methodology of Separation of Business**

Top Energy Limited has generally followed the Electricity Disclosure Guidelines dated 23 June 1994, as issued by the Ministry of Commerce, with the exceptions in the Allocations Methodologies Disclosure which is available on request in accordance with Regulation 19.

#### **PARTICULAR ACCOUNTING POLICIES**

The following particular accounting policies which significantly affect the measurement of financial performance and financial position have been applied.

##### **1 Sales**

Sales shown in the Statement of Financial Performance comprise the amounts received and receivable by the Company for electricity and goods and services supplied to customers in the ordinary course of business. Sales are stated exclusive of Goods and Services Tax collected from customers.

##### **2 Capital Contributions**

Funds received from customers, as a contribution towards the cost of uneconomic supply facilities, are recognised in the statement of financial performance as soon as any obligations attaching to the contributions have been met.

Where within 10 years of receipt a customer's circumstances change such that a part or all of the contribution is refunded then a separately established reserve has been set up for this purpose.

## **TOP ENERGY LIMITED**

### **NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS STATEMENT OF ACCOUNTING POLICIES FOR THE 12 MONTHS ENDED 31 MARCH 1997**

#### **3 Taxation**

The taxation charged 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. This is the partial basis for the calculation of deferred taxation.

The Company follows the liability method of accounting for deferred taxation. Future taxation benefits attributable to timing differences or to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised by the Company.

#### **4 Accounts Receivable**

Accounts receivable are stated at estimated realisable value after providing against debts where collection is doubtful.

#### **5 Inventories**

Stocks are stated at the lower of cost and net realisable value. Cost is principally determined on a weighted average cost basis and, in the case of manufactured goods, includes direct materials, labour and production overheads.

#### **6 Fixed Assets**

Fixed assets held by the former Bay of Islands Electric Power Board were vested in the Company, Top Energy Ltd, on 1 May 1993 under the Energy Companies Act 1992. Fixed assets were vested at book value as at 1 May 1993, and represent "cost" to the Company.

The cost of fixed assets purchased after 1 May 1993 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 infrastructural asset is valued at a business valuation which the Directors consider to be a fair value.

The infrastructural asset is revalued on a three year cyclical basis by independent registered valuers. A business valuation is based on the ODV valuation and this results in the revised infrastructural asset valuation. Additions to the infrastructure are incorporated at cost in the intervening time between revaluations.

Capital work-in-progress includes materials, and a portion of direct labour and production overhead appropriate to the stage of completion attained.

Land and Buildings relating to substations are "owned" by the lines business.

## TOP ENERGY LIMITED

### NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS STATEMENT OF ACCOUNTING POLICIES FOR THE 12 MONTHS ENDED 31 MARCH 1997

#### 7 Renewal Accounting - Distribution Network

Assets comprising the distribution network system are reported using the renewal accounting method and are stated at valuation. These infrastructural assets include all items directly involved in the delivery of electricity, but exclude substation land, buildings, transformers, circuit breakers and load management control equipment. All expenditure which extends or enhances the infrastructure is capitalised. Expenditure incurred in maintaining the infrastructure's capacity is treated as an expense in the period in which it is incurred. The actual amount expended is compared with a predetermined benchmark level and any shortfall or excess is adjusted through the Statement of Financial Performance. Similarly the value of the infrastructure asset is increased or decreased by the same amount.

#### 8 Depreciation

Land, infrastructure distribution system and work-in-progress assets are not depreciated. As noted below, other fixed assets are depreciated on a straight line (Cost) or diminishing value (DV) basis that has regard to their historical cost, estimated useful life and expected residual value:

Non-infrastructure Distribution Assets	2.50%	SL
Buildings	2.00%	SL
Plant, Equipment and Furniture	10.00%	SL
Plant and Equipment - Electronic	10.00-20.00%	SL
Chainsaws	33.33%	SL
Computer Software	33.33%	SL
Motor Vehicles	20.00%	DV

#### 9 Long Term Debt

A debt restructuring provision, created by the Bay of Islands Electric Power Board to recognise that its long term debt rates were materially higher than market rates prevailing at the time of vesting, was vested in the Company on 1 May 1993.

#### 10 Financial Instruments

All financial instruments are recognised in the Statement of Financial Position except for off balance sheet instruments such as guarantees.

