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## TRANSALTA NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1994



**DISCLOSURE OF INFORMATION PURSUANT TO ELECTRICITY  
(INFORMATION DISCLOSURE) REGULATIONS 1994**

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*The information disclosed in the 1998 Information Disclosure package issued by TransAlta New Zealand Limited has been prepared solely for the purposes of the Electricity (Information Disclosure) Regulations 1994.*

*The information should not be used for any other purpose than that intended under the regulations.*



**PART ONE**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1998**

**Pursuant To Regulation 6 of the  
Electricity (Information Disclosure) Regulations 1994**

## TRANSALTA NEW ZEALAND LIMITED

Statement of Financial Performance  
For the Year Ended 31 March 1998

	Notes	Line Business		Energy Business	
		31-Mar-98 \$000	31-Mar-97 \$000	31-Mar-98 \$000	31-Mar-97 \$000
<b>Operating revenue</b>		<b>125,563</b>	<b>126,301</b>	<b>131,099</b>	<b>116,629</b>
<b>Expenses</b>					
Purchases and Transmission		32,550	46,775	118,136	98,651
Operating	3	24,023	40,600	15,448	18,963
Depreciation and amortisation	3	13,859	11,500	1,749	1,387
		<b>70,432</b>	<b>98,875</b>	<b>135,333</b>	<b>119,001</b>
<b>Operating earnings</b>		<b>55,131</b>	<b>27,426</b>	<b>(4,234)</b>	<b>(2,372)</b>
Interest and other income	2	2,817	5,680	3,841	4,356
Interest expense	3	26,529	13,083	62	300
<b>Earnings before income tax</b>		<b>31,419</b>	<b>20,023</b>	<b>(455)</b>	<b>1,684</b>
Income tax	4	11,625	7,285	(168)	1,025
<b>Earnings for the period</b>		<b>19,794</b>	<b>12,738</b>	<b>(287)</b>	<b>659</b>

*The attached notes form an integral part of, and should be read in conjunction with, these financial statements.*

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## TRANSALTA NEW ZEALAND LIMITED

Statement of Movements in Equity  
For the Year Ended 31 March 1998

	Notes	Line Business		Energy Business	
		31-Mar-98 \$000	31-Mar-97 \$000	31-Mar-98 \$000	31-Mar-97 \$000
Shareholders' funds at beginning of period		74,524	-	44,342	-
Issuance/Reallocation of share capital	5	(34,383)	75,464	(25,814)	46,248
Increase in asset revaluation reserve	6	23,983	-	-	-
Dividend paid		(8,957)	-	-	-
Earnings for period		19,794	(940)	(287)	(1,906)
<b>Shareholders' funds at end of period</b>		<b>74,961</b>	<b>74,524</b>	<b>18,241</b>	<b>44,342</b>
Capital notes at beginning of period		96,091	-	1,452	-
Reallocation of capital notes		1,452	96,091	(1,452)	1,452
<b>Capital notes at end of period</b>		<b>97,543</b>	<b>96,091</b>	<b>-</b>	<b>1,452</b>
<b>Shareholders' funds and capital notes at end of period</b>		<b>172,504</b>	<b>170,615</b>	<b>18,241</b>	<b>45,794</b>

*The attached notes form an integral part of, and should be read in conjunction with, these financial statements.*

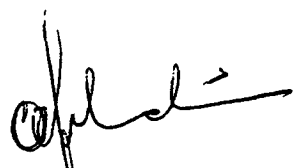
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## TRANSALTA NEW ZEALAND LIMITED

Statement of Financial Position  
As at 31 March 1998

	Notes	Line Business		Energy Business	
		31-Mar-98 \$000	31-Mar-97 \$000	31-Mar-98 \$000	31-Mar-97 \$000
<b>Equity</b>					
Share capital	5	41,081	75,464	20,434	46,249
Asset revaluation reserve	6	23,983	-	-	-
Retained earnings		9,897	(940)	(2,193)	(1,907)
Shareholders' funds		74,961	74,524	18,241	44,342
Capital notes	5	97,543	96,091	-	1,452
<b>Total shareholders' funds and capital notes</b>		<b>172,504</b>	<b>170,615</b>	<b>18,241</b>	<b>45,794</b>
<b>Energy Contracts</b>		-	-	26,000	-
<b>Non-current Liabilities</b>					
Bonds	15	189,387	186,568	-	2,819
<b>Current Liabilities</b>	8	<b>19,822</b>	<b>28,456</b>	<b>18,621</b>	<b>20,557</b>
<b>Total Equity and Liabilities</b>		<b>381,713</b>	<b>385,639</b>	<b>62,862</b>	<b>69,170</b>
<b>Fixed and Long Term Assets</b>	9				
Network		341,877	319,939	-	-
Other		5,330	4,127	46,997	49,335
		347,207	324,066	46,997	49,335
<b>Deferred Taxation Asset</b>	4	<b>246</b>	<b>525</b>	<b>418</b>	<b>293</b>
<b>Investments and Deferred Costs</b>	10	<b>-</b>	<b>-</b>	<b>952</b>	<b>1,282</b>
<b>Current Assets</b>	7	<b>34,260</b>	<b>61,048</b>	<b>14,495</b>	<b>18,260</b>
<b>Total Assets</b>		<b>381,713</b>	<b>385,639</b>	<b>62,862</b>	<b>69,170</b>



