New Zealand Gazette

OF THURSDAY, 17 SEPTEMBER 1998

WELLINGTON: WEDNESDAY, 23 SEPTEMBER 1998 — ISSUE NO. 156

BAY OF PLENTY ELECTRICITY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994

BAY OF PLENTY ELECTRICITY LIMITED
Special Purpose Financial Statements
Electricity (Information Disclosure) Regulations 1994

Business Unit Statements of Financial Performance
for the 12 Months ended 31 March 1998

		Network Business Unit		Generation Business Unit		Energy Trading Business Unit	
		1998	1997	1998	1997	1998	1997
	Notes	$000	$000	$000	$000	$000	$000
Revenue	3	23,975	21,351	19,214	17,975	19,515	26,754
Operating Expenses Before Depreciation	4	(16,748)	(15,622)	(9,521)	(7,598)	(18,769)	(26,181)
Operating Surplus Before Depreciation		7,226	5,729	9,693	10,377	747	573
Depreciation		(1,880)	(1,704)	(2,440)	(1,055)	(59)	(67)
Net Operating Surplus		5,347	4,025	7,253	9,322	688	506
Net Interest Expense	5	(589)	(500)	(1,685)	(966)	(65)	(67)
Net Surplus Before Abnormal Items		4,758	3,525	5,568	8,356	622	439
Abnormal Items		-	-	-	-	-	-
Net Surplus(Deficit) Before Taxation		4,758	3,525	5,568	8,356	622	439
Taxation Expense	6	(1,509)	(1,381)	(2,009)	(2,823)	(228)	(163)
Net Surplus(Deficit) after Taxation		**3,248**	**2,144**	**3,559**	**5,533**	**395**	**276**

The accompanying notes form part of and are to be read in conjunction with these financial statements

BAY OF PLENTY ELECTRICITY LIMITED
Special Purpose Financial Statements
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Business Unit Statements of Financial Position
As At 31 March 1998

		Network Business Unit		Generation Business Unit		Energy Trading Business Unit	
	Notes	1998	1997	1998	1997	1998	1997
		$000	$000	$000	$000	$000	$000
Shareholders' Equity							
Paid up Capital	9	12,900	12,810	17,934	17,809	630	625
Reserves	10	48,767	48,767	54,545	54,545	-	-
Retained Earnings	11	1,204	193	2,225	1,117	(559)	(682)
Total Shareholders' Equity		62,870	61,770	74,703	73,471	70	(57)
Non Current Liabilities							
Term Loans	12	8,500	3,000	27,000	7,000	-	-
Deferred Taxation	7	598	324	1,839	1,195	(19)	(27)
Total Non Current Liabilities		9,098	3,324	28,839	8,195	(19)	(27)
Current Liabilities							
Accounts Payable and Accruals	13	2,507	2,227	1,696	1,776	2,079	2,669
Taxation Payable	8	91	169	195	282	(51)	(37)
Current Portion of Term Loans	12	2,000	5,500	5,500	11,000	1,000	1,000
Dividends Payable	14	1,301	899	1,425	1,893	156	107
Total Current Liabilities		5,899	8,795	8,816	14,951	3,184	3,739
Total Shareholders' Equity and Liabilities		77,868	73,889	112,359	96,617	3,236	3,655
Non Current Assets							
Fixed Assets	16	73,575	70,491	110,584	93,877	329	396
Investments	15	-	-	-	-	18	260
Total Non Current Assets		73,575	70,491	110,584	93,877	347	656
Current Assets							
Cash at Bank		83	104	(543)	107	228	13
Short Term Deposits		179	400	-	250	156	350
Accounts Receivable		3,599	2,259	2,317	2,383	2,506	2,636
Inventory		432	635	-	-	-	-
Total Current Assets		4,293	3,398	1,774	2,740	2,890	2,999
Total Assets		77,868	73,889	112,358	96,617	3,237	3,655

The accompanying notes form part of and are to be read in conjunction with these financial statements

BAY OF PLENTY ELECTRICITY LIMITED

Financial Statements for the purposes of Electricity (Information Disclosure) Regulations 1994

Notes to the Financial Statements for the 12 months ended 31 March 1998

1 Statement of Accounting Policies

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 and are intended for no other purpose.

A General Accounting Policies

The general accounting policies recognised as appropriate for the measurement and reporting of financial performance and financial position have been followed in the preparation of these financial statements. The historical cost method, as modified by the revaluation of certain assets, has been followed. Reliance has been placed on the fact that the business and undertakings of Bay of Plenty Electricity Limited are a going concern.

B Particular Accounting Policies

The following particular accounting policies, which significantly affect the measurement of financial performance and/or financial position have been applied:

i) Revenue

Revenue shown in the statement of financial performance comprises amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Electricity revenue is based on actual and assessed readings plus an allowance for unread meters at balance date. Revenue is stated exclusive of Goods and Services Tax collected from customers.

ii) Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of the Parent Company and its subsidiaries as at 31 March 1998 using the purchase method. The consolidated statement of financial performance includes the Group's share of the tax-paid surpluses of associate entities.