Financial instruments including cash, bank, accounts receivable, accounts payable, and term debt are generally carried at their estimated fair value.

Top Energy Ltd has entered into various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates, interest rates, and electricity spot market prices. 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.

**TOP ENERGY LIMITED****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

Top Energy Ltd 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 Top Energy Ltd is a party is provided in note 15.

**Changes in Accounting Policies**

During the year the Group changed its accounting policy in respect of long term debt. The Company no longer provides for debt restructuring. The balance of the debt restructuring provision as at 31 March 1996 (Line:\$604,739, Energy:\$2,000) has consequently been taken to the Statement of Financial Performance in the current period. Previously an adjustment was made each year to allow for the change in the finance rates. The Board of Directors have adopted this change in accounting policy as the Company now intends to repay the debts on maturity rather than restructure the long term debt. This change in policy results in an increase in net profit before tax of:- Line \$254,552, Energy:\$844.

There were no other material changes in accounting policy

**TOP ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

	<b>LINE BUSINESS</b>		<b>ENERGY TRADING</b>	
	<b>\$</b>		<b>\$</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>1 INCOME</b>				
Sales of electricity	15,385,821	14,966,593	14,087,047	12,792,224
Other sales revenue	42,363	45,516	42,273	44,088
<b>Total sales revenue</b>	<b>15,428,184</b>	<b>15,012,109</b>	<b>14,129,320</b>	<b>12,836,312</b>
Other income	353,503	198,257	62,305	51,884
Capital contributions	255,565	82,203	-	-
Dividends received	-	-	99,677	-
<b>Total income</b>	<b>16,037,252</b>	<b>15,292,569</b>	<b>14,291,302</b>	<b>12,888,196</b>
<b>2 NET PROFIT BEFORE TAXATION</b>				
The net profit before taxation is stated after charging:				
Loss/(Profit) on disposal of fixed assets	70,031	(42)	2,280	(656)
Depreciation	405,169	367,937	42,095	38,525
Bad debts	80,998	61,482	72,179	52,857
Doubtful debts	1,940	(18,614)	1,729	(15,909)
Auditors - audit services	14,013	8,370	3,503	2,092
- other services	12,426	21,572	3,107	5,393
Directors' fees	40,920	38,030	10,230	9,506
Infrastructural maintenance - accrued	(364,844)	320,809	-	-
<b>3 NET FINANCE COSTS</b>				
Comprise:				
Interest - term debt	920,321	959,121	3,043	2,922
Interest - other	20,589	21,230	68	65
<b>Gross finance costs</b>	<b>940,910</b>	<b>980,351</b>	<b>3,111</b>	<b>2,987</b>
Less - investment income	99,303	20,328	328	62
<b>Net finance costs</b>	<b>841,607</b>	<b>960,023</b>	<b>2,783</b>	<b>2,925</b>

## TOP ENERGY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 MARCH 1997

	LINE BUSINESS		ENERGY TRADING	
	\$		\$	
	1997	1996	1997	1996
<b>4 TAXATION</b>				
The taxation provision has been calculated as follows:				
Profit for the period	4,282,388	3,613,160	681,747	591,892
Taxation for the period at 33%	1,413,188	1,192,343	224,977	195,324
Plus/(Less) tax effect of:				
Non deductible items	83,874	115,641	13,353	18,944
Prior year adjustment	-	(94,998)	-	(15,562)
Losses utilised	-	(106,320)	-	(17,417)
Unrecognised timing differences	(706,791)	(337,265)	(112,520)	(55,249)
	790,271	769,401	125,810	126,040
The taxation charge is represented by:				
Prior year adjustment	-	55,832	-	9,146
Taxation payable in respect of the current period	790,271	864,399	125,810	141,602
Deferred taxation	-	(150,830)	-	(24,708)
	790,271	769,401	125,810	126,040
Movement on deferred taxation as:				
Opening balance	-	150,830	-	24,708
Movement for the period	-	(150,830)	-	(24,708)
Closing balance	-	-	-	-
<p>The Company has not recognised a deferred tax liability of \$1,240,328 (1996:\$497,395) on timing differences of \$3,758,570 (1996:\$1,507,257), as these are not expected to reverse in the foreseeable future.</p>				
<b>5 DIVIDENDS</b>				
Ordinary dividend paid (.0018 cents per share)	42,435	56,312	540	871
Ordinary dividend recommended				
Total dividends paid or provided	42,435	56,312	540	871