Derek Johnston Director  
28 August 1998



Don Huse Director  
28 August 1998

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**TRANSALTA NEW ZEALAND LIMITED****Notes to and forming part of the Financial  
Statements  
For the Year Ended 31 March 1998****Note 1: Statement of Accounting Policies****Reporting Entity**

TransAlta New Zealand Limited (the Company) was formed on 1 October 1996 following the amalgamation of EnergyDirect Corporation Limited and Capital Power Limited under the Companies Act 1993. The Company is a public company registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange. The Company is an issuer for the purposes of the Financial Reporting Act 1993.

The financial statements have been prepared in accordance with the methodology required by the Electricity (Information Disclosure) Regulations 1994, the Companies Act 1993, the Financial Reporting Act 1993, and in accordance with generally accepted accounting practice.

The Financial Statements have been extracted from the audited Financial Statements of TransAlta New Zealand Limited parent company.

The comparative figures have been extracted from the unaudited Financial Statements of Capital Power Limited for the six months ended 30 September 1996, EnergyDirect Corporation for the six months ended 30 September 1996, and the audited Financial Statements of TransAlta New Zealand Limited for the six months ended 31 March 1997.

Due to differences in accounting treatment between Capital Power Limited and EnergyDirect Corporation Limited some adjustments to historic figures have been required for consistency in presentation and reporting purposes.

**Electricity (Information Disclosure) Regulations 1994**

Where practical, all costs, revenues, assets and liabilities have been directly allocated to the appropriate Lines or Energy businesses. Other costs, revenues, assets and liabilities are allocated using the allocation bases in accordance with the guidelines, with the exception of cash and short term investments. These have been allocated on the basis of cash required to adequately fund the business units.

**Measurement Base**

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain assets as detailed below in the specific accounting policies. Accrual accounting is used to match revenues and expenses. Reliance is placed on the fact that the Company is a going concern.

**Specific Accounting Policies****a) Income Recognition**

Electricity sales represent customer usage during the financial period. Allowance is made for unbilled sales being unread meters and unbilled line charges as at balance date.

**b) Valuation of Fixed and Long Term Assets**

The fixed and long term assets of the Company, other than electricity network distribution assets, are stated at cost.

Electricity network distribution assets are stated at their current value. The current value approximates Optimised Deprival Value (ODV), which is the lower of a network's Optimised Depreciated Replacement Cost (ODRC) or its Economic Value (EV). The ODRC of an asset represents the cost of the most efficient asset capable of performing the same functions, depreciated for the age of the asset being valued. The EV of an asset is the greater of the net realisable value of that asset or the net present value of the future earnings from that asset.

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**TRANSALTA NEW ZEALAND LIMITED****Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998**

Fixed and Long Term Assets are depreciated on a straight line basis. Depreciation is provided on all fixed assets at rates calculated to allocate the cost of acquisition, less estimated residual value, over their estimated useful lives. Fixed and long term asset depreciation periods are:

	<b>Depreciation Period</b>
Electricity Distribution Assets	30-70 years
Energy Supply Assets	40 years
Leasehold Improvements	11 years
Motor Vehicles, Plant, Tools and Equipment	5 years
Office	5 years

Energy supply assets are intangible assets reflecting a conservative estimate of the assessed value of future net revenues from long term customers connected to the network and are amortised over their expected estimated useful life.

**c) Accounts Receivable**

Accounts receivable are stated at their estimated net realisable value.

**d) Inventories**

Inventories are valued at the lower of cost (determined on a weighted average basis) and net realisable value. Allowance is made for damaged and obsolete inventory.

**e) Other Investments**

Marketable securities and investments held for resale are stated at market value. Other investments are stated at cost with due allowance for any permanent reduction in value.

