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## MERCURY ENERGY LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1994

## Mercury Energy Limited and Subsidiaries

**Statement of financial performance for the year ended 31 March 1998**  
 (For The Purposes of The Electricity (Information Disclosure) Regulations 1994)

	Notes	1998				1997					
		Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000
<b>Operating revenue</b>	2, 3	224,359	569,754	44,040	31,218	607,092	217,332	533,720	12,468	73,443	580,185
<b>Operating (deficit) / surplus before taxation</b>	3, 4, 5	(64,863)	15,381	(45,048)	49,527	(45,003)	46,654	29,490	(1,638)	42,672	117,178
Taxation (expense) / benefit	8	22,275	(5,076)	103	(16,407)	895	(16,920)	(9,746)	540	(13,540)	(39,666)
<b>Operating (deficit) / surplus after taxation</b>	3	(42,588)	10,305	(44,945)	33,120	(44,108)	29,734	19,744	(1,098)	29,132	77,512
Tax paid net deficit attributable to minority shareholders in subsidiary companies		-	-	7,428	-	7,428	-	-	53	-	53
Share of retained surplus of associate companies after tax	9	-	-	-	15,912	15,912	-	-	-	-	-
<b>Operating (deficit) / surplus attributable to the shareholders of the parent company</b>		(42,588)	10,305	(37,517)	49,032	(20,768)	29,734	19,744	(1,045)	29,132	77,565

The accompanying notes form part of these financial statements.

## Mercury Energy Limited and Subsidiaries

Statement of movements in equity for the year ended 31 March 1998  
 (For The Purposes of The Electricity (Information Disclosure) Regulations 1994)

	Notes	1998				1997					
		Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000
<b>Notional equity at 1 April</b>											
Brought forward		404,859	41,278	20,359	400,521	867,017	392,339	34,234	21,457	390,944	838,974
Restatement adjustment		-	-	-	-	-	-	-	-	-	-
Notional equity at 1 April		404,859	41,278	20,359	400,521	867,017	392,339	34,234	21,457	390,944	838,974
Net (deficit) / surplus attributable to:											
- Parent entity shareholders		(42,588)	10,305	(37,517)	49,032	(20,768)	29,734	19,744	(1,045)	29,132	77,565
- Minority shareholders		-	-	(7,428)	-	(7,428)	-	-	(53)	-	(53)
<b>Total recognised revenues and expenses for the year</b>		(42,588)	10,305	(44,945)	49,032	(28,196)	29,734	19,744	(1,098)	29,132	77,512
Dividends paid or payable in cash	10	-	-	-	-	-	(19,100)	(12,700)	-	(18,700)	(50,500)
Revaluation reserve (decrease) / increase		(62,626)	-	-	-	(62,626)	1,886	-	-	-	1,886
Minority interest		-	-	(2,143)	-	(2,143)	-	-	-	(855)	(855)
		(105,214)	10,305	(47,088)	49,032	(92,965)	12,520	7,044	(1,098)	9,577	28,043
<b>Notional equity at 31 March</b>		299,645	51,583	(26,729)	449,553	774,052	404,859	41,278	20,359	400,521	867,017

The accompanying notes form part of these financial statements.

## Mercury Energy Limited and Subsidiaries

## Statement of financial position as at 31 March 1998

(For The Purposes of The Electricity (Information Disclosure) Regulations 1994)

	Notes	1998				1997				
		Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000
<b>Equity</b>										
Share capital	11									300,000
ODV revaluation reserve	16									482,605
Notional capital		369,386	20,500	11,855	380,864	782,605				
Revaluation reserve	16	(62,626)	-	-	-	(62,626)	1,886	-	-	1,886
Retained earnings	12	(7,115)	31,083	(38,584)	68,689	54,073	35,474	20,778	(1,067)	19,657
Attributable to parent entity shareholders		299,645	51,583	(26,729)	449,553	774,052	404,860	41,278	10,788	400,521
Minority interest		-	-	-	-	-	-	-	9,571	-
		299,645	51,583	(26,729)	449,553	774,052	404,859	41,278	20,359	400,521
<b>Notional debt</b>										
Interdivisional loan		387,000	(36,000)	126,000	(477,000)	-	372,000	(52,000)	125,000	(445,000)
		686,645	15,583	99,271	(27,447)	774,052	776,859	(10,722)	145,359	(44,479)
<b>Non current liabilities</b>										
Term liabilities	13	-	-	57,564	396,863	454,427	-	-	59,603	352,053
		-	-	57,564	396,863	454,427	-	-	59,603	352,053
<b>Current liabilities</b>										
Accounts payable and accruals	14	144,058	1,407	3,235	38,009	186,709	3,312	4,533	1,977	50,161
Interdivisional payable		1,772	34,180	-	-	-	7,769	39,789	-	-
Current portion of term liabilities	13	-	-	-	686	686	-	-	-	7,698
Provision for dividend	10	-	-	-	-	-	9,700	6,400	-	9,400
		145,830	35,587	3,235	38,695	187,395	20,781	50,722	1,977	67,259
		832,475	51,170	160,070	408,111	1,415,874	797,640	40,000	206,939	374,833
										1,371,854

The accompanying notes form part of these financial statements.

## Mercury Energy Limited and Subsidiaries

## Statement of financial position as at 31 March 1998 (Continued)

(For The Purposes of The Electricity (Information Disclosure) Regulations 1994)

	Notes	1998					1997				
		Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000
<b>Non current assets</b>											
Fixed assets					584,959					564,513	
ODV revaluation reserve	16				419,979					482,605	
Total fixed assets	15	756,546	8	159,221	89,163	1,004,938	780,358	-	202,086	64,675	1,047,118
Investments in associates	18	-	-	-	236,444	236,444	-	-	-	-	-
Investments	19	-	-	-	35,320	35,320	-	-	-	258,551	258,551
Prepayments	20	-	-	-	3,501	3,501	-	-	-	4,801	4,801
Deferred taxation	21	32,850	780	(2,942)	(1,992)	28,696	493	350	(1,716)	443	(430)
		789,396	788	156,279	362,436	1,308,899	780,851	350	200,370	328,470	1,310,040
<b>Current assets</b>											
Cash and deposits		390	377	(279)	824	1,312	630	647	767	3,410	5,454
Receivables and prepayments	22	25,689	47,106	2,410	12,862	88,067	1,445	37,627	3,788	5,994	48,854
Interdivisional receivables		12,029	-	-	23,923	-	13,799	-	-	33,759	-
Stores		5,239	-	13	-	5,252	-	-	-	2,948	2,948
Taxation refund	8	(268)	2,899	1,647	8,066	12,344	915	1,376	2,014	252	4,557
		43,079	50,382	3,791	45,675	106,975	16,789	39,650	6,569	46,363	61,813
		832,475	51,170	160,070	408,111	1,415,874	797,640	40,000	206,939	374,833	1,371,854

The accompanying notes form part of these financial statements.

