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TRANSALTA NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

TRANSALTA**TRANSALTA NEW ZEALAND LIMITED****DISCLOSURE OF INFORMATION PURSUANT TO ELECTRICITY
(INFORMATION DISCLOSURE) REGULATIONS 1994****CONTENTS**

- Part One** **Financial Statements for the year ending 31 March 1997**
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The information disclosed in the 1997 Information Disclosure package issued by TransAlta New Zealand Limited has been prepared solely for the purposes of the Electricity (Information Disclosure) Regulations 1994.

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



PART ONE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997**

**Pursuant To Regulation 6 of the
Electricity (Information Disclosure) Regulations 1994**

TRANSALTA NEW ZEALAND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE TWELVE MONTHS ENDED 31 MARCH 1997

	LINE BUSINESS		ENERGY BUSINESS		
	Notes	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
Operating Income					
Line/Energy Revenue		126,301	116,001	116,629	114,848
Less Line/Energy Purchases		46,775	51,658	98,651	94,439
GROSS SURPLUS		79,526	64,343	17,978	20,409
<i>Less: Expenses</i>					
Operating Expenses		39,209	22,012	18,061	23,332
Amortisation of Intangible Assets		563	-	-	-
Auditors' Remuneration - Audit Fees		66	60	60	40
- Other Services		98	30	87	62
Bad Debts		592	258	560	649
Change in Provision for Doubtful Debts		(313)	(14)	(286)	(88)
Depreciation		11,500	7,126	824	891
Donations		135	20	122	14
Directors' and Management Fees		133	139	122	91
Interest on Loans		13,083	444	300	203
Rentals and Leases		678	1,705	236	1,061
TOTAL EXPENSES		65,744	31,780	20,086	26,255
SURPLUS FROM ELECTRICITY TRADING		13,782	32,563	(2,108)	(5,846)
Other Income					
Miscellaneous Income (net)		4,013	1,587	3,359	1,579
Dividend Income		-	-	1,000	1,250
Appliance Trading		-	-	-	5,947
Interest Income		1,667	677	557	751
TOTAL OTHER INCOME		5,680	2,264	4,916	9,527
OPERATING SURPLUS BEFORE TAX		19,462	34,827	2,808	3,681
<i>Less: Subvention Payment</i>		-	-	-	16,838
OPERATING SURPLUS/(LOSS) BEFORE TAX AFTER SUBVENTION PAYMENT		19,462	34,827	2,808	(13,157)
<i>Less: Income Tax Expense/(Benefit)</i>	2	7,099	11,416	1,212	(4,423)
OPERATING SURPLUS/(DEFICIT) AFTER TAX		12,363	23,411	1,596	(8,734)
Share of Associate Company Operating Surplus	7	-	-	(560)	2,507
NET OPERATING SURPLUS		12,363	23,411	1,036	(6,227)

The attached notes form an integral part of, and should be read in conjunction with, these financial statements.

TRANSALTA NEW ZEALAND LIMITED
CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
 FOR THE TWELVE MONTHS ENDED 31 MARCH 1997

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
Equity at Beginning of Period	121,609	112,335	14,482	28,373
Operating Surplus/(Deficit) for the Period	12,363	23,411	1,036	(6,227)
Less: Distributions to Owners	13,529	14,137	5,075	7,663
	120,443	121,609	10,443	14,483
Elimination of Antecedent Companies Equity Upon Amalgamation	(121,383)	-	(12,350)	-
Issuance of Share Capital	119,901	-	1,812	-
Issuance of Capital Notes	96,091	-	1,452	-
Equity at End of Period	215,052	121,609	1,357	14,483

The attached notes form an integral part of, and should be read in conjunction with, these financial statements.