**f) Taxation**

Income tax expense is calculated using the liability method. Deferred tax is accounted for on a partial basis. Deferred tax assets are recognised only to the extent that there is virtual certainty of recovery.

**g) Operating Lease Payments**

Operating lease payments are expensed in the period in which they are incurred.

**h) Interest Capitalised During Construction**

Interest expense related to fixed assets under construction is included in the capital cost of the related asset.

**i) Deferred Costs**

Costs incurred by the Company to develop potential investments are deferred until an investment has been completed, at which time the costs are included with the investment. When it has been determined that an investment will not proceed, the related development costs are included in operating expenses.

Financing costs are amortised to earnings over the remaining life of the relevant lending facility.

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
*For the Year Ended 31 March 1998*

***j) Energy Contracts***

Amounts received upon assuming electricity hedge contracts from other parties are amortised over the term of the contracts.

***k) Financial Instruments***

The Company has entered into various financial instruments with off-balance sheet risk for the primary purpose of managing its exposure to fluctuations in interest rates and foreign currency exchange rates. While these 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 being hedged. These instruments are designated as, and are considered effective as, hedges. Any realised gains and losses on interest rate hedges are recognised as a component of interest expense in the statement of financial performance over the life of the hedge. Gains and losses on foreign exchange contracts are recognised as a component of the related transaction in the period the transaction is completed.

The Company has entered into electricity price hedging contracts in order to minimise the risk of price fluctuations on the electricity spot market. Assets, liabilities and any unrealised revenues and expenses associated with these instruments 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 incorporated as part of the purchase cost of electricity. Arbitrage gains and losses on specific, identifiable back to back contracts are recognised in the statement of financial performance when the contracts are executed.

***l) Changes in Accounting Policies***

The basis of valuing the electricity network distribution assets has been changed from cost to current value effective 1 April 1997. This change has resulted in an increase in the carrying value of network distribution assets and a corresponding increase in the asset revaluation reserve of \$23,983,000. Due to increased asset lives, there is no material impact on the depreciation charge.

There have been no other changes in accounting policies during the period.

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

## Note: 2 Interest and Other Income

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Interest on cash and short term investments	1,496	1,667	104	557
Application fees	-	-	979	401
Customer contributions	979	438	-	-
Gain on sale of fixed assets	238	-	(8)	-
Other income	104	3,575	3,602	2,958
Share of associate's loss after tax	-	-	(836)	(560)
Distribution received from associate	-	-	-	1,000
<b>Total Interest and Other Income</b>	<b>2,817</b>	<b>5,680</b>	<b>3,841</b>	<b>4,356</b>

## Note: 3 Expenses

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
<b>Operating Expenses</b>				
Operating	22,614	39,211	14,111	18,062
Amounts paid to auditors for audit fees	34	66	40	60
Amounts paid to auditors for other services	94	98	-	87
Bad debts	394	592	531	560
Provision for doubtful debts	70	(313)	70	(286)
Donations	147	135	145	122
Directors' fees and expenses	138	133	162	122
Rental and operating lease costs	532	678	389	236
<b>Total Operating Expenses</b>	<b>24,023</b>	<b>40,600</b>	<b>15,448</b>	<b>18,963</b>
<b>Interest</b>				
Interest expense	26,771	13,083	62	300
Less interest capitalised	(242)	-	-	-
<b>Total Interest</b>	<b>26,529</b>	<b>13,083</b>	<b>62</b>	<b>300</b>
<b>Depreciation and amortisation</b>				
Depreciation	13,859	11,500	613	824
Amortisation of energy supply asset	-	-	1,136	563
<b>Total Depreciation and Amortisation</b>	<b>13,859</b>	<b>11,500</b>	<b>1,749</b>	<b>1,387</b>

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

## Note: 4 Taxation

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
<b>Current Period Tax Expense</b>				
Operating surplus before tax	31,419	20,023	(455)	1,684
Prima facie taxation at 33%	10,368	6,608	(150)	556
Plus tax effect of permanent differences	1,257	677	(18)	469
<b>Tax expense</b>	<b>11,625</b>	<b>7,285</b>	<b>(168)</b>	<b>1,025</b>

The tax expense is represented by:

Current tax	11,346	3,284	(43)	1,087
Deferred tax	279	4,001	(125)	(62)
	<b>11,625</b>	<b>7,285</b>	<b>(168)</b>	<b>1,025</b>

**Deferred Tax Reconciliation**

Balance at beginning of period	525	4,526	293	231
Movements during the period	(279)	(4,001)	125	62
<b>Balance at end of period</b>	<b>246</b>	<b>525</b>	<b>418</b>	<b>293</b>

Deferred tax liabilities are not provided for if there is a reasonable probability that the deferred tax liability will not be payable in the foreseeable future.

