

# New Zealand Gazette

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OF THURSDAY, 27 AUGUST 1998

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WELLINGTON: MONDAY, 31 AUGUST 1998 — ISSUE NO. 127

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## SCANPOWER LIMITED

### INFORMATION FOR DISCLOSURE

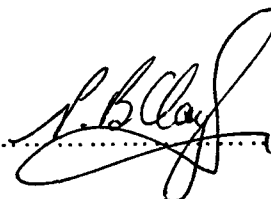
PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1994

## Form 7

STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION  
SUPPLIED TO SECRETARY OF COMMERCE

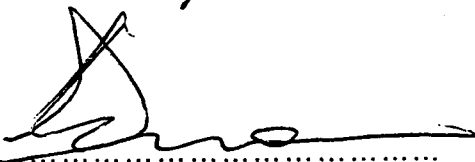
I, PETER BRUCE CLAYTON, of STATE HIGHWAY 2, R D 7, DANNEVIRKE, being a Director of SCANPOWER LIMITED, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public pursuant to the Electricity (Information Disclosure) Regulations 1994.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.



.....

Declared at Dannevirke this 13<sup>th</sup> day of August 1998



.....  
Solicitor

MARIE SHROFF  
Clerk of the Executive Council

**SCANPOWER****FINANCIAL STATEMENTS PREPARED  
FOR THE ELECTRICITY (Information Disclosure)  
REGULATIONS 1994****FOR THE YEAR ENDED 31 MARCH 1998**

Reg 26(2)

Form 5

**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS  
DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

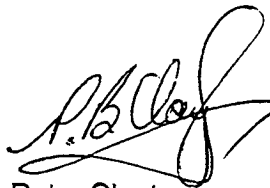
We, Michael Dodson and Peter Clayton, Directors of SCANPOWER LIMITED, certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of SCANPOWER LIMITED, prepared for the purposes of regulation 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 SCANPOWER 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 1998.



Michael Dodson  
13 August 1998



Peter Clayton  
13 August 1998



**Audit New Zealand**

## **Certification by Auditor in Relation to Financial Statements**

### **Report of the Audit Office**

We have examined the attached financial statements prepared by ScanPower Limited - Line Business and dated 31 March 1998 for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form the name 'V F Sears'.

V F Sears  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
14 August 1998  
Palmerston North, New Zealand



**Audit New Zealand**

## **Certification by Auditor in Relation to Financial Statements**

### **Report of the Audit Office**

We have examined the attached financial statements prepared by ScanPower Limited - Electricity Retail Business (Energy Business) and dated 31 March 1998 for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.

V F Sears  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
14 August 1998  
Palmerston North, New Zealand

**SCANPOWER LIMITED****INTRODUCTION**

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

The Regulations require the information to be disclosed in the manner it is presented.

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

Some of the information contained in this package may change at any time. Pricing and terms are as at the date of disclosure indicated and are not quotations, estimates, rates or terms that will apply in the future.

Please write or telephone **SCANPOWER** Limited if you have any questions or would like further information on the services available.

**FINANCIAL PERFORMANCE MEASURES**

The Electricity (Information Disclosure) Regulations 1994 form part of the "light handed" regulatory regime introduced following deregulation of the Electricity Industry.

The Regulations require Electricity Companies that operate a Line Business to publicly disclose in the Gazette and have available on request a variety of information. Included in this disclosure are the Financial, Reliability and Efficiency Performance Measures and Statistics.

In order to consistently define these measures to allow comparison between Electricity Companies, the Regulations require a number of adjustments to be made to the Financial Statements. For this reason, the Financial Statements disclosed are not necessarily the basis of information used for calculations in Performance Measures and Statistics.

The information has been prepared solely for the purpose of complying with Regulations 13 to 16 of the Electricity (Information Disclosure) Regulations 1994 and are not intended for any other purpose.

