

New Zealand Gazette

OF THURSDAY, 3 SEPTEMBER 1998

WELLINGTON: FRIDAY, 4 SEPTEMBER 1998 — ISSUE NO. 134

THE POWER COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994



LINE & OTHER BUSINESS

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 1998**

**THE POWER COMPANY LIMITED
LINE & OTHER BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 1998**

1997			1998	
Line Business	Other Business		Line Business	Other Business
21,388,366	3,065,570	Income	22,028,422	3,217,440
10,214,588	914,084	Cost of Sales	10,713,577	115,355
-----	-----		-----	-----
11,173,778	2,151,486	Gross Profit	11,314,845	3,102,085
		Overheads and Expenses		
259,970	-	Gore Borough Subsidy	223,868	-
281,719	360,660	Administration	255,138	354,370
504,931	393,470	Personnel	572,525	328,066
46,828	211,166	Occupancy	52,587	145,141
588,667	41,799	Operations Division Overheads	1,172,468	53,578
302,822	48,528	Corporate Division Overheads	344,416	30,340
849,883	-	Network Division Overheads	514,029	-
52,482	(15,244)	Project Developments	79,655	191,955
435,305	526,858	Loss on Realisation of Investment	(435,305)	(526,858)
49,146	1,891	Loss on Sale	6,125	681
-	-	Subvention Payment	646,771	842,743
1,044,369	53,573	Other Costs	697,028	15,284
-----	-----		-----	-----
4,416,122	1,622,701		4,129,305	1,435,300
		Earnings Before Interest, Depreciation and Tax		
6,757,656	528,785	Depreciation Expense	7,185,540	1,666,785
2,865,595	162,316	Interest Expense	3,440,649	372,255
1,205,272	36,713		1,228,170	42,229
-----	-----		-----	-----
2,686,789	329,756	Net Profit Before Tax	2,516,721	1,252,301
1,173,749	144,057	Taxation	969,653	482,492
-----	-----		-----	-----
\$1,513,040	\$185,699	Net Profit After Tax	\$1,547,068	\$769,809
=====	=====		=====	=====

**THE POWER COMPANY LIMITED
LINE & OTHER BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 1998**

1997			1998	
Line Business	Other Business		Line Business	Other Business
		<u>Current Assets</u>		
151,007	211,854	Cash at Bank	26,298	114,017
967,368	342,126	Receivables	652,182	277,430
-	-	Prepayments	39,984	23,572
366,655	26,035	Inventories	334,372	999,439
-	-	Work in Progress	108,250	4,935
-----	-----		-----	-----
1,485,030	580,015	Total Current Assets	1,161,086	1,419,393
		<u>Non Current Assets</u>		
6,050,354	1,547,385	Capital Work in Progress	8,223,676	181,025
205,554	-	PowerNet Investment	-	-
34,401,899	2,370,300	Fixed Assets	36,984,904	2,978,055
-----	-----		-----	-----
40,657,807	3,917,685	Total Non Current Assets	45,208,580	3,159,080
-----	-----		-----	-----
\$42,142,837	\$4,497,700	TOTAL ASSETS	\$46,369,666	\$4,578,473
=====	=====		=====	=====
		<u>Current Liabilities</u>		
194,248	13,789	Bank Overdraft	60,967	-
2,507,144	401,578	Accounts Payable and Accruals	2,546,548	336,947
447,374	(141,128)	Provision for Tax	111,312	168,010
(78,642)	(9,652)	Provision for Deferred Tax	476,721	118,163
-----	-----		-----	-----
3,070,124	264,587	Total Current Liabilities	3,195,548	623,120
-----	-----		-----	-----
12,809,813	390,187	Term Liabilities	14,501,385	498,615
-----	-----		-----	-----
15,879,937	654,774	TOTAL LIABILITIES	17,696,933	1,121,735
=====	=====		=====	=====
		<u>Owners Equity</u>		
29,762,685	(130,286)	Capital Reserve	28,846,599	785,137
(3,499,785)	1,103,321	Retained Earnings	(173,866)	(163,731)
-	2,869,891	Shareholder Loan	-	2,835,332
-----	-----		-----	-----
26,262,900	3,842,926	Total Owners' Equity	28,672,733	3,456,738
-----	-----		-----	-----
\$42,142,837	\$4,497,700	TOTAL LIABILITIES AND EQUITY	\$46,369,666	\$4,578,473
=====	=====		=====	=====

**THE POWER COMPANY LIMITED
LINE & OTHER BUSINESS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 1998**

1.0 GENERAL ACCOUNTING POLICIES

The general policies adopted in the preparation of these financial statements are:

- Unless otherwise stated, the measurement base adopted is historical cost.
- Reliance is placed on the assumption that the Company is a going concern.
- Accrual accounting is used to match revenues with related expenses.