## Note: 5 Share Capital and Capital Notes

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Share capital	41,081	75,464	20,434	46,249
Capital notes	97,543	96,091	-	1,452

**Capital Notes**

The Capital Notes were issued under a Trust Deed between the company and The New Zealand Guardian Trust Company Limited as trustee. The Capital Notes are unsecured, subordinated, fixed interest securities of the parent company issued at a face value of \$1.00 (the "Principal Value"). The Notes are subject to early redemption or conversion at the option of the company on 1 October each year prior to 1 October 2001 (the "Maturity Date"). Noteholders may be required to convert their Capital Notes into ordinary shares of the company on the "Maturity Date" at a value equal to the Principal Value plus accrued and unpaid interest on the Capital Notes. For this purpose, ordinary shares will be valued at 98% average sell price quoted on the New Zealand Stock Exchange at the close of trading for the 10 business days prior to conversion.

Alternatively, the company may elect to purchase, redeem, or extend the terms of the Capital Notes on the Maturity Date. Noteholders can trade their Capital Notes on the New Zealand Stock Exchange. The interest rate on the Capital Notes is 9.84% per annum, payable semi-annually in arrears on 1 April and 1 October each year, beginning 1 April 1997.

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

## Note: 6 Asset Revaluation Reserve

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Balance at beginning of period	-	-	-	-
Revaluation of network distribution assets	23,983	-	-	-
Balance at end of period	23,983	-	-	-

## Note: 7 Current Assets

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Cash and short term investments	22,982	20,275	(301)	2,128
Loans and advances	-	171	-	144
Accounts receivable	9,872	17,638	14,798	14,854
Inventories	1,406	2,977	32	335
Prepaid tax	-	910	-	511
Assets intended for sale <sup>1</sup>	-	19,077	(34)	288
<b>Total Current Assets</b>	<b>34,260</b>	<b>61,048</b>	<b>14,495</b>	<b>18,260</b>

<sup>1</sup> This amount reflects the estimated net realisable value of assets of the Company which have been identified as being surplus to its requirements.

## Note: 8 Current Liabilities

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Bank overdraft	-	1,335	-	1,124
Purchases	-	3,876	6,111	8,716
Other creditors and accruals	5,861	4,020	7,970	2,224
Payable to related parties (Note 14)	-	-	4,228	4,833
Accrued interest	13,085	12,982	-	125
Provision for taxation	-	-	(93)	71
Provisions	-	4,933	-	2,823
Provision for employee entitlements	876	1,310	405	641
<b>Total Current Liabilities</b>	<b>19,822</b>	<b>28,456</b>	<b>18,621</b>	<b>20,557</b>

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

## Note: 9 Fixed and Long Term Assets

Line Business	31-Mar-98			31-Mar-97		
	Cost / Current Value \$000	Accumulated depreciation and amortisation \$000	Net Book Value \$000	Cost / Current Value \$000	Accumulated depreciation and amortisation \$000	Net Book Value \$000
<b>Network assets at valuation</b>						
Electricity distribution	345,521	12,242	333,279	319,738	6,004	313,734
Capital work in progress	8,598	-	8,598	6,205	-	6,205
	354,119	12,242	341,877	325,943	6,004	319,939
<b>Other assets at cost</b>						
Other fixed assets	7,748	2,418	5,330	5,202	1,075	4,127
	7,748	2,418	5,330	5,202	1,075	4,127
<b>Total Fixed and Long Term Assets</b>	<b>361,867</b>	<b>14,660</b>	<b>347,207</b>	<b>331,145</b>	<b>7,079</b>	<b>324,066</b>

The last independent valuation of Network assets was completed effective 1 April 1997. Price Waterhouse certified the valuation of the electricity network as appropriate for inclusion in the financial statements. All subsequent additions are at cost.

Capital work in progress includes \$242,000 of interest capitalised during the year.