**1. STATEMENT OF ACCOUNTING POLICIES**

**Reporting Entity**

Mercury Energy Limited is a public company registered under the Companies Act 1993.

The group consists of Mercury Energy Limited and its subsidiaries.

The financial statements are prepared pursuant to Regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

The methodology for the allocation of revenues, costs, assets and liabilities between Line, Electricity Retailing, Generation and Other activities is publicly disclosed in accordance with Regulation 19 of the Regulations.

**Generally Accepted Accounting Principles**

There is no GAAP for activity reporting.

**Measurement Base**

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the group, except for the revaluation of the distribution system.

The activity reporting has been prepared on the basis of a notional 50:50 debt equity ratio in the Line Business.

All costs have been allocated in accordance with either the guidelines issued, or as disclosed by the group.

**Specific Accounting Policies**

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

**a) Basis of Consolidation - Purchase method**

The consolidated financial statements include the holding company and its subsidiaries, accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation.

**b) Recognition of Revenue**

Income from electricity sales includes the value of units assessed as being recorded on meters as at 31 March 1998, but for which invoices had not been rendered.

**c) Fixed Assets**

The Group has the following classes of fixed assets:

Freehold Land

Freehold Buildings

Distribution System

Generation Plant and Buildings

Other Plant and Equipment

Computer and Telecommunication Equipment

Motor Vehicles and Mobile Equipment

All fixed assets, other than the distribution system are recorded at cost less accumulated depreciation. The distribution system has been revalued to its Optimised Deprival Value. Distribution assets have useful lives of 15-70 years.

**d) Depreciation**

Depreciation is provided to allocate the assets' cost over their estimated useful lives as follows:

Buildings on Freehold Land	- Straight line basis over 50 years
Generation Plant and Buildings	- Straight line basis over life of the project, 13-20 years
Other Plant and Equipment	- Diminishing value method at 18% per annum
Computer and Telecommunication Equipment	- Straight line basis over 3-40 years
Motor Vehicles and Mobile Equipment	- Diminishing value method at 20% per annum

**e) Accounts Receivable**

Receivables are valued at their estimated realisable value.

**f) 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 is applied on a comprehensive basis to all timing differences. 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) Stores**

Stores are valued on the basis of weighted average cost price.

**h) Leases**

Group entities lease certain land and buildings.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased assets, are included in the determination of the operating profit in equal instalments over the lease term.

The cost of improvements to leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

**i) Foreign Currencies**

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction.

Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign monetary assets and liabilities are translated to New Zealand dollars at the balance date exchange rate and exchange variations arising from these translations are included in the statement of financial performance.

The exchange differences on hedging transactions undertaken to establish the price of particular sales or purchases, together with any costs associated with the hedge transactions, are deferred and included in the measurement of the purchase or sale of the transaction.



***j) Financial Instruments***

The group is party to financial instruments with off balance sheet risk to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include foreign exchange forward contracts, forward rate agreements and swaps.

The group enters into foreign currency forward exchange contracts to hedge foreign currency transactions. Any exposure to gains or losses on these forward contracts is generally offset by a loss or gain on the item being hedged. Gains and losses on contracts which hedge specific short-term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed. The group is not involved in foreign exchange speculating.

The group is also party to financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to electricity spot market prices. Assets, liabilities and any unrealised revenues and expenses associated with these electricity price hedging contracts as at balance date are not recognised in the financial statements. Realised revenues and expenses are recognised in the statement of financial performance on maturity of the hedging contracts and are included as part of the cost of wholesale electricity.

***k) Joint Ventures***

The group is party to several joint venture arrangements. The group has accounted for its interest in these ventures by recognising its share of revenue, expenses, assets and liabilities.

***l) Other Investments***

Investments in other companies are stated at cost.

***m) Long Term Prepayments***

The group has entered into several contracts for the supply of gas. These are recorded at cost as long term prepayments.

**Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing	Activities	Activities	Activities	Activities	Retailing	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2. OPERATING REVENUE</b>										
<b>Comprises:</b>										
Sales										
- External	9,849	563,498	-	-	573,348	-	528,925	-	-	528,925
- Interdivisional	214,397	5,593	-	-	-	213,821	4,583	-	-	-
Interest revenue										
- External	-	-	-	2,490	2,490	-	-	-	2,966	2,966
- Interdivisional	-	-	-	42,288	-	-	4	-	38,370	-
Dividend revenue	-	-	-	21,248	21,248	-	-	-	27,280	27,280
Joint ventures	-	-	42,339	(38,457)	3,882	-	-	12,073	-	12,073
Miscellaneous income	112	662	1,701	3,155	5,630	3,494	208	395	2,568	6,665
Gain on sale of fixed assets	-	-	-	494	494	17	-	-	2,259	2,276
	224,359	569,754	44,040	31,218	607,092	217,332	533,720	12,468	73,443	580,185

The dividend revenue includes dividends received from Power New Zealand as at 31 March 1998.

Power New Zealand Limited is an associate of the group effective from 1 April 1997 and has been accounted for using the equity method from that date.

