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THE POWER COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999



LINE BUSINESS

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1999

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Statement of Financial Performance

Statement of Movements in Equity

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THE POWER COMPANY LIMITED
LINE BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999	1998
<u>Revenue</u>	2	21,484,873	22,028,422
<u>Cost of Sales</u>	3	9,636,123	10,713,577
		-----	-----
<u>Gross Profit</u>		11,848,750	11,314,845
 <u>Overheads and Expenses</u>			
Audit Fees		33,059	-
Amortised Goodwill		-	-
Bad Debts		-	-
Customer Billing and Information System Expense		-	-
Consultancy & Legal		159,603	-
Corporate & Administration		493,278	255,138
Employee Salaries & Redundancies		1,543,941	-
Gore Borough Subsidy		212,880	223,868
Human Resources		169,564	-
Loss on Sale		8,550	6,127
Marketing/Advertising		127,384	-
Merger & Acquisition		11,253	-
Other Costs		457,132	697,028
Research & Development		38,324	79,655
Subvention Payment		81,112	646,771
Takeover Defence		-	-
Personnel		-	572,525
Occupancy		-	52,587
Operations Division Overheads		-	1,172,468
Corporate Division Overheads		-	344,416
Network Division Overheads		-	514,027
Loss on Realisation of Investment		-	(435,305)
		-----	-----
		3,336,080	4,129,305
 Earnings Before Interest Depreciation and Tax		 8,512,670	 7,185,540
Depreciation Expense	4	3,780,095	3,440,649
		-----	-----
Earnings Before Interest and Tax		4,732,575	3,744,891
Interest Expense		1,087,987	1,228,170
		-----	-----
Net Profit Before Tax		3,644,588	2,516,721
Taxation		1,248,647	969,653
		-----	-----
Net Profit After Tax		<u><u>\$2,395,941</u></u>	<u><u>\$1,547,068</u></u>

THE POWER COMPANY LIMITED
LINE BUSINESS
STATEMENT OF MOVEMENT IN EQUITY
FOR THE YEAR ENDED 31 MARCH 1999

	Note	1999
Opening Balance		28,672,733
Plus Adjustments (Tax Payable as at 30/6/98 for Previous 12 Months)		(135,256)
Adjusted Opening Balance		----- 28,537,477
Plus Net Profit After Tax		2,395,941
Plus Funds Released from Other Business	12	6,695,249
Total Recognised Revenue & Expenses		----- 9,091,190
Less Distribution to Owners		(105,703)
Closing Balance		----- <u><u>\$37,522,964</u></u>

THE POWER COMPANY LIMITED
LINE BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 1999

	Notes	1999	1998
<u>Current Assets</u>			
Cash at Bank		-	26,298
Receivables	5	2,744,958	652,182
Prepayments		46,474	39,984
Inventories		294,369	334,372
Work in Progress		209,682	108,250
Total Current Assets		3,295,483	1,161,086
<u>Non Current Assets</u>			
Capital Work in Progress	6	6,728,713	8,223,676
Fixed Assets	7	39,223,259	36,984,904
Total Non Current Assets		45,951,972	45,208,580
TOTAL ASSETS		\$49,247,455	\$46,369,666
<u>Current Liabilities</u>			
Bank Overdraft		1,578,827	60,967
Accounts Payable and Accruals	8	2,462,619	2,546,548
Provision for Dividend		75,116	-
Provision for Tax		(365,881)	111,312
Provision for Deferred Tax		720,920	476,721
Total Current Liabilities		4,471,601	3,195,548
Term Liabilities		7,252,890	14,501,385
TOTAL LIABILITIES		11,724,491	17,696,933
<u>Owners Equity</u>			
Capital Reserve		28,846,599	28,846,599
Retained Earnings		8,676,365	(173,866)
Total Owners' Equity		37,522,964	28,672,733
TOTAL LIABILITIES AND EQUITY		\$49,247,455	\$46,369,666

