

New Zealand Gazette

OF THURSDAY, 10 SEPTEMBER 1998

WELLINGTON: WEDNESDAY, 16 SEPTEMBER 1998 — ISSUE NO. 146

TRUSTPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

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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 of 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 TrustPower Limited and dated 31 March 1998 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.

Price Waterhouse

Price Waterhouse
10 August 1998

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**CERTIFICATION BY AUDITOR IN RELATION TO
FINANCIAL STATEMENTS**

We have examined the attached financial statements prepared by TrustPower Limited and dated 31 March 1998 for the purposes of regulation 6 of 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.

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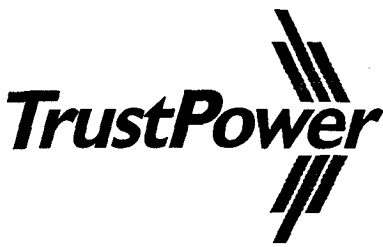
CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

We have examined the valuation report prepared by Worley Consultants Limited dated 31 March 1998, which contains a valuation of the lines business of TrustPower Limited as at 31 March 1998.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the valuation of the reticulation system contained in the report has been made in accordance with the Handbook for Optimised Deprival Valuation of Electricity Line Businesses issued by the Energy & Resources Division of the Ministry of Commerce and dated 23 June 1994.

Price Waterhouse

Price Waterhouse
10 August 1998

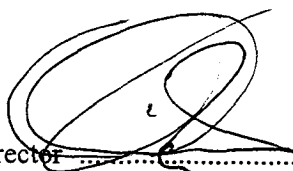


CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANS POWER


We, **PATRICK JOSEPH BROWN** and **JOHANNES LA GROUW** of **TRUSTPOWER LIMITED** certify that having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of TrustPower 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 TrustPower 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.

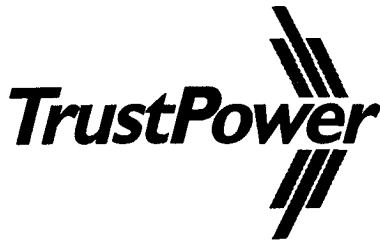
The valuation on which those financial performance measures are based is as at 31 March 1998.

Director 

Date 12/8/98

Director 

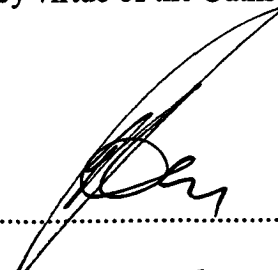
Date 12/8/98




STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO SECRETARY OF COMMERCE

I, **PATRICK JOSEPH BROWN**, of 5 Waipahihi Avenue, Taupo, being a Director of **TRUSTPOWER LIMITED**, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public pursuant to the Electricity (Information Disclosure) Regulations 1994.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.



 Declared at *Taupo* this *11th* day of *July*
 1998



 Justice of the Peace (or Solicitor or other person authorised to take a statutory declaration).
M. J. Gilazewski

TRUSTPOWER LIMITED AND SUBSIDIARIES**STATEMENTS OF FINANCIAL PERFORMANCE****FOR THE YEAR ENDED 31 MARCH 1998**

	NOTE	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Continuing activities				
Total revenue	2	77,751	71,358	14,004
Operating surplus before income tax	3	22,033	1,148	6,247
Income tax expense	4	6,197	323	1,757
Operating surplus after income tax attributable to the shareholders	1	15,836	825	4,490

TRUSTPOWER LIMITED AND SUBSIDIARIESSTATEMENTS OF FINANCIAL POSITIONAS AT 31 MARCH 1998

	NOTE	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Shareholders equity				
Share capital	6	50,117	3,222	42,327
Reserves	7	87,477	-	15,175
Retained earnings	7	7,102	(1,126)	26,191
Total shareholders equity		144,696	2,096	83,693
Convertible notes	8	42,069	656	29,736
Total corporate ownership		186,765	2,752	113,429
Represented by:				
Current assets	9	13,049	9,016	581
Non current assets				
Investments	10	516	94	10
Fixed assets	11	229,797	2,330	146,121
Goodwill		8,151	977	7,172
Total assets		251,513	12,417	153,884
Current liabilities	12	15,590	9,598	3,590
Non current liabilities	13	49,158	67	36,865
Total liabilities		64,748	9,665	40,455
Net assets		186,765	2,752	113,429