## 3. LINE ACTIVITIES

	Notes	1998 \$000	1997 \$000
Revenue:	2	<u>224,359</u>	<u>217,332</u>
Expenses:			
Transmission cost		55,110	67,884
Operations and maintenance		24,942	24,972
Infrastructure mapping		4,843	5,179
Depreciation		18,132	16,507
Interest		35,546	35,074
Administration and other		21,029	13,738
Non recurring	5	<u>129,620</u>	<u>7,324</u>
		<u>289,222</u>	<u>170,678</u>
Operating (deficit) / surplus before taxation		(64,863)	46,654
Taxation		<u>22,275</u>	<u>(16,920)</u>
Operating (deficit) / surplus after taxation		<u>(42,588)</u>	<u>29,734</u>
Operating (deficit) / surplus before interest, depreciation and tax		<u>(11,185)</u>	<u>98,235</u>
Operating (deficit) / surplus after tax plus after tax effect of depreciation		<u>(30,440)</u>	<u>40,809</u>
Average total funds employed		<u>731,752</u>	<u>768,816</u>
Average shareholders' funds		<u>352,253</u>	<u>398,607</u>
Cash tax	8	<u>8,899</u>	<u>15,413</u>
Interest tax shield		<u>11,730</u>	<u>11,574</u>
Revaluation	16	<u>(62,626)</u>	<u>1,886</u>

## Ratios:\*

Accounting return on total assets:

(Earnings before interest, depreciation and tax divided by average total funds employed)

Accounting return on equity:

(Net profit after tax plus after tax effect of depreciation divided by average total shareholders' funds)

Accounting rate of profit:

(Earnings before interest, depreciation, and tax less cash tax less interest tax shield plus revaluation divided by average total funds employed minus half revaluation)

\*These financial performance ratios are set out in the First Schedule, Part II.

## 4 (DEFICIT) / SURPLUS BEFORE TAXATION

	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing	Activities	Activities	Activities	Activities	Retailing	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>After charging:</b>										
Change in provision for doubtful debts	-	312	-	-	312	-	270	-	(110)	160
Depreciation	18,132	3	11,167	9,069	38,371	16,507	31	2,679	10,676	29,893
Bad debts written off	878	60	-	2,931	3,870	221	2,218	-	-	2,439
Interest	-	-	11,963	13,453	25,416	-	-	1,720	20,408	22,128
Interest - interdivisional	35,546	-	670	6,072	-	35,074	-	454	2,845	-
Loss on sale of fixed assets	-	-	313	1,058	1,371	-	-	-	260	260
Rental and operating lease costs	45	46	81	1,023	1,195	-	-	-	1,068	1,068

## 5. NON RECURRING ITEMS

	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing Activities	Activities	Activities	Activities	Activities	Retailing Activities	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Restructuring costs	1,316	-	-	713	2,029	7,324	-	-	1,120	8,443
CBD network restoration costs	128,304	-	-	-	128,304	-	-	-	-	-
Provision for asset write down	-	-	36,688	-	36,688	-	-	-	-	-
Write back of research and development	-	-	1,485	-	1,485	-	-	-	-	-
	129,620	-	38,173	713	168,506	7,324	-	-	1,120	8,443

## 6. AUDITOR'S REMUNERATION

Amounts payable or due and payable to the auditors for:	1998		1997	
	Other Activities		Other Activities	
	<u>\$000</u>		<u>\$000</u>	
Audit services				
Parent entity auditor		143		100
Other services				
Parent entity auditor		127		342

## 7. DIRECTORS' REMUNERATION

	1998			1997		
	Generation	Other	Total	Generation	Other	Total
	Activities	Activities	Activities	Activities	Activities	Activities
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Fees paid to directors	38	326	364	21	350	371
Retiring allowances	-	129	129	-	-	-

8. TAXATION

	1998					1997				
	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating (deficit) / surplus before taxation	(64,863)	15,381	(45,048)	49,527	(45,003)	46,654	29,490	(1,638)	42,672	117,178
Prima facie taxation @ 33%	(21,405)	5,076	(14,866)	16,344	(14,851)	15,396	9,732	(540)	14,081	38,669
Plus (less) taxation effect of permanent differences:										
Non deductible entertainment expenses	-	-	-	72	72	24	14	-	19	57
Non deductible legal and consulting fees	165	-	-	-	165	-	-	-	-	-
Other permanent differences	(1,036)	-	14,764	(10)	13,719	1,500	-	-	(560)	940
Taxation expense	(22,275)	5,076	(103)	16,407	(895)	16,920	9,746	(540)	13,540	39,666
The taxation charge is represented by:										
Current taxation payable	10,082	5,506	(1,329)	13,954	28,213	17,203	9,938	(2,256)	13,813	38,698
Future taxation benefit	(32,357)	(430)	1,226	2,453	(29,108)	(283)	(192)	1,716	(273)	968
Prior period adjustments	-	-	-	-	-	-	-	-	-	-
	(22,275)	5,076	(103)	16,407	(895)	16,920	9,746	(540)	13,540	39,666

	1998 Other Activities \$000	1997 Other Activities \$000
Imputation credit account		
Balance as at 31 March 1997	50,182	38,543
Prior period adjustment	-	47
Income tax payments during year	29,000	27,370
Imputation credits attaching to dividends received in year	7,018	9,002
Imputation credits attaching to dividends paid in year	(12,560)	(24,134)
Transfer of tax to subsidiary	-	(646)
Balance as at 31 March 1998	73,640	50,182

At balance date the imputation credits available to the shareholder of the parent company were:

Through direct shareholding in the parent company	73,640	50,182
Through indirect interests in subsidiaries and in-substance subsidiaries	-	646
	73,640	50,828

## TAXATION PAYABLE

	1998					1997				
	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance brought forward	(915)	(1,376)	(2,014)	(252)	(4,557)	(2,828)	(2,600)	-	(1,744)	(7,172)
Restatement adjustment	-	-	-	-	-	-	-	-	-	-
Transfer from statement of financial performance	10,082	5,506	(1,329)	13,954	28,213	16,920	9,746	(540)	13,540	39,666
Cash tax:										
- Paid	(8,899)	(7,029)	1,696	(21,786)	(36,018)	(15,413)	(8,799)	242	(12,434)	(36,404)
- Restatement adjustment	-	-	-	-	-	123	85	-	113	321
Transfer from deferred tax	-	-	-	18	18	283	192	(1,716)	273	(968)
Tax payable / (refund)	268	(2,899)	(1,647)	(8,066)	(12,344)	(915)	(1,376)	(2,014)	(252)	(4,557)

1998  
Total  
Activities  
\$000

1997  
Total  
Activities  
\$000

## 9. ASSOCIATE COMPANIES

Share of net operating surplus / (deficit) of associate companies before taxation	26,890	-
Taxation	(5,462)	-
Dividend	(5,516)	-
Share of retained profits less losses of associate companies	15,912	-