2.0 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 ("the regulations"), and amendments.

These financial statements relate to the Company's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Section 6 of the Regulations.

Activities as defined in Section 6(3) of the Regulations are undertaken and are shown as the Other Business. This includes Metering Systems Limited, the Monowai Power House, external contracting activities and street lighting services.

3.0 PARTICULAR ACCOUNTING POLICIES

The Power Company's 23% interest in United Electricity Limited has been excluded from these accounts. The interest in PowerNet Limited has been accounted for on a line by line consolidation of revenue and expenses after the elimination of all significant inter-company transactions. External Contracting Activities have then been split out and shown under the heading Other Business. Metering Systems Limited is a wholly owned subsidiary of The Power Company which specialises in high tech meter systems. Metering Systems Limited has been accounted for on a consolidation basis using the purchase method and shown under the heading Other Business.

3.1 Costs, Revenue, Assets and Liabilities

Costs, Revenues, Assets and Liabilities where appropriate have been directly attributed to the Line or Other Business. Overhead expenditure, assets and liabilities in relation to External Contracting Activities have been allocated on the percentage of total revenue, and all other Costs (with the exception of the Subvention Payment), Revenue, Assets and Liabilities have been allocated on the basis outlined in the Disclosure Regulations.

3.2 Fixed Assets

At 31 March 1998 all assets including Network Assets are recorded at cost less accumulated depreciation.

3.3 Distinction Between Capital and Revenue Expenditure

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

Revenue expenditure is defined as expenditure which maintains an asset in working condition, and expenditure incurred in maintaining the service performance and operation of the Company.

3.4 Depreciation

Fixed assets are depreciated on the basis of cost price less estimated residual value over the period of their estimated useful life.

Rates used are:

Buildings	-	1% SL - 4% DV
Furniture, Fittings & EDP Equipment	-	10% DV - 50% DV
Motor Vehicles	-	20% DV - 25% DV
Network Assets	-	1% SL - 22% DV

3.5 Receivables

Receivables are stated in their estimated realisable value.

3.6 Income Tax

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit and is calculated after allowance for permanent differences. The Company uses the liability method of accounting for deferred taxation and applies this on a comprehensive basis. Future tax benefits attributable to tax losses or timing differences are only recognised where there is virtual certainty of realisation.

3.7 Work In Progress

The cost of work in progress includes the cost of direct material and direct labour used in putting replacement and new systems in their present location and condition.

3.8 Goods And Services Tax

These accounts have been prepared on a GST exclusive basis with the exception of Sundry Debtors and Creditors which are GST inclusive.

4.0 COMMITMENTS

Operating Lease Commitments are as follows:

	31 March 1998 (\$000)	31 March 1997 (\$000)
➤ Less than one year	53	33
➤ Greater than one year and not later than two years	36	26
➤ Later than two years and no later than five years	69	15
➤ Later than five years		2

5.0 CONTINGENT LIABILITIES

PowerNet Limited has a contingent liability of \$50,000 in respect of potential liabilities arising from use of system agreements.

PowerNet Limited also has a number of contingent liabilities in respect of guarantees given to contractors. The maximum exposure ranges from \$20,000 to \$164,000 totalling \$1,338,000. PowerNet Limited holds second debenture over the contractors assets.

The Power Company Limited's exposure would amount to two thirds of these liabilities.

Metering Systems Limited has a contingent liability of \$100,000 in respect of potential liabilities arising from Lease, Datahandling and Service Agreements.

The Power Company Limited has a guarantee of \$6,250,000 in favour of United Electricity Limited. This has been given to support the guarantees provided by United Electricity Limited in relation to facilities entered into by Pacific Energy Limited. Pacific Energy Limited acts as principal and agent in negotiating and purchasing energy and also in the provision of and accounting for hedging facilities on behalf of United Electricity Limited.

