



# New Zealand Gazette

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## POWERCO LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1994

# **Powerco Limited**

**Financial Statements as required by  
The Electricity (Information Disclosure) Regulations**

**for the year ended  
31 March 1997**

**POWERCO LIMITED****ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994****CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

We, Barry Raymond Upson, director, and Simon Paul Moutter, principal of Powerco Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of Powerco 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, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Powerco 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.



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18 August 1997

**Deloitte Touche  
Tohmatsu**

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**POWERCO LIMITED**

**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994**

*Certification by Auditor in Relation to Financial Statements*

We have examined the attached financial statements prepared by Powerco Limited and dated 18 August 1997 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, the financial statements give a true and fair view of matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994, as set out in note 1(K).

*Deloitte Touche Tohmatsu*

**Deloitte Touche Tohmatsu  
Hamilton  
18 August 1997**

**Deloitte Touche  
Tohmatsu**



**POWERCO LIMITED**

**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994**

*Certification of Performance Measures by Auditor*

We have examined the performance measures set out in Note 18 to the attached financial statements 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 the Schedule, -

and having being prepared by Powerco Limited and dated 18 August 1997 for the purposes of regulation 13 of those regulations.

The Optimised Deprival Valuations completed and used to derive these performance measures were audited by KPMG Peat Marwick.

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  
Hamilton  
18 August 1997**



**CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION**

**POWERCO LIMITED**

We have examined the valuation report prepared by KPMG and dated 17 April 1997, which report contains valuations as at 31 March 1997.

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

A large, stylized handwritten signature in black ink that reads 'KPMG'. The signature is written in a cursive, flowing style.

**KPMG**

18 April 1997

**POWERCO LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 1997**

	Notes	31 March 1997			31 March 1996				
		Line \$000	Energy \$000	Other \$000	Total \$000	Line \$000	Energy \$000	Other \$000	Total \$000
<b>EQUITY</b>									
Share capital	2	60,034	5,513	31,022	96,569	59,982	5,509	31,022	96,513
Reserves	3	23,514	2,333	(341)	25,506	24,372	3,523	(2,389)	25,506
Asset Revaluation Reserves	4	49,629	-	18,781	68,410	-	-	-	-
Retained earnings		8,184	1,941	(321)	9,804	4,456	477	1,513	6,446
		<b>141,361</b>	<b>9,787</b>	<b>49,141</b>	<b>200,289</b>	<b>88,810</b>	<b>9,509</b>	<b>30,146</b>	<b>128,465</b>
<b>NON CURRENT LIABILITIES</b>									
Term advances facility	5	-	-	18,241	18,241	(15,228)	(694)	24,967	9,045
Deferred taxation		11,413	-	4,320	15,733	-	-	-	-
		<b>11,413</b>		<b>22,561</b>	<b>33,974</b>	<b>(15,228)</b>	<b>(694)</b>	<b>24,967</b>	<b>9,045</b>
<b>CURRENT LIABILITIES</b>									
Accounts payable		3,074	5,356	1,714	10,144	4,422	4,443	2,188	11,053
Provision for dividend		6,593	722	504	7,819	7,533	392	1,718	9,643
Provision for employee entitlements		1,519	25	407	1,951	1,442	23	440	1,905
		<b>11,186</b>	<b>6,103</b>	<b>2,625</b>	<b>19,914</b>	<b>13,397</b>	<b>4,858</b>	<b>4,346</b>	<b>22,601</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$163,960</b>	<b>\$15,890</b>	<b>\$74,327</b>	<b>\$254,177</b>	<b>\$86,979</b>	<b>\$13,673</b>	<b>\$59,459</b>	<b>\$160,111</b>
<b>NON CURRENT ASSETS</b>									
Fixed assets	6	144,577	2,650	54,882	202,109	78,363	1,187	34,341	113,891
Investments in associates	7	-	242	-	242	-	189	438	627
Other investments	8	-	-	15,237	15,237	-	-	19,585	19,585
		<b>144,577</b>	<b>2,892</b>	<b>70,119</b>	<b>217,588</b>	<b>78,363</b>	<b>1,376</b>	<b>54,364</b>	<b>134,103</b>
<b>CURRENT ASSETS</b>									
Cash	9	8,824	5,335	524	14,683	(3,316)	3,376	134	194
Receivables and prepayments	10	8,801	7,660	3,269	19,730	8,850	8,892	4,377	22,119
Tax receivable		22	3	2	27	558	29	128	715
Inventories	11	1,736	-	413	2,149	2,524	-	456	2,980
		<b>19,383</b>	<b>12,998</b>	<b>4,208</b>	<b>36,589</b>	<b>8,616</b>	<b>12,297</b>	<b>5,095</b>	<b>26,008</b>
<b>TOTAL ASSETS</b>		<b>\$163,960</b>	<b>\$15,890</b>	<b>\$74,327</b>	<b>\$254,177</b>	<b>\$86,979</b>	<b>\$13,673</b>	<b>\$59,459</b>	<b>\$160,111</b>

