

# New Zealand Gazette

OF THURSDAY, 28 AUGUST 1997

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WELLINGTON: FRIDAY, 29 AUGUST 1997 — ISSUE NO. 110

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## 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 "*Regulations*").

The disclosures cover the period from 1 April 1996 to 31 March 1997 and provide comparatives for the 1996 year and the 1995 year if required by the Regulations. Where necessary, comparatives have been revised to be disclosed on a basis consistent with the current year.

## Regulation 6 - Financial Statement disclosure by line owners

### STATEMENT OF FINANCIAL PERFORMANCE

Years ending 31 March		1997 Line Business	1996 Line Business	1997 Electricity Related Businesses	1996 Electricity Related Businesses
	Notes	\$000's	\$000's	\$000's	\$000's
Operating revenues		125,269	118,142	167,539	166,224
Operating surplus before taxation	1	32,560	27,342	3,223	2,157
Taxation expense and subvention payment		8,353	8,016	1,318	576
Operating surplus after taxation		24,207	19,326	1,905	1,581
Share of retained surpluses less losses of subsidiary companies		-	-	(505)	-
Share of retained surpluses less losses of associate companies		-	-	1	1
Net surplus attributable to parent company shareholders		24,207	19,326	1,401	1,582

## STATEMENT OF FINANCIAL POSITION

Years ending 31 March		1997 Line Business	1996 Line Business	1997 Electricity Related Businesses	1996 Electricity Related Businesses
	Notes	\$000's	\$000's	\$000's	\$000's
<b>ASSETS</b>					
<b>Current Assets</b>					
Bank and short term deposits		11,642	-	-	5
Accounts receivable		11,374	9,937	19,684	20,489
Inventories		244	330	6,072	5,847
Income tax		2,101	615	175	35
Intercompany balances		-	-	(2)	(2)
		<u>25,361</u>	<u>10,882</u>	<u>25,929</u>	<u>26,374</u>
<b>Non-Current Assets</b>					
Other long-term investments		185	16	463	-
Fixed assets	2	489,375	310,912	5,147	5,372
		<u>489,560</u>	<u>310,928</u>	<u>5,610</u>	<u>5,372</u>
<b>TOTAL ASSETS</b>		<b><u>514,921</u></b>	<b><u>321,810</u></b>	<b><u>31,539</u></b>	<b><u>31,746</u></b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Bank overdraft		-	77	106	-
Accounts payable and accruals		15,587	13,757	17,101	14,802
Debt due within one year		255	255	-	-
Provision for dividend		7,128	3,616	413	250
		<u>22,970</u>	<u>17,705</u>	<u>17,620</u>	<u>15,052</u>
<b>SHAREHOLDERS' EQUITY</b>					
Mandatory Convertible Notes	3	76,000	76,000	-	-
Ordinary shares	3	71,887	69,531	8,113	10,469
Share premium reserve	3	35,943	34,766	4,057	5,234
Retained earnings	3	15,499	6,580	1,749	991
Revaluation reserve	4	292,622	117,228	-	-
		<u>491,951</u>	<u>304,105</u>	<u>13,919</u>	<u>16,694</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>514,921</u></b>	<b><u>321,810</u></b>	<b><u>31,539</u></b>	<b><u>31,746</u></b>

## Statement of Accounting Policies

### Reporting entity

For the reporting period Southpower Limited was a company registered under the Companies Act 1955. Certain related companies had been re-registered under the Companies Act 1993. The company was reregistered after balance date on 27 June 1997.

### Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed, 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 the costs, revenues, assets and liabilities of Southpower Limited 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 businesses were to cease operation. The costs, revenues, assets and liabilities that would be avoided are allocated to those non-core businesses. 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.

Following the apportionment of parent company costs, revenues, assets and liabilities on this basis, the financial results for those group companies for which disclosure is also required pursuant to these Regulations have been incorporated.

### Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and 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, otherwise such costs are expensed in the period incurred. Deferred development costs are amortised over periods in relation to expected future revenue. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amounts, so identified, are expensed.

## (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 group.

## (f) Accounts receivable

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).

(g) Inventories

Stocks and inventories 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.

(h) Fixed assets

Fixed assets are revalued on a cyclic basis at least once every three years by independent valuers to net current value. Any subsequent fixed asset additions are initially recorded at cost until the next revaluation.

(i) Income tax

The income tax expense charged against the surplus for the year is the estimated liability in respect of that surplus and is calculated after allowance for permanent differences and timing differences not expected to reverse in future periods. This is the partial basis for the calculation of deferred tax.

