

# New Zealand Gazette

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## BAY OF PLENTY ELECTRICITY LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999

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**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**STATEMENT OF FINANCIAL PERFORMANCE**

For the Year Ended 31 March 1999

	NOTE	Lines Business 1999 \$000	Lines Business 1998 \$000
Operating Revenue	2,16	25,921	23,975
Operating Expenses	2,16	(16,589)	(18,628)
<b>Earnings before Interest and Taxation</b>	2,16	<b>9,332</b>	<b>5,347</b>
Interest Expense (Net)	3	(3,560)	(589)
<b>Operating Surplus before Taxation</b>		<b>5,772</b>	<b>4,758</b>
Income Tax Expense	4	(1,885)	(1,509)
<b>Net Profit After Taxation</b>		<b>3,887</b>	<b>3,249</b>
<b>Surplus Attributable to Shareholders of Bay of Plenty Electricity Limited</b>		<b>3,887</b>	<b>3,249</b>

**BAY OF PLENTY ELECTRICITY LIMITED****Financial Statements for the purposes of the  
Electricity (Information Disclosure) Regulations 1999****STATEMENT OF FINANCIAL POSITION**

As at 31 March 1999

	NOTE	Lines Business 1999 \$000	Lines Business 1998 \$000
<b>Current Assets</b>			
Cash at Bank		1,267	83
Short Term Deposits		39,396	179
Accounts Receivable	8	2,960	3,599
Taxation Receivable	4	430	(91)
Fixed Assets Sold after Balance Date	20	738	-
Inventory		440	432
<b>Total Current Assets</b>		<b>45,231</b>	<b>4,202</b>
<b>Non Current Assets</b>			
Fixed Assets	9	66,195	73,575
<b>Total Non Current Assets</b>		<b>66,195</b>	<b>73,575</b>
<b>Total Tangible Assets / Total Assets</b>		<b>111,426</b>	<b>77,777</b>
<b>Current Liabilities</b>			
Accounts Payable and Accruals	10	1,579	2,507
Current Portion of Term Loan	11	11,500	2,000
Provision for Final Dividend	12	978	1,301
<b>Total Current Liabilities</b>		<b>14,057</b>	<b>5,808</b>
<b>Funding</b>			
<b>Shareholders' Equity</b>			
Share Capital	6	12,892	12,900
Reserves	7	47,148	48,767
Retained Earnings	5	4,825	1,204
<b>Total Shareholders' Equity</b>		<b>64,865</b>	<b>62,871</b>
<b>Non Current Liabilities</b>			
Term Loans	11	31,500	8,500
Deferred Taxation	4	1,004	598
<b>Total Non Current Liabilities</b>		<b>32,504</b>	<b>9,098</b>
<b>Total Funding</b>		<b>97,369</b>	<b>71,969</b>
<b>Total Liabilities</b>		<b>46,561</b>	<b>14,906</b>
<b>Total Equity and Liabilities</b>		<b>111,426</b>	<b>77,777</b>

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 1999

	<b>Lines Business 1999 \$000</b>
<b>Cash Flow from Operating Activities</b>	
Cash was provided from:	
Receipts from Customers	26,211
Net Goods and Services Tax Received	27
Interest from Short Term Deposits	98
	<hr/> 26,336
Cash was applied to:	
Payments to Suppliers and Employees	(15,137)
Interest Paid	(3,697)
Income Tax Paid	(2,000)
	<hr/> (20,834)
<b>Net Cash Inflow from Operating Activities</b>	<hr/> <b>5,502</b> <hr/>
<b>Cash Flow from Investing Activities</b>	
Cash was provided from:	
Proceeds from the Sale of Meters and Relays	4,484
Proceeds from the Sale of Other Fixed Assets	2,743
Cash was applied to:	
Purchases and Construction of Fixed Assets	(2,612)
<b>Net Cash Outflow to Investing Activities</b>	<hr/> 4,615 <hr/>
<b>Cash Flow From Financing Activities</b>	
Cash was provided from:	
Additional Term Debt	32,500
Cash was applied to:	
Dividends Paid	(2,208)
Advances to subsidiaries	(8)
<b>Net Cash Inflow from (Outflow to) Financing Activities</b>	<hr/> 30,284 <hr/>
Net Movement in Cash Held	40,401
Add Opening Cash	262
<b>Closing Cash Carried Forward</b>	<hr/> <b>40,663</b> <hr/>
<i>Represented by:</i>	
Cash at Bank	1,267
Short Term Deposits	39,396
<b>Closing Cash Carried Forward</b>	<hr/> <b>40,663</b> <hr/>