**POWERCO LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 1997**

	Notes	31 March 1997			31 March 1996				
		Line \$000	Energy \$000	Other \$000	Total \$000	Line \$000	Energy \$000	Other \$000	Total \$000
<b>OPERATING REVENUE</b>	12	<b>54,085</b>	<b>49,321</b>	<b>24,046</b>	<b>127,452</b>	<b>48,921</b>	<b>49,156</b>	<b>24,201</b>	<b>122,278</b>
<b>OPERATING SURPLUS BEFORE TAXATION</b>	13	<b>22,055</b>	<b>2,378</b>	<b>1,686</b>	<b>26,119</b>	<b>12,879</b>	<b>670</b>	<b>2,936</b>	<b>16,485</b>
Taxation expense	14	<b>6,908</b>	<b>756</b>	<b>529</b>	<b>8,193</b>	<b>4,011</b>	<b>209</b>	<b>1,243</b>	<b>5,463</b>
<b>OPERATING SURPLUS AFTER TAXATION</b>		<b>15,147</b>	<b>1,622</b>	<b>1,157</b>	<b>17,926</b>	<b>8,868</b>	<b>461</b>	<b>1,693</b>	<b>11,022</b>
Share of retained surplus (losses) in associate companies after tax	16	-	37	-	37	-	24	13	37
<b>OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS</b>		<b>\$15,147</b>	<b>\$1,659</b>	<b>\$1,157</b>	<b>\$17,963</b>	<b>\$8,868</b>	<b>\$485</b>	<b>\$1,706</b>	<b>\$11,059</b>

The accompanying notes form part of these financial statements.



**POWERCO LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 1997**

	Notes	31 March 1997			31 March 1996				
		Line \$000	Energy \$000	Other \$000	Total \$000	Line \$000	Energy \$000	Other \$000	Total \$000
<b>EQUITY AT 1 APRIL 1996</b>		<b>88,810</b>	<b>9,509</b>	<b>30,146</b>	<b>128,465</b>	<b>97,446</b>	<b>9,916</b>	<b>40,806</b>	<b>148,168</b>
<b>Operating surplus attributable to the shareholders</b>		<b>15,147</b>	<b>1,659</b>	<b>1,157</b>	<b>17,963</b>	<b>8,868</b>	<b>485</b>	<b>1,706</b>	<b>11,059</b>
<b>Revaluation of network assets</b>		<b>61,325</b>	<b>-</b>	<b>23,208</b>	<b>84,533</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred taxation in respect of revaluation</b>		<b>(11,697)</b>	<b>-</b>	<b>(4,426)</b>	<b>(16,123)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total recognised revenue and expenses for the year.</b>		<b>64,775</b>	<b>1,659</b>	<b>19,939</b>	<b>86,373</b>	<b>8,868</b>	<b>485</b>	<b>1,706</b>	<b>11,059</b>
<b>Contributions from shareholders</b>									
Partly paid shares received		35	3	18	56	1,064	215	-	1,279
Other adjustment		45	(36)	(21)	(12)	-	-	-	-
		<b>80</b>	<b>(33)</b>	<b>(3)</b>	<b>44</b>	<b>1,064</b>	<b>215</b>	<b>-</b>	<b>1,279</b>
<b>Distributions to shareholders</b>									
Share repurchase						(8,421)	(374)	(6,205)	(15,000)
Dividends - paid	17	(5,711)	(626)	(437)	(6,774)	(4,080)	(179)	(3,006)	(7,265)
- proposed	17	(6,593)	(722)	(504)	(7,819)	(5,993)	(550)	(3,100)	(9,643)
		<b>(12,304)</b>	<b>(1,348)</b>	<b>(941)</b>	<b>(14,593)</b>	<b>(18,494)</b>	<b>(1,103)</b>	<b>(12,311)</b>	<b>(31,908)</b>
<b>Reserves transfers</b>									
Transfer to tax provision		-	-	-	-	(74)	(4)	(55)	(133)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(74)</b>	<b>(4)</b>	<b>(55)</b>	<b>(133)</b>
<b>EQUITY AT 31 MARCH 1997</b>		<b>\$141,361</b>	<b>\$9,787</b>	<b>\$49,141</b>	<b>\$200,289</b>	<b>\$88,810</b>	<b>\$9,509</b>	<b>\$30,146</b>	<b>\$128,465</b>

The accompanying notes form part of these financial statements.

**Notes to and Forming Part of the Financial Statements  
For the Year Ended 31 March 1997**

**1 Statement of Accounting Policies**

**Reporting Entity**

Powerco Limited is a company registered under the Companies Act 1993. The group consists of Powerco Limited, its subsidiary and its associates.

The following activities are the principal activities undertaken by Powerco Limited throughout the financial year:

- \* Distribution and retailing of electricity and value added services.
- \* Distribution and retailing of gas and value added services.
- \* Hydro electricity generation

These financial statements have been prepared to comply with the provisions of Section 44 of the Energy Companies Act 1992, the Companies Act 1993, the Financial Reporting Act 1993.

**Measurement Basis**

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Group, with the exception that certain fixed assets have been revalued.

