



New Zealand Gazette

OF THURSDAY, 30 JULY 1998

WELLINGTON: WEDNESDAY, 5 AUGUST 1998 — ISSUE NO. 106

WAIPA POWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

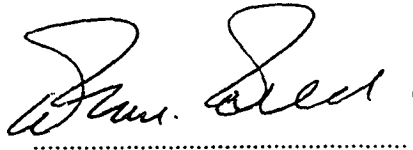
CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower

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:

23 June 1998
.....

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 1998

	Note	1998 \$	1997 \$
REVENUE		<u>9,694,520</u>	<u>9,969,992</u>
NET SURPLUS BEFORE TAX	2	2,901,056	2,021,946
LESS TAXATION EXPENSE	3	710,914	647,305
NET SURPLUS AFTER TAX		<u>2,190,142</u>	<u>1,374,641</u>

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 1998

	1998 \$	1997 \$
EQUITY AS AT 1 APRIL 1997	<u>44,045,732</u>	<u>49,768,417</u>
NET SURPLUS FOR YEAR	2,190,142	1,374,641
TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR	2,190,142	1,374,641
INTERIM DIVIDEND DECLARED	661,917	-
PROVISION FOR DIVIDEND	590,764	899,803
DISTRIBUTION TO OWNERS FOR INVESTING ACTIVITIES	-	6,197,523
EQUITY AS AT 31 MARCH 1998	<u>44,983,193</u>	<u>44,045,732</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.

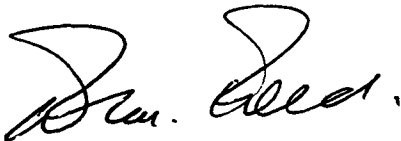
WAIPA POWER LIMITED - LINE BUSINESS

STATEMENT OF FINANCIAL POSITION

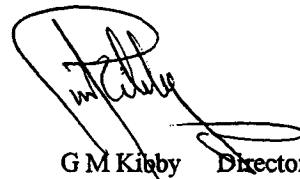
AS AT 31 MARCH 1998

	Note	1998 \$	1997 \$
EQUITY			
Authorised and paid up capital	4	8,000,000	8,000,000
Reserves	5	34,533,562	34,533,562
Retained earnings	6	2,449,631	1,512,170
TOTAL EQUITY		<u>44,983,193</u>	<u>44,045,732</u>
Represented By:			
CURRENT ASSETS			
Cash and Bank		28,216	42,912
Short term investments		1,035,000	400,000
Receivables and prepayments	7	870,426	1,125,560
Properties held for resale		14,005	-
Tax refund due		52,793	96,174
Stock		245,416	238,733
		<u>2,245,856</u>	<u>1,903,379</u>
CURRENT LIABILITIES			
Creditors	8	2,064,271	1,574,962
Provisions for Dividend		590,764	899,803
		<u>2,655,035</u>	<u>2,474,765</u>
WORKING CAPITAL		(409,179)	(571,386)
NON - CURRENT ASSETS			
Fixed assets	9	45,392,372	44,617,118
NET ASSETS		<u>44,983,193</u>	<u>44,045,732</u>

For and on behalf of the Board



D M Reed Director



G M Kirby 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 1998

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 1998

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.

WAIPA POWER LIMITED - LINE BUSINESS

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

	1998	1997
	\$	\$
2 NET PROFIT BEFORE TAXATION		
After Charging:		
Direct Expenditure	1,693,385	1,851,501
Audit fees and expenses	16,604	18,238
Directors' fees	41,130	36,083
Bad Debts	11,373	17,413
Other Indirect expenditure	1,081,666	1,113,074
Depreciation	268,216	244,587
Net Loss on Disposal of Fixed Assets	-	448,537
After Crediting:		
Interest Received	57,380	67,639
3 TAXATION		
Net profit before taxation	<u>2,901,056</u>	<u>2,021,946</u>
Prima facie taxation at 33%	957,348	667,242
Tax effect of permanent differences	-	148,017
Tax effect of timing differences not recognised	<u>(246,434)</u>	<u>(168,299)</u>
Taxation Expense	710,914	646,960
Over provision previous year	-	345
Adjustments previous years	-	-
Total Taxation Expense	<u><u>710,914</u></u>	<u><u>647,305</u></u>
The Taxation charge comprises:		
- current taxation	710,914	647,305
- deferred taxation	-	-
	<u><u>710,914</u></u>	<u><u>647,305</u></u>
4 SHARE CAPITAL		
Authorised, Issued & Paid-up Share Capital		
8,000,000 ordinary shares of \$1 each	8,000,000	8,000,000