6.0 UNITED ELECTRICITY LIMITED

The Power Company's 23% interest in United Electricity Limited is \$2,271,646. Being an exclusively Energy Trading activity, this amount is excluded from these accounts.

**THE POWER COMPANY LIMITED
FINANCIAL AND EFFICIENCY
PERFORMANCE MEASURES
(LINE BUSINESS)**

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

7.0 FINANCIAL MEASURES

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Accounting Return on Total Assets	6.50%	6.36%	4.66%	5.6%
Accounting Return on Equity	5.07%	4.53%	3.74%	4.4%
Accounting Rate of Profit	-.50%	5.58%	3.25%	3.0%

All financial performance measures have been calculated using the Renewal Accounting Methodology.

The financial measures for 1996 have been calculated using the closing total funds employed and total shareholder funds, whilst from 1997 an average has been used.

The ODV valuation used in preparing the ratios for 1998 is \$93,903,328.

The ODV valuation used in preparing the ratios for 1995-97 is \$89,530,526.

8.0 EFFICIENCY PERFORMANCE MEASURES

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Direct Line Costs per Kilometre	\$675	\$607	\$597	\$579
Indirect Line Costs per Electricity Customer	\$82	\$107	\$119	\$223

THE POWER COMPANY LIMITED ENERGY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS (LINE BUSINESS)

PURSUANT TO REGULATION 15 ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994

9.0 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES YEARS ENDING 31 MARCH 1995, 1996, 1997 AND 1998

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
(e) Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	64%	63%	62%	64%
(f) Loss Ratio (Transmission losses over energy entering the system)	9.4%	8.8%	10.8%	7.5%
(g) Capacity Utilisation (Maximum demand over total transformer capacity)	36%	37%	38%	40%

10.0 STATISTICS

		66kV	33kV	11kV	400V	Total
System Length	1994/95	239	468	6431	1108	8246
	1995/96	239	469	6438	1108	8254
	1996/97	246	463	6443	1111	8263
	1997/98	252	457	6447	1115	8271
Overhead Lines	1994/95	239	467	6392	1013	8111
	1995/96	239	468	6397	1012	8116
	1996/97	246	462	6401	1013	8122
	1997/98	252	456	6404	1014	8126
Underground Cables	1994/95	0	1	39	95	135
	1995/96	0	1	41	96	138
	1996/97	0	1	42	98	141
	1997/98	0	1	43	101	145

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
1994/95	239,249	94,517	489,845,671	11,543,308	34,182
1995/96	260,772	99,205	477,237,204	19,641,908	32,223
1996/97	269,879	99,402	502,652,199	72,661,938	30,155
1997/98	280,649	100,520	512,307,503	35,964,760	30,212

THE POWER COMPANY LIMITED RELIABILITY PERFORMANCE MEASURES (LINE BUSINESS)

PURSUANT TO REGULATION 16 ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994

11.0 RELIABILITY STATISTICS REQUIRED FOR THE DISCLOSURE REGULATIONS YEARS ENDING 31 MARCH 1995, 1996, 1997 AND 1998

Class		B	C	Subtotal	A	D	Subtotal	E	F	G	TOTAL
Interruptions	1994/95	287	336	623	0	1	1	0	0	0	624
	1995/96	384	428	812	0	0	0	0	0	0	812
	1996/97	439	483	922	0	3	3	0	0	0	925
	1997/98	545	545	1090	0	0	0	0	0	0	1090
SAIDI	1994/95	35.6	125.4	161.0	0	0.4	0.4	0	0	0	161.4
	1995/96	65.6	300.6	366.2	0	0	0	0	0	0	366.2
	1996/97	65.7	418.4	484.1	0	8.2	8.2	0	0	0	492.3
	1997/98	92.9	651.5	744.4	0	0	0	0	0	0	744.4
SAIFI	1994/95	0.372	2.099	2.471	0	0.150	0.150	0	0	0	2.621
	1995/96	0.52	3.475	3.995	0	0	0	0	0	0	3.995
	1996/97	0.532	5.081	5.613	0	1.002	1.002	0	0	0	6.615
	1997/98	0.79	6.752	7.542	0	0	0	0	0	0	7.542
CAIDI	1994/95	96	60	65	0	3	3	0	0	0	62
	1995/96	126	86	92	0	0	0	0	0	0	92
	1996/97	123.4	82.3	86.3	0	8.2	8.2	0	0	0	74.4
	1997/98	117.6	96.5	98.7	0	0	0	0	0	0	98.7