**Specific Accounting Policies**

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

**a) Basis of Consolidation**

The consolidated financial statements include those of Powerco Limited and its wholly owned subsidiary, Taranaki Energy Limited. All significant inter-company transactions and balances are eliminated on consolidation. In the parent company financial statements investments in subsidiaries are stated at cost.

**b) Associate Companies**

These are companies in which the group holds substantial shareholdings and exercises significant influence in commercial and financial policy decisions.

Associate companies have been reflected in the consolidated financial statements on an equity accounting basis which shows the group's share of profits in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets, in the consolidated statement of financial position.

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**c) Fixed Assets**

The capital value of fixed assets is the value at either Optimised Depreciated Replacement Cost (ODRC), economic value or cost.

ODRC Valuations were completed by KPMG Peat Marwick, independent consultants, and the economic values were completed by Southpac Corporation, independent consultants. These new valuations were recorded in the financial statements at the date of valuation being 31 March 1997. Assets are recorded as follows:

- \* Electricity and gas network assets of the company - ODRC
- \* The three generating stations owned by the company - Economic value.

The capital values of all other assets are recorded at cost.

**d) Depreciation of Fixed Assets**

Depreciation rates for major classes of asset are:

Land	Not Depreciated
Buildings	1% SL
Furniture and Fittings	10% to 20% DV
Office Equipment	10% to 33% DV
Motor Vehicles	20% DV
Network Systems and Generation	2% SL and 5% to 14.4% DV

These rates were revised as at 31 March 1997 in conjunction with the revaluation of fixed assets as at that date. The revised rates which will be applicable from 1 April 1997 are in accordance with industry guidance as to best practice.

**e) Receivables**

Accounts receivable are valued at expected realisable value, after providing for doubtful debts. All known bad debts have been written off during the period under review.

**f) Income Tax**

The income tax expense charged to the Statement of Financial Performance includes both the current years expense and the income tax effect of timing differences using the liability method on a comprehensive basis.

Previously a partial basis of recording these amounts was applied. In conjunction with the asset revaluation exercise the company has adopted international accounting standards and moved to a comprehensive liability recognition basis.

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**g) Inventory**

Inventory is valued at the lower of historical cost and net realisable value. The weighted average method has been used to determine historical cost. The quantity of gas in pipes has been estimated by Powerco Limited's gas engineers, and valued at average purchase cost per unit.

**h) Investments**

Investments are valued at the lower of cost and net realisable value.

**i) Revenue Recognition**

Revenue from the sale of energy and value added services is recognised when invoices are issued plus an accrual is made for unread meters at balance date.

**j) Financial Instruments**

In the ordinary course of business the company enters into energy purchase instruments in conjunction with its associate company. These are used to manage the market price risk of the company's major operating cost. The company values these transactions at the lower of original cost and market value.

**k) Basis of Allocation to Business Units.**

In general the Ministry of Commerce guidelines for allocation of expenditure have been applied. Deviations from the guidelines have been used where assumptions made in the guidelines have not held true for Powerco Limited, and are as follows:

The assumption that energy alone interfaces with electricity consumers does not hold for Powerco Limited. Customer related expenditures are allocated according to the number of customers attributable to each business.

Overhead costs that are integral parts of operating each business have been allocated according to the direct expenditure incurred by each business.

Other corporate income has been allocated based on the relevance of such income to the business units. This change in methodology has been reflected in the 1996 comparative amounts.

**Changes in Accounting Policies**

As indicated above in note (f) the company has changed its policy on deferred tax recognition in the current year. The effect of this change in policy has been to:

- i) record a deferred tax liability in the statement of financial position as at 31 March 1997 of \$16.123 million. A corresponding amount has been offset in the asset revaluation reserve, as shown in note 4.
- ii) record a future income tax benefit of \$390,338 being the taxation effect of other timing differences. A corresponding amount has been recognised in the taxation expense reported in the statement of financial performance, as shown in note 14.

There have been no other changes to accounting policies. All policies have been applied on a basis consistent with prior years.

**Notes to and Forming Part of the Financial Statements  
For the Year Ended 31 March 1997**

**2 SHARE CAPITAL**

	<b>1997 \$000</b>	<b>1996 \$000</b>
<b>Issued capital</b>	96,569	18,028
less uncalled capital	56	1,335
<b>Opening issued and paid up capital as at 31 March 1996</b>	<b>\$96,513</b>	<b>16,693</b>
Calls on capital	56	1,279
Bonus share issue	-	3,541
Share capital transferred from Taranaki Energy Limited	-	75,000
<b>Closing issued and paid up capital as at 31 March 1997</b>	<b>\$96,569</b>	<b>\$96,513</b>

Total number of ordinary shares issued as of 31 March 1997 amounted to 52,123,989.