TRUSTPOWER LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 1: STATEMENT OF ACCOUNTING POLICIES**

The financial statements presented here are for the reporting entity TrustPower Limited and its subsidiaries.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The reporting entity and the group are issuers under the Financial Reporting Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified:

(a) Principles of Consolidation

The consolidated financial statements include those of the holding company and its subsidiaries accounted for using the purchase method. All intercompany transactions, balances and unrealised profits and losses on transactions between group members have been eliminated.

(b) Goodwill

Goodwill, representing the excess of the cost of shares in a subsidiary, now amalgamated, over the fair value of the net assets acquired at the date of acquisition, is shown as an intangible asset. Goodwill is amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 years from the date of acquisition. The carrying amount of goodwill is reviewed annually by the directors and adjusted where it is considered necessary.

(c) Goods & Services Tax (GST)

The statements of financial performance and statements of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(d) Fixed Assets

All fixed assets are initially recorded at cost less accumulated depreciation where applicable.

Generation assets and land and buildings have been revalued to their market value as at 31 March 1998 as assessed by independent qualified valuers. Reticulation network assets have been revalued as at 31 March 1997 to their Optimised Deprival Value as at that date.

Costs for internally constructed assets comprise direct labour, materials and proportion of production overheads based on a normal level of activity.

Change in Accounting Policy

In previous years generation assets and land and buildings have been recorded at cost. These classes of assets have been revalued for the first time to their market value as at 31 March 1998 as assessed by independent qualified valuers. This has resulted in an increase in their value and the value of the corresponding revaluation reserve of \$18,279,000. This change has not affected the result.

(e) Depreciation

Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to allocate the assets cost or valuation over their estimated useful life.

Depreciation is charged as follows:

Buildings	2% straight line
Dams, Headworks & Canals	1% straight line
Generation Plant	2.5% straight line
Reticulation Network	1.75-3.33% straight line
Motor Vehicles	20% straight line
Plant & Equipment	10-33% straight line

Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the period.

(f) Investments

Investments are initially recorded at cost.

Investments in subsidiaries are revalued to their underlying net asset value in the books of the holding company as at balance date. The revaluation is taken directly to revaluation reserve.

The investment in the Tauranga Joint Generation Committee trading as Kaimai Hydropower has been equity accounted until 31 October 1997 the date on which a 100% interest was acquired. Income received from Kaimai Hydropower was recognised by way of a rebate deducted from electricity purchases until 31 October 1997 after which the result was fully consolidated.

Change in Accounting Policy

In previous years investments in subsidiaries have been recorded at cost. This is the first year in which these investments have been revalued to their underlying net asset value as at balance date. This has resulted in an increase in their value and the value of the corresponding revaluation reserve of \$36,551,000. This change has not affected the result.

(g) Revenue Recognition

Revenues from electricity sales include an accrual for units sold but not billed at balance date.

(h) Income Tax

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting has been applied on a comprehensive basis to all timing differences.

(i) Receivables

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

(j) Inventories and Work in Progress

Inventories are valued at the lower of weighted average cost or net realisable value.

Work in progress is valued at cost comprising direct labour, materials and a proportion of production overheads based on a normal level of activity.

(k) Foreign Currencies

There were no material foreign currency transactions during the period or outstanding foreign currency balances at balance date.

(l) Financial Instruments**Interest Rate Risk**

The company has various financial instruments to reduce exposure to fluctuations in interest rates. Any resulting differential to be paid or received is accrued as interest rates change and is recognised as a component of operating revenue or expense.