TRANSALTA NEW ZEALAND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 1997

	Notes	LINE BUSINESS		ENERGY BUSINESS	
		31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
Equity					
Share Capital	3	119,901	93,403	1,812	31,597
Retained Earnings		(940)	23,403	(1,907)	(23,284)
SHAREHOLDERS' FUNDS		118,961	116,806	(95)	8,313
Capital Notes	3	96,091	4,803	1,452	2,197
Reserves		-	-	-	3,973
TOTAL SHAREHOLDERS' FUNDS AND CAPITAL NOTES		215,052	121,609	1,357	14,483
Non-Current Liabilities					
Deferred Income Tax Liability	2	-	4,526	-	231
Bonds	4	186,568	-	2,819	-
TOTAL NON-CURRENT LIABILITIES		186,568	4,526	2,819	231
Current Liabilities	5				
Trade Creditors		3,876	6,011	8,716	21,566
Other Liabilities		24,580	5,078	11,841	6,268
TOTAL CURRENT LIABILITIES		28,456	11,089	20,557	27,834
TOTAL EQUITY AND LIABILITIES		430,076	137,224	24,733	42,548
Current Assets	6				
Cash and Short Term Investments		20,275	5,216	2,128	902
Accounts Receivable		17,638	14,489	14,854	19,885
Inventories		2,977	3,121	335	352
Other Current Assets		20,158	6,258	943	1,744
TOTAL CURRENT ASSETS		61,048	29,084	18,260	22,883
Non-Current Assets					
Deferred Taxation Asset	2	525	-	293	-
Investments and Deferred Costs	7	-	3	1,282	2,995
Fixed Assets	8	368,503	108,137	4,898	16,670
TOTAL NON-CURRENT ASSETS		369,028	108,140	6,473	19,665
TOTAL ASSETS		430,076	137,224	24,733	42,548

The attached notes form an integral part of, and should be read in conjunction with, these financial statements.



Director
28 August 1997



Director
28 August 1997

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE TWELVE MONTHS ENDED 31 MARCH 1997

1 STATEMENT OF ACCOUNTING POLICIES**Reporting Entity**

The Financial Statements have been extracted from the unaudited Financial Statements of Capital Power Limited for the six months ended 30 September 1996, EnergyDirect Corporation for the six months ended 30 September 1996, and the audited Group Financial Statements of TransAlta New Zealand Limited for the six months ended 31 March 1997.

Capital Power Limited and EnergyDirect Corporation Limited amalgamated with effect from 1 October 1996. The figures in these Financial Statements represent the consolidated activity of all three companies as if the three companies had been a single entity for the full twelve months ended 31 March 1997. The Statement of Financial Position and notes related to that Statement are stated as at 31 March 1997 and reflect the activities of the new company which was formed as a result of the amalgamation, namely TransAlta New Zealand Limited.

The comparative figures have been extracted from the audited Financial Statements of Capital Power Limited and EnergyDirect Corporation Limited for the twelve months ended 31 March 1996. Due to differences in accounting treatment between Capital Power Limited and EnergyDirect Corporation Limited some adjustments to historic figures have been required for consistency in presentation and reporting purposes. Comparative figures have not been restated and thus the varying methodologies implicitly adopted by the antecedent companies restrict meaningful comparison.

TransAlta New Zealand Limited (the "Company") was formed on 1 October 1996 following the amalgamation of EnergyDirect Corporation Limited and Capital Power Limited under the Companies Act 1993. The Company is a public company registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange. The Company is an issuer for the purposes of the Financial Reporting Act 1993.

The Financial Statements have been prepared in accordance with the methodology required by the Electricity (Information Disclosure) Regulations 1994, the Companies Act 1993, the Financial Reporting Act 1993, and in accordance with generally accepted accounting practice.

The Group consists of:

TransAlta New Zealand Limited, the parent company;

Citipower Limited, an in-substance subsidiary of TransAlta New Zealand Limited which has a lease expiring on 30 November 2001 for the electricity distribution system from Nelson Electricity Limited and in which the parent company has a 49% interest;

Pacific Energy Limited, an associate company in which the parent company has a 25% shareholding which purchases and sells electricity on behalf of its customers at the wholesale level;

Energy Supply Limited, a wholly owned subsidiary of TransAlta New Zealand Limited which markets and sells propane gas; and

National Electricity Trading Company, a wholly owned non-trading subsidiary of TransAlta New Zealand Limited.

These companies all have balance dates of 31 March.

Electricity (Information Disclosure) Regulations 1994

Where practical, all costs, revenues, assets and liabilities have been directly allocated to the appropriate Lines or Energy businesses. Other costs, revenues, assets and liabilities are allocated using the allocation bases in accordance with the guidelines, except for costs associated with meter reading and billing which have been allocated on the basis of revenue generated.

Measurement Base

The Financial Statements have been prepared on an historical cost basis, modified by the revaluation of certain assets as detailed below in the specific accounting policies. Accrual accounting is used to match revenues and expenses. Reliance is placed on the fact that the Company is a going concern.