**TOP ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

	<b>LINE BUSINESS</b>		<b>ENERGY TRADING</b>	
	<b>\$</b>		<b>\$</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>6 SHARE CAPITAL</b>				
23,042,500 ordinary shares issued to the trustees of the Bay of Islands Electric Power Trust for a consideration of	23,217,980	23,217,980	70,748	70,748
Net assets vested in the Company 1 May 1993	23,217,980	23,217,980	70,748	70,748
<b>7 IMPUTATION CREDIT ACCOUNT</b>				
Opening balance	1,369,521	1,369,521	224,349	224,349
Plus income tax paid	985,512	-	101,473	-
Imputation credits attached to dividends received	-	-	49,095	-
Closing Balance	2,355,033	1,369,521	374,917	224,349
<b>8 INVESTMENTS</b>				
179,981 shares in PowerBuy Group Limited fully paid	-	-	180,395	180,395
	-	-	180,395	180,395

The company holds 100% of the shares of Far North Electricity Limited. This subsidiary company is non-trading with capital of 100 \$1 unpaid shares. It has a balance date of 31 March and was originally set up to protect its name from use by others. Far North Electricity Limited has had no transactions in the past and has no assets or liabilities.

**TOP ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

	LINE BUSINESS		ENERGY TRADING	
	\$		\$	
	1997	1996	1997	1996
<b>9 TERM LIABILITIES</b>				
Development Loan 33	5,003,532	5,053,950	16,544	15,400
Renewal Loan 34	727,786	735,120	2,406	2,240
	5,731,319	5,789,070	18,950	17,640
Less current portion	5,003,532	-	16,544	-
Term liabilities	727,786	5,789,070	2,406	17,640
Repayable as follows:				
Due after 1 but before 2 years	-	5,053,950	-	15,400
Due after 2 but before 5 years	727,786	735,120	2,406	2,240
	727,786	5,789,070	2,406	17,640

No securities have been given in respect of liabilities.

	Interest Rate %	Repayable	Fair Value
Development Loan 33	15.85-15.95	01.07.1997	5,094,596
Renewal Loan 34	16.00	01.10.2000	997,713

Term liabilities of \$5,600,000 were repurchased by the Company at 31 March 1995 and the resulting financial asset has been offset against the relevant financial liability in these accounts. No risk attaches to this repurchase. During the period and in the future, interest received from the investment will be deducted from the interest paid on the liability when disclosed by way of note in the financial statements, until such time as the loan is fully cancelled.

**10 CREDITORS AND ACCRUALS**

	LINE BUSINESS		ENERGY TRADING	
	\$		\$	
	1997	1996	1,997	1,996
Trade Creditors	644,716	1,074,933	1,639,729	1,139,976
Provision for retirement payments	20,391	27,647	4,245	4,847
Provision for holiday pay	122,302	119,832	25,464	24,520
Other Accruals	1,269,443	1,467,419	106,306	203,578
	2,056,852	2,689,831	1,775,744	1,372,921



**TOP ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

11 FIXED ASSETS			<b>LINE BUSINESS</b>	
			<b>\$</b>	
	Cost or Valuation	Accumulated Depreciation	Net Book Value	
			1997	1996
Land	235,500	0	235,500	235,500
Buildings	222,000	17,391	204,609	536,802
Distribution system at valuation				
Infrastructure	39,899,864	0	39,899,864	38,467,101
Non infrastructure	7,877,362	211,055	7,666,307	7,433,757
Plant, furniture & software	1,016,782	423,373	593,409	526,280
Vehicles	69,621	33,204	36,417	45,521
Capital work in progress	608,480	0	608,480	301,314
<b>Total fixed assets</b>	<b>49,929,609</b>	<b>685,023</b>	<b>49,244,586</b>	<b>47,546,275</b>

			<b>ENERGY TRADING</b>	
			<b>\$</b>	
	Cost or Valuation	Accumulated Depreciation	Net Book Value	
			1997	1996
Land				
Buildings				
Distribution system at valuation				
Infrastructure				
Non infrastructure				
Plant, furniture & software	272,939	120,986	151,953	127,688
Vehicles	26,379	13,383	12,996	16,245
Capital work in progress			-	1,950
<b>Total fixed assets</b>	<b>299,318</b>	<b>134,369</b>	<b>164,949</b>	<b>145,883</b>

The latest Government Valuations by the Valuation Department of land and improvements are:

	Land	Improvements	Total
1 September 1995	307,368	556,951	864,319

The Directors accept that government valuations provide a fair value for the land and buildings.