Electricity Price Risk

TrustPower in common with other electricity companies has entered into a number of electricity hedge contracts to reduce the risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased.

Any resulting differential to be paid or received is recognised as a component of operating expenses upon maturity of the contract.

Credit Risk

The company minimises its credit risk by limiting transactions to counterparties with high credit ratings and limiting the amount of funds placed with any parties at one time.

Collateral

The company does not require collateral or other security to support financial instruments with credit risk.

While the company may be subject to credit losses up to the notional principal or contract amounts in the event of non-performance by its counterparties, it does not expect such losses to occur.

Concentration of Credit Risk

The company does not have any significant concentrations of credit risk.

Cash and short term investments are placed with high credit quality financial institutions and limits are applied to the amount of credit exposure to any one financial institution.

Trade receivables credit risk is limited due to the large number of customers included in the company's customer base.

(m) Generation Development Expenditure

Exploration, evaluation and development costs that relate to specific generation prospects are recognised as assets to the extent that such costs are expected to be recouped through successful development and generation of electricity. Costs will ultimately be amortised over the estimated economic life of a project.

Directors review the status of capitalised development expenditure on an annual basis and in the event that a project is abandoned, or if the directors consider the expenditure to be of no value, accumulated costs are written off in the year in which that assessment is made.

(n) Employee Entitlements

Employee entitlements to salaries and wages, non-monetary benefits, annual leave, long service leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages, annual leave and long service leave as a result of services rendered by employees up to balance date.

(o) Changes in Accounting Policies

As described in notes 1(d) and 1(f) there have been changes in the accounting policies adopted for fixed assets and investments. There have been no other changes in accounting policies.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 2 : TOTAL REVENUE FROM CONTINUING ACTIVITIES**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Sales	77,593	71,327	13,389
Interest received	158	31	615
	77,751	71,358	14,004

NOTE 3 : OPERATING SURPLUS BEFORE INCOME TAX

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
The operating surplus before tax is stated after charging/(crediting):			
Amortisation of goodwill	478	57	420
Audit fees and expenses	39	20	7
Fees paid for other auditor services	137	69	23
Bad debts written off	50	46	-
Change in provision for doubtful debts	43	39	-
Depreciation	9,133	695	1,648
Directors fees	122	62	21
Interest paid on loans	3,644	26	2,677
Interest paid on convertible notes	2,781	20	2,044
Rental and operating lease costs	553	103	2

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 4 : INCOME TAX**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(i) Income tax			
Operating surplus before taxation	22,033	1,148	6,247
Tax on operating surplus at 33%	7,271	379	2,061
Tax effect of permanent differences	824	43	234
Income tax	8,095	422	2,295
Adjustments from previous year	(1,898)	(99)	(538)
Total income tax	6,197	323	1,757
Represented by:			
Current tax	4,896	255	1,388
Deferred tax	1,301	68	369
	6,197	323	1,757
(ii) Provision for tax			
Balance at beginning of year	96	42	(181)
Current tax	4,896	255	1,388
Tax paid	(6,289)	(328)	(1,783)
Balance at end of year	(1,297)	(31)	(576)
(iii) Deferred tax liability			
Balance at beginning of year	108	21	52
Balance from subsidiary acquired	(414)	(22)	(117)
Current year timing differences	1,301	68	369
Balance at end of year	995	67	304
(iv) Imputation credit memorandum account			
Balance at beginning of year	2,843	462	2,367
Tax paid	6,289	328	1,783
Dividends allocated	(6,338)	(330)	(1,797)
Balance at end of year	2,794	460	2,353

NOTE 5 : DIVIDENDS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Dividends on ordinary shares			
Interim dividend paid - cash	7,185	374	2,037
Interim dividend paid - shares	-	-	-
Final dividend proposed	7,067	368	2,004
	14,252	742	4,041