The equity method has been used for those associate entities in which the Group has a significant, but not a controlling interest.

All significant transactions between Group companies are eliminated on consolidation.

iii) Depreciation

Depreciation is charged to write off the cost of fixed assets to their estimated residual value over their expected useful lives.

iv) Investments

Investments in associate entities are stated at the fair value of the net tangible assets at acquisition plus the share of post-acquisition increases in reserves.

Investments in subsidiaries are stated at cost.

Dividend income is accounted for on a cash basis.

Other investments are stated at the lower of cost or net realisable value.

v) Joint Venture

The Group's method of accounting for an interest in a joint venture is to recognise in the respective classification categories the amount of:

(a) the Group's share in each of the assets employed in the joint venture; and
(b) liabilities incurred in relation to the joint venture including the Group's share of liabilities for which it is severally liable; and
(c) the Group's share of net expenses incurred and revenues earned in relation to the joint venture.

vi) Fixed Assets

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Company includes the cost of all materials used in construction, direct labour on the project, and financing costs that are directly attributable to the project. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Generation and Distribution Assets are valued using modified historical cost. These assets are revalued on a cyclical basis at least every three years, by independent valuers.

vii) Inventories

Inventories are stated at the lower of average cost and net realisable value, with obsolete stock written off.

viii) Accounts Receivable

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

ix) Taxation

The liability method of accounting for deferred taxation has been applied.

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The taxation charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for all permanent differences and timing differences not expected to reverse in the foreseeable future. This is the partial basis for the calculation of deferred taxation.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be realised or any losses utilised.

x) Financial Instruments
Financial instruments with off-balance sheet risk, have been entered into for the primary purpose of reducing exposure to fluctuations in foreign exchange rates and interest rates. While financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged.

Financial instruments entered into with no underlying exposure are accounted for on a mark to market basis.

xi) Research and Development
Costs incurred on all research and development projects are written off as incurred, except that development costs are capitalised to the extent that such costs are expected, beyond any reasonable doubt, to be recovered.

xii) Foreign Currency
Foreign currency transactions are recorded at exchange rates in effect at the date of settlement, except where forward contracts have been taken out to cover future commitments. Where forward contracts have been taken out, the transaction is translated at the rate contained in the contract.

C. Changes in Accounting Policies

The Bay of Plenty Trustee Limited was consolidated into the financial statements of the Group for the first time this year. In previous years the results of Bay of Plenty Trustee Limited were excluded from the Group financial statements. This change in accounting policy was adopted as it is considered to more fairly reflect that the parent company receives substantially all of the benefits of Bay of Plenty Trustee Limited's operations. The change in accounting policy does not have a material effect in the current year.

There have been no other material changes in accounting policies.

BAY OF PLENTY ELECTRICITY LIMITED

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Notes to the Financial Statements for the 12 months ended 31 March 1998

2 Compliance with Electricity Disclosure Guidelines

The Ministry of Commerce (the Ministry) has produced guidelines to assist electricity distributors in complying with the various requirements of the Regulations. In particular, the Ministry provided guidelines for the methodologies to be used to separate and allocate revenues, costs, assets and liabilities of the Company into separate business units and resulting financial statements required by Regulation 6 of the Regulations.

The Company has followed the guidelines in all instances except as follows.

Assumptions for Direct Allocations:

Transmission Charges
Transmission charges, although completely absorbed by the Network business, as the guidelines recommend, have not been passed on to the Energy business.

Line Losses
Lines Losses are not settled between the energy business and the generators, as the guidelines recommend. The cost of line losses have instead been charged to the Network business by the Energy business.

Transmission Assets
Generation does not own transmission assets. The Company defines the point of injection as the point of exit from the Generation facilities.

All transmission assets are owned by the Network business.

Interface with Electricity Customers
The guidelines assume that the Energy business is the only interface with electricity consumers. The Company assumes that both the Network and Energy businesses interface directly with all consumers. Accordingly, line fees and energy sales are charged to customers as separate components and have been allocated directly to the respective business units.

The above assumptions have affected the following allocations.

Revenue
Connection fees for new customers have been allocated directly to the Network business.

Line fees charged to customers have been allocated directly to the Network business rather than the Energy business. The Network business has not charged the Energy business for services provided to it in respect of transmission charges incurred or the maintenance of the transmission facilities.

Line losses have been charged to the Network business by the Energy business.

Expenses
The costs of meter reading have been charged directly to the Network business as a cost necessarily related to the ownership of the meters. As line fees are allocated directly to the Network business, no charge for meter reading is made by it to the Energy business.