TRANSALTA NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE TWELVE MONTHS ENDED 31 MARCH 1997

1 STATEMENT OF ACCOUNTING POLICIES (continued)

Specific Accounting Policies

(a) Valuation of Assets at 1 October 1996

The assets of the Company on amalgamation of the predecessor companies EnergyDirect Corporation Limited and Capital Power Limited at 1 October 1996 were recorded at cost. The bases used to arrive at cost were as follows:

Electricity network distribution assets at amounts which approximate Optimised Deprival Value (ODV).

Energy supply assets at an amount which reflects a conservative estimate of the assessed value of future net revenues from long term customers connected to the network.

All other assets and liabilities at a cost based on net current value.

(b) Basis of Consolidation

The Financial Statements include those of the Company and its subsidiaries which are consolidated using the purchase method. The results of any subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition and up to the effective dates of disposal. All inter-entity transactions, profits and balances are eliminated on consolidation.

(c) Associate Companies

The Financial Statements incorporate the Group's interest in associate companies, which are accounted for using the equity method, where the Group is in a position to exercise significant influence and where the interest is intended to be held as a long term investment. The Group's share of operating surplus is recognised from the effective date of acquisition until the effective date of disposal.

(d) Joint Venture

The Financial Statements incorporate the Group's interest in joint ventures which are accounted for using the line-by-line method of consolidation on a proportionate basis.

(e) Income Recognition

Electricity sales represent customer usage during the financial period. Allowance is made in the sales of electricity for unbilled sales being unread meters and unbilled line charges as at balance date.

(f) Valuation of Fixed and Long Term Assets

Assets are stated at cost.

Electricity network distribution assets are stated at their cost at acquisition, which on amalgamation approximates the ODV. The ODV is the lower of a network's Optimised Depreciated Replacement Cost (ODRC) and its Economic Value (EV). The ODRC of an asset represents the cost of the most efficient asset capable of performing the same functions, depreciated for the age of the asset being valued. The EV of an asset is the greater of the net realisable value of that asset or the net present value of the future earnings from that asset.

Fixed and Long Term Assets are depreciated on a straight line basis. Depreciation is provided on all fixed assets at rates calculated to allocate the cost of acquisition, less estimated residual value, over their estimated useful lives. Fixed and Long Term assets comprise:

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

FOR THE TWELVE MONTHS ENDED 31 MARCH 1997

1 STATEMENT OF ACCOUNTING POLICIES (continued)

	Depreciation Period
Electricity Network Distribution Assets	
Electricity Distribution Equipment	30-70 years
Other Fixed Assets	
Electricity Generation Equipment	40 years
Buildings	50 years
Motor Vehicles, Plant, Tools and Equipment	5 years
Office Equipment	5 years
Energy supply assets are intangible assets and are amortised over their expected estimated useful life.	

(g) Accounts Receivable

Accounts receivable are stated at their estimated net realisable value.

(h) Inventories

Inventories are valued at the lower of cost (determined on a weighted average basis) and net realisable value. Allowance is made for damaged and obsolete inventory.

(i) Other Investments

Marketable securities and investments held for resale are stated at market value. Other investments are stated at cost with due allowance being made for any permanent diminution in value.

(j) Joint Venture

The Company's proportionate interest in the costs, revenues, assets and liabilities of its joint venture generator, Silverstream Landfill Gas, is included in the relevant components of the Energy business activities of the Electricity business as required by Section 6(3)(b) of the Electricity (Information Disclosure) Regulations 1994.

(k) Taxation

Income tax expense is calculated using the liability method. Deferred tax is accounted for on a partial basis. Deferred tax assets are recognised only to the extent that there is virtual certainty of recovery.

(l) Operating Lease Payments

Operating lease payments are expensed in the period in which they are incurred.

(m) Deferred Costs

Deferred costs are amortised over future periods on a basis related to expected future revenue. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount so identified is written off.

(n) Financial Instruments

The Company has various financial instruments for the primary purpose of reducing its exposure to fluctuations in wholesale electricity prices and interest rates. The hedging contracts are accounted for on the same basis as the underlying transactions. When a matching contractual electricity purchase and sale exists, the present value of the net charges has been recognised in the Statement of Financial Performance in the period the contracts were entered into.

Changes in Accounting Policies

There have been no changes in accounting policies during the period.