## SCANPOWER LIMITED

## STATEMENT OF FINANCIAL PERFORMANCE


FOR THE YEAR ENDED 31 MARCH 1998

	Notes	<u>Lines Business</u>		<u>Energy Business</u>	
		1998	1997	1998	1997
		\$	\$	\$	\$
<b>REVENUE</b>					
Electricity Revenue		4,332,955	4,307,356	5,775,024	5,372,592
Other Income	1	373,228	407,583	1,670,440	1,674,887
		4,706,183	4,714,939	7,445,464	7,047,479
Less Customer Discounts		1,258,538	1,021,022	340,000	500,000
<b>TOTAL REVENUE</b>		<b>3,447,645</b>	<b>3,693,917</b>	<b>7,105,464</b>	<b>6,547,479</b>
<b>EXPENSES</b>					
Electricity business and other costs		3,386,735	3,438,914	7,109,332	6,494,403
<b>TOTAL EXPENSES</b>		<b>3,386,735</b>	<b>3,438,914</b>	<b>7,109,332</b>	<b>6,494,403</b>
<b>OPERATING SURPLUS BEFORE TAXATION</b>		<b>60,910</b>	<b>255,003</b>	<b>(3,868)</b>	<b>53,076</b>
Taxation Expense	2	28,413	92,677	(1,276)	17,515
<b>OPERATING SURPLUS AFTER TAXATION</b>		<b>32,497</b>	<b>162,326</b>	<b>(2,592)</b>	<b>35,561</b>

**SCANPOWER LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 1998**

	Notes	Lines Business		Energy Business	
		1998 \$	1997 \$	1998 \$	1997 \$
<b>SHAREHOLDERS FUNDS</b>					
Retained Earnings & Reserves	3	7,823,921	7,482,156	871,900	1,213,759
<b>TOTAL SHAREHOLDERS FUNDS</b>		<b>7,823,921</b>	<b>7,482,156</b>	<b>871,900</b>	<b>1,213,759</b>
<b>CURRENT ASSETS</b>					
Bank and Cash on Hand		26	44,660	17	47,608
Short Term Investments	6	1,374,432	1,367,183	915,274	882,817
Tax Provision		7,733	0	5,150	0
Accounts Receivable	4	14,695	12,294	370,435	483,980
Prepayments and Accruals		186,992	31,024	158,622	303,325
Inventories	5	105,146	80,395	352,285	395,712
<b>Total Current Assets</b>		<b>1,689,024</b>	<b>1,535,556</b>	<b>1,801,782</b>	<b>2,113,442</b>
<b>NON CURRENT ASSETS</b>					
Investments	6	0	0	1,500	1,500
Fixed Assets	7	6,617,092	6,435,989	88,151	86,674
Capital Work In Progress		0	12,266	0	0
<b>Total Non Current Assets</b>		<b>6,617,092</b>	<b>6,448,255</b>	<b>89,651</b>	<b>88,174</b>
<b>TOTAL ASSETS</b>		<b>8,306,116</b>	<b>7,983,811</b>	<b>1,891,433</b>	<b>2,201,616</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable	8	181,173	169,161	912,814	762,740
Proposed Dividend		15,000	15,000	15,000	15,000
Employee Entitlements		215,271	221,622	61,187	63,298
Current Portion of Term Liability	9	24,900	0	0	0
Tax Provision		0	56,092	0	116,036
<b>TOTAL CURRENT LIABILITIES</b>		<b>436,345</b>	<b>461,875</b>	<b>989,001</b>	<b>957,074</b>
<b>NON CURRENT LIABILITIES</b>					
Term Loans	9	0	24,900	0	0
Deferred Taxation		45,850	14,880	30,533	30,783
<b>Total Non - Current Liabilities</b>		<b>45,850</b>	<b>39,780</b>	<b>30,533</b>	<b>30,783</b>
<b>TOTAL LIABILITIES</b>		<b>482,195</b>	<b>501,655</b>	<b>1,019,533</b>	<b>987,857</b>
<b>NET ASSETS</b>		<b>7,823,921</b>	<b>7,482,156</b>	<b>871,900</b>	<b>1,213,759</b>

For and behalf of the Board



**CHAIRMAN**



**GENERAL MANAGER**



SCANPOWER LIMITED  
PERFORMANCE INDICATORS  
FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997	1996	1995
<b>1. FINANCIAL PERFORMANCE MEASURES</b>				
Accounting Return on Total Assets	-0.45%	-0.12%	-1.44%	-1.67%
Accounting Return on Equity	-0.66%	-0.71%	-1.55%	-1.95%
Accounting Rate of Profit	-0.61%	-0.70%	-1.54%	-1.83%
<b>2. EFFICIENCY PERFORMANCE INDICATORS</b>				
Direct Line Costs per Kilometre	\$959	\$899	\$866	\$693
Indirect Line Costs per Customer	\$63	\$68	\$57	\$61
<b>3. ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES</b>				
Load Factor	62.00%	66.50%	66.55%	64.11%
Loss Ratio	7.28%	7.34%	7.95%	7.79%
Capacity Utilisation	27.55%	26.32%	26.04%	26.06%

**3A. OPTIMISED DEPRIVAL VALUATION**

The Optimised Deprival Valuation of the Lines Business Assets as at 31 March 1998 was \$19,109,668.