	1998					1997				
	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
10. DIVIDENDS										
Interim distributions:										
Dividends paid										
- on ordinary shares	-	-	-	-	-	9,400	6,300	-	9,300	25,000
Proposed distributions:										
Proposed dividends										
- on ordinary shares	-	-	-	-	-	9,700	6,400	-	9,400	25,500
Total distributions paid or payable in cash	-	-	-	-	-	19,100	12,700	-	18,700	50,500

	1998 Total Activities \$000	1997 Total Activities \$000
<b>11. SHARE CAPITAL</b>		
<b>Ordinary class A shares</b>		
102,020,202 issued and fully paid shares	102,020	102,020
<b>Ordinary class B shares</b>		
197,979,798 issued and fully paid shares	197,980	197,980
<b>Ordinary class C shares</b>		
6 issued and uncalled shares	-	-
	<b>300,000</b>	<b>300,000</b>

The ordinary class A shares and the ordinary class B shares can only be held by the Auckland Energy Consumer Trust and may only be dealt with pursuant to the Trust Deed.

The ordinary class A shares and the ordinary class C shares are voting securities.

The ordinary class B shares are non voting securities.

Otherwise all ordinary shares rank equally.

	1998					1997				
	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000
<b>12. RETAINED EARNINGS</b>										
Balance as at 1 April	35,474	20,778	(1,067)	19,657	74,842	24,840	13,734	(22)	9,225	47,777
Operating (deficit) / surplus attributable to the shareholders of the parent company	(42,588)	10,305	(37,517)	49,032	(20,768)	29,734	19,744	(1,045)	29,132	77,565
Total available for appropriation	(7,115)	31,083	(38,584)	68,689	54,073	54,574	33,478	(1,067)	38,357	125,342
Dividends	-	-	-	-	-	(19,100)	(12,700)	-	(18,700)	(50,500)
Balance as at 31 March	(7,115)	31,083	(38,584)	68,689	54,073	35,474	20,778	(1,067)	19,657	74,842



	Interest rates	1998			1997		
		Generation	Other	Total	Generation	Other	Total
		Activities	Activities	Activities	Activities	Activities	Activities
		\$000	\$000	\$000	\$000	\$000	\$000
<b>13. TERM LIABILITIES</b>							
Maturing:							
Within one year	6.3% to 9.0%	-	686	686	-	7,698	7,698
One to two years	6.3%	-	53	53	-	53	53
Two to five years	7.1% to 10.3%	57,564	396,810	454,374	59,603	352,000	411,603
Total term liabilities		57,564	397,549	455,113	59,603	359,751	419,354
Less current portion of term liabilities		-	686	686	-	7,698	7,698
Total term liabilities		57,564	396,863	454,427	59,603	352,053	411,656

Debt issued prior to 1 October 1993 of \$0.053 million is secured by a right to levy pursuant to the Auckland Electric Power Board Act 1978.

Other debt issued of \$396.810 million is secured by way of negative pledge over the assets of the group.

The classification of \$292 million of debt as term liabilities is based on the availability of a 60 month facility, which was undrawn at balance date.

Convertible notes of \$0.686 million are redeemable at par by note holders.

The Group's share of the Southdown Cogeneration joint venture non-recourse project finance facility is \$57.488 million.

Interest rates for the 1997 year were 5.8% to 11.7% within one year, 6.3% one to two years and 7.4% to 8.8% two to five years.

	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing	Activities	Activities	Activities	Activities	Retailing	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>14. ACCOUNTS PAYABLE AND ACCRUALS</b>										
Trade and other creditors	34,131	1,052	3,129	30,437	68,749	3,312	4,407	1,951	46,274	55,944
CBD network restoration costs	108,950	-	-	-	108,950	-	-	-	-	-
Interest payable	-	-	-	4,755	4,755	-	-	-	946	946
Employee entitlements	977	355	106	2,817	4,255	-	126	26	2,941	3,093
	144,058	1,407	3,235	38,009	186,709	3,312	4,533	1,977	50,161	59,983

	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing Activities	Activities	Activities	Activities	Activities	Retailing Activities	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>15. FIXED ASSETS</b>										
Freehold land at cost	4,170	-	-	3,921	8,091	4,170	-	-	4,336	8,506
Revaluation to ODV	3,494	-	-	-	3,494	3,494	-	-	-	3,494
	7,664	-	-	3,921	11,585	7,664	-	-	4,336	12,000
Freehold buildings	11,136	-	1,174	25,592	37,902	6,590	-	1,461	29,222	37,273
Accumulated depreciation	(2,492)	-	(94)	(5,502)	(8,088)	(1,778)	-	(70)	(6,433)	(8,281)
Adjustment to ODV	8,644	-	1,080	20,090	29,814	4,812	-	1,391	22,789	28,992
ODV	10,804	-	-	-	10,804	-	-	-	-	-
ODV	19,448	-	1,080	20,090	40,618	4,812	-	(70)	22,790	28,992
Distribution system	455,031	-	-	-	455,031	440,077	-	-	-	440,077
Accumulated depreciation	(172,444)	-	-	-	(172,444)	(158,739)	-	-	-	(158,739)
Adjustment to ODV	282,587	-	-	-	282,587	281,338	-	-	-	281,338
ODV	405,681	-	-	-	405,681	479,111	-	-	-	479,111
ODV	688,268	-	-	-	688,268	760,449	-	-	-	760,449
Generation plant and buildings	-	-	172,671	-	172,671	-	-	207,259	-	207,259
Accumulated depreciation	-	-	(16,987)	-	(16,987)	-	-	(6,564)	-	(6,564)
Net book value	-	-	155,684	-	155,684	-	-	200,695	-	200,695
Plant and equipment										
Motor vehicles and mobile equipment	-	-	-	11,887	11,887	-	-	-	14,166	14,166
Computer and telecommunication equipment	-	-	-	67,727	67,727	-	-	-	48,079	48,079
Miscellaneous plant and equipment	28	8	3	5,247	5,286	-	-	-	8,068	8,068
Accumulated depreciation	28	8	3	84,861	84,900	-	-	-	70,313	70,313
Motor vehicles and mobile equipment	-	-	-	(6,318)	(6,318)	-	-	-	(7,230)	(7,230)
Computer and telecommunication equipment	-	-	-	(24,998)	(24,998)	-	-	-	(19,903)	(19,903)
Miscellaneous plant and equipment	(2)	-	-	(3,371)	(3,373)	-	-	-	(5,631)	(5,631)
Net book value	26	8	3	50,174	50,211	-	-	-	37,549	37,549
Capital work in progress	41,140	-	2,454	14,978	58,572	7,434	-	-	-	7,434
<b>Total fixed assets</b>										
At cost	931,484	8	176,302	129,352	1,237,146	940,876	-	208,720	103,872	1,253,468
Provision for depreciation	(174,938)	-	(17,081)	(40,189)	(232,208)	(160,518)	-	(6,634)	(39,197)	(206,349)
Net book value	756,546	8	159,221	89,163	1,004,938	780,358	-	202,086	64,675	1,047,119