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

FOR THE TWELVE MONTHS ENDED 31 MARCH 1997

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
2 INCOME TAX EXPENSE				
The Income Tax Expense has been calculated as follows:				
Prima Facie Income Tax Expense at 33% of Net Surplus before Tax	6,422	11,493	928	(4,342)
Increase in Income Tax Expense due to:-				
Permanent Differences	677	(77)	284	(81)
	<u>677</u>	<u>(77)</u>	<u>284</u>	<u>(81)</u>
TOTAL INCOME TAX EXPENSE/(BENEFIT)	7,099	11,416	1,212	(4,423)
Income Tax Expense Comprises:				
Current Tax	8,527	11,064	2,013	(4,517)
Deferred Income Tax	(1,428)	352	(801)	94
TOTAL INCOME TAX EXPENSE/(BENEFIT)	7,099	11,416	1,212	(4,423)
DEFERRED INCOME TAX				
Balance at the Beginning of the Period	4,526	4,174	231	137
Adjustment due to Amalgamation	(3,623)	-	277	-
Transferred to Statement of Financial Performance	(1,428)	352	(801)	94
BALANCE AT THE END OF THE PERIOD	(525)	4,526	(293)	231

Deferred tax liabilities are not provided for if there is a reasonable probability that the deferred tax liability will not be payable in the foreseeable future.

The tax effect of timing differences which have not been provided for in the deferred tax account amount to \$34,184,000. These timing differences are mainly attributable to the difference between the acquisition cost of network assets and the underlying historical cost used for tax purposes. There are income tax losses to be carried forward of \$3,836,508 subject to the requirements of the Income Tax Act 1994.

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

AS AT 31 MARCH 1997

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
3 SHARE CAPITAL				
Share Capital of 221,687,419 Fully Paid				
Ordinary Shares	119,901	93,403	1,812	31,597
Capital Notes	96,091	4,803	1,452	2,197

The Capital Notes were issued under a Trust Deed between the Company and The New Zealand Guardian Trust Company Limited as Trustee.

The Capital Notes are unsecured, subordinated, fixed interest securities of the Company issued at a face value of \$1.00 (the "Principal Value"). The Notes are subject to early redemption or conversion at the option of the company on 1 October each year prior to 1 October 2001 (the "Maturity Date"). Noteholders may be required to convert their Capital Notes into ordinary shares of the Company on the "Maturity Date" at a value equal to the Principal Value plus accrued and unpaid interest on the Capital Notes. For this purpose, ordinary shares will be valued at 98% of the then market price. Alternatively, the Company may elect to purchase, redeem, or extend the terms of the Capital Notes on the Maturity Date. Noteholders can trade their Capital Notes on the New Zealand Stock Exchange. The interest rate on the Capital Notes is 9.84% pa, payable semi-annually in arrears on 1 April and 1 October each year, beginning 1 April 1997.

4 BONDS

Bonds were issued under a Trust Deed between the Company and The New Zealand Guardian Trust Company Limited as Trustee. The Bonds constitute unsecured, unsubordinated, fixed interest securities of the Company at a face value of \$1.00 each. The Bonds were issued on 1 October 1996 in two tranches of \$110,843,725 each, maturing on 1 October 2003 and 1 October 2006. The interest rates on the Bonds are 8.81% and 8.86% respectively, payable semi-annually in arrears on 1 April and 1 October each year, beginning 1 April 1997. The Company may, at any time, purchase Bonds for its own account, which may be cancelled or reissued. The Company repurchased and cancelled Bonds with a total face value of \$6,474,000 in the period to 31 March 1997.

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
5 CURRENT LIABILITIES				
TRADE CREDITORS				
Total Trade Creditors	3,876	6,011	8,716	21,566
OTHER LIABILITIES				
Bank Overdraft	1,335	-	1,124	-
Sundry Creditors and Accruals	4,020	2,250	2,224	4,628
Unearned Income - Hire Purchase	-	-	-	389
Goods and Services Tax	-	572	-	160
Provision for Employee Entitlements	1,310	2,256	641	1,091
Payable to Related Parties	-	-	4,833	-
Current Portion of Accrued Interest on Bonds	8,254	-	125	-
Current Portion of Accrued Interest on Capital Notes	4,728	-	71	-
Provision for Restructuring	4,933	-	2,823	-
Total Other Liabilities	24,580	5,078	11,841	6,268
TOTAL CURRENT LIABILITIES	28,456	11,089	20,557	27,834

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

AS AT 31 MARCH 1997

5 CURRENT LIABILITIES (continued)

Credit Facilities The Company has arranged a \$100 million committed cash advance facility with a syndicate of three registered banks. The term of the facility is committed for five years and was undrawn at 31 March 1997.