**4. STATISTICS**

Circuit Length of Overhead System				
11 KV	766	765	765	789
400 V	196	197	197	189
Total	962	962	962	978
Circuit Length of Underground System				
400 V	35	33	32	31
Total	35	33	32	31
System Length				
11 KV	766	765	765	789
400 V	231	230	229	220
Total	997	995	994	1,009
Transformer Capacity	54,317	53,157	54,425	54,055
Maximum Demand KW	14,967	13,971	14,176	14,089
Total Electricity Supplied from Systems (Sales) Kwhr	75,285,058	75,584,065	76,281,299	72,965,022
Electricity on behalf of other entities	-	-	-	-
Total Customers	6,700	6,700	6,700	6,713
Number of Faults per 100 circuit kilometre overhead				
11 KV	10	15	9	11
Total	10	15	9	11

**Total Interruptions 1998**

CLASS	A	B	C	D	E	F	G	TOTAL
SAIDI	49	44.37	64.8	78	0	0	0	236.17
SAIFI	0.234	0.2775	0.63	0.8	0	0	0	1.9415
CAIDI	209	160	103	98	0	0	0	121.6
INTERRUPTIONS	1	106	74	2	0	0	0	183

**Total Interruptions 1997**

CLASS	A	B	C	D	E	F	G	TOTAL
SAIDI	28	74.68	50.58	18.55	0	0	0	171.81
SAIFI	0.23	0.5975	0.5517	0.324	0	0	0	1.7032
CAIDI	122	125	92	57	0	0	0	101
INTERRUPTIONS	1	99	113	2	0	0	0	215

**Total Interruptions 1996**

CLASS	A	B	C	D	E	F	G	TOTAL
SAIDI	49.15	41.66	32.63	0	0	0	0	123.44
SAIFI	0.23	0.3224	0.579	0	0	0	0	1.1314
CAIDI	214	129	56	0	0	0	0	109
INTERRUPTIONS	1	127	68	0	0	0	0	196

**Total Interruptions 1995**

CLASS	A	B	C	D	E	F	G	TOTAL
SAIDI	56	32	41.4	31	0	0	0	160.4
SAIFI	0.234	0.476	0.708	1.91	0	0	0	3.328
CAIDI	240	67	58	16	0	0	0	48
INTERRUPTIONS	1	88	84	5	0	0	0	178

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 1998

**SCANPOWER** Limited ("**SCANPOWER**") is a public company registered under the Companies Act 1993. These financial statements have been prepared in accordance with Regulations 6(2) and 6(3) of the Electricity (Information Disclosure) Regulations 1994. The financial statements comprise separate Statements of Financial Performance and Financial Position for the Line and Energy Businesses as required by Clause 6(2)(3) of the Electricity (Information Disclosure) Regulations 1994. These businesses operate in and around the Southern Hawkes Bay area. The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Company, with the exception that certain fixed assets have been revalued.

**Methodology and Separation of Businesses**

**SCANPOWER** has generally followed the Electricity Disclosure Guidelines and Pricing Methodologies as issued by the Energy Policy Group of the Ministry of Commerce in 1994.

Transmission costs are allocated back to the network. In respect of discounts they are allocated to each business based on the profits generated by those businesses.

The following particular accounting policies which materially affect the measurement of profit and the financial position have been applied.

**a) Income Recognition**

Electricity sales include all amounts billed during the financial period as determined by meter readings or assessed meter readings. An accrual is also made for the estimate of electricity used but unbilled at the end of the financial period. The gross value of electricity sales as determined by this method is then disclosed by the line and energy components in the relevant statements.

**b) Receivables**

Receivables are stated at their estimated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

**c) Inventories**

Inventories are valued at the lower of "weighted average cost", and net realisable value.