The latest Government valuations of freehold land total \$37.531 million (1997: \$27.302 million)  
 The latest Government valuations of buildings total \$27.928 million (1997: \$25.222 million)  
 The directors consider the latest Government valuations to be indicative of the fair value of the assets.

## 16. ODV REVALUATION

ODV revaluation	1998 Line Activities \$000	1997 Line Activities \$000
ODV 31 March 1997		
- As audited	783,495	765,746
- Restatement adjustment	<u>(3,139)</u>	<u>-</u>
	780,356	765,746
Movement in net book value	38,816	15,863
ODV revaluation / (devaluation)	<u>(62,626)</u>	<u>1,886</u>
ODV 31 March 1998	<u>756,546</u>	<u>783,495</u>
<b>ODV revaluation reserve</b>		
Balance 31 March 1997	482,605	480,719
ODV revaluation / (devaluation)	<u>(62,626)</u>	<u>1,886</u>
	<u>419,979</u>	<u>482,605</u>

## 17. SHARES IN SUBSIDIARIES

	Percentages Held		Balance Date
	1998	1997	
<b>Significant subsidiaries</b>			
Mercury Generation Ltd	100%	100%	31 March
- MEL Silverstream Ltd	100%	100%	31 March
- MEL Stratford Ltd	100%	100%	31 March
- MEL Southdown Ltd	100%	100%	31 March
Mercury Network Ltd	100%	100%	31 March
- Mercury Geotherm Ltd	65.12%	55.82%	31 March
- Poihipi Land Ltd	65.12%	55.82%	31 March
Caduceus Equities No 1 Ltd	100%	100%	31 March
<b>Non trading subsidiaries</b>			
Mercury Power Ltd	100%	100%	31 March
Auckland Electricity Ltd	100%	100%	31 March
Auckland Energy Ltd	100%	100%	31 March
Energy North Ltd	100%	100%	31 March

The principal activity of the subsidiaries is the generation and/or sale of electricity.

	1998 Other Activities \$000	1997 Other Activities \$000
<b>18. INVESTMENTS IN ASSOCIATES</b>		
Investments in associates, at cost	220,532	-
Share of investment in net assets	15,912	-
	236,444	-
Market value of shares listed on the Stock Exchange	294,209	-

	Balance Sheet	Percentage Held by Group
Significant associates:		
Power New Zealand Limited	31 March	33%
Transfield Utility Services Limited	31 March	50%

Power New Zealand was an associate of the group effective from 1 April 1997.

On 1 July 1997 the group acquired its shareholding in Transfield Utility Services Limited.

Transfield Utility Services Limited was formed as a result of the sale of the groups contracting division.

	1998 Other Activities \$000	1997 Other Activities \$000
<b>19. INVESTMENTS</b>		
Other investments	35,320	258,551
	35,320	258,551
Market value of shares listed on the Stock Exchange	46,275	404,694

**Joint Ventures**

**1998  
Generation  
Activities**

The group has interests in the following joint ventures:

	% Interest	Balance Date	Principal Activity
Rosedale/Greenmount	87.4	31 March	Energy Generation
Silverstream	46.5	31 March	Energy Generation
Southdown	47.5	31 March	Energy Generation

Ownership of and responsibility for the assets of the Rosedale/Greenmount and Silverstream are retained by the party contributing those assets.

The group's share of revenue and expenses, assets and liabilities of joint ventures which have been included in the financial statements are:

	Rosedale/Greenmount		Silverstream		Southdown	
	1998 \$000	1997 \$000	1998 \$000	1997 \$000	1998 \$000	1997 \$000
Share of revenue	2,918	2,589	964	544	29,745	8,940
Share of expenses	1,861	1,290	955	226	29,598	9,074
Share of assets			2,349	2,489	72,563	70,963
Share of liabilities			2,335	2,489	62,882	71,113

The financial statements of Rosedale/Greenmount are unaudited.

	1998 Other Activities \$000	1997 Other Activities \$000
<b>20. LONG TERM PREPAYMENTS</b>		
Forward energy supply contracts	3,501	4,801
	3,501	4,801

	1998					1997				
	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000
<b>21. DEFERRED TAXATION</b>										
Balance as at 1 April 1997	493	350	(1,716)	443	(430)	87	73	-	57	217
Transfer to statement of financial performance	32,357	430	(1,226)	(2,453)	29,108	283	192	(1,716)	273	(968)
Prior period adjustment	-	-	-	-	-	123	85	-	113	321
Transfer to current tax	-	-	-	18	18	-	-	-	-	-
Balance as at 31 March 1998	32,850	780	(2,942)	(1,992)	28,696	493	350	(1,716)	443	(430)

	1998					1997				
	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000
<b>22. RECEIVABLE AND PREPAYMENTS</b>										
Trade debtors	-	56,739	-	-	56,739	-	44,474	-	-	44,474
Provision for doubtful debts	(335)	(769)	-	(99)	(1,203)	-	(750)	-	(765)	(1,515)
Provision for discounts	-	(4,762)	-	-	(4,762)	-	(6,185)	-	-	(6,185)
	(335)	51,208	-	(99)	50,774	-	37,539	-	(765)	36,774
Other debtors	19,524	59	2,301	3,347	25,232	1,173	80	4	4,354	5,611
Prepayments	6,500	(4,161)	109	9,614	12,061	272	8	3,784	2,405	6,469
	25,689	47,106	2,410	12,862	88,067	1,445	37,627	3,788	5,994	48,854

## 23. FINANCIAL INSTRUMENTS

### **Revenue - electricity price hedging contracts**

The group has entered into electricity price hedges which establish a fixed price (hedge price) for a percentage of its estimated electricity needs. It is the group's current policy to hedge a significant proportion of its estimated electricity needs 13 months out.