	1998	1997
	\$	\$
5 RESERVES		
Capitalisation of Assets Reserve		
Balance at beginning of year	1,705,826	7,903,349
Distribution to Owners for Investing Activities	-	6,197,523
Balance at end of year	<u>1,705,826</u>	<u>1,705,826</u>
Revaluation of Assets Reserve		
Balance at end of year	<u>32,827,736</u>	<u>32,827,736</u>
Total Reserves	<u>34,533,562</u>	<u>34,533,562</u>
6 RETAINED EARNINGS		
Balance at beginning of year	1,512,170	1,037,332
Net Surplus after Taxation	2,190,142	1,374,641
Dividend	1,252,681	899,803
Balance at end of year	<u>2,449,631</u>	<u>1,512,170</u>
7 RECEIVABLES		
Trade debtors	873,503	1,124,359
Provision for Doubtful Debts	<u>(10,406)</u>	<u>(10,406)</u>
	863,097	1,113,953
Accrued Income	433	4,753
Prepayments	<u>6,896</u>	<u>6,854</u>
	<u>870,426</u>	<u>1,125,560</u>
8 CREDITORS		
Accounts payable and accruals - trade	1,975,655	1,503,588
Payroll Provisions (annual leave, holiday pay, etc)	<u>88,616</u>	<u>71,374</u>
	<u>2,064,271</u>	<u>1,574,962</u>

WAIPA POWER LIMITED - LINE BUSINESS

	1998 \$	1997 \$
9 FIXED ASSETS		
Reticulation Assets		
Cost - additions since 1 April 1995	1,844,596	1,040,939
Valuation	<u>42,663,322</u>	<u>42,663,322</u>
	44,507,918	43,704,261
Accumulated Depreciation	<u>-</u>	<u>-</u>
Net Book Value	44,507,918	43,704,261
Freehold Land		
Cost	2,272	2,272
Freehold Buildings		
Cost	567,828	575,389
Accumulated Depreciation	<u>76,239</u>	<u>68,227</u>
Net Book Value	491,589	507,162
Motor Vehicles		
Cost	1,376,814	1,344,857
Accumulated Depreciation	<u>1,074,723</u>	<u>1,043,753</u>
Net Book Value	302,091	301,104
Plant, Furniture and Fittings		
Cost	361,573	350,781
Accumulated Depreciation	<u>273,071</u>	<u>248,462</u>
Net Book Value	88,502	102,319
Total Net Book Value	<u><u>45,392,372</u></u>	<u><u>44,617,118</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 1998 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 (1997 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.

Provision has been made in the accounts for payment of a dividend to the Waipa Power Trust of \$590,764 (1997 \$899,803) Interim dividends totalling \$661,917 have already been paid (1997 Nil).

WAIPA POWER LIMITED - LINE BUSINESS

	1998	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	6.52%	4.31%	4.40%	4.26%
(b) Accounting return on equity	4.92%	2.93%	3.40%	2.84%
(c) Accounting rate of profit	5.02%	2.74%	3.32%	3.08%
2. Efficiency performance measures:				
(a) Direct line costs per kilometre	\$912	\$1,000	\$979	\$1,186
(b) Indirect line costs per electricity customer	\$58	\$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	61.45	61.00	58.15	56.76
(b) Loss ratio	6.31	6.41	6.76	6.63
(c) Capacity utilisation	33.16	33.00	33.43	34.87
2. Statistics				
(a) System Length				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,334	1,330	1,330	1,329
Circuit Kilometres 400V	522	521	515	512
Total	1,856	1,851	1,845	1,841
(b) System Length - Overhead				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	1,293	1,291	1,291	1,291
Circuit Kilometres 400V	403	402	400	399
Total Overhead	1,696	1,693	1,691	1,690
(c) System Length - Underground				
Circuit Kilometres >11kV	0	0	0	0
Circuit Kilometres 11kV	41	39	39	38
Circuit Kilometres 400V	119	119	115	113
Total Underground	160	158	154	151
(d) Transformer Capacity (In Kilovolt Amperes)	162,374	161,093	160,313	152,413
(e) Maximum Demand	53,850	53,167	53,598	53,154
(f) Electricity Supplied from the system (in Kilowatt Hours)	271,569,850	265,900,381	254,564,400	246,793,027
(g) Electricity Conveyed through the system (in Kilowatt Hours)	45,894,080	29,338,824	189,029	0
(h) Total Customers	19,872	19,706	19,748	19,683