**d) Fixed Assets**

Fixed assets are initially recorded at cost.

Freehold land & buildings are subsequently revalued on a cyclical basis with no individual fixed asset being included at a valuation undertaken more than three years previously. Valuations are at net current value.

**e) Depreciation**

Depreciation is provided on a straight line basis on all tangible fixed assets other than freehold land, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Major depreciation periods are:

Buildings	- 50 years
Computer Equipment	- 3 to 5 years
Distribution System	- 33 to 35 years
Motor Vehicles	- 7 to 10 years
Plant and Equipment	- 10 years

**h) Taxation**

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive 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) Employee Entitlements**

These have been valued as the actual liabilities of **SCANPOWER** as at 31 March 1998. This includes the estimated liability for annual leave and long service leave as a result of services rendered by employees up to balance date.

**j) Leases**

**SCANPOWER** leases a truck for its lines maintenance work. Under the terms of the lease, all the risks and benefits of ownership effectively remain with the lessors. Lease payments are recognised as an expense in the periods the amounts are payable and a full disclosure of future commitments is provided in note 12.

**k) Financial Instruments**

The company places its cash deposits with high-credit quality financial institutions.

The company does not normally require deposits from customers except where there has previously been non-payment of outstanding accounts. No other form of security or collateral is required to support financial instruments with credit risk.

**SCANPOWER** has entered into electricity price hedging contracts with electricity generators in order to minimise the risk of price fluctuations on the electricity spot market. Assets, liabilities, and any unrealised revenues and expenses associated with these instruments as at balance date are not recognised in the financial statements. Realised revenues and expenses are recognised in the statement of financial performance on maturity of the hedging contracts and are incorporated as part of the cost of wholesale electricity.

Full disclosure of information about electricity price hedging contracts to which **SCANPOWER** is a party is provided in note 15.

SCANPOWER has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in electricity spot market prices. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

**Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

SCANPOWER LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 1998

	Lines Business		Energy Business	
	1998 \$	1997 \$	1998 \$	1997 \$
<b>Note 1: Other Income</b>				
Network Contracting	230,662	245,982		
Interest Income	142,566	161,601		
Appliance Sales, Servicing and Wiring			1,670,440	1,674,886
	<u>373,228</u>	<u>407,583</u>	<u>1,670,440</u>	<u>1,674,886</u>
<b>Note 2: Taxation</b>				
Taxation Reconciliation				
Accounting net operating surplus before taxation	60,910	255,003	(3,868)	53,076
Taxation at 33%	20,100	84,151	(1,276)	17,515
Plus Tax Effect of:				
Non Deductible Expenditure	8,313	8,526		
Timing Differences not Recognised				
Tax Loss not Previously Recognised				
<b>Income Tax Charge for the year</b>	<u>28,413</u>	<u>92,677</u>	<u>(1,276)</u>	<u>17,515</u>
<b>Comprising:</b>				
Current Taxation	(2,556)	67,100	(1,026)	15,553
Deferred Taxation	30,969	25,577	(250)	1,962
	<u>28,413</u>	<u>92,677</u>	<u>(1,276)</u>	<u>17,515</u>
<b>Deferred Taxation Liability:</b>				
Opening Balance	(14,881)	10,697	(30,783)	(28,821)
Less Prior Period Adjustment	(1,060)	(6,709)		
Current Year Movement	(29,909)	(18,869)	250	(1,962)
	<u>(45,850)</u>	<u>(14,881)</u>	<u>(30,533)</u>	<u>(30,783)</u>
<b>Note 3: Retained Earnings &amp; Reserves</b>				
<b>(i) Retained Earnings</b>				
Balance at beginning of the year	214,193	66,867	254,428	233,867
Net Surplus/(Deficit) for the year	32,497	162,326	(2,592)	35,561
Dividends Paid and Proposed	(15,000)	(15,000)	(15,000)	(15,000)
Equity Adjustments				
<b>Balance at end of the year</b>	<u>231,690</u>	<u>214,193</u>	<u>236,836</u>	<u>254,428</u>
<b>(ii) Reserves</b>				
Capital	6,864,936	6,544,523	635,064	955,476
Adjustment to Capital		(3,855)		3,855
Share Premium Reserve	185,025	185,025		
Asset Revaluation Reserve	542,270	542,270		
<b>Balance at end of the year</b>	<u>7,592,231</u>	<u>7,267,963</u>	<u>635,064</u>	<u>959,331</u>
<b>Total Retained Earnings &amp; Reserves</b>	<u>7,823,921</u>	<u>7,482,156</u>	<u>871,900</u>	<u>1,213,759</u>
<b>Note 4: Accounts Receivable</b>				
Trading Debtors	14,695		370,435	476,752
GST Clearing Account				7,229
Miscellaneous		12,294		
	<u>14,695</u>	<u>12,294</u>	<u>370,435</u>	<u>483,981</u>
<b>Note 5: Inventories</b>				
Network and Contracting Stocks	105,146	80,395		
Appliance & Servicing Stocks			352,285	374,338
Energy Marketing Stocks				21,374
	<u>105,146</u>	<u>80,395</u>	<u>352,285</u>	<u>395,712</u>