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**STATEMENT OF CASH FLOWS**

For the Year Ended 31 March 1999

**Reconciliation of Surplus Attributable to Shareholders to Cash Flow From Operating Activities**

	Lines Business 1999 \$000
<b>Surplus Attributable to Shareholders</b>	<b>3,887</b>
<hr/>	
Add/(Less) Items Classified as Investing and Financing Activities:	
Net Gain on Sale of Fixed Assets	(197)
Accounts Payable and Accruals that relate to the Purchase of Fixed Assets	498
Add/(Less) Non-Cash Items:	
Depreciation	1,726
Increase/(Decrease) in Deferred Taxation Liability	406
	<hr/> 2,433
Add/(Less) Movements in Working Capital Items:	
Decrease/(Increase) in Accounts Receivable	639
Increase/(Decrease) in Accounts Payable and Accruals	(928)
Decrease/(Increase) in Inventory	(8)
Increase/(Decrease) in Income Tax Receivable	(521)
	<hr/> (818)
<b>Net Cash Flow from Operating Activities</b>	<b>5,502</b>
<hr/>	

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**STATEMENT OF MOVEMENTS IN EQUITY**  
For the Year Ended 31 March 1999

	<b>Lines Business 1999 \$000</b>
<b>Opening Equity</b>	<b>62,871</b>
<hr/>	
Plus	
Surplus Attributable to Shareholders	3,887
Movement in shares held by BOPE Trustee Ltd	(8)
Less	
Dividends Paid and Proposed	(1,885)
<hr/>	
<b>Equity as at 31 March</b>	<b>64,865</b>
<hr/>	

# BAY OF PLENTY ELECTRICITY LIMITED

## Financial Statements for the purposes of the Electricity (Information Disclosure) Regulations 1999

### Notes to the Financial Statements for the 12 months ended 31 March 1999

#### 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

#### A General Accounting Policies

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

#### B Particular Accounting Policies

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

##### i) Revenue

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

##### ii) Depreciation

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

##### iii) Investments

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

Investments in subsidiaries are stated at cost.

Dividend income is accounted for on a cash basis.

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

##### iv) Fixed Assets

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

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

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

##### v) Inventories

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

##### vi) Accounts Receivable

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

##### vii) Taxation

The Group follows the liability method of accounting for deferred taxation.

The taxation charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for all permanent differences. This is the comprehensive basis for the calculation of deferred taxation.

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

##### viii) Statement of Cash Flows

The following are the definitions of the terms used in the statement of cash flows:

- a) Cash is considered to be cash on hand, short term deposits and current accounts in banks, net of bank overdrafts.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those activities which result in changes in the size and composition of the capital of the group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- d) Operating activities include all transactions and other events that are not investing or financing activities.

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**Notes to the Financial Statements**  
**for the 12 months ended 31 March 1999**

**ix) Financial Instruments**

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

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

**x) Research and Development**

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

**xi) Foreign Currency**

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

**xii) Comparatives**

The statements and notes do not restate comparatives or provide comparatives for new disclosure items per the Electricity (Information Disclosure) Regulations 1999.

**C. Changes in Accounting Policies**

There are no changes in accounting policies.



**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
<b>2 OPERATING SURPLUS BEFORE TAXATION ITEMS</b>		
Operating revenue includes the following items:		
External Income		23,975
New revenue disclosure items :		
Revenue from line access charges invoiced to final consumers	24,741	
Gain on Sale of Fixed Assets	350	
AC loss-rental rebates	830	
Operating expenditure comprises the following items:		
Transmission Charges - External	5,656	6,307
Avoided transmission charges on account of own generation	3,065	3,041
Expenses to non-related entities for asset maintenance services	1,211	1,014
Line Losses - Internal		1,026
Personnel	1,652	2,032
Plant, Equipment & Property		125
Bad Debts Written Off	42	26
Directors' Remuneration	139	102
Donations	-	38
Rental and Operating Lease Obligations (refer note 14)	15	9
Depreciation on System Fixed Assets	1,298	
Depreciation on Other Fixed Assets	428	
Total Depreciation	1,726	1,880
Other Operating Costs	1,402	2,999
New expenditure disclosure items :		
Loss on Sale of Fixed Assets	153	
Auditors' Remuneration and Expenses (refer note 15)	45	29
Customer Billing and Information System	394	
Total Corporate and Administration Expense	733	
Total Human Resource Expenditure	82	
Marketing / Advertising	2	
Consultancy and Legal Expenses	272	
<b>3 INTEREST</b>		
Net Interest comprises:		
Interest Expense	3,658	621
Interest Income	(98)	(32)
<b>Net Interest</b>	<b>3,560</b>	<b>589</b>

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
<b>4 INCOME TAX</b>		
<i>Income Tax Expense</i>		
The taxation expense has been calculated as follows:		
<b>Operating Surplus before Taxation</b>	<b>5,772</b>	<b>4,758</b>
Income Tax on Surplus for the year at 33%	1,905	1,570
Plus/(Less) Permanent Differences		(61)
Non-Deductible Depreciation on revalued portion of fixed assets	237	
Non-Deductible Expenses	37	
Non-Taxable Income	(294)	
<b>Income Tax Expense</b>	<b>1,885</b>	<b>1,509</b>
Income Tax Expense comprises:		
Tax Payable in respect of current year	1,479	1,235
Deferred Taxation	406	274
<b>Income Tax Expense</b>	<b>1,885</b>	<b>1,509</b>
<i>Deferred Taxation</i>		
Opening Balance	598	324
Deferred tax in respect of current year	406	274
<b>Balance as at 31 March</b>	<b>1,004</b>	<b>598</b>
The Group has not recognised deferred taxation on cumulative timing differences on Revalued Assets of \$12,718,494 (1998 \$13,800,381) as these are not expected to reverse in the foreseeable future. The tax effect of these timing differences not recognised is \$4,197,103 (1998 \$4,554,126).		
<i>Taxation Payable</i>		
Income Tax Payable (Prepaid) comprises:		
Opening Balance	91	169
Tax Payable in respect of current year	1,479	1,235
Income Tax Paid	(2,000)	(1,313)
<b>Balance as at 31 March (Asset)</b>	<b>(430)</b>	<b>91</b>