On maturity of the electricity price hedges any difference between the hedge price and the spot market price is settled between the parties. Settlement occurs irrespective of the amount of electricity actually supplied.

### **Credit risk**

Financial instruments which potentially subject the group to credit risk principally consist of bank balances, money market deposits and accounts receivable.

The group performs credit evaluations on all electricity customers and requires a bond from customers who have yet to establish a suitable credit history with the group.

The group monitors the credit quality of the major financial institutions that are counterparties to its off balance sheet financial instruments and does not anticipate non performance by the counterparties.

With respect to electricity price hedges, the group has a potential credit risk exposure to the counter party dependent on the spot market price at settlement, and does not anticipate any non-performance of any obligations which may exist on maturity of these agreements.

Maximum exposures to credit risk as at balance date are:

	1998					1997				
	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities	Line Activities	Electricity Retailing Activities	Generation Activities	Other Activities	Total Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bank balances	390	377	(279)	824	1,312	630	647	767	3,410	5,454
Accounts receivable	19,190	51,267	2,301	3,248	76,006	1,173	37,619	4	3,589	42,385
Foreign exchange contracts	-	-	-	2,788	2,788	-	-	-	17,619	17,619

The above maximum exposures are net of any recognised provision for losses on these financial instruments. Collateral in respect of customer bonds totalling \$1.323 million (1997: \$1.356 million) is held in respect of the above amounts.

#### Concentrations of Credit Risk

Bank balances	390	377	(279)	824	1,312	630	647	767	3,410	5,454
	390	377	(279)	824	1,312	630	647	767	3,410	5,454

The group is not exposed to any other concentrations of credit risk.

#### Foreign exchange contracts

At balance date the group entered into foreign exchange contracts maturing during 1998 to purchase the equivalent of NZ\$2.788 million (1997: \$17.619 million) in foreign currency.

#### Interest rate risk

Interest rates on debt issued in the current year are generally fixed for periods of between one and three months at rates from 7.1% to 10.3% (1997: 7.4% to 8.8%). The interest rates are based on the BkBM rate plus a margin.

Interest rates on debt issued prior to 1 October 1993 is fixed until maturity at a rate of 6.3% (1997: 5.8% to 11.7%).

#### Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Accounts receivable, bank balances, money market deposits, accounts payable, short term liabilities, long term liabilities, investments (except listed equities).**

The carrying amount is the fair value for each of these classes of financial instrument and accordingly they are excluded from the table below.



**Listed equity investments**

The fair value of this class of financial instrument is equal to the quoted market price.

**Foreign currency forward exchange contracts**

The fair value of this class of financial instrument is based on the quoted market price of comparable instruments.

	Carrying Amount					Carrying Amount				
	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing	Activities	Activities	Activities	Activities	Retailing	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Share investments	-	-	-	264,855	264,855	-	-	-	258,551	258,551

	Fair Value					Fair Value				
	1998					1997				
	Line	Electricity	Generation	Other	Total	Line	Electricity	Generation	Other	Total
	Activities	Retailing	Activities	Activities	Activities	Activities	Retailing	Activities	Activities	Activities
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Forward exchange contracts to buy										
- Amounts receivable	-	-	-	-	-	-	-	-	-	-
- Amounts payable	-	-	-	2,788	2,788	-	-	-	17,619	17,619
Share investments	-	-	-	340,484	340,484	-	-	-	404,694	404,694

**Interest rate transactions**

Interest rate swaps and forward rate agreements are used to manage the proportion of fixed rate debt to total debt. The Company pays a weighted average interest rate on all interest rate swaps and forward rate agreements that existed at 31 March 1998 of 7.32%. Interest rate swaps and forward rate agreements with a principal of \$279 million have a cash benefit of \$18.586 million.

The Company values interest rate swaps by determining the net present value of future cash flows using current interest rates. The Company continuously monitors the credit quality of the major international institutions that are counterparties to its off-balance sheet financial instruments and does not anticipate non-performance by any of the counterparties.

**Electricity price hedging contracts**

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 the group's hedging contracts. As at balance date the contract amount of the electricity hedging activity amounted to \$2,361.403 million which represents 40,868 gigawatt hours (GWh).

	Group	
	1998 \$000	1998 GWh
Electricity price hedging contracts:		
Within one year	178,265	3,408
One to two years	161,286	3,011
Two to five years	489,702	9,010
Beyond five years	1,532,150	25,439
	2,361,403	40,868

	1998					1997				
	Line Activities \$000	Electricity Retailing Activities \$000	Generation Activities \$000	Other Activities \$000	Total Activities \$000	Line Activities \$000	Electricity Retailing Activities \$000	Other Activities \$000	Total Activities \$000	Total Activities \$000
<b>24. COMMITMENTS</b>										
<b>Capital expenditure commitments</b>										
Estimated capital expenditure contracted for at balance date but not provided for:										
Stratford power station	-	-	120,000	-	120,000	-	-	120,000	-	120,000
CBD reinforcement tunnel	86,880	-	-	-	86,880	-	-	-	-	-
Other commitments	4,011	-	260	-	4,271	33,195	-	-	-	33,195
	90,891	-	120,260	-	211,151	33,195	-	120,000	-	153,195
<b>Operating lease commitments</b>										
On land and buildings were:										
Within one year	-	-	-	800	800	-	-	-	609	609
One to two years	-	-	-	790	790	-	-	-	625	625
Two to five years	-	-	-	1,602	1,602	-	-	-	1,122	1,122
Beyond five years	-	-	-	209	209	-	-	-	-	-
	-	-	-	3,401	3,401	-	-	-	2,356	2,356

	1998 Other Activities \$000	1997 Other Activities \$000
<b>25. CONTINGENT LIABILITIES</b>		

Performance bonds

-

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**CBD Power outage**

Following the CBD power outages Mercury Energy has been threatened with claims for compensation. As at the date of completion of these financial statements no legal claims have been filed against the Company. Adequate provision has been made in these financial statements for the costs of restoring the CBD network and for compensation offered by Mercury Energy to its CBD customers affected by the outages.