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 6 : SHARE CAPITAL**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Issued and paid up share capital			
Ordinary shares			
Balance at beginning of year 129,392,627 issued shares	49,857	3,179	40,863
Issue of fully paid up shares	2,591	165	2,124
Convertible note redemption premium	(2,333)	(122)	(661)
Balance at end of year 131,666,167 issued shares	50,115	3,222	42,326
Redeemable preference shares			
Balance at beginning of year 360,040 issued shares	2	-	1
Redemption	-	-	-
Balance at end of year 336,096 issued shares	2	-	1
Total issued and paid up capital	50,117	3,222	42,327

Each redeemable preference share has 100 convertible notes attached to it. The redeemable preference shares have no rights to distribution of revenue or capital. They are redeemable at \$0.01 per note upon conversion or redemption of the attached convertible note and carry voting rights equivalent to 100 ordinary shares.

Share capital movements

Pursuant to the constitution 270,300 shares were issued to employees at a price of \$2.22 (1997: 247,459 shares issued at a price of \$1.97).

Pursuant to a subscription agreement dated 8 March 1994 (as varied) 2,000,000 ordinary shares were issued for cash to Infracore Investments Limited (1997: 664,085).

Convertible notes at a \$1.10 face value and a mandatory one for one conversion right matured on 31 December 1997 and accordingly 3,240 ordinary shares were issued.

On 13 June 1997 the company redeemed 2,400,000 \$1.10 convertible notes at a premium of \$1.30 each. This event occurred before the registration of the company under the Companies Act 1993 and was therefore charged to the share premium reserve. For disclosure purposes the share premium reserve was treated as transferred to share capital as at 31 March 1997.

As a consequence of the introduction of a Dividend Reinvestment Plan (DRP), shares were issued during the 1997 year. The DRP was suspended during the 1998 year.

The convertible notes referred to above were attached to 24,000 redeemable preference shares. These shares were redeemed by a cash payment of \$0.01 each.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 7 : RESERVES**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(a) Revaluation reserve			
Balance at beginning of year	96,277	-	-
Revaluation of fixed assets	(8,800)	-	15,175
Balance at end of year	87,477	-	15,175

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(b) Retained earnings			
Retained earnings at the beginning of the year	5,518	(1,209)	25,742
Profit for year	15,836	825	4,490
Dividends	(14,252)	(742)	(4,041)
Retained earnings at the end of the year	7,102	(1,126)	26,191

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 8 : CONVERTIBLE NOTES**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
\$1.10 (face value) Convertible notes			
Balance at beginning of year 36,012,852 notes	22,113	454	17,047
(a) Notes redeemed	(1,604)	(16)	(1,020)
(b) Notes converted	(2)	-	(2)
Balance at end of year 33,609,612 convertible notes	20,507	438	16,025
\$2.00 (face value) Convertible notes			
Balance at beginning of year	-	-	-
Issued pursuant to acquisition	21,562	218	13,711
Balance at end of year 14,975,000 convertible notes	21,562	218	13,711
Total convertible notes	42,069	656	29,736

\$1.10 (face value) Notes

- (a) 2,400,000 notes were redeemed for cash (refer note 6)
 (b) 3,240 notes were converted to ordinary shares (refer note 6)

The convertible notes mature on 31 March 2000 (interest is payable quarterly in advance), have a face value of \$1.10 per note and can be converted to ordinary shares on a one for one basis or may be redeemed for cash of up to \$1.50 per note under certain circumstances.

For every 100 convertible notes issued there is attached one redeemable preference share. The redeemable preference share carries voting rights equal to the conversion rights on the attached 100 convertible notes. Interest payable on 32,859,612 notes has been fixed at 9.25% until 1 April 1999 and is set at 9.45% until 1 April 1999 on the remaining notes.

\$2.00 (face value) Notes

As part of the consideration for the acquisition of Tauranga Electricity Limited and Kaimai Hydropower Limited 14,975,000 convertible notes were issued at a value of \$2.37 per note.

The convertible notes mature on 31 October 2007 (interest is payable quarterly in arrears), have a face value of \$2.00 per note and can be converted to ordinary shares on a one for one basis or may be redeemed for cash at face value prior to 31 October 2000.