Energy Business	31-Mar-98			31-Mar-97		
	Cost / Current Value \$000	Accumulated depreciation and amortisation \$000	Net Book Value \$000	Cost / Current Value \$000	Accumulated depreciation and amortisation \$000	Net Book Value \$000
<b>Other assets at cost</b>						
Energy supply asset	45,000	1,687	43,313	45,000	563	44,437
Other fixed assets	4,372	1,108	3,264	5,595	697	4,898
Capital work in progress	420	-	420	-	-	-
<b>Total Fixed and Long Term Assets</b>	<b>49,792</b>	<b>2,795</b>	<b>46,997</b>	<b>50,595</b>	<b>1,260</b>	<b>49,335</b>

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

## Note: 10 Investments and Deferred Costs

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Investments:				
Pacific Energy Limited (ii)	-	-	-	836
Other	-	-	952	23
	-	-	952	859
Deferred costs:				
Deferred financing costs	-	-	-	-
Deferred development costs	-	-	-	423
	-	-	-	423
<b>Total Investments and Deferred Costs</b>	-	-	952	1,282

## (ii) Investment in Pacific Energy Limited

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Balance at beginning of period	-	-	836	2,396
Share of loss for the period	-	-	(371)	(560)
Dividend received	-	-	-	(1,000)
Provision for loss on sale	-	-	(465)	-
Balance at end of period	-	-	-	836
Net assets comprise:				
Gross assets	-	-	30,766	36,826
Gross liabilities	-	-	(28,904)	(33,482)
Net assets	-	-	1,862	3,344
The Group's 25% share	-	-	465	836
Provision for loss <sup>1</sup>	-	-	(465)	-
	-	-	-	836

<sup>1</sup> The provision for loss has been made to adjust the carrying value of the investment to its estimated net realisable value.

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**TRANSALTA NEW ZEALAND LIMITED****Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998****Note: 11 Financial Instruments****1. Electricity Price Hedging Contracts****Wholesale Electricity Market Risk**

The basis upon which electricity is purchased and on-sold to customers results in the Company having exposure to electricity market price risk. The Company enters into hedge contracts to manage its exposure to market price risk. The Company has a Risk Management Policy to manage these risks that is reviewed by a committee of the Board of Directors.

On maturity of the electricity hedge contracts any difference between the contract price and the spot market price is settled between the Company and the counterparty. If the spot market price is greater than the contract price, the counterparty must settle the difference with the Company. Conversely, if the spot market price is less than the contract price the Company must settle the difference with the counterparty.

**Credit Risk**

The Company has credit risk on any difference between the spot price and the contract price, where on maturity of these contracts the spot price is greater than the contract price. The Company does not anticipate any non-performance of any obligations that may exist on maturity of these contracts.

**Fair Value**

The fair value of electricity price hedge contracts varies in accordance with the market price for electricity. As at balance date the secondary market for electricity price hedge contracts was not sufficiently active to provide a reliable measure of the fair value of the Company's hedge contracts.

**Face Value**

The face value of electricity hedging contracts amounted to \$419,715,000.

**Carrying Value**

As at 31 March 1998, the carrying value of electricity contracts is included in receivables, \$2,166,000 (31 March 1997, \$616,000) and in energy contracts \$26,000,000 (31 March 1997 \$nil).

**2. Other Financial Instruments**

The Company has a Treasury Policy to manage the risk associated with other financial instruments that is reviewed by a committee of the Board of Directors.

**Credit Risk**

Other financial instruments that potentially subject the Company to credit risk principally consist of accounts receivable, bank balances, short-term investments and interest rate swaps.

The Company completes credit evaluations on customers where possible and requires a bond to be paid when customers cannot demonstrate an adequate credit history.

The Company monitors the credit quality of the counterparties to its off-balance sheet financial instruments and does not anticipate non-performance by the counterparties.

Short term investments are made with financial institutions and other organisations with a minimum credit rating of A long term and A-1 short term from Standards & Poors (or equivalent rating). The Company also has a limit on concentration of investments with any one institution or organisation.

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*The information should not be used for any other purpose than that intended under the regulations.*

## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

Maximum exposures to credit risk included in the statement of financial position are:

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Cash and short term investments	22,982	20,275	(301)	2,128
Loans and advances	-	171	-	144
Accounts receivable	9,872	17,638	14,798	14,854

The above maximum exposures are net of any recognised provision for losses on these financial instruments.

The Company is not exposed to any significant concentrations of credit risk.

**Interest Rate Risk**

The Company is exposed to interest rate risk on its short-term investments and on its borrowings.

The risk with respect to short-term investments is managed by diversification of investments and within exposure limits in accordance with the Treasury Policy.

The Company enters into financial instruments to manage the interest rate risk in relation to its borrowings in accordance with the Treasury Policy.