**3 RESERVES**

	<b>1997 \$000</b>	<b>1996 \$000</b>
Balance as at 31 March 1996	25,506	26,607
Bonus share issue transferred to capital	-	(3,541)
Reserves transferred from Taranaki Energy Limited	-	2,440
Balance as at 31 March 1997	<b>\$25,506</b>	<b>\$25,506</b>

**Notes to and Forming Part of the Financial Statements  
For the Year Ended 31 March 1997**

**4 ASSET REVALUATION RESERVE**

	<b>1997</b>	<b>1996</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance as at 31 March 1996</b>	-	-
Asset revaluation	<b>84,533</b>	-
less Deferred taxation on asset revaluation	<b>(16,123)</b>	-
<b>Balance as at 31 March 1997</b>	<b>\$68,410</b>	-

**5 TERM ADVANCES FACILITY**

The company has established a Wholesale Term Advances Facility with the Westpac Banking Corporation of up to \$25 million dollars. At 31 March 1997 the amount drawn down from this facility amounted to \$4.545 million. Interest is charged to the company according to the daily wholesale lending rate. The facility is based on a revolving credit and as such does not have set repayment dates.

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**6 FIXED ASSETS**

<b>Fixed Assets as at 31 March 1997</b>	<b>Line 1996 \$000</b>	<b>Energy 1996 \$000</b>	<b>Other 1996 \$000</b>	<b>Total 1996 \$000</b>
<b>Land</b>				
Capital value	1,535	293	320	2,148
<b>Buildings</b>				
Capital value	7,473	1,424	1,559	10,456
less Accumulated depreciation	841	160	175	1,176
	<u>6,632</u>	<u>1,264</u>	<u>1,384</u>	<u>9,280</u>
<b>Furniture and Fittings</b>				
Capital value	2,284	435	476	3,195
less Accumulated depreciation	1,371	261	286	1,918
	<u>913</u>	<u>174</u>	<u>190</u>	<u>1,277</u>
<b>Office Equipment</b>				
Capital value	7,227	1,376	1,508	10,111
less Accumulated depreciation	3,769	718	786	5,273
	<u>3,458</u>	<u>658</u>	<u>722</u>	<u>4,838</u>
<b>Motor Vehicles</b>				
Capital value	2,278	434	475	3,187
less Accumulated depreciation	1,662	317	347	2,326
	<u>616</u>	<u>117</u>	<u>128</u>	<u>861</u>
<b>Network Systems and Generation</b>				
Capital value	130,664		51,978	182,642
less Accumulated depreciation				
	<u>130,664</u>		<u>51,978</u>	<u>182,642</u>
<b>Work in Progress</b>	759	144	160	1,063
<b>Total Fixed Assets</b>	<u>\$144,577</u>	<u>\$2,650</u>	<u>\$54,882</u>	<u>\$202,109</u>

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**Fixed Assets as at 31 March 1996**

	Line 1996 \$000	Energy 1996 \$000	Other 1996 \$000	Total 1996 \$000
<b>Land</b>				
Capital value	1,490	180	504	2,174
<b>Buildings</b>				
Capital value	10,320	189	862	11,371
less Accumulated depreciation	1,345	6	75	1,426
	<u>8,975</u>	<u>183</u>	<u>787</u>	<u>9,945</u>
<b>Furniture and Fittings</b>				
Capital value	2,527	220	364	3,111
less Accumulated depreciation	1,396	95	128	1,619
	<u>1,131</u>	<u>125</u>	<u>236</u>	<u>1,492</u>
<b>Office Equipment</b>				
Capital value	3,450	1,280	716	5,453
less Accumulated depreciation	1,926	581	372	2,879
	<u>1,524</u>	<u>699</u>	<u>344</u>	<u>2,574</u>
<b>Motor Vehicles</b>				
Capital value	4,666	1	173	4,840
less Accumulated depreciation	3,114	1	68	3,183
	<u>1,552</u>		<u>105</u>	<u>1,657</u>
<b>Network Systems and Generation</b>				
Capital value	83,122		34,642	117,764
less Accumulated depreciation	20,117		2,287	22,404
	<u>63,005</u>		<u>32,355</u>	<u>95,360</u>
<b>Work in Progress</b>	686		10	689
<b>Total Fixed Assets</b>	<u>\$78,363</u>	<u>\$1,187</u>	<u>\$34,341</u>	<u>\$113,891</u>



**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**7 INVESTMENTS IN ASSOCIATES**

	1997 \$000	1996 \$000
- at cost	181	591
- equity share of retained earnings	61	37
	<u>\$242</u>	<u>\$627</u>

The associate company is Energy Brokers New Zealand Limited (41% shareholding)

**8 OTHER INVESTMENTS**

	1997 \$000	1996 \$000
CentralPower Limited (at cost)	14,691	17,618
Trustpower Limited (at cost)	-	1,780
Other Investments (at cost)	187	187
Other Advances	359	-
	<u>\$15,237</u>	<u>\$19,585</u>

The market value of the investment in CentralPower Limited as at 31 March 1997 is \$17,204,610 based on a share price of \$3.05 per share.