**BAY OF PLENTY ELECTRICITY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
<b>5 RETAINED EARNINGS</b>		
<b>Retained Earnings</b>		
Opening Retained Earnings	1,204	193
Surplus after Taxation	3,887	3,249
Released from Revaluation Reserve	1,619	-
Less Dividend paid and payable	(1,885)	(2,238)
<b>Balance as at 31 March</b>	<b>4,825</b>	<b>1,204</b>
<b>6 SHARE CAPITAL</b>		
Share Capital - Issued and paid up		
Opening Balance	12,900	
Movement in shares	(8)	
<b>Balance as at 31 March</b>	<b>12,892</b>	<b>12,900</b>
Shares Issued by Bay of Plenty Electricity Ltd	1999 8,148,318	
	1998 8,150,163	
<b>7 RESERVES</b>		
Asset Revaluation Reserve		
Opening Balance	48,767	48,767
Released to Retained Earnings on sale of assets	(1,619)	-
<b>Balance as at 31 March</b>	<b>47,148</b>	<b>48,767</b>
<b>8 ACCOUNTS RECEIVABLE</b>		
Accounts Receivable comprises:		
Trade Receivables	2,931	3,599
Other Receivables	22	
Prepayments	7	
<b>Balance as at 31 March</b>	<b>2,960</b>	<b>3,599</b>

**BAY OF PLENTY ELECTRICITY LIMITED**  
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**Electricity (Information Disclosure) Regulations 1999**

**NOTES TO THE FINANCIAL STATEMENTS**

		Lines Business 1999 \$000	Lines Business 1998 \$000
<b>9</b>	<b>FIXED ASSETS</b>		
	Fixed Assets comprise:		
Land	<i>Cost</i>	246	296
	<i>Accumulated Depreciation</i>	(6)	(5)
	<i>Net book value</i>	240	291
Buildings	<i>Cost</i>	703	1,322
	<i>Accumulated Depreciation</i>	(174)	(317)
	<i>Net book value</i>	529	1,005
Plant and Equipment	<i>Cost</i>	911	3,066
	<i>Accumulated Depreciation</i>	(683)	(2,011)
	<i>Net book value</i>	228	1,055
Furniture and Fittings	<i>Cost</i>	193	313
	<i>Accumulated Depreciation</i>	(159)	(252)
	<i>Net book value</i>	34	61
Motor Vehicles	<i>Cost</i>	199	424
	<i>Accumulated Depreciation</i>	(98)	(172)
	<i>Net book value</i>	101	252
Customer Billing and Inform- ation System Equipment	<i>Cost</i>	2,525	
	<i>Accumulated Depreciation</i>	(1,935)	
	<i>Net book value</i>	590	
Centralised Load Control Equipment	<i>Valuation</i>	1,062	
	<i>Accumulated Depreciation</i>	(48)	
	<i>Net book value</i>	1,014	
Distribution System - Other	<i>Valuation</i>	65,899	72,324
	<i>Accumulated Depreciation</i>	(2,440)	(1,413)
	<i>Net book value</i>	63,459	70,911
	<i>Cost or Valuation</i>	71,738	77,745
	<i>Accumulated Depreciation</i>	(5,543)	(4,170)
<b>Total</b>	<b>Net book value</b>	<b>66,195</b>	<b>73,575</b>

Current government valuations for land and buildings are \$3.9 million. The valuations are dated October 1995 and September 1997.

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**9 FIXED ASSETS (Continued)**

**Valuation of Distribution Assets**

Distribution assets are revalued at least every three years.

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

The Optimised Deprival Value of the Distribution System (established 31 March 1997) was \$67,905,400. The Company has carried forward this balance and adjusted for additions, disposals and depreciation. The revised value as at 31 March 1999 is \$64,473,000.

**Useful lives and Depreciation Methods**

	<b>Useful Lives 1999 In Years</b>	<b>Useful Lives 1998 In Years</b>
Land Improvements	3-40	3-40
Other Buildings	40-100	40-100
Distribution System	15-70	15-70
Plant and Equipment	2-10	2-10
Motor Vehicles	5-10	5-10
Furniture and Fittings	10	10

All assets are depreciated on a straight line basis.