	1998 Total Activities \$000	1997 Total Activities \$000
<b>26. REMUNERATION OF EMPLOYEES (\$)</b>		
100,001 - 110,000	2	3
110,001 - 120,000	4	1
120,001 - 130,000	4	6
130,001 - 140,000	4	3
140,001 - 150,000	4	4
150,001 - 160,000	1	1
210,001 - 220,000	1	2
220,001 - 230,000	1	-
230,001 - 240,000	2	-
240,001 - 250,000	-	2
250,001 - 260,000	3	1
260,001 - 270,000	-	2
270,001 - 280,000	-	1
290,001 - 300,000	1	-
460,001 - 470,000	-	1
570,001 - 580,000	1	-
The above remuneration includes termination payments for 6 employees as follows:		
100,001 - 110,000	1	-
120,001 - 130,000	2	1
130,001 - 140,000	1	1
140,001 - 150,000	-	1
150,001 - 160,000	1	-
290,001 - 300,000	1	-

## 27. TRANSACTIONS WITH RELATED PARTIES

During the year Mercury Energy Limited had the following transactions with the Auckland Energy Consumer Trust (AECT), which is the majority shareholder of Mercury Energy Limited:

	<u>1998</u> <u>\$000</u>	<u>1997</u> <u>\$000</u>
Advance to AECT:	1,000	-

During the year the Mercury Energy Group entered into the following transactions with Power New Zealand Limited:

Gross dividend received	15,711	-
Payments for goods and services	1,340	-
Sale of electricity	1,081	-
Receipts for goods and services	124	-
Directors fees received	19	-

During the year Mercury Energy Limited entered into the following transactions with subsidiaries:

Advances to subsidiaries	125,318	121,842
Purchase of electricity	38,457	9,335
Gross interest received	6,977	-
Advances from subsidiaries	1,747	-
Management fees	100	-

No related party debts have been written off or forgiven during the year. All transactions for subsidiary company, Mercury Geotherm Limited are financed by Mercury Energy Limited.

## 28. SEGMENT INFORMATION

The company operates in the electricity supply, generation and distribution business. All operations are carried out within New Zealand.

**Performance Measures and Statistics for the year ended 31 March 1998**  
 (For The Purposes of The Electricity (Information Disclosure) Regulations 1994)

**FIRST SCHEDULE - PART II**

<b>1. Financial performance measures</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
(a) Accounting return on total assets	-1.53%	12.80%	13.45%	14.65%
(b) Accounting return on equity	-8.64%	10.24%	10.93%	13.27%
(c) Adjusted accounting rate of profit			8.58%	8.31%
Restatement adjustment			20.66%	2.54%
Accounting rate of profit	-13.48%	9.54%	29.24%	10.85%
<b>2. Efficiency performance measures</b>				
(a) Direct line cost per kilometre	\$ 2,830.15	\$ 2,893.73	\$ 2,775.00	\$ 3,526.00
(b) Indirect line cost per electricity customer	\$ 83.73	\$ 55.69	\$ 50.63	\$ 52.74

**FIRST SCHEDULE - PART III**

**1. Energy delivery efficiency performance measures**

(a) Load Factor	56.71%	55.46%	62.42%	64.25%
(b) Loss Ratio	4.50%	4.34%	4.25%	3.96%
(c) Capacity Utilisation	35.15%	35.95%	30.04%	29.57%

## 2. Statistics

	1998	1997	1996	1995
(a) System length (in kilometers)				
400V	4,732.28	4,714.19	4,685.18	4,655.20
6.6kV	415.89	419.40	421.47	421.47
11kV	3,092.57	2,944.89	2,924.83	2,902.65
22kV	249.90	249.90	249.65	249.36
33kV	261.49	240.46	240.46	241.08
110kV	60.86	60.86	60.86	60.86
<b>Total</b>	<b>8,812.99</b>	<b>8,629.70</b>	<b>8,582.45</b>	<b>8,530.62</b>
(b) Total circuit length (in kilometers) of overhead electric lines				
400V	1,809.10	1,823.96	1,831.76	1,834.45
6.6kV	93.74	97.25	99.00	99.00
11kV	1,196.22	1,216.90	1,216.31	1,214.17
22kV	-	-	-	-
33kV	64.66	64.66	64.66	64.66
110kV	-	-	-	-
<b>Total</b>	<b>3,163.71</b>	<b>3,202.76</b>	<b>3,211.73</b>	<b>3,212.28</b>
(c) Total circuit length (in kilometers) of underground electric lines				
400V	2,923.19	2,890.23	2,853.42	2,820.75
6.6kV	322.15	322.15	322.47	322.47
11kV	1,896.35	1,727.99	1,708.52	1,688.48
22kV	249.90	249.90	249.65	249.36
33kV	196.83	175.80	175.80	176.42
110kV	60.86	60.86	60.86	60.86
<b>Total</b>	<b>5,649.28</b>	<b>5,426.93</b>	<b>5,370.72</b>	<b>5,318.34</b>

**FIRST SCHEDULE - PART III continued****2. Statistics continued**

	1998	1997	1996	1995
(d) Transformer capacity	2,657.45 MVA	2,613.45 MVA	2,835.24 MVA	2,535.58
(e) Maximum demand (in kilowatts)	934,154 kW	939,662 kW	851,656 kW	749,826
(f) Total electricity supplied from the system (in kilowatt hours)	4,432,166,623 kWh	4,367,119,190 kWh	4,453,647,269 kWh	4,052,907,567
(g) Total amount of electricity (in kilowatt hours) conveyed through the system on behalf of other persons, that are electricity retailers or generators, not being persons that are in a prescribed business relationship with Mercury Energy	244,212,463 kWh	107,232,001 kWh	24,953,175 kWh	4,323,226
(h) Total customers (average)	251,155	246,684	243,765	242,859

**FIRST SCHEDULE - PART IV****Reliability Performance Measures****Interruptions****1. Total number of Interruptions according to class:**