	Lines Business		Energy Business	
	1998	1997	1998	1997
	\$	\$	\$	\$
<b>Note 6: Investments</b>				
<b>(i) CURRENT</b>				
Short term deposits held with registered banks Government & SOE Bonds	1,374,432	1,367,183	915,274	882,817
	<u>1,374,432</u>	<u>1,367,183</u>	<u>915,274</u>	<u>882,817</u>
<b>(ii) NON CURRENT</b>				
100% Your Electric Store (1 share)			1,500	1,500
			<u>1,500</u>	<u>1,500</u>
<b>Note 7: Fixed Assets</b>				
<b>Distribution Assets</b>				
At Cost	9,138,867	8,807,175		
Accumulated Depreciation	(4,288,712)	(4,025,898)		
Total carrying amount	<u>4,850,155</u>	<u>4,781,277</u>		
<b>Freehold Land</b>				
At Cost				
At Valuation - 16 February 1996	111,900	111,900		
Total carrying amount	<u>111,900</u>	<u>111,900</u>		
<b>Freehold Buildings</b>				
At Valuation - 16 February 1996	976,981	976,981		
At Cost	84,513			
Accumulated Depreciation	(48,904)	(23,033)		
Total carrying amount	<u>1,012,590</u>	<u>953,948</u>		
<b>Motor Vehicles</b>				
At Cost	416,783	472,947	187,474	187,474
Accumulated Depreciation	(185,053)	(211,957)	(136,067)	(118,807)
Total carrying amount	<u>231,730</u>	<u>260,990</u>	<u>51,408</u>	<u>68,667</u>
<b>Plant and Equipment</b>				
At Cost	475,699	362,832	46,967	22,010
Accumulated Depreciation	(196,876)	(162,663)	(10,223)	(4,003)
Total carrying amount	<u>278,824</u>	<u>200,169</u>	<u>36,743</u>	<u>18,007</u>
<b>Computer Equipment</b>				
At Cost	360,792	313,075		
Accumulated Depreciation	(228,899)	(185,370)		
Total carrying amount	<u>131,893</u>	<u>127,705</u>		
<b>Total Fixed Assets</b>	<u>6,617,092</u>	<u>6,435,989</u>	<u>88,151</u>	<u>86,674</u>
<b>Note 8: Accounts Payable</b>				
Electricity Customers*			30,162	846
Trade Creditors	141,511	105,793	837,898	728,152
GST Clearing Account	72		48	
Customer Deposits	11,040	13,020		
Other Creditors & Accruals	28,550	50,348	44,706	33,742
	<u>181,173</u>	<u>169,161</u>	<u>912,814</u>	<u>762,740</u>
* Due to the effect of discounts resulting in customers having credit (being owed) balances.				
<b>Note 9: Loan Liability</b>				
Non-Current Portion		24,900		
Current Portion	24,900			
	<u>24,900</u>	<u>24,900</u>		

The loan, at 10.5% p.a., was secured over the revenue of the company and repaid on 28 April 1998.

<u>Lines Business</u>		<u>Energy Business</u>	
1998	1997	1998	1997
\$	\$	\$	\$

**Note 10: Wind Generation Project**

SCANPOWER Limited is engaged in feasibility studies with regard to wind generation options within the distribution area of SCANPOWER. The directors are committed to the continuation of these studies.

**Capitalised expenditure to 31 March 1998:**

Feasibility Studies*	218,539	134,181
Option to Lease Land	80,000	
Total expenditure capitalised	218,539	134,181

Although results are promising at this stage, the outcome of this project is not certain. In the event this project is terminated, the amount disclosed as capitalised above will be written off in the Statement of Financial Performance.