**10 ACCOUNTS PAYABLE AND ACCRUALS**

Accounts Payable and Accruals comprise:

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
Trade Creditors	1,154	2,292
Other Accruals	246	
Employee Entitlements	179	215
<b>Balance as at 31 March</b>	<b>1,579</b>	<b>2,507</b>

**BAY OF PLENTY ELECTRICITY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	Lines Business 1999 \$000	Lines Business 1998 \$000
<b>11 TERM LOANS</b>		
Term loans fall due for repayment in the following periods:		
Within One Year	11,500	2,000
Within One to Two Years	14,500	1,000
Within Two to Three Years	4,000	3,500
Within Three to Four Years	-	2,000
Within Four to Five Years	13,000	2,000
<b>Balance as at 31 March</b>	<b>43,000</b>	<b>10,500</b>
Disclosed in Balance Sheet as:		
Current Portion of Term Loans	11,500	2,000
Term Loans	31,500	8,500
<b>Balance as at 31 March</b>	<b>43,000</b>	<b>10,500</b>
All term loans are unsecured and are subject to negative pledge undertakings. The weighted average interest rate on term loans is 7.4% (1998 7.9%). The Company has \$50 million rolling loan facilities until 31 March 2002.		
<b>12 DIVIDENDS</b>		
Dividend Paid & Declared @ 23.0 cents (25.5 cents in 1998)	1,885	2,300
Less Interim Dividend Paid	(896)	(937)
Less Dividend on shares held by BOPE Trustee Limited	(11)	(62)
<b>Balance as at 31 March</b>	<b>978</b>	<b>1,301</b>
<b>Dividends (Cents Per Share)</b>	<b>23.0</b>	
<b>13 IMPUTATION CREDIT ACCOUNT</b>		
	Group 1999	Group 1998
Opening Balance	1,674	1,179
Plus: Income Tax Paid	2,000	3,000
Imputation Credits attached to dividends received	-	6
Less: Imputation Credits attached to dividends paid	(2,452)	(2,511)
<b>Balance as at 31 March</b>	<b>1,222</b>	<b>1,674</b>

**BAY OF PLENTY ELECTRICITY LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
<b>14 OPERATING LEASES</b>		
Operating lease commitments fall due for repayment in the following periods:		
Within One Year	15	5
Within One to Two Years	-	4
Within Two to Five Years	-	-
	<b>15</b>	<b>9</b>
<b>15 REMUNERATION OF AUDITORS</b>		
Amounts received, or due and receivable, by the auditors for:		
Auditing the Financial Statements:		
PricewaterhouseCoopers	45	29
	<hr/> 45	<hr/> 29
Other Services:		
PricewaterhouseCoopers	48	76
	<hr/> 48	<hr/> 76
	<b>93</b>	<b>105</b>

**16 RELATED PARTY TRANSACTIONS**

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

Mercury Energy Limited held a 33% interest (until 7 October 1998) in UnitedNetworks Limited which is the parent company for Bay of Plenty Electricity Limited.

**Transactions**

Purchases from UnitedNetworks Limited	336	264
Sales to UnitedNetworks Limited	357	443
Purchases from Mercury Energy Limited	67	165
Sales to Mercury Energy Limited	15	-

**Balance**

Amounts owed to UnitedNetworks Limited	5	35
Amounts owed to Mercury Energy Limited	-	3

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**17 CAPITAL COMMITMENTS**

The Group has commitments for future capital expenditure amounting to \$77,472 (\$372,196 in 1998).

**18 FINANCIAL INSTRUMENTS**

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

(i) Interest Rates

The Group generally uses fixed rate loans or swaps to manage interest rate risk. The total level of fixed rate funding at 31 March was \$25,500,000 (1998 \$20,000,000), having a fair value of \$24,867,409 (1998 \$19,695,145). In addition, as at 31 March 1999, the face value of the instruments the Group held were as follows:

**Interest Rate Options:**

	Rate	Term	Commencement Date	1999 \$000	1998 \$000
Swap	7.60%	Three Years	7 November, 1997	3,500	3,500
Swap	8.34%	Two Years	24 March, 1998	1,000	1,000
Swap	7.08%	Five Years	3 April, 1998	13,000	13,000
Swap	7.92%	16 Months	24 November, 1997	-	2,500
Swap	7.70%	One Year	24 November, 1997	-	4,000

The mark to market value of the interest rate swap agreements as at 31 March 1999 showed a loss of \$721,000.

(ii) Credit

In the normal course of its business the Company incurs credit risk from trade debtors and financial institutions. There are no significant concentrations of credit risk.

The Company has a credit policy which is used to manage this exposure to credit risk.

As part of this policy, limits on exposures have been set and are monitored on a regular basis.

The bank risk is reduced by spreading short term investments over high credit quality financial institutions.

(iii) Foreign Exchange

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

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

Group 1999 \$000	Group 1998 \$000
-	-

The contract amounts of foreign instruments outstanding at balance date are as follows:

Forward Rate Agreements



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**NOTES TO THE FINANCIAL STATEMENTS**

**18 FINANCIAL INSTRUMENTS (Continued)**

(b) Fair Values

Financial instruments in the current section of the balance sheet, with the exception of the current portion of term loans, are shown at values equivalent to their fair values. The fair value of term loans is disclosed in section (a) (i) above. Investments are shown at cost which is not significantly different from their fair values.