All marketing costs have been allocated in the same manner as other indirect costs and not to Energy business as recommended in the guidelines.

Bad and doubtful debt expenses have been allocated to the Network and Energy businesses in the proportion that line fees and energy sales represent the sum of those two items.

Assumptions for Indirect Allocations:

Where direct allocation of revenues, costs, assets and liabilities is not possible the Company has used as its basis of allocation the relative effort required to maintain the service each business unit provides to the consumer. The relative effort has been calculated on the basis of the number of staff directly employed by each business unit. The methodology is not considered a divergence from the guidelines.

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	Network		Generation		Energy Trading	
	1998	1997	1998	1997	1998	1997
	$000	$000	$000	$000	$000	$000
3 Revenue						
External Income	23,975	21,351	16,173	15,058	19,515	26,754
Internal Notional Income	-	-	3,041	2,917	-	-
Total Revenue	23,975	21,351	19,214	17,975	19,515	26,754
4 Operating Expenses						
Operating Expenses Comprise:						
Transmission Charges						
External	6,307	6,418	-	-	-	-
Avoided	3,041	2,917	-	-	-	-
Energy Charges						
External	-	-	5,363	4,212	16,376	24,237
Internal	-	-	-	-	1,329	729
Distribution Maintenance	1,014	757	-	-	-	-
Line Losses						
Internal	1,026	662	-	-	-	-
Personnel	2,032	2,124	861	786	489	585
Plant, Equipment & Property	125	201	1,296	658	11	18
Bad Debts Written Off	26	8	-	-	26	8
Directors' Costs	102	107	22	23	22	23
Donations	38	38	8	8	8	8
Rental and Operating Lease Obligations	9	29	18	6	9	6
Research & Investigations	-	-	176	391	-	-
Other Operating Costs	3,028	2,361	1,777	1,514	498	567
Total Operating Expenses	16,748	15,622	9,521	7,598	18,769	26,181

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	Network 1998 $000	Network 1997 $000	Generation 1998 $000	Generation 1997 $000	Energy Trading 1998 $000	Energy Trading 1997 $000
5 Interest						
Comprising:						
Gross interest	589	500	2,428	1,557	65	67
Less Capitalised Interest	-	-	(743)	(591)	-	-
Net Interest Expense	589	500	1,685	966	65	67
Net Interest comprises:						
Interest Expense	621	543	1,776	1,050	68	72
Interest Income	(32)	(43)	(91)	(84)	(3)	(5)
Net Interest Expense	589	500	1,685	966	65	67
6 Taxation Expense						
Taxation expense has been calculated as follows:						
Surplus(Deficit) before taxation	4,758	3,526	5,568	7,422	711	420
Income tax on Surplus(Deficit) at 33%	1,570	1,164	1,837	2,449	236	139
Plus/(Less):						
Permanent Differences	(61)	217	172	374	(7)	24
Taxation Expense	1,509	1,381	2,009	2,823	229	163
Taxation expense comprises:						
Current Taxation	1,235	1,217	1,365	2,670	221	(62)
Deferred Taxation	274	164	644	153	8	225
Taxation Expense	1,509	1,381	2,009	2,823	229	163
7 Deferred Taxation						
Opening Balance	324	160	1,195	1,043	(27)	(252)
Movement for Year (Note 6)	274	164	644	152	8	225
Balance as at 31 March	598	324	1,839	1,195	(19)	(27)

The Group has not recognised deferred taxation on cumulative timing differences of $13,800,381 ($12,017,234 1997) for network assets and $19,070,489 ($19,387,740 1997) for generation assets as these are not expected to reverse in the foreseeable future. The tax effect of the timing differences not recognised is $4,554,126 ($3,965,687 1997) for network and $6,293,261 ($6,397,954 1997) for generation assets.

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	Network		Generation		Energy Trading	
	1998	1997	1998	1997	1998	1997
	$000	$000	$000	$000	$000	$000
8 Taxation Payable						
Opening Balance	169	(55)	282	(223)	(37)	1
Charge on Surplus for the period (note 6)	1,235	1,217	1,365	2,670	221	(62)
Taxation paid	(1,313)	(839)	(1,452)	(1,841)	(235)	42
Foreign Investor Tax Credit	-	(154)	-	(324)	-	(18)
Balance as at 31 March	91	169	195	282	(51)	(37)
9 Share Capital						
Issued and paid up Capital	12,900	12,810	17,934	17,809	630	625
Balance as at 31 March	12,900	12,810	17,934	17,809	630	625
10 Reserves						
Reserves Comprise:						
Asset Revaluation Reserve						
Opening Asset Revaluation Reserve	48,767	39,115	54,545	54,545	-	-
Revaluation during the year	-	9,652	-	-	-	-
Reserves as at 31 March	48,767	48,767	54,545	54,545	-	-