\*This is net of discounts totalling \$36,000, which may become payable if the project is terminated.

**Note 11: Capital Commitments and Contingent Liabilities**

As at 31 March 1998, the company had no contingent liabilities (1996/97 also Nil).

SCANPOWER has not entered into any contracts to purchase or install equipment of a capital nature (1996/97 also Nil).

**Note 12: Analysis of non-cancellable operating lease commitments**

Payable not later than one year	33,504
Payable later than one year, not later than two years	33,504
Payable later than two years, not later than five years	80,968
Payable later than five years	
	147,976

Lease payments started on 1 September 1997.

**Note 13: Segment Information**

SCANPOWER operates in one industry which is the supply and distribution of electricity. All of SCANPOWER's operations are carried out in New Zealand

**Note 14: Related Party Information**

All transactions with related parties are made under normal terms and conditions of supply and sale. No related party debts were forgiven or written off during the year.

**Note 15: Financial Instruments**

The company has no off balance sheet financing, nor any foreign exchange exposure. All financial instruments are carried at fair value and take into account the company's maximum exposure to credit risk.

Concentrations of credit risk with respect to receivables are limited due to a large customer base to whom the company supplies services.

**Revenue - Electricity price hedging contracts**

SCANPOWER has entered into electricity price hedges with its generators. Under these agreements SCANPOWER agrees with its electricity generators, a fixed price (hedge price) for a percentage of its estimated electricity needs. It is SCANpower Ltd's current policy to hedge up to 105% of its electricity needs. It is SCANPOWER policy not to enter into any speculative position in relation to electricity price hedging contracts.

On maturity of the electricity price hedges any difference between the hedge price and the spot market price is settled between the parties. Settlement occurs irrespective of the amount of electricity actually supplied. If the spot market price is greater than the hedge price, electricity generators must settle the difference with SCANPOWER. Conversely if the spot market price is less than the hedge price, SCANPOWER must settle the difference with electricity generators.

**Credit Risk - Electricity price hedging contracts**

With respect to electricity price hedges, SCANPOWER exposure is on any potential difference between the spot price and the hedge price, where on maturity of these agreements the spot price is greater than

<u>Lines Business</u>		<u>Energy Business</u>	
1998	1997	1998	1997
\$	\$	\$	\$

**Note 15: Financial Instruments (contd.)**

the hedge price. **SCANPOWER** does not anticipate any non-performance of any obligations which may exist on maturity of these agreements.

**Fair Value - Electricity price hedging contracts**

The fair value of electricity price hedging contracts can vary from day to day as the spot market price for electricity varies. As at balance date the secondary market for electricity price hedging contracts was not sufficiently active in order to obtain a reliable measure of the fair value of **SCANPOWER** hedging contracts. On maturity of these agreements there is potentially an asset or liability in relation to the electricity price hedges which has not been recognised in the financial statements. As at balance date the contract amount of the electricity hedging activity amounted to \$19,971,597 covering the period from October 1996 to September 2001, (1996-7 - 12,749,412, 1995-6 - Nil).





**Audit New Zealand**

## **Certification of Performance Measures by Auditors**

### **Report of the Audit Office**

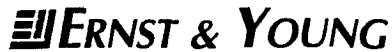
We have examined the attached information, being

- a) Financial performance measures specified in clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and
- b) Financial components of the efficiency performance measures specified in clause 2 of Part II of that Schedule, —

and having been prepared by ScanPower Limited and dated 31 March 1998 for the purposes of Regulation 13 of those regulations.

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

V F Sears  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
14 August 1998  
Palmerston North, New Zealand



■ Chartered Accountants

**The Directors  
SCANPOWER Limited**

**Certification by auditor in relation to ODV valuation**

**Auditor's Report**

We have examined the valuation report prepared by E-DEC Limited and dated 6 August 1998 which contains valuations as at 31 March 1998.

We certify that, having made all reasonable inquiry, to the best of our knowledge the valuations contained in the report have in our opinion been made in accordance with the Second Edition of 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, appearing to read 'Ernst &amp; Young', written in dark ink.

Ernst & Young  
Chartered Accountants  
Palmerston North  
7 August 1998