**19 SEGMENTAL**

The Company operates predominantly in one industry, the distribution of electricity. Its operations are carried out solely in New Zealand and are therefore within one geographical segment for reporting purposes.

**20 EVENTS OCCURRING AFTER BALANCE DATE**

On 1 April 1999 the Company changed its name to Horizon Energy Distribution Ltd. On the same date the purchaser of the Retail and Generation businesses assumed the company name Bay of Plenty Electricity Ltd.

On 12 April 1999 Horizon Energy Distribution Ltd entered into an agreement to sell its Commerce St building for an amount in excess of book value. As the agreement was entered into after balance date the financial effect has not been recognised in these financial statements.

**21 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999**

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
<b>Revenue :</b>		
Revenue from line / access charges invoiced to customers by electricity retailers	Nil	
Revenue from "Other" business or services	Nil	
Electricity hedges	Nil	
<b>Expenditure :</b>		
Asset maintenance carried out by "Other" business (transfer payment)	Nil	
Consumer disconnections and reconnections carried out by "Other" business (transfer payment)	Nil	
Charges for meter data carried out by "Other" business (transfer payment)	Nil	
Charges for providing consumer-based load control services carried out by "Other" business (transfer payment)	Nil	

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Financial Statements for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**NOTES TO THE FINANCIAL STATEMENTS**

**21 ITEMS WITH NIL BALANCES REQUIRING SPECIFIC DISCLOSURE UNDER THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 (Continued)**

	<b>Lines Business 1999 \$000</b>	<b>Lines Business 1998 \$000</b>
<b>Expenditure (Continued) :</b>		
Charges for other goods and services carried out by "Other" business (transfer payment)	Nil	
Payment to non-related entities for providing meter data	Nil	
Payment to non-related entities for providing disconnection / reconnection services	Nil	
Payment to non-related entities for providing consumer-based load control services	Nil	
Avoided transmission charges on account of any cause other than own generation	Nil	
Depreciation on capital works under construction	Nil	
Merger and acquisition expenses	Nil	
Takeover defence expenses	Nil	
Research and development expenses		
Electricity hedges	Nil	
Amortised goodwill	Nil	
Subvention payments	Nil	
<b>Current Assets :</b>		
Electricity hedges	Nil	
<b>Fixed Assets :</b>		
<b>Capital works under construction :</b>		
Subtransmission assets (transfer payment)	Nil	
Zone substations (transfer payment)	Nil	
Distribution lines and cables (transfer payment)	Nil	
Medium voltage switchgear (transfer payment)	Nil	
Distribution transformers (transfer payment)	Nil	
Distribution substations (transfer payment)	Nil	
Low voltage lines and cables (transfer payment)	Nil	
Other system fixed assets (transfer payment)	Nil	
<b>Intangible Assets :</b>		
Goodwill	Nil	
Other Intangibles	Nil	
Total Intangibles	Nil	
<b>Current Liabilities :</b>		
Electricity hedges	Nil	



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## AUDITOR'S REPORT

To the readers of the financial statements of Bay of Plenty Electricity Limited.

We have audited the accompanying financial statements of Bay of Plenty Electricity Limited. The financial statements provide information about the past financial performance of the Company and its financial position as at 31 March 1999. This information is stated in accordance with the accounting policies set out on pages 6 to 7.

### Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Bay of Plenty Electricity Limited as at 31 March 1999, and the results of operations and cash flows for the year then ended.

### Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing –

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Bay of Plenty Electricity Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors and tax advisers we have no relationship with or interests in Bay of Plenty Electricity Limited.

### Qualified Opinion – Comparative Figures Omitted

Paragraph 2.18 of the Electricity Information Disclosure Handbook issued by the Ministry of Commerce permits energy companies to exclude comparative figures where disclosures are made for the first time for the current disclosure year. Bay of Plenty Electricity Limited has applied this exemption and has not disclosed comparative figures in these circumstances. To this extent, the financial statements of Bay of Plenty Electricity Limited do not comply with Financial Reporting Standard No. 2, Presentation of Financial Reports, or the Electricity (Information Disclosure) Regulations 1999.

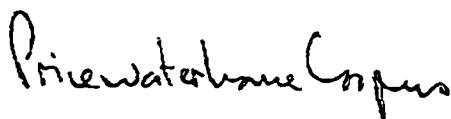
We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by Bay of Plenty Electricity Limited as far as appears from our examination of those records.

In our opinion, except for the omission of comparative figures referred to above, the financial statements of Bay of Plenty Electricity Limited on pages 1 to 17:

- comply with generally accepted accounting practice; and
- give a true and fair view of the financial position of Bay of Plenty Electricity Limited as at 31 March 1999 and the results of its operations and cash flows for the year then ended; and
- comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 26 August 1999 and our opinion is expressed as at that date.



