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WAIPA POWER LIMITED

INFORMATION FOR DISCLOSURE


PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994


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

We, DIANE REED and GRANT KIBBY, Directors of Waipa Power Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

- (a) The attached audited financial statements of Waipa Power 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 the 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 Waipa Power 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 Electricity (Information Disclosure) Regulations 1994.

The valuations on which those financial performance measures are based are at 31 March 1995.

Signatures:  DIANE REED

 GRANT KIBBY

Date: 29.7.97

WAIPA POWER LIMITED - LINE BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 1997

	Note	1997 \$	1996 \$
REVENUE		<u>9,969,992</u>	<u>10,120,926</u>
NET SURPLUS BEFORE TAX	2	2,021,946	2,186,221
LESS TAXATION EXPENSE	3	647,305	500,651
NET SURPLUS AFTER TAX		<u>1,374,641</u>	<u>1,685,570</u>

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 1997

	1997 \$	1996 \$
EQUITY AS AT 1 APRIL 1996	<u>49,768,417</u>	<u>16,506,498</u>
NET SURPLUS FOR YEAR	1,374,641	1,685,570
REVALUATION OF ASSETS	-	32,827,736
TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR	1,374,641	34,513,306
PROVISION FOR DIVIDEND	899,803	1,251,387
DISTRIBUTION TO OWNERS FOR INVESTING ACTIVITIES	6,197,523	-
EQUITY AS AT 31 MARCH 1997	<u>44,045,732</u>	<u>49,768,417</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements. The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

WAIPA POWER LIMITED - LINE BUSINESS

STATEMENT OF FINANCIAL POSITION

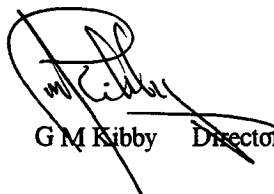
AS AT 31 MARCH 1997

	Note	1997 \$	1996 \$
EQUITY			
Authorised and paid up capital	4	8,000,000	8,000,000
Reserves	5	34,533,562	40,731,085
Retained earnings	6	1,512,170	1,037,332
TOTAL EQUITY		<u>44,045,732</u>	<u>49,768,417</u>
 Represented By:			
CURRENT ASSETS			
Cash and Bank		42,912	573,371
Short term investments		400,000	4,860,000
Receivables and prepayments	7	1,125,560	676,426
Tax refund due		96,174	8,534
Stock		238,733	317,919
		<u>1,903,379</u>	<u>6,436,250</u>
 CURRENT LIABILITIES			
Creditors	8	1,574,962	656,453
Provisions for Dividend		899,803	1,251,387
		<u>2,474,765</u>	<u>1,907,840</u>
 WORKING CAPITAL		 (571,386)	 4,528,410
 NON - CURRENT ASSETS			
Fixed assets	9	44,617,118	45,240,007
Future taxation benefit	3	-	-
 NET ASSETS		<u>44,045,732</u>	<u>49,768,417</u>

For and on behalf of the Board



D M Reed Director



G M Kibby Director

The accompanying notes form part of and are to be read in conjunction with these financial statements. The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

WAIPA POWER LIMITED - LINE BUSINESS

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 1997

1 STATEMENT OF ACCOUNTING POLICIES**General Accounting Policies**

The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 (the Regulations) on an historical cost basis, as modified by the revaluation of certain assets.

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of profit and the financial position have been applied:

a) Network Charges

Income from Network charges includes an estimated amount for accrued sales from meters unread as at 31 March 1997.

b) Investments

Investments are stated at the lower of cost plus accrued interest and net realisable value.

c) Fixed Assets

The Company has five classes of fixed assets as follows:

Freehold Land

Freehold Buildings

Reticulation Assets

Motor Vehicles

Plant and Equipment

The Reticulation Assets were revalued on a optimised depreciated replacement cost basis by independent valuers on 1 April 1995 and subsequently will be revalued every 3 years. Additions to the Reticulation Assets since revaluation are stated at cost .

Assets constructed by the company are capitalised at direct cost plus a proportion of indirect overheads.

All other fixed assets are recorded at cost less accumulated depreciation.

d) Infrastructure Asset

The Infrastructure asset comprises the reticulation network.

Expenditure on the infrastructure asset which increases the operating capability of, or which enhances or develops, the network is capitalised.