THE POWER COMPANY LIMITED LINE BUSINESS STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 1999
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	1999
CASHFLOWS FROM OPERATING ACTIVITIES	
Cash was Provided From:	
Receipts from Customers	18,551,184
Sundry Income	726,777
Interest Received	108,157

	19,386,118
Cash was Applied To:	
Payments to Suppliers	11,636,876
Payments to Employees	1,543,941
Net GST Paid (Received)	(65,316)
Taxes Paid	1,615,342
Interest Paid	1,087,987

	15,818,830

NET CASH FROM OPERATING ACTIVITIES	<u>\$3,567,288</u>
CASHFLOWS FROM INVESTING ACTIVITIES	
Cash was Provided From:	
Sale of Fixed Assets	3,757,448

	3,757,448
Cash was Applied To:	
Purchase of Fixed Assets	8,285,061

	8,285,061

NET CASH FROM INVESTING ACTIVITIES	<u>(\$4,527,613)</u>
CASHFLOWS FROM FINANCING ACTIVITIES	
Cash was Provided From:	
Funds released from Other Business	6,695,249
Term Loans	-

	6,695,249
Cash was Applied To:	
Payment of Dividends	30,587
Repayment of Loans	7,248,495

	7,279,082

NET CASH FROM FINANCING ACTIVITIES	<u>(\$583,833)</u>
NET INCREASE/(DECREASE) IN CASH HELD	(1,544,158)
Plus Opening Cash Brought Forward	(34,669)

Ending Cash Carried Forward	(1,578,827)
Represented By:	
Bank Accounts	(1,578,827)

	<u>(\$1,578,827)</u>

THE POWER COMPANY LIMITED
LINE BUSINESS
RECONCILIATION OF PROFIT AFTER TAX
WITH NET CASHFLOW FROM OPERATIONS
FOR THE YEAR ENDED 31 MARCH 1999

	1999
Profit After Tax	2,395,941
Add Non Cash Items	-
Depreciation and Loss on Sale	3,788,645
	6,184,586
Plus/(Less) Movement in Working Capital Items	
Increase in Accounts Receivable	(2,092,776)
Increase in Prepayments	(6,490)
Increase in Stock	(61,429)
Decrease in GST Refund	65,316
Decrease in Taxation Payable	(232,994)
Decrease in Accounts Payable	(149,245)
	\$3,706,968
Less Items Classified as Investing or Financing Activities	
Tax Adjustment	(135,256)
Depreciation Recovered	(4,424)
	\$3,567,288
NET CASH FROM OPERATING ACTIVITIES	

THE POWER COMPANY LIMITED
LINE BUSINESS
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 1999

1.0 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Power Company Limited is wholly owned by a Consumer Trust and is registered under the Companies Act 1993.

The Line Business reports on the network assets of The Power Company Limited, along with the joint venture interests in PowerNet Limited.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost bases are followed.

Purpose of the Financial Statements

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999 ("the regulations").

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.

Specific Accounting Policies

(a) *Principles of Consolidation*

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.

(b) *Avoidable Cost Allocation Methodology*

The Avoidable Cost Allocation Methodology has been used to separate "other" activities from The Power Company Limited and PowerNet Limited. Other Activities include the Monowai Power House, Meters, Rental Properties, External Contracting Activities, Streetlighting and Investment Income.

(c) *Fixed Assets*

At 31 March 1999 all assets including Network Assets are recorded at cost less accumulated depreciation.

(d) *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.

(e) 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

(f) Receivables

Receivables are stated in their estimated realisable value.

(g) Inventories

Inventories are stated at the lower of cost at weighted average cost price, and net realisable value.

(h) 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.

(i) 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.

(j) 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.