For every 1,000 convertible notes issued there is attached one voting debenture with a face value of \$0.01 per debenture. The voting debenture carries voting rights equal to the conversion rights on the attached 1,000 convertible notes. The voting debentures have no rights to income or capital. Interest payable on the 14,975,000 convertible notes has been fixed at 11.0% until 31 October 2002.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 9 : CURRENT ASSETS**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Cash and short term deposits	17	1	5
Trade receivables	6,397	5,753	-
Less provision for doubtful debts	(271)	(250)	-
Prepayments and other receivables	3,871	3,481	-
Provision for taxation (refer note 4)	1,297	31	576
Inventories - parts	1,738	-	-
	13,049	9,016	581

NOTE 10 : INVESTMENTS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Investments in partnerships	-	-	-
Investments in other companies	516	94	10
	516	94	10

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Loan to partnership	-	-	-
Advances from subsidiaries	-	-	-
	-	-	-

SIGNIFICANT SUBSIDIARIES:

Kaimai Hydropower Limited, a company as at 31 March 1998
 Tauranga Electricity Limited, a company as at 31 March 1998
 Tauranga Joint Generation Committee ("TJGC"), a partnership as at 31 March 1998

1998 %
100
100
100

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****(i) Acquisition of Subsidiaries in 1998**

On 31 October 1997 TrustPower Limited acquired 100% of Kaimai Hydropower Limited and Tauranga Electricity Limited using cash and the issue of TrustPower Limited convertible notes as consideration. Kaimai Hydropower Limited holds the remaining 50% of the interest in TJGC, increasing the group's ownership in the partnership to 100%. The entities owned and operated an electricity generation scheme and a reticulation network.

Effect of acquisition

Consideration:

	1998 \$'000
Cash	15,641
Convertible notes	35,491
	51,132

Assets and liabilities acquired:

Cash and short term deposits	783
Receivables and prepayments	2,127
Inventories	156
Fixed assets	28,806
Investment in TJGC	9,989
Investment in TJGC loans	14,873
Other investments	2
Deferred tax asset	404
Accounts payable and accruals	(2,608)
Term liabilities	(3,400)
Fair value of net assets acquired	51,132

On 31 October 1997 the assets (excluding land and buildings) and operations of Tauranga Electricity Limited were transferred to TrustPower Limited. Also with effect 31 October 1997 the working capital and operations of Kaimai Hydropower Limited and TJGC were transferred to TrustPower Limited. The generation assets retained by TJGC are leased to TrustPower Limited.

(ii) Consolidation of Tauranga Joint Generation Committee

With the purchase of the remaining 50% of TJGC being effected as at 31 October 1997 by TrustPower Limited the operations of the partnership have been consolidated for the first time. The assets of TJGC at 31 October 1997 were as follows:

Effect of acquisition

	1998 \$'000
Cash and short term deposits	1,406
Receivables and prepayments	1,223
Fixed assets	51,655
Deferred tax asset	148
Accounts payable and accruals	(1,565)
Loans from partners	(29,873)
	22,994

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 11 : FIXED ASSETS**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Freehold land (at valuation)	1,370	228	680
Freehold buildings (at valuation)	4,091	725	149
Accumulated depreciation	-	-	-
	4,091	725	149
Generation assets (at valuation)	-	-	143,573
Accumulated depreciation	-	-	-
	-	-	143,573
Reticulation network (at valuation)	226,869	-	-
Accumulated depreciation	7,382	-	-
	219,487	-	-
Motor vehicles (at cost)	4,224	294	91
Accumulated depreciation	2,649	117	60
	1,575	177	31
Plant and equipment (at cost)	8,826	3,529	2,005
Accumulated depreciation	5,552	2,329	317
	3,274	1,200	1,688
Total fixed assets	229,797	2,330	146,121

Generation assets includes land and buildings which are not separately identifiable from other generation assets. Reticulation network includes land and buildings specifically used for substations.