**TOP ENERGY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

	<b>LINE BUSINESS</b>		<b>ENERGY TRADING</b>	
	<b>\$</b>		<b>\$</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>12 CASH AND BANK BALANCES</b>				
<b>CURRENT ASSETS</b>				
Comprise				
Cash on hand	259	687	141	587
BNZ current account	-	110,025	-	335
Short term deposits	181,945	744,298	602	2,268
	<b>182,204</b>	<b>855,010</b>	<b>743</b>	<b>3,190</b>
<b>CURRENT LIABILITIES</b>				
BNZ current account	(379,378)	-	(1,254)	-
Net cash & Bank position	<b>(197,174)</b>	<b>855,010</b>	<b>(511)</b>	<b>3,190</b>
<b>13 ACCOUNTS RECEIVABLE</b>				
Comprise:				
Trade debtors	1,380,012	1,287,625	1,225,526	1,100,539
Accruals and prepayments	732,768	784,194	618,196	648,006
	<b>2,112,780</b>	<b>2,071,819</b>	<b>1,843,722</b>	<b>1,748,545</b>

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997****14. RELATED PARTY TRANSACTIONS**

There have been no material related party transactions requiring disclosure in accordance with SSAP 22 "Related Party Disclosures", apart from the following:

**i. Bay of Islands Electric Power Trust:**

For the period ended 31 March 1997, Top Energy Limited paid \$45,000 (Line Business \$42,435, Energy Trading \$540) in the form of a dividend to the above Trust(1996:\$60,000). This payment is reflected in the statement of financial performance of Top Energy Limited.

During the period Top Energy processed transactions on an agency basis on behalf of the Trust in order to settle routine business dealings. At 31 March 1997, a balance of \$5,732 (1996:\$3,477) owing by the Trust to the Company has been included in accounts receivable in the statement of financial position.

**ii. PowerBuy Group Limited:**

These shares represent 19.94% of the total shares of PowerBuy. The Chief Executive of Top Energy is a director of PowerBuy. The Chairman of Directors is his Alternate.

Top Energy purchased electricity units through PowerBuy and the cost of this purchase for the year ended 31 March 1997 was \$14,185,133 excluding GST(1996:\$12,677,504). The balance owing by Top Energy to PowerBuy as at 31 March 1997 was \$1,423,243 (1996:\$1,182,796) and is included in accounts payable.

All transactions with PowerBuy and with the Power Trust are made on normal business terms.

**15. FINANCIAL INSTRUMENTS****a. Currency and Interest Rate Risk**

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

**i. Currency**

The Company has undertaken foreign currency transactions from time to time in connection with its activities.

**ii. Interest Rate**

The Company entered into a \$10m revolving Facility Agreement on 23 December 1996 with the Bank of New Zealand. This allows borrowings to be made at fixed or floating interest rates and over variable periods.

The Company has not entered into interest rate swaps, forward agreements or futures transactions.

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997****15. FINANCIAL INSTRUMENTS****b. Concentration of Credit Risk**

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

The Company has a credit policy which is used to manage its 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 Company does not have any significant concentrations of credit risk. The Company does not require any collateral or security to support financial instruments as it only deposits with, or lends to, banks and other financial institutions of recognised quality. The Company does not expect the non-performance of any material obligations at balance date.

**c. Fair Values**

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

- i. Cash and liquid deposits, debtors and other accounts receivable including sundry debtors, creditors and other accounts payable including sundry creditors, loans payable within twelve months.

The carrying value of these items is equivalent to their fair value.

- ii. *Investments*

The investment of the Company is for shares in unlisted Companies.

- iii. *Term Liabilities*

For these Financial Statements Term liabilities are largely repayable shortly after balance date, or were acquired shortly before balance date - it follows that revaluation is not appropriate at 31 March 1997.

**d. Electricity Price Hedging Contracts**

The Company has entered into electricity price hedges with its suppliers. Under these agreements the Company agrees, with its electricity suppliers, a fixed price (hedge price) for a percentage of its estimated electricity needs. It is the Company's current policy to hedge the majority of its estimated electricity needs. It is the Company's policy not to enter into any speculative position in relation to electricity price hedging contracts.