2.0 REVENUE

	1999
Revenue to Line Business for Goods & Services Provided to Other	-
Revenue from Line/Access Charges Invoiced to Consumers by Electricity Retailers	19,512,659
Revenue from Line/Access Charges to Final Consumer	1,135,725
AC Rental Rebates	613,908
Income from Interest on Short-Term Investments	109,712
Other Income	726,777

3.0 COST OF SALES

	1999
Payment by Line Business to "Other" for:	
<input type="checkbox"/> Meter Data	-
<input type="checkbox"/> Consumer-Based Load Control	-
<input type="checkbox"/> Disconnection/Reconnection Services	-
<input type="checkbox"/> Asset Maintenance Services	-
<input type="checkbox"/> Avoided Transmission Charges on Account of Own Generation	407,207
<input type="checkbox"/> Other Goods & Services Provided to Line Business	67,704
Expenses to Non-Related Entities for:	
<input type="checkbox"/> Meter Data	-
<input type="checkbox"/> Consumer-Based Load Control	-
<input type="checkbox"/> Disconnection/Reconnection Services	-
<input type="checkbox"/> Asset Maintenance Services	2,791,003
<input type="checkbox"/> Avoided Transmission Charges on Account of Any Cause Other Than Own Generation	-
Transmission Charges	7,051,821
Electricity Hedges	-

4.0 DEPRECIATION

System Fixed Assets	3,502,561
Capital Works Under Construction	-
Other	277,534
Total Depreciation	<u><u>\$3,780,095</u></u>

5.0 RECEIVABLES

Trade Debtors	2,744,958
Other Debtors	-
	<u><u>\$2,744,958</u></u>

6.0 CAPITAL WORK IN PROGRESS

Subtransmission Assets	3,366,719
Zone Substations	1,985,916
Distribution Lines and Cables	491,437
Medium Switchgear	216,893
Distribution Transformers	538,554
Low Voltage Lines and Cables	67,635
Other System Fixed Assets	-
	61,559
	<u><u>\$6,728,713</u></u>

7.0 FIXED ASSETS

	Cost Price	Accumulated Depreciation	Book Value
System Fixed Assets	61,546,084	26,875,756	34,670,328
Centralised Load Control Equipment	4,384,063	2,565,115	1,818,948
Customer Billing and Information System Assets	10,844	8,659	2,185
Motor Vehicles	134,871	62,738	72,133
Office Equipment	1,272,642	877,753	394,889
Land and Buildings	2,553,419	399,159	2,154,260
Plant & Equipment	313,366	202,850	110,516
	<u>\$70,215,289</u>	<u>\$30,992,030</u>	<u>\$39,223,259</u>

Directors consider book value to be an indication of the fair value of Land and Buildings.

8.0 ACCOUNTS PAYABLE AND ACCRUALS

Accounts Payment	1,747,077
Accrued Payroll	154,458
Other Accruals	561,084
	<u>\$2,462,619</u>

9.0 COMMITMENTS**Capital Commitments***Easement Agreements*

PowerNet Limited has signed easement agreements for the purpose of constructing a line on private property. Compensation values have been agreed with the terms of payment being 50% payment on the signing of the agreement and the remaining 50% payable upon registration of easement on land title. The commitment outstanding at 31 March 1999 is \$21,951.

Operating Lease Commitments are as follows:

	31 March 1999 (\$000)	31 March 1998 (\$000)
➤ Less than one year	59	53
➤ Greater than one year and not later than two years	39	36
➤ Later than two years and no later than five years	58	69
➤ Later than five years	-	-

10.0 CONTINGENT LIABILITIES

PowerNet Limited has a contingent liability of \$250,000 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. The majority of these guarantees have been released with the remaining few in the process of being released. There is, however, a period of two years following the date of release for

which the banks can enforce the above guarantees against PowerNet Limited in respect of any successful claim under Section 56 of the Insolvency Act 1967.

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

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. This guarantee is now in the process of being released.

11.0 FINANCIAL INSTRUMENTS

Off Balance Sheet Financial Instruments

The Line Business does not have any off balance sheet financial instruments, with the exception of the guarantees referred to in Note 10 and interest rate swaps.

Credit Risk

Financial instruments which potentially subject the Line Business to credit use principally consist of bank balances and accounts receivable. Bank deposits are placed with high credit - quality financial institutions. The Line Business performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk at balance date are:

	Year Ended 31 March 1999 \$000
Bank Balances	(1,579)
Receivables	2,745

	\$1,166
	=====

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts, with the exception of the security over the guarantees referred to in note 10.