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
6 CURRENT ASSETS				
Cash and Bank	35	191	4	37
Investments in Bank Deposits and Government Stock	20,240	5,025	2,124	865
Loans and Advances	171	-	144	-
Accounts Receivable	17,638	14,489	14,854	19,885
Inventories	2,977	3,121	335	352
Prepaid Income Tax	910	6,258	511	1,744
Assets Intended for Sale ^(a)	19,077	-	288	-
TOTAL CURRENT ASSETS	61,048	29,084	18,260	22,883

(a) This amount reflects the estimated net realisable assessed value of assets of the Company which have been identified as being surplus to its requirements as a result of the merger and accordingly are being held for sale.

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
7 INVESTMENTS AND DEFERRED COSTS				
Associate Company Pacific Energy Limited	-	-	836	1,950
Other Investments	-	3	23	1,045
Deferred Costs	-	3	859	2,995
TOTAL INVESTMENTS AND DEFERRED COSTS	-	3	1,282	2,995
Movement in Investment in Pacific Energy Limited				
Balance as at Beginning of Period	-	-	1,950	443
Amalgamation adjustment	-	-	446	-
Further Share Capital Invested	-	-	-	250
Share of Surplus/(Deficit) for the Period	-	-	(560)	2,507
Dividend Received	-	-	(1,000)	(1,250)
Balance as at End of Period	-	-	836	1,950
Net assets comprise:				
Gross assets	-	-	36,826	29,600
Gross liabilities	-	-	(33,482)	(21,798)
Net assets	-	-	3,344	7,802
The Company's 25% Share	-	-	836	1,950

The amount of (\$560,000) (1996: \$1,950,000) relates to the Company's investment in Pacific Energy Limited, a joint venture company in which the Company has a 25 per cent shareholding. The principal activities of this associate company are the purchasing of electricity on behalf of its customers at the wholesale level, providing value added services at the retail level and investigating potential generation opportunities. The investment is allocated to the Energy business activities of the Company.

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

AS AT 31 MARCH 1997

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
8 FIXED ASSETS				
Distribution Equipment	319,738	170,177	-	414
<i>Less: Accumulated Depreciation</i>	6,004	69,942	-	200
	<u>313,734</u>	<u>100,235</u>	<u>-</u>	<u>214</u>
Electricity Generation	-	-	2,656	2,836
<i>Less: Accumulated Depreciation</i>	-	-	90	126
	<u>-</u>	<u>-</u>	<u>2,566</u>	<u>2,710</u>
Land	-	748	-	1,535
Motor Vehicles, Plant and Equipment	5,202	14,246	2,939	20,083
<i>Less: Accumulated Depreciation</i>	1,075	8,229	607	7,872
	<u>4,127</u>	<u>6,017</u>	<u>2,332</u>	<u>12,211</u>
Capital Work in Progress	6,205	1,137	-	-
	<u>324,066</u>	<u>108,137</u>	<u>4,898</u>	<u>16,670</u>
Intangible Assets (Energy Supply Assets)	45,000	-	-	-
<i>Less: Amortisation</i>	563	-	-	-
	<u>44,437</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FIXED ASSETS	<u>368,503</u>	<u>108,137</u>	<u>4,898</u>	<u>16,670</u>
9 COMMITMENTS				
Capital Expenditure Contracted for at Balance Date	4,063	-	61	649
Lease Commitments Under Non-Cancellable Operating Leases are:				
Not Later Than One Year	2,453	-	37	378
Later Than One Year But Not Later Than Two Years	2,429	-	37	363
Later Than Two Years But Not Later Than Five Years	4,533	-	69	919
Later Than Five Years	225	-	3	472
TOTAL COMMITMENTS	<u>13,703</u>	<u>-</u>	<u>207</u>	<u>2,781</u>
10 CONTINGENT LIABILITIES				

At 31 March 1997, the Company had the following contingent liability:

Guarantees

The Company has provided guarantees in the normal course of business of approximately \$23,000,000 in respect of electricity purchases by Pacific Energy Limited (1996: nil).