Tax effect accounting is applied on a partial basis using the liability method. 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.

(j) Employee entitlements

Provision is made in respect of the company's liability for annual and long service leave. The annual leave liability has been calculated on an actual entitlement basis at current rates of pay. The long service leave liability has been assessed on an actuarial basis.

(k) Internal sales and intercompany balances

Due to the required separation for disclosure purposes of the other electricity-related businesses from the line business, internal sales between these categories have been reported as actual sales and purchases, instead of being eliminated.

Balances payable and receivable between the two categories have also been stated at the gross levels, instead of being eliminated.

### **Changes in Accounting Policies**

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

## 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 and related companies that are not covered by the disclosure requirements of these Regulations.

### 1. Operating surplus before taxation

The operating surplus before tax includes the following expense items:

Years ending 31 March	<b>1997 Line Business \$000's</b>	<b>1996 Line Business \$000's</b>	<b>1997 Electricity Related Businesses \$000's</b>	<b>1996 Electricity Related Businesses \$000's</b>
Depreciation	11,013	10,157	896	1,175
Interest on mandatory convertible notes	6,101	6,101	-	-
Net other interest expense/ (income)	(1,574)	(493)	(75)	(617)
Severances and restructuring expenditure	730	716	779	968

## 2. Fixed assets

Fixed assets assigned to Southpower's line business are as follows:

	<b>1997 Line Business</b>	<b>1996 Line Business</b>
	<b>\$000's</b>	<b>\$000's</b>
Land (at valuation)	6,926	5,064
Land (at cost)	-	272
	<u>6,926</u>	<u>5,336</u>
Buildings (at valuation)	12,565	6,325
Buildings (at cost)	-	2,331
Accumulated depreciation	-	(421)
	<u>12,565</u>	<u>8,235</u>
Distribution system (at valuation)	468,775	281,686
Distribution system (at cost)	1,109	35,208
Accumulated depreciation	-	(19,597)
	<u>469,884</u>	<u>297,297</u>
Vehicles, furniture and equipment (at valuation)	-	-
Vehicles, furniture and equipment (at cost)	-	45
Accumulated depreciation	-	(1)
	<u>-</u>	<u>44</u>
Total fixed assets	<u>489,375</u>	<u>310,912</u>
Capital work in progress included at balance date	<u>1,109</u>	<u>2,770</u>

## 3. 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 has been assigned to those businesses which notionally own the revalued assets.

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



**4. Revaluation**

The parent company's distribution system has been revalued to net current value as at 31 March 1997. This valuation, on an optimised deprival value basis, has been certified by independent valuers, Ernst and Young. Land and buildings have been revalued to net current values as at 31 March 1997 by the registered valuers of Ernst and Young. All other fixed assets of the parent company and its wholly owned subsidiaries, Connetics Limited and Powerstore Limited have been revalued to net current value on the basis of net book values as at 31 March 1997.

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

	1997	1996	1995
1 (a) Accounting return on total assets, being earnings before interest and tax, divided by average total funds employed:	7.0%	6.0%	4.6%
(b) Accounting return on equity, being net profit after tax, divided by average total ordinary shareholder funds	4.6%	3.0%	0.8%
(c) Accounting rate of profit	30.6%	3.0%	1.7%

Note: (1) The measures for 1997 incorporate the impact of a revaluation as at 31 March 1997.

If this revaluation had not been performed, the returns for 1997 would have been as follows:

Accounting return on total assets	8.0%
Accounting return on equity	5.3%
Accounting rate of profit	4.9%

(2) The 1996 measures have been recalculated in order to include the margin made on transmission charges.

	1997	1996	1995
2 (a) Direct line costs per kilometre:	\$1,081.99	\$1,027.59	\$1,092.94
(b) Indirect line costs per electricity customer:	\$127.01	\$137.62	\$130.91

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

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

Optimised deprival value of fixed network assets as at 31 March 1997      \$477,566,857

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

	1997	1996	1995
1 (a) Load Factor	56.3%	56.4%	53.5%
(b) Loss Ratio	5.5%	4.8%	4.7%
(c) Capacity Utilisation	33.9%	34.2%	36.1%
2 (a) Sum of overhead and underground line circuit lengths:			

Description	1997 Average (km)	1996 Average (km)	1995 Average (km)
66kV	115	115	115
33kV	323	322	322
11kV	4,760	4,711	4,672
230/400V	2,723	2,696	2,668
230V Outside Lighting	2,115	2,076	2,026
Communications	962	960	959
<b>Totals</b>	<b>10,998</b>	<b>10,880</b>	<b>10,762</b>