**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 31 March 1997**

**9 CASH**

	1997 \$000	1996 \$000
Cash on Hand	2	5
Bank Deposits	985	189
Reallocation of term advances facility	13,696	-
	<u>\$14,683</u>	<u>\$194</u>

**10 ACCOUNTS RECEIVABLE**

	1997 \$000	1996 \$000
Accounts Receivable	11,204	14,279
Accrued Sales	8,526	7,840
	<u>\$19,730</u>	<u>\$22,119</u>

**11 INVENTORIES**

	1997 \$000	1996 \$000
Network stores	1,907	2,628
Trading stock	242	352
	<u>\$2,149</u>	<u>\$2,980</u>

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**12 OPERATING REVENUE**

**Operating Revenue for the year ended  
31 March 1997**

	<b>Line 1996 \$000</b>	<b>Energy 1996 \$000</b>	<b>Other 1996 \$000</b>	<b>Total 1996 \$000</b>
<b>Comprises:</b>				
Sales	54,085	47,570	23,661	125,316
Profit on Sale of Investments		958	201	1,159
Dividend revenue		793	184	977
	<b>54,085</b>	<b>49,321</b>	<b>24,046</b>	<b>127,452</b>

**Operating Revenue for the year ended  
31 March 1996**

	<b>Line 1996 \$000</b>	<b>Energy 1996 \$000</b>	<b>Other 1996 \$000</b>	<b>Total 1996 \$000</b>
<b>Comprises:</b>				
Sales	48,305	48,560	23,829	120,694
Interest revenue	616	596	338	1,550
Dividend revenue	-	-	34	34
	<b>48,921</b>	<b>49,156</b>	<b>24,201</b>	<b>122,278</b>

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**13 OPERATING SURPLUS BEFORE TAXATION**

	<b>Line</b> <b>1996</b> <b>\$000</b>	<b>Energy</b> <b>1996</b> <b>\$000</b>	<b>Other</b> <b>1996</b> <b>\$000</b>	<b>Total</b> <b>1996</b> <b>\$000</b>
<b>Operating Surplus Before Taxation for the year ended 31 March 1997</b>	<b>22,055</b>	<b>2,378</b>	<b>1,686</b>	<b>26,119</b>

**After Charging**

Energy purchases and transmission	19,034	41,930	9,519	70,483
Repairs and maintenance costs	1,517		426	1,943
Personnel costs	7,693	1,096	1,103	9,892
Depreciation	4,190	12	1,057	5,259
Interest expense	(1,674)	(837)	3,344	833
Write-down of building value	280	193	99	572
Bad debts written off	136	119	59	314
Bad debts provision	26	23	11	60
Loss on sale of fixed assets	11	8	4	23
Rental and operating lease costs	481	331	171	983
Directors remuneration	110	76	39	225
Other	226	3,992	6,528	10,746

	<b>Line</b> <b>1996</b> <b>\$000</b>	<b>Energy</b> <b>1996</b> <b>\$000</b>	<b>Other</b> <b>1996</b> <b>\$000</b>	<b>Total</b> <b>1996</b> <b>\$000</b>
<b>Operating Surplus Before Taxation for the year ended 31 March 1996</b>	<b>12,879</b>	<b>670</b>	<b>2,936</b>	<b>16,485</b>

**After Charging**

Energy purchases and transmission	17,793	43,468	1,060	62,321
Repairs and maintenance costs	2,407	-	948	3,355
Personnel costs	7,042	119	2,148	9,309
Provision for loss on sale of investment	-	-	100	100
Depreciation	4,247	5	1,024	5,276
Interest expense	(589)	(27)	1,686	1,070
Goodwill	-	-	957	957
Rental and operating lease costs	275	185	129	589
Other	4,867	4,736	13,213	22,816

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**14 TAXATION**

<b>Taxation for the year ended 31 March 1997</b>	<b>Line 1996 \$000</b>	<b>Energy 1996 \$000</b>	<b>Other 1996 \$000</b>	<b>Total 1996 \$000</b>
Operating surplus before taxation	<u>22,055</u>	<u>2,378</u>	<u>1,686</u>	<u>26,119</u>
Prima facie taxation @ 33%	7,278	785	556	8,619
Plus/(less) tax effect of permanent timing differences:	(25)	(2)	(9)	(36)
Deferred taxation	(345)	(27)	(18)	(390)
Taxation expense	<u>\$6,908</u>	<u>\$756</u>	<u>\$529</u>	<u>\$8,193</u>

<b>Taxation for the year ended 31 March 1996</b>	<b>Line 1996 \$000</b>	<b>Energy 1996 \$000</b>	<b>Other 1996 \$000</b>	<b>Total 1996 \$000</b>
Operating surplus (deficit) before taxation	<u>12,879</u>	<u>670</u>	<u>2,936</u>	<u>16,485</u>
Prima facie taxation @ 33%	4,250	221	969	5,440
Plus/(less) tax effect of permanent timing differences:	(239)	(12)	274	23
Taxation expense	<u>\$4,011</u>	<u>\$209</u>	<u>\$1,243</u>	<u>\$5,463</u>

**Imputation Credit Account**

	<b>1997 \$000</b>	<b>1996 \$000</b>
Balance as at 31 March 1996	5,556	-
Imputation credits attached to dividends received during the year	321	295
Imputation credits attached to dividends paid during the year	(8,086)	-
Income tax payments made during the year	7,357	5,261
Balance as at 31 March 1997	<u>\$5,148</u>	<u>\$5,556</u>

Included within this balance is the amount of \$292,000 (1996: \$235,000) imputations credits received by the subsidiary company, Taranaki Energy Limited.