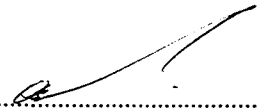
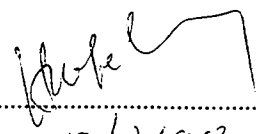
Unplanned Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	1994/95	2.1	1.3	5	4.6
	1995/96	1.7	2.6	6.4	5.9
	1996/97	0.4	2.2	7.3	6.7
	1997/98	0.8	5.5	7.5	7.2
UG per 100km	1994/95	0	0	23.2	22.4
	1995/96	0	0	14.3	14.1
	1996/97	0	0	26.9	25.8
	1997/98	0	125	9.2	11.2
Total per 100km	1994/95	2.1	1.3	5.1	4.7
	1995/96	1.7	2.6	6.4	6.0
	1996/97	0.4	2.1	7.4	6.8
	1997/98	0.8	5.7	7.6	7.2

**THE POWER COMPANY LIMITED
 CERTIFICATION OF FINANCIAL STATEMENTS
 PERFORMANCE MEASURES AND STATISTICS**

I, Mohan Selvaraj, Chief Executive and Cameron Andrew McCulloch, Director of The Power Company Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The attached audited financial statements of The Power Company 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 measures, energy delivery efficiency performance measures, statistics and reliability performance measures in relation to The Power Company Limited and having been prepared for the purpose 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*.

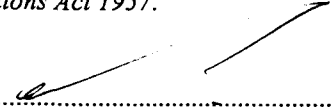
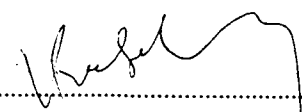
The valuations on which those financial performance measures are based are as at 31 March 1998.

Signed:  
 Dated: 12/8/98 12/8/98

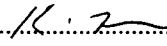
**STATUTORY DECLARATION IN RESPECT OF
 STATEMENTS AND INFORMATION SUPPLIED TO
 SECRETARY OF COMMERCE**

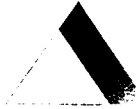
I, Mohan Selvaraj, being the Chief Executive and Cameron Andrew McCulloch, Director of The Power Company Limited, do solemnly and sincerely declare that having made all reasonable inquiry, to the best of my knowledge, the information attached to this Declaration is a true copy of information made available 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*.

Signed:  Signed: 

Declared at Invercargill this 12 day of August 1998.

Signed: 
 (Solicitor)

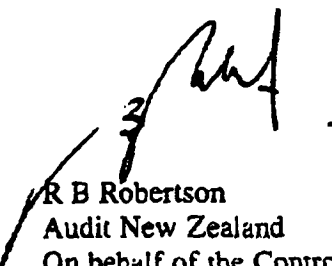


Audit New Zealand

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

I have examined the attached financial statements prepared by The Power Company Limited and dated 10 August 1998 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.



R B Robertson
Audit New Zealand
On behalf of the Controller and Auditor-General
12 August 1998



CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

The Power Company Limited

I have examined the valuation report prepared by KPMG and dated July 1998, which report contains valuations as at 31 March 1998.

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

A handwritten signature in black ink, reading 'Ross Buckley'. The signature is written in a cursive style with a long, sweeping tail on the 'y'.

Ross J Buckley
Partner

10 August 1998



Audit New Zealand

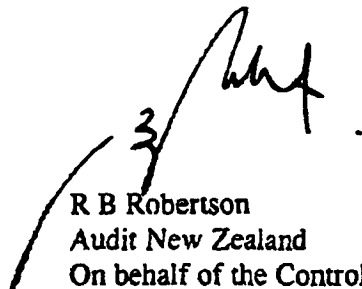
CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

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 The Power Company Limited and dated 10 August 1998 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.


R B Robertson
Audit New Zealand
On behalf of the Controller and Auditor-General
12 August 1998