Chartered Accountants  
Auckland

**BAY OF PLenty ELECTRICITY LIMITED**

**Performance Measures for the purposes of the Electricity (Information Disclosure) Regulations 1999**

Derivation Table	Symbol in formula	Calculations	ROF	ROE	ROI
Earnings before interest and tax (EBIT)	a		9,331,842	N/A	9,331,842
Net profit after tax (NPAT)	n		N/A	3,886,743	N/A
Amortised Goodwill	g		add 0	add 0	add 0
Subvention Payment	s		add 0	add 0	add 0
Depreciation of SFA at BV	d		add 1,298,220	add 1,298,220	add 1,298,220
Depreciation of SFA at ODV			deduct 1,298,220	deduct 1,298,220	deduct 1,298,220
ODV Depreciation tax adjustment	b		N/A	deduct 0	deduct 0
Subvention Payment tax adjustment		s*t	N/A	deduct 0	deduct 0
Interest Tax Shield	q		N/A	N/A	deduct 1,207,415
Revaluations	r		N/A	N/A	add 0
Income tax	p		N/A	N/A	deduct 1,884,725
<b>Numerator (as adjusted)</b>			<b>= a + g + s + d</b> 9,331,842	<b>= n + g + s - s*t + d - b</b> 3,886,743	<b>= a + g - q + r + s + d - p - s*t - b</b> 6,239,702
Fixed Assets at year beginning (FA <sub>0</sub> )			73,575,000	N/A	73,575,000
Fixed Assets at year end (FA <sub>1</sub> )			add 66,194,947	N/A	add 66,194,947
Net Working Capital at year beginning (NWC <sub>0</sub> )			add -1,606,000	N/A	add -1,606,000
Net Working Capital at year end (NWC <sub>1</sub> )			add 31,174,157	N/A	add 31,174,157
Average total funds employed (ATFE)	c	= (FA <sub>0</sub> + FA <sub>1</sub> + NWC <sub>0</sub> + NWC <sub>1</sub> )/2	divide by 2 84,669,052	N/A	divide by 2 84,669,052
Total Equity at year beginning (TE <sub>0</sub> )			N/A	62,871,000	N/A
Total Equity at year end (TE <sub>1</sub> )			N/A	add 64,864,725	N/A
Average total equity	k	= (TE <sub>0</sub> + TE <sub>1</sub> )/2	N/A	divide by 2 63,867,863	N/A
WUC at year beginning (WUC <sub>0</sub> )			0	0	0
WUC at year end (WUC <sub>1</sub> )			add 0	add 0	add 0
Average total Works under Construction	e	= (WUC <sub>0</sub> + WUC <sub>1</sub> )/2	divide by 2 0	divide by 2 0	divide by 2 0
Revaluations	r		N/A	N/A	0
Goodwill asset at year beginning (GW <sub>0</sub> )			N/A	0	N/A
Goodwill asset at year end (GW <sub>1</sub> )			N/A	add 0	N/A
Average Goodwill asset	m	= (GW <sub>0</sub> + GW <sub>1</sub> )/2	N/A	divide by 2 0	N/A
Subvention payment at year beginning (S <sub>0</sub> )			N/A	0	N/A
Subvention payment at year end (S <sub>1</sub> )			N/A	add 0	N/A
Subvention payment tax adjustment at year beginning		= s <sub>0</sub> *t	N/A	deduct 0	N/A
Subvention payment tax adjustment at year end		= s <sub>1</sub> *t	N/A	deduct 0	N/A
Average subvention payment & related tax adjustment	v	= (S <sub>0</sub> + S <sub>1</sub> + S <sub>0</sub> *t + S <sub>1</sub> *t)/2	N/A	divide by 2 0	N/A
System Fixed assets at year beginning at book value (SFA <sub>bo,0</sub> )			70,911,000	70,911,000	70,911,000
System Fixed assets at year end at book value (SFA <sub>bo,1</sub> )			add 63,459,000	add 63,459,000	add 63,459,000
Average value of system fixed assets at book value	f	= (SFA <sub>bo,0</sub> + SFA <sub>bo,1</sub> )/2	divide by 2 67,185,000	divide by 2 67,185,000	divide by 2 67,185,000
System Fixed assets at year beginning at ODV value (SFA <sub>odv,0</sub> )			add 70,911,000	add 70,911,000	70,911,000
System Fixed assets at year end at ODV value (SFA <sub>odv,1</sub> )			add 63,459,000	add 63,459,000	add 63,459,000
Average value of system fixed assets at ODV value	h	= (SFA <sub>odv,0</sub> + SFA <sub>odv,1</sub> )/2	divide by 2 67,185,000	divide by 2 67,185,000	divide by 2 67,185,000
<b>Denominator (as adjusted)</b>			<b>= c - e - f + h</b> 84,669,052	<b>= k - e - m + v - f + h</b> 63,867,863	<b>= c - e - 1/2*r - f + h</b> 84,669,052
<b>Financial Performance Measure:</b>			EBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100/1 = 11.02%	NPAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100/1 = 6.09%	EBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100/1 = 7.37%

Key:  
 t = standard entity tax rate  
 bv = book value  
 ave = average  
 ADJ = as adjusted  
 odv = optimised deprival valuation  
 subscript '0' = beginning of the financial year  
 subscript '1' = end of the financial year

