

New Zealand Gazette

OF THURSDAY, 19 SEPTEMBER 1996

WELLINGTON: MONDAY, 23 SEPTEMBER 1996 — ISSUE NO. 125

SOUTHPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

SOUTHPOWER LIMITED

The following public disclosures are made by Southpower Limited ("*Southpower*") in accordance with the Electricity (Information Disclosure) Regulations 1994.

The disclosures cover the period from 1 April 1995 to 31 March 1996 and comparatives for the 1995 year which have been revised to be disclosed on a consistent basis with the current year.

Regulation 6 - Financial Statement disclosure by line owners

STATEMENT OF FINANCIAL PERFORMANCE

Years ending 31 March	1996 Line Business \$000's	1995 Line Business \$000's	1996 Electricity Related Businesses \$000's	1995 Electricity Related Businesses \$000's
Sale of line services/energy	111,540	104,320	114,877	109,585
Revenue profit/(loss) on sale of fixed assets	-	-	17	13
Capital profit on sale of fixed assets	3	36	7	39
Other revenue	6,599	6,890	51,323	46,836
	<hr/> 118,142	<hr/> 111,246	<hr/> 166,224	<hr/> 156,473
Purchases of transmission/energy	36,257	35,914	112,232	107,230
Depreciation	10,157	9,322	1,175	1,020
Other expenses	38,778	38,383	51,277	44,760
	<hr/> 85,192	<hr/> 83,619	<hr/> 164,684	<hr/> 153,010
Surplus from operations	32,950	27,627	1,540	3,463
Interest revenue	602	686	617	396
Interest expense - MCN's	(6,101)	(6,101)	-	-
Interest expense - other	(109)	(21)	-	-
	<hr/> (5,608)	<hr/> (5,436)	<hr/> 617	<hr/> 396
SURPLUS BEFORE TAX	27,342	22,191	2,157	3,859
Taxation	8,016	9,517	576	1,551
Equity Accounted Losses (After Tax)	-	-	(1)	-
SURPLUS AFTER TAX	<hr/> 19,326	<hr/> 12,674	<hr/> 1,582	<hr/> 2,308

STATEMENT OF FINANCIAL POSITION

Years ending 31 March		1996 Line Business	1995 Line Business	1996 Electricity Related Businesses	1995 Electricity Related Businesses
	Notes	\$000's	\$000's	\$000's	\$000's
ASSETS					
Current Assets					
Bank and short term deposits		-	1,909	5	3
Accounts receivable		9,930	8,412	18,358	18,829
Accounts receivable - internal		7	10	2,131	3,301
Inventories		330	637	5,847	6,532
Income tax		615	-	35	-
Intercompany balances		-	-	(2)	-
		10,882	10,968	26,374	28,665
Non-Current Assets					
Other long-term investments		16	60	-	-
Fixed assets	1	310,912	301,695	5,372	5,519
		310,928	301,755	5,372	5,519
TOTAL ASSETS		321,810	312,723	31,746	34,184
LIABILITIES					
Current Liabilities					
Bank overdraft		77	-	-	-
Accounts payable and accruals		11,626	10,001	14,795	16,287
Accounts payable - internal		2,131	3,301	7	10
Income tax		-	1,670	-	270
Debt due within one year		255	259	-	-
Provision for dividend		3,616	3,478	250	634
		17,705	18,709	15,052	17,201
SHAREHOLDERS' EQUITY					
Mandatory Convertible Notes	2	76,000	76,000	-	-
Ordinary shares	2	69,531	58,121	10,469	9,794
Share premium reserve	2	34,766	29,061	5,234	4,897
Retained earnings	2	6,580	13,604	991	2,292
Revaluation reserve	2	117,228	117,228	-	-
		304,105	294,014	16,694	16,983
TOTAL LIABILITIES AND EQUITY		321,810	312,723	31,746	34,184

Statement of Accounting Policies

Reporting Entity

Southpower Limited is a company registered under the Companies Act 1955.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and the balance sheet on an historical cost basis are followed, with the exception that certain fixed assets have been revalued.

Special Purpose Financial Statements

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994 ("*Regulations*").

Allocations of costs, revenues, assets and liabilities have been made in accordance with the avoided cost principle.