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11 Retained Earnings

	Network		Generation		Energy Trading	
	1998	1997	1998	1997	1998	1997
	$000	$000	$000	$000	$000	$000
Movements in Retained Earnings						
Balance of Retained Earnings 1 April	193	963	1,117	2,653	(733)	(716)
Surplus after Taxation	3,249	2,144	3,559	4,599	483	330
Foreign Investor Tax Credit	-	154	-	324	-	18
Supplementary Dividend	-	(154)	-	(324)	-	(18)
Less Dividend paid and payable	(2,238)	(2,914)	(2,451)	(6,135)	(271)	(347)
Gain to Group on sale of associate					(38)	-
	1,204	193	2,225	1,117	(559)	(733)
Share of Associate Retained Earnings						
Opening Retained Earnings	-	-	-	-	51	124
Share of Surplus before Taxation	-	-	-	-	(87)	42
Income Tax Expense	-	-	-	-	(2)	(14)
Dividends Received	-	-	-	-	-	(101)
Gain to Group on sale of associate	-	-	-	-	38	-
	-	-	-	-	-	51
Balance as at 31 March	1,204	193	2,225	1,117	(559)	(682)

12 Term Loans

	Network 1998	Network 1997	Generation 1998	Generation 1997	Energy Trading 1998	Energy Trading 1997
Term loans fall due for repayment in the following periods:						
Within one year	2,000	5,500	5,500	11,000	1,000	1,000
Within one to two years	1,000	1,000	3,000	1,000	-	-
Within two to three years	3,500	1,000	11,000	-	-	-
Within three to four years	2,000	1,000	2,000	6,000	-	-
Within four to five years	2,000	-	11,000	-	-	-
Balance as at 31 March	10,500	8,500	32,500	18,000	1,000	1,000
Disclosed in Balance Sheet as:						
Current Portion of Term Loans	2,000	5,500	5,500	11,000	1,000	1,000
Term Loans	8,500	3,000	27,000	7,000	-	-
Balance as at 31 March	10,500	8,500	32,500	18,000	1,000	1,000

All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate on term loans is 7.9% (1997 8.9%). The Company has $50 million rolling loan facilities until 31 March 2002.

13 Accounts Payable and Accruals

	Network 1998	Network 1997	Generation 1998	Generation 1997	Energy Trading 1998	Energy Trading 1997
Accounts Payable and Accruals comprise:						
Trade Creditors	2,292	1,827	1,618	1,648	2,018	2,563
Employee Entitlements	215	288	78	104	61	82
BOPE Trustee Limited	-	112	-	24	-	24
Balance as at 31 March	2,507	2,227	1,696	1,776	2,079	2,669

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	Network 1998 $000	Network 1997 $000	Generation 1998 $000	Generation 1997 $000	Energy Trading 1998 $000	Energy Trading 1997 $000
14 Dividends Payable						
Dividend Paid & Declared	2,300	2,914	2,519	6,135	279	347
Supplementary Dividend	-	154	-	324	-	18
Less Interim Dividend Paid	(937)	(2,169)	(1,026)	(4,566)	(115)	(258)
Less Dividend on shares held by BOPE Trustee Limited	(62)	-	(68)	-	(8)	-
Balance as at 31 March	1,301	899	1,425	1,893	156	107

15 Investments

Subsidiary Companies

Subsidiary Companies:			Percent Interest	Percent Interest		
Kapuni Energy Limited			100%	100%		
BOPE Trustee Limited	33%	33%	33%	33%	33%	33%

The principal activity of Kapuni Energy Limited is the generation of electricity and steam through its 50% interest in Kapuni Energy Joint Venture. Kapuni Energy Limited has a balance date of 31 March.

The principal activity of BOPE Trustee Limited is the administration of the Bay of Plenty Electricity Employee Share Purchase Trust and the Bay of Plenty Electricity Employee Share Purchase Scheme.

Associate Company						
Shares at Cost	-	-	-	-	-	183
Share of post-acquisition retained earnings and reserves	-	-	-	-	-	51
	-	-	-	-	-	234

Associate Company:	Interest	
PowerBuy Group Limited	0%	20%

The Company sold its shares in PowerBuy Group Limited on 30 September 1997.
The principal activity of the associate, PowerBuy Group Limited, is the purchase and resale of bulk electricity in the wholesale electricity market. PowerBuy Group Limited has a balance date of 31 March.

Other investments						
Listed Shares (market value $2,220 1997, $1,980 1997)	-	-	-	-	1	1
EMCO Loan	-	-	-	-	17	25
	-	-	-	-	18	26
Balance as at 31 March	-	-	-	-	18	260

Interest is receivable on the EMCO Loan at 11.7% per annum with the principal repayable by 30 September 2001.