**Fair Values**

Line Business	31-Mar-98			31-Mar-97		
	Face Value	Fair Value	Carrying Value	Face Value	Fair Value	Carrying Value
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and short term investments	23,100	23,035	22,982	20,363	19,177	20,275
Capital notes	97,543	100,605	97,543	96,091	92,447	96,091
Bonds	189,387	195,797	189,387	186,568	182,464	186,568
Interest rate swaps	136,070	(584)	(133)	-	-	-

Energy Business	31-Mar-98			31-Mar-97		
	Face Value	Fair Value	Carrying Value	Face Value	Fair Value	Carrying Value
	\$000	\$000	\$000	\$000	\$000	\$000
Cash and short term investments	(303)	(302)	(301)	2,137	2,013	2,128
Capital notes	-	-	-	1,452	1,397	1,452
Bonds	-	-	-	2,820	2,758	2,819

The carrying value of accounts receivable and accounts payable are equal to their fair value.

**Currency Risk**

The Company has no significant exposure to currency risk at 31 March 1998.

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## TRANSALTA NEW ZEALAND LIMITED

Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998

## Note: 12 Commitments

	Line Business		Energy Business	
	31-Mar-98	31-Mar-97	31-Mar-98	31-Mar-97
	\$000	\$000	\$000	\$000
Capital expenditure contracted for at balance date	1,711	4,063	-	61
Lease commitments under non-cancellable operating leases are:				
Not later than one year	534	2,453	391	37
Later than one year and not later than two years	493	2,429	360	37
Later than two years and not later than five years	1,142	4,533	835	69
Later than five years	-	225	-	3
<b>Total lease commitments</b>	<b>2,169</b>	<b>9,640</b>	<b>1,586</b>	<b>146</b>

## Note: 13 Contingent Liabilities

## Guarantees

The company has provided guarantees in the normal course of business of approximately \$23,375,000 to third parties in respect of electricity purchases by its associate company Pacific Energy Limited.

## Note: 14 Related Party Transactions

The immediate parent company of TransAlta New Zealand Limited is TransNewZealand Energy Limited and the ultimate controlling party is TransAlta Energy Corporation collectively referred to as the "TEC Group."

The Company had the following transactions with related parties during the period:

	31-Mar-98	31-Mar-98
	\$000	\$000
<b>TEC Group</b>		
Paid and accrued for services provided with respect to the installation and implementation of a new electricity network automated asset information and management system.	500	-
Interest paid and accrued on capital notes	6,017	-
Management fees paid	345	361
<b>Pacific Energy Limited</b>		
Electricity purchases paid	-	51,755
Purchases payable	-	4,228

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

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**TRANSALTA NEW ZEALAND LIMITED****Notes to and forming part of the Financial  
Statements (Continued)  
For the Year Ended 31 March 1998****Note: 15 Non-Current Liabilities****Bonds**

Bonds were issued under a Trust Deed between the company and The New Zealand Guardian Trust Company Limited as trustee. The Bonds constitute unsecured, unsubordinated, fixed interest securities of the parent company at a face value of \$1.00 each. The Bonds were issued on 1 October 1996 in two tranches of \$110,843,725 each, maturing on 1 October 2003 and 1 October 2006. The interest rates on the Bonds are 8.81% and 8.86% respectively, payable semi-annually in arrears on 1 April and 1 October each year, beginning 1 April 1997. The company may, at any time, purchase Bonds for its own account, which may be cancelled or reissued. The company did not repurchase or cancel Bonds in the period to 31 March 1998, (31 March 1997 \$6,474,000).

Bondholders have an option to elect early redemption of the Principal Value and accrued and unpaid interest on their Bonds six months before their maturity date. If Bondholders do not elect early redemption the Parent Company has the option, on maturity date, to redeem the Bonds for cash, or to convert the Bonds into ordinary shares. The conversion price will be 95% of the weighted average price of the Parent Company's ordinary share traded during the 10 business days proceeding maturity date.

**Note: 16 Events After balance Date**

There were no significant events after balance date.

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**PART TWO**

**PERFORMANCE MEASURES AND STATISTICS  
FOR THE YEAR ENDED 31 MARCH 1998**

**Pursuant To Regulations 13,14,15 and 16 of the  
Electricity (Information Disclosure) Regulations 1994**

## TRANSALTA NEW ZEALAND LIMITED

Performance Measures and Statistics  
For the Year Ended 31 March 1998*Regulations 13 and 14*1. Financial Performance Measures <sup>(1)</sup>

	31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
	%	%	%	%
Accounting Return on Total Assets	15.0	8.5 <sup>2</sup>	8.0	5.1
Accounting Return on Equity	21.8	4.6 <sup>2</sup>	4.8	2.7
Accounting Rate of Profit	7.0	5.9 <sup>2</sup>	6.4	3.9

2. The financial performance measures for the year ended 31 March 1997 have been restated to conform to the current years classification of other fixed and long term assets.