This approach defines the line business as Southpower's core business, and makes an assessment of the costs, revenues, assets and liabilities that would be avoided by the line business if all non-core business were to cease operation. The costs, revenues, assets and liabilities that would be avoided are allocated to those non-core business. Costs, revenues, assets and liabilities that would not be avoided are allocated to the line business.

A description of this process is also contained within Southpower's publicly-available "*Disclosure of Methodologies for Allocation of Costs, Revenues, Assets and Liabilities*", as required by Regulation 19.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the surplus and loss and the Statement of Financial Position are applied:

(a) Electricity and line services sales

Sales recognise actual amounts billed during the financial years, together with an adjustment for the value of unread meters, both at the beginning and end of the financial years.

(b) Capital contributions

Capital contributions which are refundable to customers are treated as current liabilities until refunded. Non-refundable contributions are credited to income when received.

(c) Depreciation

Depreciation has been provided on fixed assets using the straight line method at rates which amortise the cost or valuation, less estimated residual value, over their economic lives.

The main bases are periods not exceeding:

Distribution System:	
Electricity distribution system	40 years
Meters and load control equipment	15 years
Buildings	50 years
Cars and vans	5 years
Trucks	7 years
Plant and equipment	10 years
Computer equipment and software	3 years

(d) Research and development costs

Research and development costs are expensed in the period incurred. Development costs are deferred where future benefits are expected to exceed those costs. Deferred development costs are amortised over future periods in relation to expected future revenue.

(e) Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure which results in a significant improvement of the original function of an existing asset.

Constructed assets are included in fixed assets as each becomes operational and available for use.

Revenue expenditure is defined as expenditure which restores an asset closer to its original condition and all expenditure incurred in maintaining and operating the fixed assets of the company.

(f) Current assets

Accounts receivable are valued at their expected realisable value. All known bad debts are written off during the financial year. Hire purchase debtors exclude unearned interest (calculated using the "Rule of 78" method).

Stocks are valued at the lower of cost (FIFO or weighted average) and net realisable value, with additional allowances for obsolescence where necessary.

Chargeable work in progress includes direct materials and labour and an allocation of overheads that directly relate to the contract.

(g) Fixed assets

All fixed assets are initially recorded at cost.

Southpower's fixed assets were acquired from the Southpower Joint Venture based on independent valuations performed for the Joint Venture as at 31 March 1993.

The Company's distribution system is revalued on a cyclic basis at least once every three years to net current value, using discounted cash flows, which are not in excess of recoverable value.

Land and buildings are revalued on a systematic basis to their net current market value at least once every three years.

(h) Income tax

The income tax expense charged to the Profit and Loss Statement includes both the current year expense and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a partial 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.

(i) Internal sales

Due to the separation of the other electricity businesses from the line business, internal sales have been reported as actual sales and purchases, instead of being eliminated.

Changes in Accounting Policies

There have been no changes in accounting policies.

Notes to the Accounts

Both the Statement of Financial Performance and Statement of Financial Position are reconcilable to Southpower's published Annual Report after adjusting for the revenues, costs, assets and liabilities attributable to the business units that are not covered by the disclosure requirements of these Regulations.

1995 comparative information for both the line business and electricity - related businesses (as defined by Regulation 6(3)) has been restated since 1995's public disclosure.

This is due to:

- the removal of some business units which are outside these regulations from the "electricity-related" classification
- the reclassification of a number of offsetting sundry income and expenditure accounts, with these now being stated gross instead of net.

1. Fixed assets

	1996 Line Business \$000's	1995 Line Business \$000's	1996 Electricity Related Businesses \$000's	1995 Electricity Related Businesses \$000's
Cost/revalued	330,931	311,572	8,082	7,254
Less accumulated depreciation	20,019	9,877	2,710	1,735
Net book value as at 31 March	310,912	301,695	5,372	5,519

2. Shareholders' equity

The mandatory convertible notes have been assigned to the line business, as the line business assets were the primary assets acquired on corporatisation.

The revaluation reserve relates to a revaluation performed on line business assets, and so has been assigned to the line business.

Following these steps, ordinary shares, the share premium reserve and retained earnings have been allocated pro rata amongst the business units.