(b) Overhead line circuit lengths:

Description	1997 Average (km)	1996 Average (km)	1995 Average (km)
66kV	57	57	57
33kV	309	309	309
11kV	2,986	2,964	2,949
230/400V	1,507	1,523	1,538
230V Outside Lighting	927	928	926
<b>Totals</b>	<b>5,786</b>	<b>5,781</b>	<b>5,779</b>

## (c) Underground line (cable) circuit lengths:

Description	1997 Average (km)	1996 Average (km)	1995 Average (km)
66kV	58	58	58
33kV	15	13	12
11kV	1,774	1,747	1,723
230/400V	1,216	1,173	1,130
230V Outside Lighting	1,189	1,148	1,100
Communications	962	960	959
Totals	5,214	5,099	4,982

	1997	1996	1995
(d) Transformer capacity at year end (kVA):	1,603,053	1,559,043	1,497,615
(e) Maximum demand (kW):	542,768	533,270	540,532
(f) Total electricity supplied from the system (kWh):	2,529,519,393	2,506,690,102	2,416,028,145
(g) Total electricity from the system conveyed for independent retailers (kWh):	64,303,879	18,948,755	9,857,580
(h) Total number of customers (average for the year): ie currently occupied metered installations	154,678	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	1997	1996	1995
Southpower	B	Planned Shutdowns	530	507	467
	C	Unplanned Cuts	611	488	725
Trans Power	A	Planned Shutdowns	4	10	11
	D	Unplanned Cuts	31	10	8
<b>TOTAL</b>			1,176	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	1997	1996	1995
All	11.2	9.0	13.7

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

Cable Voltage	1997	1996	1995
66kV	0.0	0.0	0.0
33kV	0.0	0.0	8.1
11kV	2.4	1.6	3.1
All	2.3	1.5	3.0

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

Line Voltage	1997	1996	1995
66kV	0.0	0.0	1.8
33kV	1.0	3.6	7.4
11kV	18.1	14.2	21.0
All	16.2	13.0	19.4

## 5-10. SAIDI, SAIFI and CAIDI by interruption class and in total for 1997:

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	39.0	0.204	190.9
	C	Unplanned Cuts	74.5	1.138	65.4
		Subtotal	113.5	1.343	84.5
Trans Power	A	Planned Shutdowns	0.5	0.002	251.2
	D	Unplanned Cuts	16.5	0.351	47.0
		Subtotal	17.0	0.353	48.0
<b>TOTAL</b>			<b>130.5</b>	<b>1.696</b>	<b>76.9</b>

## SAIDI, SAIFI and CAIDI by interruption class and in total for 1996:

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
<b>TOTAL</b>			<b>83.7</b>	<b>1.227</b>	<b>68.2</b>

## SAIDI, SAIFI &amp; CAIDI by interruption class and in total for 1995:

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
<b>TOTAL</b>			<b>103.5</b>	<b>1.464</b>	<b>70.7</b>

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 1997 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 1997, 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 \$17,703,000 (\$20,914,000 for 1996).

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 \$78,000 (\$83,000 for 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 7 August 1997 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', written in a cursive style with a large loop at the end.

J L Palmer  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
7 August 1997



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 7 August 1997 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.

J L Palmer  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
7 August 1997



■ Chartered Accountants

## **Auditor's Report**

### **To the Directors Southpower Limited**

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

We have examined the attached valuation report prepared by N Ross of Southpower Limited and dated 1 May 1997, which contains systems fixed asset valuations, excluding land, as at 31 March 1997.

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.

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

Wellington

1 May 1997

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Southpower Network Asset Valuation

**OVERALL SUMMARY**

For year ending March 1997

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RV-Replacement Value	\$864,682,536
Reduction for Optimisation	(\$3,432,028)
ORV-Optimised Replacement Value	<u>\$861,250,508</u>
DRV-Depreciated Replacement Value	\$480,805,784
Reduction for Optimisation	(\$1,664,846)
ODRV-Optimised Depreciated Replacement Value	<u>\$479,140,938</u>
Economic Value Adjustment	(\$1,574,081)
ODV-Optimised Deprival Value	<u>\$477,566,857</u>

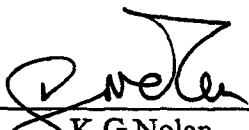


**Regulation 26 (2) - Certification of Financial Statements,  
Performance Measures and statistics disclosed by line owners other  
than Trans Power**

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 1997.

  
K G Nolan

  
C S Laurie

7 August 1997