On maturity of the electricity price hedges 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, electricity suppliers must settle the difference with the Company. Conversely, if the spot market price is less than the hedge price the Company must settle the difference with electricity suppliers.

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997**

## 15. FINANCIAL INSTRUMENTS

d. **Electricity Price Hedging Contracts** (continued)*Credit Risk*

With respect to electricity price hedges, the Company's exposure is on any potential difference between the spot price and the hedge price, where on maturity of these agreements the spot price is greater than the hedge price. The Company does not anticipate any non-performance of any obligations which may exist on maturity of these agreements.

*Fair Value*

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 the secondary market for electricity price hedging contracts was not sufficiently active in order to obtain a reliable measure of the fair value of the Company's hedging contracts. On maturity of these agreements there is potentially an asset or liability in relation to the electricity price hedges which has not been recognised in the financial statements.

## 16. SEGMENT INFORMATION

The Company operates primarily in one industry: the electricity supply industry, and in one geographic location: Northland, New Zealand.

## 17. CAPITAL EXPENDITURE COMMITMENTS

The Company has material commitments for capital expenditure at 31 March 1997 of \$92,333 (1996:nil).

## 18. DEBT RESTRUCTURING PROVISION

The Bay of Islands Electric Power Board resolved to restructure its long term debt prior to 30 April 1993 as the interest rates for the debt were materially higher than prevailing market rates. A provision was created to provide for the cost of restructuring this debt.

This provision vested in the Company on May 1 1993. The company now intends to repay the loans on the maturity date - as a result the remaining provision has been fully reversed in the current year.

The movement in the debt restructuring provision has been:

	LINE	ENERGY
	1997 \$	1997 \$
Vested balance 1 May 1993	4,027,539	12,272
Repayment of Term Debt 31 March 1995	(1,336,042)	(4,071)
Reassessments to 31 March 1995	(1,759,549)	(5,362)
Reassessment to 1 April 1995	(73,512)	(224)
Reassessment to 31 March 1996	(253,697)	(615)
Released to P&L in year ended 31 March 1997	604,739	2,000

**TOP ENERGY LIMITED****SPECIAL PURPOSE FINANCIAL STATEMENTS****NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE 12 MONTHS ENDED 31 MARCH 1997****19. CONTINGENT LIABILITIES**

The Company has contingent liabilities, not exceeding \$2.75 million at 31 March 1997 (1996:\$2.75m), for refundable capital contributions (Line Business).

The Company has entered into an underwriting agreement as from 1 April 1996 with the related company, PowerBuy Group Ltd, to the maximum of \$2,519,174 for 5 years, (31 March 1996 \$ Nil).

**20. ROMALPA CLAUSE**

Some inventories are subject to restriction of title (ie Romalpa clauses).

**21. EVENTS OCCURRING AFTER BALANCE DATE**

On 15 April 1997 Top Energy Ltd gave a guarantee to BNZ of \$897,506 on behalf of PowerBuy Ltd, the consortium which purchases bulk energy for Top Energy.

On 30 April 1997 Top Energy Ltd provided guarantees for contracts to a value of NZ\$14m. On 28 April 1997, Top Energy Ltd arranged forward exchange contracts to cover payments required to settle these contracts.

**TOP ENERGY LIMITED****Performance Measures and Statistics  
For the Year Ended 31 March 1997**Regulations 13 and 14**i. Financial Performance Measures**

	Actual 1997	Actual 1996	Actual 1995
a. Accounting Return on Total Assets	6.34%	6.08%	3.67%
b. Accounting Return on Equity	5.35%	4.52%	3.83%
c. Accounting Rate of Profit	4.71%	6.12%	2.08%

Financial performance measures a,b & c are calculated using ODV valuation of Infrastructure assets. The special purpose financial statements include the Infrastructure assets at Business valuation as at 31 March 1996 adjusted for asset additions/disposals at historic cost (see Policy 6).

**ii. Efficiency Performance Measures**

	Actual 1997	Actual 1996	Actual 1995
	\$	\$	\$
a. Direct Line Costs per kilometre	1211	1105	1477
b. Indirect Line Costs per Electricity Customer	72	78 *	91 *

**Optimised Deprival Valuation**

The Optimised Deprival Valuation (established as at 31 March 1996) is \$66,286,692.