Expenditure incurred to maintain the operating capability of the infrastructure asset is charged as maintenance.

e) Capital Contributions

Contributions towards the cost of additions to the Reticulation Assets are recognised as income when received.

f) Depreciation

Land and Reticulation Assets are not depreciated. Depreciation has been provided on other fixed assets using the straight line method at rates which amortise the cost less estimated residual value over their economic lives. Depreciation on assets purchased during the year has been charged on a monthly basis from month of purchase.

The maximum depreciation rates are:

Buildings	3.00%
Motor Vehicles	20.00%
Computers Equipment & Software	20.00%
Plant, Furniture and Equipment	10.00%

g) Receivables

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

h) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both current and deferred tax. Deferred tax is calculated using the liability method and is accounted for using the partial basis.

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

i) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

j) Financial Instruments

The Company includes all financial instrument arrangements in the statement of financial position using the concepts of accrual accounting. These instruments arise as a result of everyday operations and include: cash, receivables, creditors and investments.

Revenues and expenses in relation to all financial instruments are recognised in the statement of financial performance. Financial instruments are shown at their fair values.

k) Methodology of Separation of Businesses

Waipa Power Limited has generally followed the Electricity Disclosure Guidelines as issued by the Ministry of Commerce dated 23 June 1994 with the exceptions available on request in accordance with Regulation 19.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been consistently applied during the year.

WAIPA POWER LIMITED - LINE BUSINESS

	1997 \$	1996 \$
2 NET PROFIT BEFORE TAXATION		
After Charging:		
Direct Expenditure	1,851,501	1,805,777
Audit fees and expenses	18,238	22,650
Directors' fees	36,083	49,440
Bad Debts	17,413	8,136
Other Indirect expenditure	1,113,074	1,237,150
Depreciation	244,587	200,456
Net Loss on Disposal of Fixed Assets	448,537	-
After Crediting:		
Interest Received	67,639	480,553
3 TAXATION		
Net profit before taxation	<u>2,021,946</u>	<u>2,186,221</u>
Prima facie taxation at 33%	667,242	721,453
Tax effect of permanent differences	148,017	(125,963)
Tax effect of timing differences not recognised	<u>(168,299)</u>	<u>26,243</u>
Taxation Expense	646,960	621,733
Over provision previous year	345	2,245
Adjustments Previous Years	<u>-</u>	<u>(123,327)</u>
Total Taxation Expense	<u><u>647,305</u></u>	<u><u>500,651</u></u>
The Taxation charge comprises:		
- current taxation	647,305	565,735
- deferred taxation	<u>-</u>	<u>(65,084)</u>
	<u><u>647,305</u></u>	<u><u>500,651</u></u>
Deferred Taxation/(Future Taxation Benefit)		
Opening balance	-	101,989
Adjustments Previous Years	-	(36,905)
Deferred portion of current year tax expense	<u>-</u>	<u>(65,084)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

Deferred tax relates primarily to non-deductible provisions.

4 SHARE CAPITAL

Authorised, Issued & Paid-up Share Capital 8,000,000 ordinary shares of \$1 each	8,000,000	8,000,000
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	1997 \$	1996 \$
5 RESERVES		
Capitalisation of Assets Reserve		
Balance at beginning of year	7,903,349	7,903,349
Distribution to Owners for Investing Activities	6,197,523	-
Balance at end of year	<u>1,705,826</u>	<u>7,903,349</u>
Revaluation of Assets Reserve		
Balance at beginning of year	32,827,736	-
Asset Revaluation Reticulation	-	32,827,736
Balance at end of year	<u>32,827,736</u>	<u>32,827,736</u>
Total Reserves	<u>34,533,562</u>	<u>40,731,085</u>
6 RETAINED EARNINGS		
Balance at beginning of year	1,037,332	603,149
Net Surplus after Taxation	1,374,641	1,685,570
Dividend	899,803	1,251,387
Balance at end of year	<u>1,512,170</u>	<u>1,037,332</u>
7 RECEIVABLES		
Trade debtors	1,124,359	627,068
Provision for Doubtful Debts	<u>(10,406)</u>	<u>(10,406)</u>
	1,113,953	616,662
Accrued Income	4,753	50,849
Prepayments	<u>6,854</u>	<u>8,915</u>
	<u>1,125,560</u>	<u>676,426</u>
8 CREDITORS		
Accounts payable and accruals - trade	1,503,588	584,148
Payroll Provisions (annual leave, holiday pay, etc)	<u>71,374</u>	<u>72,305</u>
	<u>1,574,962</u>	<u>656,453</u>