## 3. Efficiency Performance Measures

	31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
	\$	\$	\$	\$
Direct Line Cost per Kilometre	1,786.91	2,218.89	3,039.02	2,841.21
Indirect Line Costs per Electricity Customer	119.13	228.40	87.68	69.79

## 4. Optimised Deprival Valuation

The Optimised Deprival Valuation (31 March 1997) is 316.57m.

*Regulation 15*

## 5. Energy Delivery Efficiency Performance Measures

	31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
	%	%	%	%
Load Factor	52.84	54.18	49.86	51.48
Loss Ratio	5.12	5.04	4.76	4.52
Capacity Utilisation	41.03	41.87	44.05	41.57

(1) The comparative figures are an amalgam of the previous antecedent companies' figures.

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## TRANSALTA NEW ZEALAND LIMITED

Performance Measures and Statistics (Continued)  
For the Year Ended 31 March 1998

## 6. Line Lengths

		31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
		kms	kms	kms	kms
Overhead circuit	33kV	56	57	58	65
	11kV	660	662	681	691
	400V	919	924	953	969
	Total	1,635	1,643	1,692	1,725
Underground circuit	33kV	168	168	161	158
	11kV	939	921	883	871
	400V	1,185	1,165	1,143	1,120
	Total	2,292	2,254	2,187	2,149
Total circuit length	33kV	224	225	219	223
	11kV	1,600	1,583	1,564	1,562
	400V	2,104	2,089	2,096	2,089
	Total	3,928	3,897	3,879	3,874
Transformer Capacity (kVA)		1,170,820	1,152,162	1,137,663	1,132,315
Maximum Demand (kW)		480,400	482,400	501,200	470,740
Total Electricity supplied by system (kWh)		2,109,952,147	2,174,001,382	2,084,727,706	2,026,976,203
Total Electricity conveyed by System for other persons (kWh)		31,711,974	33,814,617	74,714,191	58,315,342
Total Customers (average for year)		142,736	142,358	141,042	141,595

## Regulation 16

## 7. Total Number Of Interruptions And Breakdowns By Interruption Class

Type of interruption	Class	31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
Planned - Transpower	A	-	-	-	-
Planned - TransAlta	B	85	78	138	123
Unplanned - TransAlta	C	239	278	282	323
Unplanned - Transpower	D	1	4	8	10
Unplanned - ECNZ	E	-	-	-	-
Unplanned - Other	F	-	-	-	-
Any other interruption	G	-	-	-	-
TOTAL: All Interruptions		325	360	428	456

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## TRANSALTA NEW ZEALAND LIMITED

Performance Measures and Statistics (Continued)  
For the Year Ended 31 March 1998

## 8. Number Of Faults Per 100 Circuit Kms

		31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
		kms	kms	kms	kms
Overhead circuit	100kV	-	-	-	-
	66kV	-	-	-	-
	33kV	5.40	2.30	6.90	3.10
	11kV	25.70	30.80	33.60	41.00
	6.6kV	-	-	-	-
	3.3kV	-	-	-	-
	Total	24.20	28.90	31.50	37.70
Underground circuit	100kV	-	-	-	-
	66kV	-	-	-	-
	33kV	3.00	2.20	2.30	0.90
	11kV	6.30	7.50	0.30	4.60
	6.6kV	-	-	-	-
	3.3kV	-	-	-	-
	Total	5.80	6.40	4.60	3.90
All circuits	100kV	-	-	-	-
	66kV	-	-	-	-
	33kV	3.60	2.20	2.30	0.90
	11kV	14.30	7.20	17.60	20.70
	6.6kV	-	-	-	-
	3.3kV	-	-	-	-
	Total	13.00	15.40	15.80	18.20

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## TRANSALTA NEW ZEALAND LIMITED

Performance Measures and Statistics (Continued)  
For the Year Ended 31 March 1998