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Performance Measures for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**Performance Measures**  
**for the 12 Months ended 31 March 1999**

**Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to**  
**Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999.**

**Regulation 15 - Financial Performance Measures and Efficiency Performance Measures :**

	1999	1998	1997	1996
<b>1) Financial Performance Measures</b>				
(a) Return on Funds	11.02%	7.51% ①	6.50% ①	5.43% ①
(b) Return on Equity	6.09%	5.21% ②	3.72% ②	3.63% ②
(c) Return on Investment	7.37%	5.39% ③④	4.40% ③④	4.02% ③
<p>① Comparative figures for 1998 and earlier were calculated as "Accounting Return on Total Assets".</p> <p>② Comparative figures for 1998 and earlier were calculated as "Accounting Return on Equity".</p> <p>③ Comparative figures for 1998 and earlier were calculated as "Accounting Rate of Profit".</p> <p>④ The objective of the measure "Accounting Rate of Profit" is to calculate the increase in the shareholder equity generated by the line business. The formula detailed in the first schedule of the Electricity (Information Disclosure) Regulations 1994 includes any revaluation as "profit". The increase in the reported ODV has been excluded from the calculation of the measure as there has been no increase in shareholder equity from the movement in the reported ODV. Any changes to the asset lives assumption in the ODV represent a change in the basis of the calculation rather than a change in valuation.</p>				
<b>2) Efficiency Performance Measures</b>				
(a) Direct line costs per kilometre	\$ 1,925	\$ 2,180	\$ 1,550	\$ 1,837
(b) Indirect Line costs per Customer as prescribed	\$ 88	\$ 256	\$ 267	\$ 288

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## CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

We have examined the information appearing on pages 20 and 21 being –

- a) The derivation table specified in regulation 16; and
- b) Financial performance measures specified in clause 1 of Part 3 of Schedule 1 of the Electricity (Information Disclosure) Regulations 1999; and
- c) Financial components of the efficiency performance measures specified in clause 2 of Part 3 of that Schedule, -

and having been prepared by Bay of Plenty Electricity Limited and dated 31 March 1999 for the purposes of regulation 15 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 1999.

*PricewaterhouseCoopers*

Chartered Accountants  
Auckland

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Performance Measures for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**Performance Measures**  
**for the 12 Months ended 31 March 1999**

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to  
 Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999.

**Regulation 21 - Energy Delivery Efficiency Performance Measures :**

	1999	1998	1997	1996
<b>1) Energy Delivery Efficiency Performance Measures</b>				
(a) Load Factor	70.60%	71.00%	68.45%	67.00%
(b) Loss Ratio	3.90%	4.50%	4.85%	3.60%
(c) Capacity utilisation	50.04%	51.00%	55.66%	50.00%
<b>2) Statistics</b>				
(a) System length				
110kV	33.67 km	27.70	21.80	21.80
33kV	175.69 km	175.60	175.20	156.30
11kV	1,398.69 km	1,393.20	1,382.59	1,451.10
400Volt	538.38 km	536.80	535.88	467.70
<b>Total</b>	<b>2,146.43 km</b>	<b>2,133.30</b>	<b>2,115.47</b>	<b>2,096.90</b>
(b) Total Circuit Length: Overhead				
110kV	33.67 km	27.70	21.80	21.80
33kV	171.89 km	171.80	171.40	154.20
11kV	1,288.69 km	1,287.50	1,285.85	1,359.40
400Volt	348.93 km	348.50	348.87	279.40
	<b>1,843.18 km</b>	<b>1,835.50</b>	<b>1,827.92</b>	<b>1,814.80</b>
(c) Total Circuit Length: Underground				
110kV	- km	-	-	-
33kV	3.80 km	3.80	3.80	2.10
11kV	110.00 km	105.70	96.74	91.60
400Volt	189.45 km	188.30	187.01	188.30
	<b>303.25</b>	<b>297.80</b>	<b>287.55</b>	<b>282.00</b>
(d) Transformer capacity	178,162 kVA	166,833	163,000	189,555
(e) Maximum demand	89,151 kW	85,820	90,720	95,067
(f) Total electricity supplied	529,883,592 kWh	511,624,675	517,580,862	537,367,315
(g) Total electricity conveyed on behalf of other persons :				
Mercury	240,432,893			
Power New Zealand	409,309			
TrustPower	9,627,208			
TransAlta	388,566			
<b>Total</b>	<b>250,857,976 kWh</b>	<b>135,750,858</b>	<b>130,752,523</b>	<b>139,547,315</b>
(h) Total customers	22,931	22,636	22,201	21,867