	1997 \$	1996 \$
9 FIXED ASSETS		
Reticulation Assets		
Cost - additions since 1 April 1995	1,040,939	583,872
Valuation	<u>42,663,322</u>	<u>42,663,322</u>
	43,704,261	43,247,194
Accumulated Depreciation	<u>-</u>	<u>-</u>
Net Book Value	43,704,261	43,247,194
Freehold Land		
Cost	2,272	93,443
Freehold Buildings		
Cost	575,389	1,536,367
Accumulated Depreciation	<u>68,227</u>	<u>160,674</u>
Net Book Value	507,162	1,375,693
Motor Vehicles		
Cost	1,344,857	1,444,048
Accumulated Depreciation	<u>1,043,753</u>	<u>1,052,600</u>
Net Book Value	301,104	391,448
Plant, Furniture and Fittings		
Cost	350,781	390,811
Accumulated Depreciation	<u>248,462</u>	<u>258,582</u>
Net Book Value	102,319	132,229
Total Net Book Value	<u><u>44,617,118</u></u>	<u><u>45,240,007</u></u>

The Reticulation Assets were revalued by E W Graham, B.E. (Elect), F.I.P.E.N.Z., Coopers & Lybrand and Worley Consultants Limited on 1 April 1995 to a value of \$42,663,322 on a optimised depreciated replacement cost basis.

Assets constructed by the company are capitalised at direct cost plus a proportion of indirect overheads. Such expenditure includes:

- i) any building of new lines in unreticulated areas.
- ii) the incremental cost of providing additional capacity in previously reticulated areas.
- iii) the provision of new transformers.
- iv) new substation work and enhancements to existing substations.

10 FINANCIAL INSTRUMENTS**Fair Value**

The estimated fair value of Waipa Power Limited's financial instruments at 31 March 1997 are stated in the Statement of Financial Position.

Credit Risk

Waipa Power Limited places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the board of directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at balance date the Company had no contingent liabilities or capital commitments (1996 Nil).

12 RELATED PARTIES

Related party transactions in the accounts of Waipa Power Limited are;

- i) Related Parties purchase goods and services on normal terms of trade.

In addition, provision has been made in the accounts for payment of a dividend to the Waipa Power Trust of \$899,803 (1996 \$1,251,387)

1997

1996

1995

13 PERFORMANCE MEASURES**1 Disclosure of financial performance measures and efficiency performance measures under regulation 13 of the Electricity (Information Disclosure) Regulations 1994****1. Financial performance measures**

(a) Accounting return on total assets	4.31%	4.40%	4.26%
(b) Accounting return on equity	2.93%	3.40%	2.84%
(c) Accounting rate of profit	2.74%	3.32%	3.08%

2. Efficiency performance measures:

(a) Direct line costs per kilometre	\$1,000	\$979	\$1,186
(b) Indirect line costs per electricity customer	\$60	\$67	\$55

Disclosure of energy efficiency performance measures and statistics under regulation 15 of the Electricity (Information Disclosure) Regulations 1994**1. Energy Delivery efficiency performance measures:**

(a) Load factor	61.00	58.15	56.76
(b) Loss ratio	6.41	6.76	6.63
(c) Capacity utilisation	33.00	33.43	34.87

2. Statistics**(a) System Length**

Circuit Kilometres >11kV	0	0	0
Circuit Kilometres 11kV	1,330	1,330	1,329
Circuit Kilometres 400V	521	515	512
Total	1,851	1,845	1,841

(b) System Length - Overhead

Circuit Kilometres >11kV	0	0	0
Circuit Kilometres 11kV	1,291	1,291	1,291
Circuit Kilometres 400V	402	400	399
Total Overhead	1,693	1,691	1,690

(c) System Length - Underground

Circuit Kilometres >11kV	0	0	0
Circuit Kilometres 11kV	39	39	38
Circuit Kilometres 400V	119	115	113
Total Underground	158	154	151

(d) Transformer Capacity (In Kilovolt Amperes)	161,093	160,313	152,413
(e) Maximum Demand	53,167	53,598	53,154
(f) Electricity Supplied from the system (in Kilowatt Hours)	265,900,381	254,564,400	246,793,027
(g) Electricity Conveyed through the system (in Kilowatt Hours)	29,338,824	189,029	0
(h) Total Customers	19,706	19,748	19,683

1997

1996

1995

Disclosure of reliability performance measures under regulation 16 of the Electricity
(Information Disclosure) Regulations 1994