## 9. Breakdown Of Statistics By Interruption Class

Type of interruption	Class	31-Mar-98	31-Mar-97	31-Mar-96	31-Mar-95
<b>SAIDI (Minutes)</b>					
Planned - Transpower	A	-	-	-	-
Planned - TransAlta	B	9.06	5.99	14.03	18.89
Unplanned - TransAlta	C	19.26	24.08	22.05	31.81
Unplanned - Transpower	D	0.15	7.16	13.97	2.95
Unplanned - ECNZ	E	-	-	-	-
Unplanned - Other	F	-	-	-	-
Any other interruption	G	-	-	-	-
<b>TOTAL: All Interruptions</b>		<b>28.47</b>	<b>37.23</b>	<b>50.06</b>	<b>53.66</b>
<b>SAIFI (Interruptions)</b>					
Planned - Transpower	A	-	-	-	-
Planned - TransAlta	B	0.07	0.17	0.14	0.13
Unplanned - TransAlta	C	0.48	0.56	0.36	0.52
Unplanned - Transpower	D	0.04	0.58	1.08	0.68
Unplanned - ECNZ	E	-	-	-	-
Unplanned - Other	F	-	-	-	-
Any other interruption	G	-	-	-	-
<b>TOTAL: All Interruptions</b>		<b>0.59</b>	<b>1.31</b>	<b>1.58</b>	<b>1.32</b>
<b>CAIDI (Minutes)</b>					
Planned - Transpower	A	-	-	-	-
Planned - TransAlta	B	138.88	36.22	100.08	151.03
Unplanned - TransAlta	C	40.27	43.20	60.92	61.41
Unplanned - Transpower	D	4.00	12.40	12.99	4.37
Unplanned - ECNZ	E	-	-	-	-
Unplanned - Other	F	-	-	-	-
Any other interruption	G	-	-	-	-
<b>TOTAL: All Interruptions</b>		<b>49.02</b>	<b>28.58</b>	<b>31.73</b>	<b>40.69</b>

The information disclosed in the 1998 Information Disclosure package issued by TransAlta New Zealand Limited has been prepared solely for the purposes of the Electricity (Information Disclosure) Regulations 1994.

The information should not be used for any other purpose than that intended under the regulations.

**TRANSALTA**



**TRANSALTA NEW ZEALAND LIMITED**

**PART THREE**

**CERTIFICATION  
FOR THE YEAR ENDED 31 MARCH 1998**

**Pursuant To Regulations 25 and 26 of the  
Electricity (Information Disclosure) Regulations 1997**





**CERTIFICATION OF FINANCIAL STATEMENTS,  
PERFORMANCE MEASURES, AND STATISTICS  
DISCLOSED BY TRANSALTA NEW ZEALAND LIMITED**

We, Derek Arthur Johnston and Donald William Huse, directors of TransAlta New Zealand Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of TransAlta New Zealand 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 TransAlta New Zealand 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 as at 31 March 1997.

A handwritten signature in black ink, appearing to read "Derek Johnston", written over a horizontal line.

Derek Arthur Johnston  
Chairman  
28 August 1998

A handwritten signature in black ink, appearing to read "Donald Huse", written over a horizontal line.

Donald William Huse  
Director  
28 August 1998

TRANSALTA NEW ZEALAND LIMITED

**Deloitte Touche  
Tohmatsu**



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**Chartered Accountants**

Deloitte House  
61 Molesworth Street  
Wellington  
New Zealand

PO Box 1990  
Telephone 64-4-472 1677  
Facsimile 64-4-472 8023

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

We have examined the attached financial statements prepared by TransAlta New Zealand Limited and dated 28 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.

*Deloitte Touche Tohmatsu*

Deloitte Touche Tohmatsu  
Chartered Accountants  
Wellington  
New Zealand

28 August 1998

**Deloitte Touche  
Tohmatsu**



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**Chartered Accountants**

Deloitte House  
61 Molesworth Street  
Wellington  
New Zealand

PO Box 1990  
Telephone 64-4-472 1677  
Facsimile 64-4-472 8023

**CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS**

We have examined the attached information, being

- (a) Financial performance measures specified in clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and
- (b) Financial components of the efficiency performance measures specified in clause 2 of Part II of that Schedule, and having been prepared by TransAlta New Zealand Limited and dated 28 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, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1994.

*Deloitte Touche Tohmatsu.*

Deloitte Touche Tohmatsu  
Chartered Accountants  
Wellington  
New Zealand

28 August 1998



■ Chartered Accountants

## Auditor's Report

To the Directors of TransAlta New Zealand Limited

### Re-certification by Auditor in Relation to ODV Valuation

We have examined the attached valuation report prepared by P Hawkey of TransAlta New Zealand Limited and dated 14 August 1998, which contains systems fixed asset valuations as at 31 March 1997.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the updated valuations contained in the report in our opinion, have been made in accordance with the ODV Handbook (2<sup>nd</sup> Edition).

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'.

Wellington  
26 August 1998