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

AS AT 31 MARCH 1997

11 RELATED PARTY TRANSACTIONS

The immediate parent company of TransAlta New Zealand Limited is Trans New Zealand Energy Limited and the ultimate controlling party is TransAlta Energy Corporation.

During the period, the Company had the following transactions with related parties:

Purchases of electricity totalling \$20,964,000 (1996: \$49,313,000) from Pacific Energy Limited (Associate Company). The balance owing at 31 March 1997 was \$4,833,000 (1996: \$4,218,000).

At 31 March 1997 amounts accrued to TransAlta Energy Corporation for services provided with respect to the installation and implementation of a new electricity network automated asset information and management system totalled \$302,000 (1996: nil).

The Group paid subvention payments to Trans New Zealand Energy Limited (\$851,663) and that company's parent Trans New Zealand Limited (\$2,807,707). These were pre-existing obligations of the antecedent company Capital Power Limited at 1 October 1996.

At 31 March 1997 interest on capital notes and bonds accrued and owing to Trans New Zealand Energy Limited totalled \$9,559,000 (1996: nil).

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

12 FINANCIAL INSTRUMENTS

Credit Risk Financial instruments which potentially subject the company to credit risk principally consist of bank balances, accounts receivable and electricity hedge contracts.

The Company performs credit evaluations on customers where possible and requires deposits to be paid when customers demonstrate inadequate credit history.

Investments are made with financial institutions and other organisations with a minimum credit rating of A long term and A-1 short term from Standards & Poors (or equivalent rating). The company also has a limit on concentration of investments with any one institution.

Maximum exposures to credit risk as at 31 March 1997 were:

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
Cash and Bank	35	192	4	33
Accounts Receivable	17,638	14,489	14,854	19,885
Investments in Bank Deposits and Government Stock	20,240	5,025	2,124	865
Loans and Advances	171	-	144	-

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

AS AT 31 MARCH 1997

12 FINANCIAL INSTRUMENTS (continued)

The above maximum exposures are net of any recognised provision for losses on these financial instruments.

The Company is not exposed to any significant concentrations of credit risk.

Interest Rate Risk The Company is exposed to interest rate risk on investments in bank deposits and government stock. This risk is managed within exposure limits set. The Company is not exposed to interest rate risk on capital notes and bonds as the interest rates are fixed for the term of the obligations.

Wholesale Electricity Market Risk The bases upon which electricity is purchased in the wholesale market and on-sold to customers results in the Company having exposure to electricity market price risk. The Company has set maximum limits on the exposure to risk which the Company may have at any time based on forecasts of electricity sales. The Company enters into hedge contracts to manage its exposure to market price risk.

Currency Risk The Company has no significant exposure to currency risk at 31 March 1997.

Fair Values There are no material differences between the fair value and carrying amounts of financial instruments at 31 March 1997 with the exception of the following:

	Fair Value/Contract Amount		Fair Value		Carrying Amount	
	\$000 Line	\$000 Energy	\$000 Line	\$000 Energy	\$000 Line	\$000 Energy
Contracts for Differences	see below (1)		see below (2)		607	9
Capital Notes Due 1 October 2001	96,091	1,452	92,447	1,397	96,091	1,452
Bonds Due 1 October 2003	93,284	1,410	91,232	1,379	93,284	1,410
Bonds Due 1 October 2006	93,284	1,410	91,232	1,379	93,284	1,410

- (1) The contract amount on contracts for differences has not been disclosed as the information is considered commercially sensitive.
- (2) The fair value on the contract for differences has not been disclosed as it is not practical to do so in the absence of a liquid energy trading market.

TRANSALTA NEW ZEALAND LIMITED**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (continued)**

AS AT 31 MARCH 1997

13 INTEREST IN JOINT VENTURE

The Company has a 46.5% interest in a landfill gas joint venture, whose principal activity is the generation of electricity from extraction of methane gases from the Silverstream landfill near Upper Hutt. The Financial Statements as at 31 March 1997 for the Joint Venture are unaudited.

The generation plant has an output of less than 10 megawatts and in compliance with the Electricity (Information Disclosure) Regulations 1994 is included within the Energy business of the Company.