Regulation 13 - Disclosure by line owners of financial and efficiency performance measures

	1995/96	1994/95
1 (a) Accounting return on total assets, being earnings before interest and tax, divided by average total funds employed:	5.9%	4.6%
(b) Accounting return on equity, being net profit after tax, divided by total ordinary shareholder funds:	2.9%	0.8%
(c) Accounting Rate of Profit	2.9%	1.7%

Note: The measures for 1994/95 have been recalculated in order to provide comparative values that are calculated on the same basis that has been used for the 1995/96 values. The difference arises mainly from including the full ODV-based depreciation in the calculation as provided for in Regulation 14(5 (a) which was not included in the 1994/95 original disclosures.

	1995/96	1994/95
2 (a) Direct line costs per kilometre:	\$1,027.59	\$1,092.94
(b) Indirect line costs per electricity customer:	\$137.62	\$130.91

Where applicable, the above information has been calculated in accordance with Regulation 14.

Note: The measures for 1994/95 have been recalculated in order to provide comparative values that are calculated on the same basis that has been used for the 1995/96 values. The difference relates to the transfer of offsetting revenue items from direct costs to the indirect cost classification.

Regulation 14A - Disclosure by line owners of the value of line business assets

Optimised Deprival value of fixed network assets
per valuation report as at 31 March 1995

\$387,873,714

Regulation 15 - Disclosure by line owners of energy delivery efficiency performance measures and statistics

	1995/96	1994/95
1 (a) Load Factor	56.4%	53.5%
(b) Loss Ratio	4.8%	4.7%
(c) Capacity Utilisation	34.2%	36.1%
2 (a) Sum of overhead and underground line circuit lengths:		

Description	1995/96 Average (km)	1994/95 Average (km)
66kV	115	115
33kV	322	322
11kV	4,711	4,672
230/400V	2,696	2,668
230V Outside Lighting	2,076	2,026
Communications	960	959
Totals	10,881	10,762

(b) Overhead line circuit lengths:

Description	1995/96 Average (km)	1994/95 Average (km)
66kV	57	57
33kV	309	309
11kV	2,964	2,949
230/400V	1,523	1,538
230V Outside Lighting	928	926
Totals	5,781	5,779

Note: A correction has been made to the 230V Outside Lighting Average Length. This was previously disclosed at 1001 km for 94/95. This correction has also changed the average 1994/95 total disclosed in 2(a).

(c) Underground line (cable) circuit lengths:

Description	1995/96 Average (km)	1994/95 Average (km)
66kV	58	58
33kV	13	12
11kV	1,747	1,723
230/400V	1,173	1,130
230V Outside Lighting	1,148	1,100
Communications	960	959
Totals	5,099	4,982

Note: A correction has been made to the 230V Outside Lighting Average Length. This was previously disclosed as 711 km for 94/95. This correction has also changed the average 1994/95 total disclosed in 2(a).

	1995/96	1994/95	
(d) Transformer Capacity:	1,559,043	1,497,615	kVA
(e) Maximum demand:	533,270	540,532	kW
(f) Total electricity supplied from the system:	2,506,690,102	2,416,028,145	kWh
(g) Total electricity from the system conveyed for Independent Retailers	18,948,755	9,857,580	kWh
(h) Total number of customers (average for the year): ie currently occupied metered installations	152,553	150,437	

Regulation 16 - Disclosure by line owners (other than Trans Power) of reliability performance measures

1. Total number of interruptions:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	1995/96	1994/95
Southpower	B	Planned Shutdowns	507	467
	C	Unplanned Cuts	488	725
Trans Power	A	Planned Shutdowns	10	11
	D	Unplanned Cuts	10	8
TOTAL			1,015	1,211

Disclosure Regulation classes E, F and G do not apply to Southpower, and consequently results are all zero.