Freehold land and buildings and generation assets have been revalued as at 31 March 1998 to their estimated market value as at that date. The freehold land and buildings valuations were completed by Hills Weller, Burke & Harris and Veitch Morrison Valuers Limited, independent registered valuers. This resulted in an increase in value of land and buildings, including those recorded as reticulation network of \$3,864,000. The generation asset valuations were completed by ANZ Securities as at 31 March 1998 and resulted in an increase in value of \$14,414,000.

Reticulation network assets have been revalued as at 31 March 1997 to their optimised deprival value as at that date. The optimised deprival value was completed by Worley Consultants.

Certain land and buildings have been reclassified as part of the reticulation network and generation assets in the current year.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 12 : CURRENT LIABILITIES**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Accounts payable and accruals	6,578	8,609	1,558
Employee entitlements	1,945	621	28
Provision for dividend	7,067	368	2,004
	15,590	9,598	3,590

NOTE 13 : NON CURRENT LIABILITIES

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Unsecured loans	48,163	-	36,561
Deferred taxation (refer note 4)	995	67	304
	49,158	67	36,865
Unsecured loans:			
Repayment terms			
One to two years	-	-	-
Two to five years	48,163	-	36,561
Weighted average interest	9.44%	9.44%	9.44%

NOTE 14 : FINANCIAL INSTRUMENTS

In the normal course of business, the company incurs credit risk from trade receivables and transactions with financial institutions and electricity purchase price hedges.

The company has a credit policy to manage the risk from trade receivables and has a provision for trade receivables that are unlikely to be collected. The company also requires a bond from customers who do not meet certain credit criteria.

The company does not have any significant concentration of credit risk. The company does not require any collateral or security to support financial instruments as it only deposits with banks or other financial institutions with high credit ratings. The company further minimises its credit exposure by limiting the amount of funds placed with any one financial institution at any one time. The directors estimate that the carrying amounts of financial instruments in the balance sheet equal their fair value.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****Interest Rate Hedging**

TrustPower Limited has entered into a series of forward rate and option agreements to reduce the impact of changes in interest rates on its floating rate loans. These agreements are timed to mature at the time the related loans mature and effectively fix the floating rate loans. The total value of interest rate hedging contracts at balance date amounted to \$80,000,000. The contract expiry dates range from 27 May 1998 to 31 March 2005 and fix interest in the range of 6.97% to 8.37%.

Electricity Price Hedges

As a normal business practice the company has entered into a number of electricity hedges in order to reduce the risk from price fluctuations on the electricity spot market. The directors are of the opinion that the level of hedges carried are appropriate for TrustPower's business and in accordance with the company's risk management policies.

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 this secondary market for electricity price hedging contracts was not sufficiently active in order to obtain a reliable measure of fair value of TrustPower's hedging contracts.

The total contract value of the electricity hedges at balance date was \$74,886,896, ranging for a period of one to four years.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 15 : OPERATING LEASES**

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Analysis of non-cancellable operating lease commitments:			
Not later than one year	87	16	1
Between one and two years	34	6	-
Between two and five years	-	-	-
Later than five years	-	-	-
	121	22	1

NOTE 16 : CAPITAL COMMITMENTS

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Estimated capital expenditure contracted for at balance date but not provided for :	401	-	-

NOTE 17 : CONTINGENT LIABILITIES

The following contingent liabilities have not been provided for in the financial statements:

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
(i) Letter of Credit			
In order to satisfy the prudential security requirements of the Electricity Market Company Limited, Westpac Bank has issued a letter of credit on behalf of the company.	-	12,000	-
(ii) Redemption of Convertible Notes			
The convertible notes issued can be redeemed at a premium for cash under certain circumstances. Maximum contingent liability :	8,167	83	5,194

(iii) Waitangi Tribunal Claim

The Wairoa River and catchment area in which Kaimai Hydropower operates and the Rangitaiki and Wheao Rivers in which the Wheao Scheme operates are the subject of a claim against the Crown to be heard by the Waitangi Tribunal. The likely effect of the outcome of these claims is not able to be quantified.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998****NOTE 18 : RELATED PARTY TRANSACTIONS**