	LINE BUSINESS		ENERGY BUSINESS	
	31-Mar-97 \$000	31-Mar-96 \$000	31-Mar-97 \$000	31-Mar-96 \$000
The Company's interest in the joint venture is included in the consolidated accounts under the classifications shown below.				
Fixed Assets	-	-	2,566	2,710
Current Assets	-	-	12	24
Current Liabilities	-	-	(13)	(5)
Net Investment	-	-	2,565	2,729

14 EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to 31 March 1997 the Company has agreed to purchase the interests of TransAlta Energy Corporation in the Southdown generating station in Auckland, and the Taranaki Combined Cycle Station near Stratford. If the transactions proceed 25.2 million shares at an issue price of \$1.75 per share will be issued to TransAlta Energy Corporation. This will increase TransAlta Energy Corporation's interest in TransAlta New Zealand Limited from approximately 63% to approximately 66%. The above transactions are subject to shareholder and regulatory approval. The financial effect of these transactions has not been recognised in these Financial Statements.

TRANSALTA



TRANSALTA NEW ZEALAND LIMITED

PART TWO

**PERFORMANCE MEASURES AND STATISTICS
FOR THE YEAR ENDED 31 MARCH 1997**

**Pursuant To Regulations 13,14,15 and 16 of the
Electricity (Information Disclosure) Regulations 1994**

TRANSALTA NEW ZEALAND LIMITED
PERFORMANCE MEASURES AND STATISTICS
For The Year Ended 31 March 1997

Regulations 13 and 14

31-Mar-97 31-Mar-96 31-Mar-95

1 FINANCIAL PERFORMANCE MEASURES

Accounting Return on Total Assets:

<u>Earnings Before Interest & Tax</u> Average Total Funds Employed	7.9%	8.0%	5.1%
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Accounting Return on Equity:

<u>Net Profit after Tax</u> Average Total Shareholders' Funds	4.1%	4.8%	2.7%
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Accounting Rate of Profit ¹:

<u>EBIT - Cash Tax - Interest Tax Shield + Revaluations</u> Average Total Funds Employed - Revaluations/2	5.5%	6.4%	3.9%
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2 EFFICIENCY PERFORMANCE MEASURES

Direct Line Cost per Kilometre:

<u>Direct Expenditure</u> System Length (km)	\$2,218.89	\$3,039.02	\$2,841.21
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Indirect Line Costs per Electricity Customer:

<u>Indirect Expenditure</u> Total Customers	228.40	\$87.68	\$69.79
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3 OPTIMISED DEPRIVAL VALUATION

The optimised Deprival Valuation (31 March 1997) is 350.25m

The comparative figures are an amalgam of the previous antecedent companies figures.

¹ The ARP calculation incorporates a revision of prior ODV figures to eliminate the effect of the change in underlying assumptions with respect to asset lives. Accordingly, only genuine revaluations are included in the ARP calculation. This enables a consistent comparison with previous, and future, ARP's.

TRANSALTA NEW ZEALAND LIMITED
PERFORMANCE MEASURES AND STATISTICS (Continued)
For The Year Ended 31 March 1997

Regulation 15

4 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES

Load Factor	54.18%	49.86%	51.48%
Loss Ratio	5.04%	4.76%	4.52%
Capacity Utilisation	41.87%	44.05%	41.57%

5 LINE LENGTHS

See table below for the following statistics:

System Length (kms) and breakdown by nominal voltage.

Underground circuit length (kms) and breakdown by nominal line voltage.

Overhead circuit length (kms) and breakdown by nominal voltage.

KILOMETRES

	Overhead Circuit			Underground Circuit			Total System		
	Mar-97	Mar-96	Mar-95	Mar-97	Mar-96	Mar-95	Mar-97	Mar-96	Mar-95
33kV	57	58	65	168	161	158	225	219	223
11kV	662	681	691	921	883	871	1,583	1,564	1,562
3.3kV	-	-	-	-	-	-	-	-	-
400V	924	953	969	1,165	1,143	1,120	2,089	2,096	2,089
TOTAL	1,643	1,692	1,725	2,254	2,187	2,149	3,897	3,879	3,874

	31-Mar-97	31-Mar-96	31-Mar-95
Transformer Capacity (kVA)	1,152,162	1,137,663	1,132,315
Maximum Demand (kW)	482,400	501,200	470,740
Total Electricity supplied by system (kWh)	2,174,001,382	2,084,727,706	2,026,976,203
Total Electricity conveyed by			
System for other persons (kWh)	33,814,617	74,714,191	58,315,342
Total Customers (average for year)	142,358	141,042	141,595