**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 31 March 1997**

**15 AUDITORS REMUNERATION**

	<b>1997</b>	<b>1996</b>
	<b>\$000</b>	<b>\$000</b>
Amounts paid or payable to the auditors for:		
Auditing financial statements	80	98
Other services	46	-
	<u>\$126</u>	<u>\$98</u>

**16 ASSOCIATE COMPANIES**

	<b>1997</b>	<b>1996</b>
	<b>\$000</b>	<b>\$000</b>
Share of operating surplus of associate companies before taxation	55	87
Taxation	18	50
Share of retained profits of associate companies	<u>\$37</u>	<u>\$37</u>

**17 DIVIDENDS**

	<b>1997</b>	<b>1996</b>
	<b>\$000</b>	<b>\$000</b>
Interim distributions:		
-Dividends paid on ordinary shares	6,774	7,268
Proposed distributions:		
-Proposed dividend on ordinary shares	7,819	9,643
	<u>\$14,593</u>	<u>\$16,911</u>

**Notes to and Forming Part of the Financial Statements**

For the Year Ended 31 March 1997

**18 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 13 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994**

<b>Financial Performance Measures</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
( i ) Accounting Return on Total Assets	11.58%	6.54%	5.49%
( ii ) Accounting Return on Equity	9.08%	4.86%	3.75%
( iii ) Accounting Rate of Profit	8.08%	4.63%	3.71%
<b>Efficiency Performance Measures</b>			
( iv ) Direct Line Cost per Kilometre	\$1,038.32	\$1,232.54	\$996.80
( v ) Indirect Line Cost per Electricity Customer	\$62.80	\$91.04	\$164.97

**19 CONTINGENT LIABILITIES AND COMMITMENTS**

There are capital commitments amounting to \$810,055 as at balance date. These commitments are for the purchase of transformers and meters, and are normal business transactions.

The company has guaranteed the obligations of its associate company as they relate to energy purchases on its behalf. The shareholders of Energy Brokers New Zealand Limited have made arrangements with its bankers to provide guarantees up to \$25 million to enable the said company to trade in the wholesale market. Powerco Limited's exposure for this transaction is restricted to its shareholding proportion of 41%. Since balance date the amount of the guarantee has increased to \$40 million.

**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**20 TRANSACTIONS WITH RELATED PARTIES**

Powerco paid legal fees to Horsley Christie, a firm in which Mr D H Brown, a director, has an interest, and to Rudd Watts & Stone, a firm in which Mr J S Auld, a director has an interest. The fees were charged on normal terms and conditions and account for 31.7% and 24.9% respectively of total group legal fees.

All directors are energy customers of Powerco under normal terms and conditions of supply.

Powerco is also deemed to have a related party relationship with New Plymouth District Council, being a 45% shareholder in Powerco through its subsidiary Pukeariki Holdings Limited. Powerco paid \$424,255 rent to the New Plymouth District Council at market rate. Powerco also supplies energy to the New Plymouth District Council under normal terms and conditions, the value of sales being 0.43 % of total sales. Rates have been paid to New Plymouth District Council to the value of \$16,500.

Powerco also has related party transactions with its associate companies, Energy Brokers New Zealand Limited. The Chief Executive of Powerco Limited is a director of Energy Brokers New Zealand Limited. All electricity energy purchases by Powerco were purchased from Energy Brokers New Zealand Limited. At balance date the amount owing to Energy Brokers New Zealand Limited by Powerco was \$2,984,394. This amount is included within the accounts payable balance in the Statement of Financial Position. Powerco supplies metering assemblies, information systems, accounting and data capture services to Energy Brokers for which it charges a cost recovery rate.

**21 LEASE OBLIGATIONS**

Operating lease obligations payable after balance date on non-cancellable leases are as follows:

	1997 \$000	1996 \$000
Within one year	1,300	492
Between 1-2 years	866	492
Between 2-5 years	140	380
	<u>\$2,306</u>	<u>\$1,364</u>

**22 EMPLOYEE REMUNERATION**

**No. of Employees**

\$100,000 - \$110,000	4
\$110,000 - \$120,000	1
\$120,000 - \$130,000	2
\$290,000 - \$300,000	1



**Notes to and Forming Part of the Financial Statements**  
For the Year Ended 31 March 1997

**23 TOP 10 SHAREHOLDERS**

In accordance with section 26 of the Securities Amendment Act 1988, major shareholders in Powerco Limited are listed:

	Shares held	%
1 Pukeariki Holdings Limited	26,277,632	50.41%
2 Taranaki Electricity Trust	7,101,520	13.62%
3 IES New Zealand Limited	4,315,217	8.27%
4 Powerco Community Trust Incorporated	2,243,015	4.30%
5 Hong Kong Bank Nominees (NZ) Limited	1,800,000	3.45%
6 New Zealand Central Securities	1,687,920	3.23%
7 Pamela Margaret Jean Williams	155,291	0.29%
8 Whanganui Power Investments Limited	118,052	0.22%
9 Pamela Williams Family Trust	103,536	0.19%
10 Pohutukawa Nominees Limited	82,919	0.15%
	43,885,102	84.13%

**24 SUBSEQUENT EVENTS**

In April 1997 Powerco Limited submitted a bid to purchase 35,050,000 (100% shareholding) shares in Egmont Electricity Limited of Hawera from the South Taranaki District Council, the sole owner, for an approximate consideration of \$91million.