Regulation 15**i. Energy Delivery Efficiency Performance Measures**

	1997	1996	1995
	%	%	%
a. Load Factor	67	66	64.5
b. Loss Ratio	10.5	9.6	9.55
c. Capacity Utilisation	29	28	32

**ii. Statistics**

*See table below for the following statistics:*

- System Length (kms) and breakdown by nominal line voltage.
- Underground circuit length (kms) and breakdown by nominal line voltage.
- Overhead circuit length (kms) and breakdown by nominal line voltage.

	Kilometres								
	(c) Overhead Circuit			(b) Underground Circuit			(a) Total System		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
33kV	239	239	239				239	239	239
11kV	3040	3031	3015	37	36	33	3077	3067	3048
400V	878	880	885	445	431	416	1323	1311	1301
	<u>4157</u>	<u>4150</u>	<u>4139</u>	<u>482</u>	<u>467</u>	<u>449</u>	<u>4639</u>	<u>4617</u>	<u>4588</u>

	1997	1996	1995
d. Transformer Capacity (kVA)	167,479	163,475	142,000
e. Maximum Demand (kW)	48,217	46,224	46,190
f. Total Electricity supplied by System	240,454,000	226,239,000	235,000,000
g. Total Electricity conveyed by System for other persons (kWh)	10,978,000	13,785,000	-
h. Total Customers (average for year)	24,337	23,870 *	23,339 *

\* Denotes a revised comparative figure.

## TOP ENERGY LIMITED

Performance Measures and Statistics  
For the Year Ended 31 March 1997Regulation 16

## Reliability Performance Measures

## i. Total number of interruptions and breakdowns by interruption class

Class Type of Interruption	1997	1996	1995
	No	No	No
A Planned - Transpower	1	1	0
B Planned - Top Energy	356	324	351
C Unplanned - Top Energy	210	198	294
D Unplanned - Transpower	2	8	2
E Unplanned - ECNZ	0	0	0
F Unplanned - Other	0	0	0
G Any other interruption	0	0	0
<b>Total - All interruptions</b>	<b>569</b>	<b>531</b>	<b>647</b>

## ii. Number of faults per 100 circuit kms

Line Voltage	Total			Underground			Overhead		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
100kV									
66kV									
33kV	2.93	2.93	2.51	0	0	0	2.93	2.93	2.51
11kV	4.52	4.53	4.78	0	0	0	4.57	4.59	4.78
6.6kV									
3.3kV									
<b>Total</b>	<b>4.40</b>	<b>4.42</b>	<b>3.27</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.45</b>	<b>4.46</b>	<b>3.27</b>

## iii. Breakdown of statistics by interruption class

Class Type of Interruption	SAIDI (Minutes)			SAIFI (Interruptions)			CAIDI (Minutes)		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
A Planned - Transpower	45	152	0	0.3	0.5	0	167	261.4	0
B Planned - Top Energy	179	110	242	5.4	5.0	6.6	33	21.8	36.7
C Unplanned - Top Energy	412	355	340	8.0	7.0	5.0	52	50.9	68.6
D Unplanned - Transpower	75	16	38	1.6	1.3	2.9	45	12.9	13.6
E Unplanned - ECNZ	0	0	0	0	0	0	0	0	0
F Unplanned - Other	0	0	0	0	0	0	0	0	0
G Any other interruption	0	0	0	0	0	0	0	0	0
<b>Total - All interruptions</b>	<b>711</b>	<b>633</b>	<b>620</b>	<b>15.3</b>	<b>13.8</b>	<b>14.5</b>	<b>46</b>	<b>46</b>	<b>42</b>





■ Chartered Accountants

**To the Directors  
Top Energy Limited**

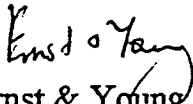
**Certification by auditor in relation to ODV Valuation**

**Auditors Report**

We have examined the valuation report prepared by Top Energy Limited dated 11 July 1996, which report contains valuations as at 31 March 1996 and identifies the ODV value of the system fixed assets at \$64,652,000.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report in our opinion have been made in accordance with the ODV Handbook.

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.

  
Ernst & Young  
Chartered Accountants  
Auckland

8 August 1996