	1998	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	0
	Class B - Planned - by Line Owners	249	234	283	309
	Class C - Unplanned - by Line Owners	117	156	138	119
	Class D - Unplanned - by Transpower	1	2	4	2
	Class E - Unplanned - by ECNZ	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Any other loss of supply	0	0	0	0
	Total	367	392	425	430
2	The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
	11kV	8.77	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	0.00	2.56	0.00
4	The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
	11kV	9.05	12.08	10.61	9.22
5	The SAIDI for the total number of interruptions	255.21	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	0.00
	Class B - Planned - by Line Owners	99.97	96.26	182.90	104.97
	Class C - Unplanned - by Line Owners	153.62	231.76	170.95	257.10
	Class D - Unplanned - by Transpower	1.62	25.07	34.49	49.46
	Class E - Unplanned - by ECNZ	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Any other loss of supply	0.00	0.00	0.00	0.00
7	The SAIFI for the total number of interruptions	3.39	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	0.00
	Class B - Planned - by Line Owners	0.61	0.54	0.97	0.59
	Class C - Unplanned - by Line Owners	2.24	4.48	3.30	3.97
	Class D - Unplanned - by Transpower	0.54	0.76	0.79	1.10
	Class E - Unplanned - by ECNZ	0.00	0.00	0.00	0.00
	Class F - Unplanned - by other generation	0.00	0.00	0.00	0.00
	Class G - Any other loss of supply	0.00	0.00	0.00	0.00
9	The CAIDI for the total number of interruptions	75	61	77	73
10	The CAIDI for the total number of interruptions within each interruption class				
	Class A - Planned - by Transpower	0	0	0	0
	Class B - Planned - by Line Owners	163	180	189	177
	Class C - Unplanned - by Line Owners	69	52	52	65
	Class D - Unplanned - by Transpower	3	33	44	45
	Class E - Unplanned - by ECNZ	0	0	0	0
	Class F - Unplanned - by other generation	0	0	0	0
	Class G - Any other loss of supply	0	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 26 June 1998 for the purposes 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

26 June 1998

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 26 June 1998 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
26 June 1998
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.

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 1998

	Note	1998 \$	1997 \$
REVENUE		<u>15,102,235</u>	<u>14,378,818</u>
NET SURPLUS BEFORE TAX	2	1,030,892	746,862
LESS TAXATION EXPENSE	3	345,449	256,898
NET SURPLUS AFTER TAX		<u>685,443</u>	<u>489,964</u>

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 1998

	1998 \$	1997 \$
EQUITY AS AT 1 APRIL 1997	<u>3,000,000</u>	<u>5,136,372</u>
NET SURPLUS FOR YEAR	685,443	489,964
TOTAL RECOGNISED REVENUE AND EXPENSES FOR THE YEAR	685,443	489,964
INTERIM DIVIDEND DECLARED	362,188	-
PROVISION FOR DIVIDEND	323,255	823,859
DISTRIBUTION TO OWNERS FOR INVESTING ACTIVITIES	-	1,802,477
EQUITY AS AT 31 MARCH 1998	<u>3,000,000</u>	<u>3,000,000</u>

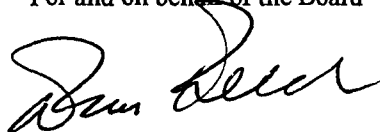
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STATEMENT OF FINANCIAL POSITION

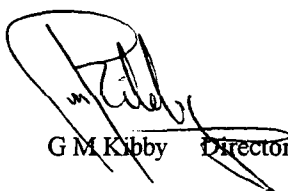
AS AT 31 MARCH 1998

	Note	1998 \$	1997 \$
EQUITY			
Authorised and paid up capital	4	2,000,000	2,000,000
Reserves	5	1,000,000	1,000,000
Retained earnings	6	-	-
TOTAL EQUITY		<u>3,000,000</u>	<u>3,000,000</u>
Represented By:			
CURRENT ASSETS			
Cash and Bank		51,985	147,384
Short term investments		850,000	600,000
Receivables and prepayments	7	1,394,385	1,625,246
Tax refund due		-	9,359
Inventories	8	<u>354,929</u>	<u>387,646</u>
		2,651,299	2,769,635
CURRENT LIABILITIES			
Accounts payable and accruals - trade	9	1,710,699	1,420,984
Provision for dividend		323,255	823,859
Taxation payable		<u>11,721</u>	<u>-</u>
		<u>2,045,675</u>	<u>2,244,843</u>
WORKING CAPITAL		605,624	524,792
NON - CURRENT ASSETS			
Fixed assets	10	2,394,376	2,475,208
NET ASSETS		<u>3,000,000</u>	<u>3,000,000</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 - OTHER BUSINESS