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	Network 1998 $000	Network 1997 $000	Generation 1998 $000	Generation 1997 $000	Energy Trading 1998 $000	Energy Trading 1997 $000
16 Fixed Assets						
Fixed Assets At 31 March Comprise:						
Land						
Cost	296	285	652	242	6	15
Accumulated Depreciation	(5)	(3)	-	-	-	-
Book Value	291	282	652	242	6	15
Generating Structures						
Valuation	-	-	51,163	12,232	-	-
Accumulated Depreciation	-	-	(1,098)	(549)	-	-
Book Value	-	-	50,065	11,683	-	-
Other Buildings						
Cost	1,322	1,321	284	141	253	253
Accumulated Depreciation	(317)	(297)	(34)	(32)	(60)	(57)
Book Value	1,005	1,024	250	109	193	196
Distribution System						
Valuation	72,324	68,193	-	-	-	-
Accumulated Depreciation	(1,413)	-	-	-	-	-
Book Value	70,911	68,193	-	-	-	-
Generation Plant						
Valuation	-	-	62,452	82,822	-	-
Accumulated Depreciation	-	-	(3,077)	(1,295)	-	-
Book Value	-	-	59,375	81,527	-	-
Plant and Equipment						
Cost	3,066	2,310	700	766	483	471
Accumulated Depreciation	(2,011)	(1,637)	(567)	(543)	(391)	(334)
Book Value	1,055	673	133	223	92	137
Motor Vehicles						
Cost	424	574	153	179	19	32
Accumulated Depreciation	(172)	(337)	(62)	(105)	(8)	(19)
Book Value	252	237	91	74	11	13
Furniture and Fittings						
Cost	313	315	77	73	130	131
Accumulated Depreciation	(252)	(233)	(59)	(54)	(104)	(96)
Book Value	61	82	18	19	26	35
Total Fixed Assets						
Cost or Valuation	77,745	72,998	115,481	96,455	891	902
Accumulated Depreciation	(4,170)	(2,507)	(4,897)	(2,578)	(562)	(506)
Book Value	73,575	70,491	110,584	93,877	329	396

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16 Fixed Assets (Continued)

Current government valuations for non-generation land and buildings are $3.9 million (1997 $4.2 million). The valuations are dated October 1995 and September 1997.

The Optimised Deprival Value of the Distribution System (established 31 March 1997) is $67,905,400.

Valuation of Generation and Distribution Assets

Generation and distribution assets are revalued on a cyclical basis with each class being revalued at least every three years.

Distribution assets were revalued at 31 March 1997. The value adopted is the Optimised Deprival Value of the distribution system as at 31 March 1997. The valuation report was prepared by Worley Consultants Limited (Registered Engineers) in conjunction with Coopers & Lybrand (Chartered Accountants). The valuation was performed in accordance with generally accepted valuation techniques. The Optimised Deprival Value is considered to be equivalent to net current value.

Generation assets were revalued at 31 March 1996 based on a valuation report prepared by Coopers and Lybrand (Chartered Accountants) and independently verified by Leyland Consultants Limited (Registered Engineers). The valuation established reflects the lower of net realisable value or net current value. The valuation has been calculated using net present values of predicted future cash flows, allowing for the benefit of avoided Trans Power New Zealand Limited transmission charges.

Useful lives and Depreciation Methods

	Group	
	Useful Lives In Years 1998	Useful Lives In Years 1997
Land Improvements	3-40	3-40
Generation Structures	25-100	25-100
Other Buildings	40-100	40-100
Distribution System	15-70	15-70
Generation Plant	25-100	25-100
Plant and Equipment	2-10	2-10
Motor Vehicles	5-10	5-10
Furniture and Fittings	10	10

All assets are depreciated on a straight line basis.

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17 Joint Venture

	Network		Generation		Energy Trading	
	1998	**1997**	**1998**	**1997**	**1998**	**1997**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Summary of joint venture assets and liabilities included in parent and group financial statements:						
Cash	-	-	15	-	-	-
Accounts Receivable	-	-	562	451	-	-
Work in Progress Fixed Assets	-	-	18,582	872	-	-
Accounts Payable	-	-	(707)	(509)	-	-
Net Assets as at 31 March	-	-	18,452	814	-	-
Revenue Received	-	-	592	-	-	-
Expenses Paid	-	-	766	-	-	-

Joint Venture:	Percent Interest	Balance Date
Kapuni Energy Joint Venture	50%	31 March

The principal activity of the joint venture is the generation of electricity and steam. Kapuni Energy Joint Venture has a balance date of 31 March. The financial statements of Kapuni Energy Joint Venture have been audited.

18 Imputation Credit Account

	Group	
	1998	**1997**
	$000	**$000**
Opening Balance	1,179	3,090
Plus: Income Tax Paid	3,000	2,638
Imputation Credits attached to dividends received	6	51
Less: Imputation Credits attached to dividends paid	(2,511)	(4,181)
Imputation Credits forfeited due to Shareholding change 17 July 1996	-	(419)
Balance as at 31 March	1,674	1,179

Due to major shareholding changes on 17 July 1996, the balance of the Company's Imputation Credit Account on that date was forfeited.