The acceptance of this bid will be subject to public consultation process by the South Taranaki District Council as required by the Local Government Act.

**Notes to and Forming Part of the Financial Statements  
For the Year Ended 31 March 1997**

**25 FINANCIAL INSTRUMENTS**

**( i ) Credit risk**

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. The five largest accounts receivable balances as at 31 March 1997 comprise 8.05% of total accounts receivable. Cash deposits are only made with registered banks, no specific concerns regarding credit risk exist.

The company performs credit evaluations on customers where possible. New customers with known high credit risk are required to pay a bond before energy is supplied to them.

**( ii ) Wholesale electricity purchases**

The company has exposure to wholesale electricity price fluctuations in respect of the purchase of electricity, in respect of commercial sales commitments at fixed prices over periods of one to two years through its associate company, and domestic sales at prices which may be changed by the company within commercial limits. The price fluctuation risks are minimised by entering into back to back electricity hedge contracts through its associate company, which are fixed forward supply agreements to ensure the supply of electricity at predetermined prices.

The balance of off Statement of Financial Position financial instruments of the company are as follows:

	1997		1996	
	Contract Amount \$000	Fair Value \$000	Contract Amount \$000	Fair Value \$000
Electricity Purchase Contracts	9,000	9,000	-	-

**26 DISCLOSURE OF OPTIMAL DEPRIVAL VALUE (ODV) PURSUANT TO REGULATION 14 OF THE ELECTRICITY (INFORMATION DISCLOSURE ) REGULATIONS 1994**

ODV as at 31 March 1997

\$130,663,575

**27 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 15 AND PART III OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE ) REGULATIONS 1994**

27.1	1997 Powerco	1996 Powerco	1995 Taranaki Energy	1995 Powerco
(a) Load Factor	58.03%	60.29%	58.10%	58.13%
(b) Loss Ratio	5.99%	6.48%	6.20%	6.15%
(c) Capacity Utilisation	31.19%	28.99%	32.10%	28.22%

**27.2 (a) System Length**

	1997 Powerco	1996 Powerco	1995 Taranaki Energy	1995 Powerco
<b>Nominal Voltage</b>	<b>Total System Length (km)</b>	<b>Total System Length (km)</b>	<b>Total System Length (km)</b>	<b>Total System Length (km)</b>
33kV	417.09	411.84	273.00	179.00
22kV	113.26	114.10	0.00	61.00
11kV	3870.98	3776.73	1339.00	2426.00
6.6kV	857.03	986.44	895.00	97.00
230/400V	2075.76	2072.18	1348.00	724.00
<b>Total</b>	<b>7334.12</b>	<b>7361.29</b>	<b>3855.00</b>	<b>3487.00</b>

**(b) Overhead Line Length**

	1997 Powerco	1996 Powerco	1995 Taranaki Energy	1995 Powerco
<b>Nominal Voltage</b>	<b>O/H Line Length (km)</b>	<b>O/H Line Length (km)</b>	<b>O/H Line Length (km)</b>	<b>O/H Line Length (km)</b>
33kV	407.41	402.29	266.00	177.00
22kV	113.07	113.91	0.00	61.00
11kV	3707.30	3615.57	1222.00	2386.00
6.6kV	839.67	969.34	878.00	97.00
230/400V	1707.08	1709.21	1106.00	605.00
<b>Total</b>	<b>6774.53</b>	<b>6810.32</b>	<b>3472.00</b>	<b>3326.00</b>

## (c) Underground Line Length

Nominal Voltage	1997	1996	1995	1995
	Powerco U/G Line Length (km)	Powerco U/G Line Length (km)	Taranaki Energy U/G Line Length (km)	Powerco U/G Line Length (km)
33kV	9.68	9.55	7.00	2.00
22kV	0.19	0.19	0.00	0.00
11kV	163.68	161.16	117.00	40.00
6.6kV	17.36	17.10	17.00	0.00
230/400V	368.68	362.97	242.00	119.00
<b>Total</b>	<b>559.59</b>	<b>550.97</b>	<b>383.00</b>	<b>161.00</b>

	1997 Powerco	1996 Powerco	1995 Taranaki Energy	1995 Powerco
(d) Transformer Capacity (kVA)	568,319	629,659	304,062	265,080
(e) Maximum Demand (kW)	177,311	182,520	97,688	72,162
(f) Total Electricity Supplied From System (kWh)	849,103,244	864,631,066	466,951,236	347,049,291
(g) Total Electricity Conveyed Through System On Behalf Of Other Electricity Retailers (kWh)	17,821,943	39,360,065	349,131	Nil
(h) Total Customers	71,730	72,407	39,467	33,161