1	Total number of interruptions			
	Class A - Planned - by Transpower	0	0	0
	Class B - Planned - by Line Owners	234	283	309
	Class C - Unplanned - by Line Owners	156	138	119
	Class D - Unplanned - by Transpower	2	4	2
	Class E - Unplanned - by ECNZ	0	0	0
	Class F - Unplanned - by other generation	0	0	0
	Class G - Any other loss of supply	0	0	0
	Total	392	425	430
2	The total number of faults per 100 circuit kilometres of prescribed voltage electric line			
	11kV	11.73	10.38	8.95
3	The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line			
	11kV	0.00	2.56	0.00
4	The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line			
	11kV	12.08	10.61	9.22
5	The SAIDI for the total number of interruptions	353.09	388.34	411.53
6	The SAIDI for the total number of interruptions within each interruption class			
	Class A - Planned - by Transpower	0.00	0.00	0.00
	Class B - Planned - by Line Owners	96.26	182.90	104.97
	Class C - Unplanned - by Line Owners	231.76	170.95	257.10
	Class D - Unplanned - by Transpower	25.07	34.49	49.46
	Class E - Unplanned - by ECNZ	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00
	Class G - Any other loss of supply	0.00	0.00	0.00
7	The SAIFI for the total number of interruptions	5.78	5.06	5.66
8	The SAIFI for the total number of interruptions within each interruption class			
	Class A - Planned - by Transpower	0.00	0.00	0.00
	Class B - Planned - by Line Owners	0.54	0.97	0.59
	Class C - Unplanned - by Line Owners	4.48	3.30	3.97
	Class D - Unplanned - by Transpower	0.76	0.79	1.10
	Class E - Unplanned - by ECNZ	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00
	Class G - Any other loss of supply	0.00	0.00	0.00
9	The CAIDI for the total number of interruptions	61	77	73
10	The CAIDI for the total number of interruptions within each interruption class			
	Class A - Planned - by Transpower	0	0	0
	Class B - Planned - by Line Owners	180	189	177
	Class C - Unplanned - by Line Owners	52	52	65
	Class D - Unplanned - by Transpower	33	44	45
	Class E - Unplanned - by ECNZ	0	0	0
	Class F - Unplanned - by other generation	0	0	0
	Class G - Any other loss of supply	0	0	0



Audit New Zealand

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

WAIPA POWER LIMITED

I have examined the attached financial statements prepared by Waipa Power Limited and dated 29 July 1997 for the purpose of regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

I hereby certify that, having made all reasonable enquiry, to the best of my 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.

L B Kemble
Audit New Zealand
On behalf of the Controller and Auditor-General
29 July 1997
Hamilton, New Zealand



Audit New Zealand

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

WAIPA POWER LIMITED

I 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 Waipa Power Limited and dated 29 July 1997 for the purposes of regulation 13 of those regulations.

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

L B Kemble
Audit New Zealand
On behalf of the Controller and Auditor-General
29 July 1997
Hamilton, New Zealand



Audit New Zealand

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

WAIPA POWER LIMITED

I have examined the valuation report prepared by Coopers and Lybrand and dated 22 August 1995, which report contains valuations as at 31 March 1995.

I hereby certify that, having made all reasonable enquiry, to the best of my knowledge, the valuations contained in the report have been made in accordance with the ODV handbook.

A handwritten signature in black ink, appearing to read 'K Murphy', written in a cursive style.

K Murphy
Audit New Zealand
On behalf of the Controller and Auditor General
23 August 1995
Hamilton, New Zealand

WAIPA POWER LIMITED - OTHER BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 1997

	Note	1997 \$	1996 \$
REVENUE		<u>14,378,818</u>	<u>15,866,334</u>
NET SURPLUS BEFORE TAX	2	746,862	846,030
LESS TAXATION EXPENSE	3	256,898	323,263
NET SURPLUS AFTER TAX		<u>489,964</u>	<u>522,767</u>

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 1997

	1997 \$	1996 \$
EQUITY AS AT 1 APRIL 1996	<u>5,136,372</u>	<u>5,001,713</u>
NET SURPLUS FOR YEAR	489,964	522,767
TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR	489,964	522,767
PROVISION FOR DIVIDEND	823,859	388,108
DISTRIBUTION TO OWNERS FOR INVESTING ACTIVITIES	1,802,477	-
EQUITY AS AT 31 MARCH 1997	<u>3,000,000</u>	<u>5,136,372</u>

The accompanying notes form part of and are to be read in conjunction with these financial statements. The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