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Notes to the Financial Statements
for the 12 Months ended 31 March 1998

19 Operating Leases

Operating lease commitments fall due for repayment in the following periods:

	Network		Generation		Energy Trading	
	1998	1997	1998	1997	1998	1997
	$000	$000	$000	$000	$000	$000
Within One Year	8	26	2	6	1	6
Within One to Two Years	8	8	2	2	1	2
Within Two to Five Years	-	8	-	2	-	2
	16	42	4	10	2	10

20 Remuneration of Auditors

Amounts received, or due and receivable, by the auditors for:

	Network 1998	Network 1997	Generation 1998	Generation 1997	Energy Trading 1998	Energy Trading 1997
Financial Report Audit	29	22	6	5	6	5
Other Services	76	64	17	14	16	14
	105	86	23	19	22	19

21 Related Party Transactions

The Company conducts business predominantly in the Eastern Bay of Plenty and undertakes transactions for shareholders, company officers and other related parties that reside in the region. All transactions with related parties have been carried out on a commercial and "arms length" basis.

Mercury Energy Limited hold a 33% interest in Power New Zealand Limited which is the parent company of Bay of Plenty Electricity Limited.

The Company had a 20.24% (20.24% in 1996) interest in PowerBuy Group Limited until 30 September 1997 when the investment was sold. Bay of Plenty Electricity Limited traded with PowerBuy Group Limited purchasing and selling electricity until 30 September 1997.

	Network		Generation		Energy Trading	
	1998	1997	1998	1997	1998	1997
	$000	$000	$000	$000	$000	$000
Transactions						
Purchases from PowerBuy Group Limited	-	-	-	-	9,578	23,693
Sales to PowerBuy Group Limited	-	-	4,739	8,436	-	-
Purchases from Power New Zealand Group Limited	264	393	75	-	103	-
Sales to Power New Zealand Group Limited	443	-	-	-	-	-
Purchases from Mercury Energy Limited	165	-	-	-	36	-
Sales to Kapuni Energy Joint Venture	-	-	57	-	-	-
Purchases from Kapuni Energy Joint Venture	-	-	-	-	55	-
Balance						
Amounts owed to PowerBuy Group Limited	-	-	-	-	-	2,190
Amounts owed by PowerBuy Group Limited	-	-	-	632	-	-
Amounts owed to Power New Zealand Limited	35	97	-	-	-	-
Amounts owed to Mercury Energy Limited	3	-	-	-	1	-
Amounts owed to Kapuni Energy Joint Venture	-	-	-	-	55	-
Amounts owed by Kapuni Energy Joint Venture	-	-	86	418	-	-

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Notes to the Financial Statements
for the 12 Months ended 31 March 1998

22 Capital Contributions

The Company has commitments for future capital expenditure amounting to $372,196 ($12,579,147 in 1997).

23 Financial Instruments

(a) The nature of activities and management policies with respect to financial instruments is described as follows:

Interest Rates

(i) The Company generally uses fixed rate loans to manage interest rate risk. The total level of fixed rate funding at 31 March was $20,000,000 (1997 $14,500,000), having a fair value of $19,695,145 (1997 $14,303,326). In addition, as at 31March 1998, the face value of the instruments the Group held were as follows:

Interest Rate Options:	Rate	Term	Commencement Date	Group 1998 $000	Group 1997 $000
Swap	7.6%	3 Years	7 November 1997	3,500	-
Swap	8.3%	2 Years	24 March 1998	1,000	-
Swap	7.1%	5 Years	3 April 1998	13,000	-
Swap	7.9%	16 Months	24 November 1997	2,500	-
Swap	7.7%	One Year	24 November 1997	4,000	-
Cap	8.7%	One Year	3 March 1997	-	13,000
Floor	8.0%	One Year	3 March 1997	-	13,000

(ii) Credit

In the normal course of its business the Company incurs credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk. The Company has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. The bank risk is reduced by spreading short term investments over high credit quality financial institutions.

(iii) Foreign Exchange

The Company has, in this reporting period, conducted transactions in Foreign currencies for the purpose of capital expenditure. The Company policy is to fully hedge out foreign currency exposure by using Forward Rate Agreements (FRA) and currency options during this period.

Any gains or losses associated with hedging instruments are offset by the underlying exposure.

	Group 1998 $000	Group 1997 $000
The contract amounts of foreign instruments outstanding at balance date are as follows:		
Forward Rate Agreements	299	-

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Notes to the Financial Statements
for the 12 Months ended 31 March 1998

(iv) Electricity Hedge Contracts

In common with other electricity companies the group seeks to limit its exposure to spot price movements by purchasing hedge instruments against future spot price. 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 face value of electricity hedge contracts entered into at balance date, with a view to protecting future profits, amounted to $7,070,030 covering exposures from balance date forward three years (1997 - nil).