**Performance Measures  
for the 12 Months ended 31 March 1999**

**Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to  
Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999.**

**Regulation 22 Reliability Performance Measures :**

	2000	1999	1998	1997	1996
<b>1) Interruptions</b>					
Class A		1	3	-	2
Class B		164	250	195	206
Class C		130	135	158	415
Class D		5	4	5	14
Class E		-	-	-	-
Class F		-	-	-	-
Class G		-	-	-	-
Total number of interruptions		<u>300</u>	<u>392</u>	<u>358</u>	<u>637</u>
<b>2) Interruption Targets</b>					
(a) Planned interruptions (Class B)	150				
(b) Unplanned interruptions (Class C)	120				
<b>3) Average Interruption Targets (Next 5 Years)</b>					
(a) Planned interruptions (Class B)	120				
(b) Unplanned interruptions (Class C)	105				
<b>4) The proportion of the total number of Class C interruptions not restored within :</b>					
(a) 3 hours	2.50%				
(b) 24 hours	1.50%				
<b>5) Faults per 100 circuit kilometres of prescribed voltage electric line :</b>					
(a) Number of faults					
110 kV		0			
33 kV		1			
11 kV		10			
Total number of faults		<u>8.08</u>	<u>8.46</u>	<u>10</u>	<u>9</u>
(b) Number of Faults Targeted					
110 kV	-				
33 kV	1				
11 kV	9				
Total number of faults targeted		<u>7.46</u>			
(c) Average Number of Faults Targeted					
110 kV	-				
33 kV	1				
11 kV	7				
Total average number of faults targeted		<u>6.53</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Performance Measures for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**Performance Measures**  
**for the 12 Months ended 31 March 1999**

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to  
 Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999.

**Regulation 22 Reliability Performance Measures (Continued) :**

	2000	1999	1998	1997	1996
6) The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line, together with a breakdown of that total according to different nominal line voltages.					
110 kV		-	-	-	2
33 kV		-	-	-	-
11 kV		-	2	1	-
Total Underground faults / 100km	<u>-</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>2</u>
7) The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line, together with a breakdown of that total according to different nominal line voltages.					
110kV		-	-	-	5
33 kV		1	-	1	9
11 kV		10	10	12	9
Total Overhead Faults / 100km	<u>9</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>9</u>
8) The SAIDI for the total number of Interruptions		691	414	390	530
9) SAIDI Targets :					
(a) Planned interruptions (Class B)	75				
(b) Unplanned interruptions (Class C)	165				
10) Average SAIDI Targets (Next 5 Years) :					
(a) Planned interruptions (Class B)	65				
(b) Unplanned interruptions (Class C)	150				
11) The SAIDI for the total number of interruptions within each interruption class:					
Class A		62	83	-	70
Class B		81	118	97	151
Class C		172	176	207	252
Class D		377	38	76	54
Class E		-	-	-	-
Class F		-	-	-	-
Class G		-	-	-	-
12) The SAIFI for the total number of interruptions.		4.79	4.80	5.15	5.60
13) SAIFI Targets :					
(a) Planned interruptions (Class B)	0.47				
(b) Unplanned interruptions (Class C)	2.60				

**BAY OF PLENTY ELECTRICITY LIMITED**  
**Performance Measures for the purposes of the**  
**Electricity (Information Disclosure) Regulations 1999**

**Performance Measures**  
**for the 12 Months ended 31 March 1999**

Disclosure of Financial Performance Measures and Efficiency Performance Measures pursuant to  
 Regulations 15, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999.

**Regulation 22 Reliability Performance Measures (Continued) :**

	2000	1999	1998	1997	1996
<b>14) Average SAIFI Targets (Next 5 Years) :</b>					
(a) Planned interruptions (Class B)	0.46				
(b) Unplanned interruptions (Class C)	2.58				
<b>15) The SAIFI for the total number of interruptions within each interruption class :</b>					
Class A		0.22	0.20	0.00	0.30
Class B		0.50	0.90	0.66	0.90
Class C		2.71	3.30	3.69	3.60
Class D		1.36	0.40	0.67	0.90
Class E		0.00	0.00	0.00	0.00
Class F		0.00	0.00	0.00	0.00
Class G		0.00	0.00	0.00	0.00
<b>16) The CAIDI for the total of all interruptions.</b>		144	86	76	94
<b>17) CAIDI Targets :</b>					
(a) Planned interruptions (Class B)		160			
(b) Unplanned interruptions (Class C)		63			
<b>18) Average CAIDI Targets :</b>					
(a) Planned interruptions (Class B)		141			
(b) Unplanned interruptions (Class C)		58			
<b>19) The CAIDI for the total number of interruptions within each interruption class:</b>					
Class A		286	356	-	266
Class B		161	136	148	173
Class C		63	53	56	70
Class D		277	89	114	62
Class E		-	-	-	-
Class F		-	-	-	-
Class G		-	-	-	-

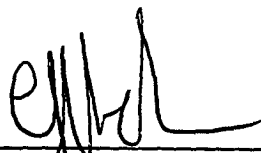
**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,  
AND  
STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANS POWER**

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

(a) The attached audited financial statements of Bay of Plenty Electricity Limited prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, give a true and fair view of the matters to which they relate and comply with the requirements of those regulations; and

(b) The attached information, being financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Bay of Plenty Electricity Limited, and having been prepared for the purposes of Regulations 15, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of the Electricity (Information Disclosure) Regulations 1999.

The valuations on which those financial performance measures are based are as at 31 March 1997.



C G H Holmes (Director)



D G Bacon (Director)

Date : 26 August 1999