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

During the period to 31 March 1998 material transactions took place with the following related parties:

Tauranga Joint Generation Committee (trading as Kaimai Hydropower)

TrustPower Limited had until 31 October 1997 a 50% interest in the assets of this partnership. The generation surplus was rebated on the basis of each partner's energy purchases and was recognised as a deduction from the cost of electricity purchases. For the period ended 31 October 1997 TrustPower Limited was allocated 78.6% (79.72% in 1997) of the generation surplus.

At 31 October 1997 TrustPower Limited obtained a 100% interest in the partnership and its results were consolidated from that date.

	LINE BUSINESS \$'000	ENERGY BUSINESS \$'000	GENERATION BUSINESS \$'000
Transactions: to 31 October 1997			
Net purchase of electricity	-	8,694	-
Provision of services	(73)	-	-
Interest received	-	-	(686)
Transactions: from 31 October 1997			
Asset lease	-	-	-
Balance owing at end of year	-	-	-

NOTE 19 : SEGMENTAL REPORTING

The group operates within the electricity supply industry .

All operations take place within New Zealand predominantly in the Bay of Plenty.

NOTE 20 : EMPLOYEE SHARE OWNERSHIP TRUST

An employee share ownership trust was established by the Energy Companies (TrustPower Limited) Vesting Order 1993.

All employees who have been with the company at least six months have equal entitlement to participate. Issues are made periodically at a discounted price set at the discretion of the trustees by reference to the market. The trustees are one director (A. L. Carpenter), the chief executive (J. K. Williams) and an elected staff representative (T. M. Thorn). The trustees have non-beneficial control of the shares not yet allocated. The trustees are entitled to exercise the voting rights of unallocated shares. No financial support is provided to the trust by the company.

TRUSTPOWER LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 1998**

The employee share ownership trust held the following ordinary shares at the end of the period.

	LINE BUSINESS	ENERGY BUSINESS	GENERATION BUSINESS
	SHARES	SHARES	SHARES
Not yet allocated fully paid up ordinary shares	467,603	30,065	394,925
Percentage Of Ordinary Shares	0.36%	0.02%	0.30%

All shares held by the plan carry full voting rights.

NOTE 21: METHODOLOGIES FOR ALLOCATING COSTS, REVENUES, ASSETS AND LIABILITIES

The electricity information disclosure guidelines have been followed except as set out below:

Bank Advances And Short Term Investments:

Allocation based on net income after taxation

Convertible Notes:

Allocated based on fixed assets

EDP Expenses:

Allocated on number of computers per division

Depreciation:

Computers - allocated on number of computers

Interest Expense:

Allocated based on the average term liabilities and convertible notes.

TRUSTPOWER LIMITED AND SUBSIDIARIES**INFORMATION DISCLOSURE LINE OWNERS****FOR THE YEAR ENDED 31 MARCH 1998**REG# 1st SCH

Part II

13(1)

	<u>Financial Performance Measures</u>	1998	1997	1996	1995
1(a)	Accounting Return on Total Assets	13.62%	10.59%	7.76%	7.38%
1(b)	Accounting Return on Equity	10.92%	6.90%	4.20%	5.17%
1(c)	Accounting Rate of Profit	9.47%	11.15%	5.64%	5.07%

Tauranga Electricity was purchased by TrustPower Limited on the 1 November 1997. Five months trading results are included in the Disclosure Notes, but the performance measures are calculated on twelve months result.

The fixed assets have not been revalued in the Disclosure Notes to include 31 March 1998 ODV valuation. The total ODV valuation for the company's network assets as at 31 March 1998, is \$241.3m. The revaluation adjustment has however been included in all performance measure calculations.