(b) Fair Values

Financial instruments in the current section of the balance sheet, with the exception of the current portion of term loans, are shown at values equivalent to their fair values. The fair value of term loans is disclosed in section (a) (i) above. Investments are shown at cost which is not significantly different from their fair values. The fair value of electricity hedge contracts at balance date has not been reported as it is not practicable to estimate that value with an acceptable level of reliability, due to the lack of depth of the forward market. On maturity of these instruments there is potentially an asset or liability in relation to the electricity price hedges which has not been recognised in the financial statements as it would be offset by opposite cost impacts on the items hedged.

BAY OF PLENTY ELECTRICITY LIMITED

Performance Measures for the purposes of Electricity (Information Disclosure) Regulations 1994

Performance Measures for the 12 Months ended 31 March 1998

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 13, 15 and 16 of the Electricity (Information Disclosure) Regulations 1994.

Regulation 13:

	1998	1997	1996	1995
1) Financial Performance Measures				
(a) Accounting Return on Total Assets	7.51%	6.50% *	5.43%	5.60%
(b) Accounting Return on Equity	5.21%	3.72%	3.63%	3.75%
(c) Accounting Rate of Profit	5.39% [1]	4.40% [1]	4.02%	4.25%

[1] The objective of the measure "Accounting Rate of Profit" is to calculate the increase in the shareholder equity generated by the line business. The formula detailed in the first schedule of the Electricity (Information Disclosure) Regulations 1994 includes any revaluation as "profit". The increase in the reported ODV has been excluded from the calculation of the measure as there has been no increase in shareholder equity from the movement in the reported ODV. Any changes to the asset lives assumption in the ODV represent a change in the basis of the calculation rather than a change in valuation.

	1998	1997	1996	1995
2) Efficiency Performance Measures				
(a) Direct line costs per kilometre	$ 2,180	$ 1,550	$ 1,837 *	$ 3,204
(b) Indirect Line costs per Customer				
as prescribed	$ 256	$ 267	$ 288 *	$ 199 *
as modified[2]	$ 121	$ 136	$ 159 *	$ 97 *

[2] **Indirect Line costs - modified**
Total Indirect costs as prescribed in the Regulations include all costs that are not direct costs, after removing TransPower charges. Bay of Plenty Electricity, unlike most distribution companies, maintains its own generation division and has significant avoided charges which are charged to the Network division, and paid to the Generation division. The treatment of the avoided charges for the purposes of the efficiency measures, is to include these costs as indirect costs. The Company has provided additional disclosures to allow comparison with companies that do not have generation divisions.

* Denotes a corrected comparative figure

BAY OF PLENTY ELECTRICITY LIMITED

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Performance Measures for the 12 Months ended 31 March 1998

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 13, 15 and 16 of the Electricity (Information Disclosure) Regulations 1994.

Regulation 15:

		1998		1997	1996	1995
3) Energy Delivery Efficiency Performance Measures						
(a) Load Factor		71.00%		68.45%	67.00%	72.00%
(b) Loss Ratio		4.50%		4.85%	3.60%	2.30%
(c) Capacity utilisation		51.00%		55.66%	50.00%	54.00%
4) Statistics						
(a) System length						
	110kV	27.70	km	21.80	21.80	21.80
	33kV	175.60	km	175.20	156.30	137.80
	11kV	1,393.20	km	1,382.59	1,451.10	1,518.60
	400Volt	536.80	km	535.88	467.70	396.90
Total		2,133.30	km	2,115.47	2,096.90	2,075.10
(b) Total Circuit Length: Overhead						
	110kV	27.70	km	21.80	21.80	21.80
	33kV	171.80	km	171.40	154.20	137.40
	11kV	1,287.50	km	1,285.85	1,359.40	1,432.30
	400Volt	348.50	km	348.87	279.40	207.80
		1,835.50	km	1,827.92	1,814.80	1,799.30
(c) Total Circuit Length: Underground						
	110kV	-	km	-	-	-
	33kV	3.80	km	3.80	2.10	0.40
	11kV	105.70	km	96.74	91.60	86.30
	400Volt	188.30	km	187.01	188.30	189.10
		297.80		287.55	282.00	275.80
(d) Transformer capacity		166,833	kVA	163,000	189,555	169,215
(e) Maximum demand		85,820	kW	90,720	95,067	90,940
(f) Total electricity supplied		511,624,675	kWh	517,580,862	537,367,315	563,345,430
(g) Total electricity conveyed on behalf of other persons		135,750,858	kWh	130,752,523	139,547,315	89,832,173
(h) Total customers		22,636		22,201	21,867	21,677

BAY OF PLENTY ELECTRICITY LIMITED

Performance Measures for the purposes of Electricity (Information Disclosure) Regulations 1994

Performance Measures for the 12 Months ended 31 March 1998

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 13, 15 and 16 of the Electricity (Information Disclosure) Regulations 1994.