WAIPA POWER LIMITED - OTHER BUSINESS

STATEMENT OF FINANCIAL POSITION

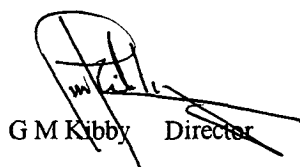
AS AT 31 MARCH 1997

	Note	1997 \$	1996 \$
EQUITY			
Authorised and paid up capital	4	2,000,000	2,000,000
Reserves	5	1,000,000	2,802,477
Retained earnings	6	-	333,895
TOTAL EQUITY		<u>3,000,000</u>	<u>5,136,372</u>
Represented By:			
CURRENT ASSETS			
Cash and Bank		147,384	1,098,705
Short term investments		600,000	2,800,000
Receivables and prepayments	7	1,625,246	1,887,002
Tax refund due		9,359	-
Inventories	8	<u>387,646</u>	<u>386,686</u>
		2,769,635	6,172,393
CURRENT LIABILITIES			
Accounts payable and accruals - trade	9	1,420,984	1,811,857
Provision for dividend		823,859	388,108
Taxation payable		<u>-</u>	<u>25,560</u>
		<u>2,244,843</u>	<u>2,225,525</u>
WORKING CAPITAL		524,792	3,946,868
NON - CURRENT ASSETS			
Fixed assets	10	2,475,208	1,189,504
Future taxation benefit	3	-	-
NET ASSETS		<u>3,000,000</u>	<u>5,136,372</u>

For and on behalf of the Board



D M Reed Director



G M Kibby Director

The accompanying notes form part of and are to be read in conjunction with these financial statements. The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 1997

1 STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 (the Regulations) on an historical cost basis.

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of profit and the financial position have been applied:

a) Electricity Sales

Sales of electricity includes an estimated amount for accrued sales from meters unread as at 31 March 1997.

b) Investments

Investments are stated at the lower of cost plus accrued interest and net realisable value.

c) Fixed Assets

The Company has five classes of fixed assets as follows:

Freehold Land
Freehold Buildings
Motor Vehicles
Plant and Equipment
Generation

Fixed assets are recorded at cost less accumulated depreciation.

d) Depreciation

Depreciation has been provided on fixed assets using the straight line method at rates which amortise the cost less estimated residual value over their economic lives.

Depreciation on assets purchased during the year has been charged on a monthly basis from month of purchase.

The maximum depreciation rates are:

Buildings	3.0%
Motor Vehicles	20.0%
Computers Equipment & Software	20.0%
Plant, Furniture and Equipment	10.0%
Generation	6.6%

WAIPA POWER LIMITED - OTHER BUSINESS

e) Receivables

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

f) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both current and deferred tax. Deferred tax is calculated using the liability method and is accounted for using the partial basis.

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

g) Inventories

Inventories are stated at the lower of weighted average cost and net realisable value.

Cost of work in progress and finished goods includes the cost of direct material, direct labour and a proportion of the manufacturing overhead expended in putting the inventories in their present location and condition.

h) Financial Instruments

The Company includes all financial instrument arrangements in the statement of financial position using the concepts of accrual accounting. These instruments arise as a result of everyday operations and include: cash, debtors, creditors and investments.

Revenues and expenses in relation to all financial instruments are recognised in the statement of financial performance. Financial instruments are shown at their fair values.

i) Methodology of Separation of Businesses

Waipa Power Limited has generally followed the Electricity Disclosure Guidelines as issued by the Ministry of Commerce dated 23 June 1994 with the exceptions available on request in accordance with Regulation 19.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been consistently applied during the year.

WAIPA POWER LIMITED - OTHER BUSINESS

	1997 \$	1996 \$
2 NET PROFIT BEFORE TAXATION		
After Charging:		
Audit fees and expenses	13,701	16,930
Depreciation	157,120	110,116
Directors' fees	47,462	44,570
Bad Debts	22,473	11,250
Net Loss on Disposal of Fixed Assets	9,541	4,226
After Crediting:		
Interest Received	75,154	319,272
3 TAXATION		
Net profit before taxation	<u>746,862</u>	<u>846,030</u>
Prima facie taxation at 33%	246,464	279,190
Tax effect of permanent differences	-	-
Tax effect of timing differences not Recognised	<u>10,434</u>	<u>44,073</u>
Taxation Expense	256,898	323,263
Over provision previous year	-	-
Adjustments Previous Years	<u>-</u>	<u>-</u>
Total Taxation Expense	<u><u>256,898</u></u>	<u><u>323,263</u></u>
The Taxation charge comprises:		
- current taxation	256,898	214,997
- deferred taxation	<u>-</u>	<u>108,266</u>
	<u><u>256,898</u></u>	<u><u>323,263</u></u>
Deferred Taxation/(Future Taxation Benefit)		
Opening balance	-	(108,266)
Adjustments Previous Years	-	-
Deferred portion of current year tax expense	<u>-</u>	<u>108,266</u>
	<u><u>-</u></u>	<u><u>-</u></u>
Deferred tax relates primarily to non-deductible provisions.		
4 SHARE CAPITAL		
Authorised, Issued & Paid-up Share Capital		
2,000,000 ordinary shares of \$1 each	2,000,000	2,000,000