2. Total number of Faults per 100 circuit-km of prescribed voltage electric line:

Line or Cable Voltage	1995/96	1994/95
All	9.0	13.7

3. Total number of Faults per 100 circuit-km of underground prescribed voltage electric line:

Cable Voltage	1995/96	1994/95
66kV	0.0	0.0
33kV	0.0	8.1
11kV	1.6	3.1
All	1.5	3.0

4. Total number of Faults per 100 circuit-km of overhead prescribed voltage electric line:

Line Voltage	1995/96	1994/95
66kV	0.0	1.8
33kV	3.6	7.4
11kV	14.2	21.0
All	13.0	19.4

5-10. SAIDI, SAIFI and CAIDI by interruption class and in total for 1995/96:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI	SAIFI	CAIDI
			(Minutes per Connected-Customer)	(Interruptions per Connected Customer)	(Minutes per Customer Interrupted)
Southpower	B	Planned Shutdowns	30.5	0.166	184.0
	C	Unplanned Cuts	46.4	0.798	58.1
		Subtotal	76.9	0.964	79.7
Trans Power	A	Planned Shutdowns	0.4	0.003	136.0
	D	Unplanned Cuts	6.4	0.260	24.7
		Subtotal	6.8	0.263	26.0
TOTAL			83.7	1.227	68.2

SAIDI, SAIFI & CAIDI by interruption class and in total for 1994/95:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI	SAIFI	CAIDI
			(Minutes per Connected-Customer)	(Interruptions per Connected Customer)	(Minutes per Customer Interrupted)
Southpower	B	Planned Shutdowns	28.2	0.148	190.5
	C	Unplanned Cuts	73.5	1.255	58.6
		Subtotal	101.7	1.403	72.5
Trans Power	A	Planned Shutdowns	0.2	0.006	25.6
	D	Unplanned Cuts	1.6	0.054	29.9
		Subtotal	1.8	0.061	29.5
TOTAL			103.5	1.464	70.7

Disclosure Regulation classes E, F and G do not apply to Southpower, and consequently results are all zero.

Note that these are Southpower's overall reliability performance indices. Refer to Southpower's 1995/96 Annual Report for the results by urban and rural areas.

Regulation 20 - Disclosure of information relating to transactions between persons in a prescribed business relationship

During the year ended 31 March 1996, goods and services were provided to Southpower's line business by other business units which are in a prescribed business relationship as defined by the regulations. These goods and services have been provided on a commercial arms length basis at a total cost to the line owner of \$20,913,747 (\$22,083,188 for 1995).

Southpower's line business provided goods and services to other business units which are in a prescribed business relationship as defined by the regulations. These goods and services have been provided on a commercial arms length basis and the total income recovered by the line owner for these goods and services was \$82,916 (\$114,947 for 1995).



Southpower Limited,
Private Bag 4999,
Cnr Manchester and Armagh Streets,
Christchurch, New Zealand
Telephone +64-3-363 9000
Fax +64-3-363 9001

Regulation 26 (2) - Certification of Financial Statements, Performance Measures and statistics disclosed by line owners other than Trans Power

We, Kerry G Nolan and Christopher S Laurie, directors of Southpower Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) the attached audited financial statements of Southpower 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 Southpower 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 1995.

A handwritten signature in black ink, appearing to read "K G Nolan", written over a horizontal line.

K G Nolan

A handwritten signature in black ink, appearing to read "C S Laurie", written over a horizontal line.

C S Laurie

20 August 1996



Audit New Zealand

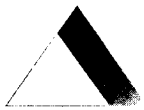
CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

I have examined the attached financial statements prepared by Southpower Limited and dated 20 August 1996 for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

I hereby certify that, having made all reasonable enquiry, to the best of my 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.

A handwritten signature in black ink, appearing to read 'J L Palmer', with a large, sweeping flourish at the end.

J L Palmer
Audit New Zealand
On behalf of the Controller and Auditor-General
20 August 1996



Audit New Zealand

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

I 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 Southpower Limited and dated 20 August 1996 for the purposes of regulation 13 of those regulations.

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

A handwritten signature in black ink, appearing to read 'J L Palmer', with a large, sweeping flourish at the end.

J L Palmer
Audit New Zealand
On behalf of the Controller and Auditor-General
20 August 1996

To the Directors
Southpower Limited

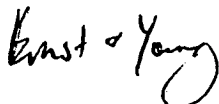
Certification by auditor in relation to ODV Valuation

Auditor's Report

We have examined the valuation report prepared by N Ross of Southpower Limited and dated 1 July 1995, which report contains valuations as at 31 March 1995 and identifies the ODV value of the system fixed assets at \$387,873,714.

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



Ernst & Young
Chartered Accountants
Auckland

7 August 1995