Class A Planned Trans Power interruption	-	-	-	-
Class B Planned interruption by a Line Operator (other than Trans Power)	274	104	239	454
Class C Unplanned interruption originating within the principal Line Owners works	490	662	475	466
Class D Unplanned Trans Power interruption	6	8	48	2
Class E Unplanned ECNZ interruption	-	-	-	-
Class F Unplanned interruption originating from a generator other than ECNZ	-	-	-	-
Class G Other	-	-	-	-
<b>Total</b>	<b>770</b>	<b>774</b>	<b>762</b>	<b>922</b>



## FIRST SCHEDULE - PART IV continued

## Reliability Performance Measures continued

	1998	1997	1996	1995
<b>Faults</b>				
2. Total number of faults per 100 circuit kilometers of prescribed voltage electric line	12.01	15.17	13.42	12.70
3. Number of faults per 100 circuit kilometers of prescribed voltage underground cables.				
6.6kV	1.86	0.93	0.93	0.93
11kV	8.70	10.24	7.14	5.26
22kV	3.60	2.40	4.81	2.41
33kV	8.13	4.55	1.14	3.41
110kV	13.14	14.79	4.93	3.29
<b>Total</b>	<b>7.48</b>	<b>8.00</b>	<b>5.64</b>	<b>4.24</b>
4. Number of faults per 100 circuit kilometers of prescribed voltage overhead lines.				
6.6kV	5.33	7.20	7.07	10.10
11kV	23.16	29.75	30.05	30.30
22kV	0.07	-	-	-
33kV	4.64	34.02	4.64	13.92
110kV	-	-	-	-
<b>Total</b>	<b>21.11</b>	<b>28.36</b>	<b>27.61</b>	<b>28.02</b>

**FIRST SCHEDULE - PART IV continued****Reliability Performance Measures continued**

	1998	1997	1996	1995
<b>SAIDI (System Average Interruption Duration Index)</b>				
5. The SAIDI for the total interruptions	153.32	123.77	120.77	125.83
6. The SAIDI for the total interruptions within each interruption class				
Class A Planned Trans Power interruption	-	-	-	-
Class B Planned interruption by a Line Operator (other than Trans Power)	35.41	12.34	21.07	39.73
Class C Unplanned interruption originating within the principal Line Owners works	117.91	95.34	94.71	82.48
Class D Unplanned Trans Power interruption	-	16.10	5.00	3.63
Class E Unplanned ECNZ interruption	-	-	-	-
Class F Unplanned interruption originating from a generator other than ECNZ	-	-	-	-
Class G Other	-	-	-	-
<b>SAIFI (System Average Interruption Frequency Index)</b>				
7. The SAIFI for the total interruptions	1.72	2.19	1.95	1.78
8. The SAIFI for the total interruptions within each interruption class				
Class A Planned Trans Power interruption	-	-	-	-
Class B Planned interruption by a Line Operator (other than Trans Power)	0.15	0.22	0.16	0.33
Class C Unplanned interruption originating within the principal Line Owners works	1.57	1.62	1.75	1.31
Class D Unplanned Trans Power interruption	-	0.36	0.05	0.14
Class E Unplanned ECNZ interruption	-	-	-	-
Class F Unplanned interruption originating from a generator other than ECNZ	-	-	-	-
Class G Other	-	-	-	-

**FIRST SCHEDULE - PART IV continued****Reliability Performance Measures continued****CAIDI (Electricity Customer Average Interruption Duration Index)**

	1998	1997	1996	1995
9. The CAIDI for the total interruptions	89.37	56.39	61.91	70.72
10. The CAIDI for the total interruptions within each interruption class				
Class A Planned Trans Power interruption	-	-	-	-
Class B Planned interruption by a Line Operator (other than Trans Power)	239.37	56.82	133.80	120.39
Class C Unplanned interruption originating within the principal Line Owners works	75.22	58.81	54.27	63.11
Class D Unplanned Trans Power interruption	-	45.11	103.40	25.45
Class E Unplanned ECNZ interruption	-	-	-	-
Class F Unplanned interruption originating from a generator other than ECNZ	-	-	-	-
Class G Other	-	-	-	-

Mercury Energy Limited and Subsidiaries

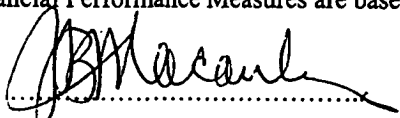
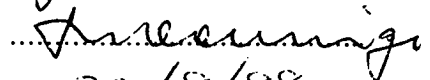
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES  
AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN  
TRANSPOWER**

We, James Macaulay and John Collinge..... directors, of Mercury Energy Limited, certify that, having made all the reasonable enquiry, to the best of our knowledge:

- a) The attached audited Financial Statements of Mercury Energy 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 Performance Measures, Statistics and Reliability Performance Measures in relation to Mercury Energy 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.

Signature of Directors:

  
 .....  
  
 .....  
 20/8/98  
 .....

Date:



■ Chartered Accountants

**To the Directors  
Mercury Energy Limited**

**Certification by Auditor in Relation to ODV Valuation**

**Auditors Report**

We have examined the valuation report prepared by Mercury Energy Limited, dated 24 July 1998, which contains valuations as at 31 March 1998 and identifies the ODV value of the system fixed assets at \$715,377,346.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report have in our opinion been made in accordance with the ODV Handbook.

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'. Below the signature is a horizontal line.

Ernst & Young  
Auckland

20 August 1998



■ Chartered Accountants

**To the Directors  
Mercury Energy Limited**

**Certification by Auditor in Relation to Financial Statements**

**Auditors Report**

We have examined the financial statements for the year ended 31 March 1998 on pages 1 to 26 prepared by Mercury Energy Limited and dated 20 August 1998 for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young  
Auckland

21 August 1998

**To the Directors  
Mercury Energy Limited**

## **Certification of Performance Measures by Auditors**

### **Auditors Report**

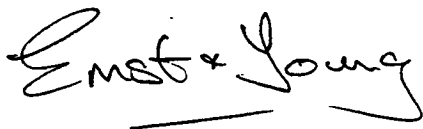
We have examined the attached information on page 27 being:

- 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;

which has been prepared by Mercury Energy Limited as at 31 March 1998 and is dated 20 August 1998, for the purposes of regulation 13 of those regulations.

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

This report is issued for the purposes of the Electricity (Information Disclosure) Regulations 1994 and is not to be used for any other purpose without our prior written consent.



Ernst & Young  
Auckland

21 August 1998