28 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 16  
AND PART IV OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION  
DISCLOSURE ) REGULATIONS 1994

## 28.1 Total Number Of Interruptions

Interruption Class	1997	1996	1995	1995
	Powerco Number of Interruptions	Powerco Number of Interruptions	Taranaki Energy Number of Interruptions	Powerco Number of Interruptions
Class A - Transpower Planned	3.00	4.00	0.00	5.00
Class B - Distributor Planned	406.00	397.00	312.00	100.00
Class C - Distributor Unplanned	499.00	670.00	533.00	360.00
Class D - Transpower Unplanned	5.00	17.00	2.00	12.00
Class E - ECNZ Unplanned	0.00	0.00	0.00	0.00
Class F - Other Generator Unplanned	2.00	0.00	0.00	0.00
Class G - Other ( Not in A to F)	0.00	0.00	0.00	0.00
<b>Total</b>	<b>915.00</b>	<b>1088.00</b>	<b>847.00</b>	<b>477.00</b>

28.2	<b>Total Number Of Faults Per 100km Of Prescribed Voltage Line</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1995</b>
		<b>Powerco</b>	<b>Powerco</b>	<b>Taranaki Energy</b>	<b>Powerco</b>
		9.49	12.93	21.34	13.24

28.3 **Total Number Of Faults Per 100km Of  
Prescribed Voltage Underground Line**

Nominal Voltage	1997	1996	1995	1995
	Powerco	Powerco	Taranaki Energy	Powerco
	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
33kV	0.00	0.00	0.00	0.00
22kV	0.00	0.00	0.00	0.00
11kV	1.22	6.21	2.56	0.00
6.6kV	0.00	0.00	5.92	0.00
<b>Total</b>	<b>1.05</b>	<b>5.32</b>	<b>2.84</b>	<b>0.00</b>

28.4 **Total Number Of Faults Per 100km Of  
Prescribed Voltage Overhead Line**

Nominal Voltage	1997	1996	1995	1995
	Powerco	Powerco	Taranaki Energy	Powerco
	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
33kV	5.65	5.47	12.77	10.82
22kV	8.84	15.80	0.00	79.30
11kV	10.84	15.13	28.64	12.11
6.6kV	7.38	8.98	16.74	4.13
<b>Total</b>	<b>9.81</b>	<b>13.21</b>	<b>22.44</b>	<b>13.24</b>

## 28.5 - 28.6 SAIDI

Interruption Class	1997	1996	1995	1995
	Powerco SAIDI	Powerco SAIDI	Taranaki Energy SAIDI	Powerco SAIDI
Class A - Transpower Planned	22.81	32.16	0.00	68.79
Class B - Distributor Planned	74.91	65.36	101.17	65.62
Class C - Distributor Unplanned	94.50	76.29	104.52	209.28
Class D - Transpower Unplanned	4.98	15.28	5.45	23.07
Class E - ECNZ Unplanned	0.00	0.00	0.00	0.00
Class F - Other Generator Unplanned	0.16	0.00	0.00	0.00
Class G - Other ( Not in A to F)	0.00	0.00	0.00	0.00
<b>Total</b>	<b>197.36</b>	<b>189.09</b>	<b>211.14</b>	<b>366.76</b>

## 28.7 - 28.8 SAIFI

Interruption Class	1997	1996	1995	1995
	Powerco SAIFI	Powerco SAIFI	Taranaki Energy SAIFI	Powerco SAIFI
Class A - Transpower Planned	0.098	0.134	0.000	0.410
Class B - Distributor Planned	0.396	0.429	0.600	0.380
Class C - Distributor Unplanned	1.798	1.679	1.950	3.240
Class D - Transpower Unplanned	0.011	0.567	0.290	1.480
Class E - ECNZ Unplanned	0.000	0.000	0.000	0.000
Class F - Other Generator Unplanned	0.003	0.000	0.000	0.000
Class G - Other ( Not in A to F)	0.000	0.000	0.000	0.000
<b>Total</b>	<b>2.404</b>	<b>2.809</b>	<b>2.820</b>	<b>5.510</b>

## 28.9 - 28.10 CAIDI

Interruption Class	1997	1996	1995	1995
	Powerco CAIDI	Powerco CAIDI	Taranaki Energy CAIDI	Powerco CAIDI
Class A - Transpower Planned	233.08	240.00	0.00	169.52
Class B - Distributor Planned	189.06	152.23	168.88	173.05
Class C - Distributor Unplanned	52.57	45.44	53.97	64.65
Class D - Transpower Unplanned	45.85	26.94	19.13	15.54
Class E - ECNZ Unplanned	0.00	0.00	0.00	0.00
Class F - Other Generator Unplanned	0.00	0.00	0.00	0.00
Class G - Other ( Not in A to F)	0.00	0.00	0.00	0.00
<b>Total</b>	<b>82.11</b>	<b>67.31</b>	<b>49.50</b>	<b>66.60</b>