	1998	1997	1996	1995
Regulation 16:				
5) Reliability Performance Measures				
(a) Interruptions				
Class A	3	-	2	4
Class B	250	195	206	213
Class C	135	158	415	150
Class D	4	5	14	5
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	2
Total number of interruptions	392	358	637	374
(b) The total number of faults per 100 circuit kilometres of prescribed voltage electric line.	8.46	10	9	9
(c) The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line, together with a breakdown of that total according to different nominal line voltages.				
110 kV	-	-	2	-
33 kV	-	-	-	-
11 kV	2	1	-	3
Total Underground faults	2	1	2	3
(d) The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line, together with a breakdown of that total according to different nominal line voltages.				
110kV	-	-	5	5
33 kV	-	1	9	9
11 kV	10	12	9	9
Total Overhead Faults	10	11	9	9
(e) The SAIDI for the total of Interruptions	414	390	·530	372

BAY OF PLENTY ELECTRICITY LIMITED

Performance Measures for the purposes of Electricity (Information Disclosure) Regulations 1994

Performance Measures for the 12 Months ended 31 March 1998

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to Regulations 13, 15 and 16 of the Electricity (Information Disclosure) Regulations 1994.

	1998	1997	1996	1995
Regulation 16 (Continued):				
6) The SAIDI for the total number of interruptions within each interruption class:				
Class A	83	-	70	33
Class B	118	97	151	143
Class C	176	207	252	178
Class D	38	76	54	17
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
(f) The SAIFI for the total number of interruptions.	4.8	5.15	5.60	4.90
(g) The SAIFI for the total number of interruptions within each interruption class:				
Class A	0.20	0.00	0.30	0.10
Class B	0.90	0.66	0.90	1.10
Class C	3.30	3.69	3.60	3.30
Class D	0.40	0.67	0.90	0.40
Class E	0.00	0.00	0.00	0.00
Class F	0.00	0.00	0.00	0.00
Class G	0.00	0.00	0.00	0.00
(h) The CAIDI for the total of all interruptions.	86	76	94	76
(i) The CAIDI for the total number of interruptions within each interruption class:				
Class A	356	-	266	288
Class B	136	148	173	126
Class C	53	56	70	54
Class D	89	114	62	46
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	54

BAY OF PLENTY ELECTRICITY Limited

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

We, Colin George Houston Holmes, and John Gordon Forsythe, Directors of Bay of Plenty Electricity Limited certify that, having made all reasonable inquiry, to the best of our knowledge,-

(a) The attached audited financial statements of Bay of Plenty Electricity 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 Bay of Plenty Electricity Limited, and having been prepared for the purposes of Regulations 13, 14, 15, and 16 of the Electricity (Information Disclosure) Regulations 1994, comply with the requirements of the Electricity (Information Disclosure) Regulations 1994.

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

C G H Holmes (Director)

J G Forsythe (Director)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
23-29 Albert Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

17 August 1998

The Directors
Bay of Plenty Electricity Limited
P O Box 404
Whakatane 3080

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION OF BAY OF PLENTY ELECTRICITY LIMITED LINES BUSINESS

I have examined the valuation report prepared by PricewaterhouseCoopers and dated 22 July 1998, which report contains valuations as at 31 March 1997.

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 28 May 1998 ODV Handbook.

W M Cook

W M Cook

Coopers
&Lybrand

CERTIFICATION BY AUDITORS IN RELATION TO LINES AND ENERGY BUSINESS FINANCIAL STATEMENTS

We have examined the attached financial statements prepared by Bay of Plenty Electricity Limited dated 30 July 1998 for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

We hereby certify that, having made all responsible 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.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants
AUCKLAND

5 August 1998

Coopers
&Lybrand

CERTIFICATE OF PERFORMANCE MEASURES BY AUDITOR

We have examined the attached information, being:

(a) Financial performance measures specified in clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and

(b) Financial components of the efficiency performance measures specified in clause 2 of Part II of the Schedule,

and having been prepared by Bay of Plenty Electricity Limited for the year ended 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.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants
AUCKLAND

5 August 1998

DEPARTMENT OF INTERNAL AFFAIRS
TE TARI TAIWHENUA

PUBLISHED BY AUTHORITY OF DEPARTMENT OF INTERNAL AFFAIRS:
GP LEGISLATION SERVICES, WELLINGTON, NEW ZEALAND—1998

ISSN [illegible]-5650
Price $3.95 (in[illegible] G.S.T.)
[illegible]506—98A