Regulation 16

6 TOTAL NUMBER OF INTERRUPTIONS AND BREAKDOWNS BY INTERRUPTION CLASS

Type of interruption	Class	No.	No.	No.
		31-Mar-97	31-Mar-96	31-Mar-95
Planned - Trans Power	A	-	-	-
Planned - TransAlta	B	78	138	123
Unplanned - TransAlta	C	278	282	323
Unplanned - Trans Power	D	4	8	10
Unplanned - ECNZ	E	-	-	-
Unplanned - Other	F	-	-	-
Any other interruption	G	-	-	-
TOTAL: All Interruptions		360	428	456

TRANSALTA NEW ZEALAND LIMITED
PERFORMANCE MEASURES AND STATISTICS (Continued)
For The Year Ended 31 March 1997

7 NUMBER OF FAULTS PER 100 CIRCUIT KMS

Line voltage	Overhead Circuit			Underground			Total System		
	Mar-97	Mar-96	Mar-95	Mar-97	Mar-96	Mar-95	Mar-97	Mar-96	Mar-95
100kV	-	-	-	-	-	-	-	-	-
66kV	-	-	-	-	-	-	-	-	-
33kIV	2.30	6.90	3.10	2.20	2.30	0.90	2.20	2.30	2.30
11kV	30.80	33.60	41.00	7.50	5.30	4.60	17.20	17.60	20.00
6.6kV	-	-	-	-	-	-	-	-	-
3.3kV	-	-	-	-	-	-	-	-	-
Total	28.90	31.50	37.70	6.40	4.60	3.90	15.40	15.80	19.00

8 BREAKDOWN OF STATISTICS BY INTERRUPTION CLASS

Type of interruption	Class	SAIDI (Minutes)			SAIFI (Interruptions)			CAIDI (Minutes)		
		Mar-97	Mar-96	Mar-95	Mar-97	Mar-96	Mar-95	Mar-97	Mar-96	Mar-95
Planned - Trans Power	A	-	-	-	-	-	-	-	-	-
Planned - TransAlta	B	5.99	14.03	18.89	0.17	0.14	0.13	36.22	100.08	151.00
Unplanned - TransAlta	C	24.08	22.05	31.81	0.56	0.36	0.52	43.20	60.92	61.00
Unplanned - Trans Power	D	7.16	13.97	2.95	0.58	1.08	0.68	12.40	12.99	4.00
Unplanned - ECNZ	E	-	-	-	-	-	-	-	-	-
Unplanned - Other	F	-	-	-	-	-	-	-	-	-
Any other interruption	G	-	-	-	-	-	-	-	-	-
All interruptions		37.23	50.06	53.66	1.30	1.58	1.32	28.58	31.73	40.00



PART THREE

**CERTIFICATION
FOR THE YEAR ENDED 31 MARCH 1997**

**Pursuant To Regulations 25 and 26 of the
Electricity (Information Disclosure) Regulations 1997**

**Deloitte Touche
Tohmatsu**



CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached financial statements prepared by TransAlta New Zealand Limited and dated 28 August 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.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Chartered Accountants
Wellington
New Zealand

28 August 1997

**Deloitte Touche
Tohmatsu**



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 TransAlta New Zealand Limited and dated 28 August 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.

Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu
Chartered Accountants
Wellington
New Zealand

28 August 1997



**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE
MEASURES, AND STATISTICS DISCLOSED BY TRANSALTA NEW
ZEALAND LIMITED**

We, P C Allport, and D W Huse, directors of TransAlta New Zealand Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of TransAlta New Zealand 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 TransAlta New Zealand 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.

A handwritten signature in black ink, appearing to read "P C Allport", written over a horizontal dotted line.

P C Allport
28 August 1997

A handwritten signature in black ink, appearing to read "D W Huse", written over a horizontal dotted line.

D W Huse
28 August 1997

Auditor's Report

To the directors of TransAlta New Zealand Limited

Certification by Auditor in Relation to ODV Valuation

We have examined the attached valuation report prepared by P Hawkey of TransAlta New Zealand Limited and dated 6 August 1997, which contains systems fixed assets valuations as at 31 March 1997.

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.



Wellington

6 August 1997