Efficiency Performance Measures

2(a)	Direct Line Costs per Km	\$1,531.56	\$1,522.96	\$1,489.29	\$1,798.85
2(b)	Indirect Line Costs per Electricity Customer	\$103.38	\$117.50	\$139.16	\$94.86

TRUSTPOWER LIMITED AND SUBSIDIARIES**INFORMATION DISCLOSURE LINE OWNERS****FOR THE YEAR ENDED 31 MARCH 1998**REG # 1ST SCH
Part

15(1) 111

Energy Delivery Efficiency Performance Measures

		1998	1997	1996	1995	
1(a)	Load Factor	58.80%	57.00%	59.40%	52.50%	
1(b)	Loss Ratio	5.92%	5.94%	6.10%	6.15%	
1(c)	Capacity Utilisation	31.25%	34.63%	34.50%	34.27%	
Statistics:						
2(a)	System Length	Total	Km	Km	Km	Km
		400V	6,460	5,948	5,544	2,597
		11kV	2,388	1,991	1,759	799
		33kV	3,751	3,663	3,500	1,654
2(b)	Circuit Length of Overhead Electric Lines	Total	Km	Km	Km	Km
		400V	4,715	4,445	4,273	1,818
		11kV	1,265	1,008	969	338
		33kV	3,153	3,153	3,030	1,338
2(c)	Circuit Length of Underground Electric Lines	Total	Km	Km	Km	Km
		400V	1,745	1,503	1,271	779
		11kV	1,123	983	790	461
		33kV	598	510	470	316
2(d)	Transformer Capacity(kVA)	768,596	658,050	651,922	307,973	
2(e)	Maximum Demand(kW)	240,170	227,860	224,913	105,545	
2(f)	Total Electricity Supplied From the System (kWh)	1,236,584,936	1,150,130,916	1,102,147,000	455,877,628	
2(g)	Total Electricity Conveyed through the System on behalf of others (kWh)	35,806,657	26,911,088	6,500,000	5,500,000	
2(h)	Total Customers	96,513	88,100	86,866	47,759	

TRUSTPOWER LIMITED AND SUBSIDIARIES**INFORMATION DISCLOSURE LINE OWNERS****FOR THE YEAR ENDED 31 MARCH 1998**REG # 1ST SCH
16(1) Part IV

Reliability Performance Measures		1998	1997	1996	1995
1	Total Number of Interruptions				
	Class B	288	253	187	247
	Class C	310	314	265	144
	Class D	1	10	8	0
	Class G	3	1	0	0
	All Other Classes	0	0	0	0
	Total	602	578	460	391
2	Total number of faults per 100 Km of prescribed voltage electric line	6.12	7.94	7.48	21.75
3	Total number of faults per 100 Km of underground prescribed voltage electric line by nominal line voltage.				
	Total	0.64	1.54	7.70	3.15
	33kV	0	0	0	0
	11kV	0.84	1.57	7.88	3.16
4	Total number of faults per 100 Km of overhead prescribed voltage electric line by nominal line voltage				
	Total	7.12	8.90	6.90	25.84
	33kV	1.35	7.75	2.34	12.68
	11kV	7.69	9.01	7.16	8.67
5	SAIDI for total number of interruptions	113	253	192.94	302.71
6	SAIDI for total number of interruptions within each interruption class.				
	Class B	9	29	36.87	136.87
	Class C	103	176	138.83	165.84
	Class D	1	48	17.24	0
	Class G	.1	0	0	0
7	SAIFI for total number of interruptions	2.58	4.88	3.015	3.34
8	SAIFI for total number of interruptions within each interruption class.				
	Class B	0.09	0.18	0.212	0.76
	Class C	2.38	3.91	2.42	2.58
	Class D	0.09	0.80	0.38	0
	Class G	0.03	0	0	
9	CAIDI for total of all interruptions	44	52	63.98	90.67
10	CAIDI for total of all interruptions within each interruption class.				
	Class B	102	164	173.89	180.61
	Class C	43	45	57.36	64.26
	Class D	12	60	45.02	0
	Class G	3	191	0	0