	1997 \$	1996 \$
5 RESERVES		
Capitalisation of Assets Reserve		
Balance at beginning of year	2,802,477	2,802,477
Distribution to Owners for Investing Activities	1,802,477	-
Balance at end of year	<u>1,000,000</u>	<u>2,802,477</u>
6 RETAINED EARNINGS		
Balance at beginning of year	333,895	199,236
Net Surplus after Taxation	489,964	522,767
Dividend	823,859	388,108
Balance at end of year	<u>-</u>	<u>333,895</u>
7 RECEIVABLES		
Trade debtors	1,643,764	1,871,114
Provision for Doubtful Debts	<u>(39,594)</u>	<u>(39,594)</u>
	1,604,170	1,831,520
Accrued Income	734	33,784
Prepayments	<u>20,342</u>	<u>21,698</u>
	<u>1,625,246</u>	<u>1,887,002</u>
8 INVENTORIES		
Stock	241,485	335,427
Work in Progress	<u>146,161</u>	<u>51,259</u>
	<u>387,646</u>	<u>386,686</u>
9 CREDITORS		
Accounts payable and accruals - trade	1,314,003	1,736,303
Payroll Provisions (annual leave, holiday pay, etc)	<u>106,981</u>	<u>75,554</u>
	<u>1,420,984</u>	<u>1,811,857</u>

	1997	1996
	\$	\$
10 FIXED ASSETS		
Freehold Land		
Cost	1,610	11,893
Freehold Buildings		
Cost	774,664	774,664
Accumulated Depreciation	<u>116,143</u>	<u>108,396</u>
Net Book Value	658,521	666,268
Generation		
Cost	1,322,547	-
Accumulated Depreciation	<u>44,107</u>	<u>-</u>
Net Book Value	1,278,440	-
Motor Vehicles		
Cost	230,521	143,793
Accumulated Depreciation	<u>141,990</u>	<u>82,247</u>
Net Book Value	88,531	61,546
Plant, Furniture and Fittings		
Cost	1,471,802	1,360,790
Accumulated Depreciation	<u>1,023,696</u>	<u>910,993</u>
Net Book Value	<u>448,106</u>	<u>449,797</u>
Total Net Book Value	<u><u>2,475,208</u></u>	<u><u>1,189,504</u></u>

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

A contingency could arise for the difference between market and hedged energy prices should surplus energy units have to be sold on the spot market. It is not possible to quantify the value of this contingency in the unlikely event that it should arise.

There are no commitments for future capital expenditure as at 31 March 1997 (1996 \$120,000).

12 RELATED PARTIES

Related party transactions in the accounts of Waipa Power Limited are;

- i) Related Parties purchase goods and services on normal terms of trade.

In addition, provision has been made in the accounts for payment of a dividend to the Waipa Power Trust of \$ 823,859 (1996 \$ 388,108)

13 FINANCIAL INSTRUMENTS

Waipa Power Limited has entered into electricity price hedges which establish a fixed price for a significant percentage 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.

Credit Risk

Electricity price hedge exposure is on any potential difference between the spot price and the hedge price, where on maturity the spot price is greater than the hedge price. Waipa Power Limited does not anticipate any non-performance of any obligations which may exist on maturity of these agreements.

In the normal course of its business, Waipa Power Limited incurs credit risk from trade receivables from customers. There are no significant concentrations of credit risk and Waipa Power Limited does not require any collateral.

Waipa Power Limited places its cash and short term deposits with high credit quality financial institutions with a recognised credit rating of A- or better and limits the amount of credit exposure to any one institution, as set forth by the Board of Directors. While the company may be subject to credit losses up to the contract amounts in the event of non-performance by other parties, it does not expect such losses to occur.

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 Waipa Power Limited'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. As at balance date the contract amount of the electricity hedging activity amounted to \$24,004,164.

The estimated fair value of Waipa Power Limited's other financial instruments at 31 March 1997 are stated in the Statement of Financial Position.