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

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 1998

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

	1998 \$	1997 \$
2 NET PROFIT BEFORE TAXATION		
After Charging:		
Audit fees and expenses	12,005	13,701
Depreciation	219,309	157,120
Directors' fees	54,365	47,462
Bad Debts	15,522	22,473
Net Loss on Disposal of Fixed Assets	(4,844)	9,541
After Crediting:		
Interest Received	57,980	75,154
3 TAXATION		
Net profit before taxation	<u>1,030,892</u>	<u>746,862</u>
Prima facie taxation at 33%	340,194	246,464
Tax effect of permanent differences	-	-
Tax effect of timing differences not Recognised	<u>5,255</u>	<u>10,434</u>
Taxation Expense	345,449	256,898
Over provision previous year	-	-
Adjustments Previous Years	<u>-</u>	<u>-</u>
Total Taxation Expense	<u><u>345,449</u></u>	<u><u>256,898</u></u>
The Taxation charge comprises:		
- current taxation	345,449	256,898
- deferred taxation	<u>-</u>	<u>-</u>
	<u><u>345,449</u></u>	<u><u>256,898</u></u>
4 SHARE CAPITAL		
Authorised, Issued & Paid-up Share Capital		
2,000,000 ordinary shares of \$1 each	2,000,000	2,000,000

WAIPA POWER LIMITED - OTHER BUSINESS

	1998 \$	1997 \$
5 RESERVES		
Capitalisation of Assets Reserve		
Balance at beginning of year	1,000,000	2,802,477
Distribution to Owners for Investing Activities	-	1,802,477
Balance at end of year	<u>1,000,000</u>	<u>1,000,000</u>
6 RETAINED EARNINGS		
Balance at beginning of year	-	333,895
Net Surplus after Taxation	685,443	489,964
Dividend	685,443	823,859
Balance at end of year	<u>-</u>	<u>-</u>
7 RECEIVABLES		
Trade debtors	1,412,815	1,643,764
Provision for Doubtful Debts	<u>(39,594)</u>	<u>(39,594)</u>
	1,373,221	1,604,170
Accrued Income	176	734
Prepayments	<u>20,988</u>	<u>20,342</u>
	<u>1,394,385</u>	<u>1,625,246</u>
8 INVENTORIES		
Stock	245,415	241,485
Work in Progress	<u>109,514</u>	<u>146,161</u>
	<u>354,929</u>	<u>387,646</u>
9 CREDITORS		
Accounts payable and accruals - trade	1,582,619	1,314,003
Payroll Provisions (annual leave, holiday pay, etc)	<u>128,080</u>	<u>106,981</u>
	<u>1,710,699</u>	<u>1,420,984</u>

WAIPA POWER LIMITED - OTHER BUSINESS

	1998 \$	1997 \$
10 FIXED ASSETS		
Freehold Land		
Cost	1,610	1,610
Freehold Buildings		
Cost	774,664	774,664
Accumulated Depreciation	<u>123,890</u>	<u>116,143</u>
Net Book Value	650,774	658,521
Generation		
Cost	1,322,547	1,322,547
Accumulated Depreciation	<u>132,321</u>	<u>44,107</u>
Net Book Value	1,190,226	1,278,440
Motor Vehicles		
Cost	213,718	230,521
Accumulated Depreciation	<u>118,999</u>	<u>141,990</u>
Net Book Value	94,719	88,531
Plant, Furniture and Fittings		
Cost	1,626,310	1,471,802
Accumulated Depreciation	<u>1,169,263</u>	<u>1,023,696</u>
Net Book Value	<u>457,047</u>	<u>448,106</u>
Total Net Book Value	<u><u>2,394,376</u></u>	<u><u>2,475,208</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 1998 (1997 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.

Provision has been made in the accounts for payment of a dividend to the Waipa Power Trust of \$ 323,255 (1997 \$ 823,859) Interim dividends totalling \$ 362,188 have already been paid (1997 Nil).

13 FINANCIAL INSTRUMENTS

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

The estimated fair value of Waipa Power Limited's other financial instruments at 31 March 1998 are stated in the Statement of Financial Position.