Concentrations of Credit Risk

The Line Business is exposed to a Concentration of Credit Risk by one significant energy retailer. This entity is considered to be a high credit quality entity.

Foreign Exchange Risk

The Line Business is not exposed to any foreign exchange risk.

Interest Rate Risk

The Line Business is exposed to normal fluctuations in market interest rates except for \$15,500,000 of borrowing for which interest rates are hedged by way of an interest rate swap.

Fair Values

The estimated fair value of the Line Business' financial instruments are represented by the carrying values with the exception of interest rate swaps. The fair value of the interest rate swaps at 31 March 1999 is \$570,649.

12.0 DISCONTINUED ACTIVITIES**United Electricity**

The Power Company's 23% interest in United Electricity Limited, being an exclusively Energy Trading activity, was sold during the period. It was resolved that the funds from the gain on sale of United Electricity Limited would be released to the line business for debt repayment, consequently the Statement of Movement in Equity reflects the funds released from the "other" business for this purpose.

13.0 TRANSFER PRICING

The Power Company Limited line business consists of The Power Company Limited and its joint venture partner PowerNet Limited. In the normal course of business, The Power Company Limited provides management services and rents property to PowerNet Limited. These services are treated as "other" for the purposes of Disclosure Regulation.

On this basis, the "Line" business has paid \$45,719 for rent and \$21,985 for Management Services to "other" business during the 12 months ended 31 March 1999.

The following amounts were outstanding at balance date:

Rental Owing to Other	\$3,825
Management Services Owing to Other	\$4,580

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

**PURSUANT TO REGULATION 15 AND PART III OF THE FIRST
SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE)
REGULATIONS 1999**

14.0 FINANCIAL MEASURES

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Return on Funds	4.01%	6.50%	6.36%	4.66%
Return on Equity	2.24%	5.07%	4.53%	3.74%
Return on Investment	47.70%	-.50%	5.58%	3.25%

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

The financial measures for 1996-98 have been calculated pursuant to Regulation 13 and Part II of the first Schedule of the Electricity (Information Disclosure) Regulations 1994.

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 1999 is \$142,912,884.

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

The ODV valuation used in preparing the ratios for 1996-97 is \$89,530,526.

15.0 EFFICIENCY PERFORMANCE MEASURES

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Direct Line Costs per Kilometre	\$570	\$675	\$607	\$597
Indirect Line Costs per Electricity Customer	\$55	\$82	\$107	\$119

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

PURSUANT TO THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

16.0 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES YEARS ENDING 31 MARCH 1996, 1997, 1998 AND 1999

	1999	1998	1997	1996
(e) Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	65%	64%	63%	62%
(f) Loss Ratio (Transmission losses over energy entering the system)	8.4%	9.4%	8.8%	10.8%
(g) Capacity Utilisation (Maximum demand over total transformer capacity)	35%	37%	38%	40%

17.0 STATISTICS

		66kV	33kV	11kV	400V	Total
System Length	1995/96	239	469	6438	1108	8254
	1996/97	246	463	6443	1111	8263
	1997/98	252	457	6447	1115	8271
	1998/99	252	480	6078	1051	7861
Overhead Lines	1995/96	239	468	6397	1012	8116
	1996/97	246	462	6401	1013	8122
	1997/98	252	456	6404	1014	8126
	1998/99	252	479	6032	949	7712
Underground Cables	1995/96	0	1	41	96	138
	1996/97	0	1	42	98	141
	1997/98	0	1	43	101	145
	1998/99	0	1	45	102	148

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
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
1998/99	283,332	98,076	511,952,648	491,438,251	30,204

Retailer	KWh (1998/99)
United Electricity	407,284,491
Mercury Energy	69,511,496
Power New Zealand	7,383,289
PowerCo	236,382
Southpower	4,955,408
TransAlta NZ	1,072,878
TrustPower	994,307
Total	491,438,251

THE POWER COMPANY LIMITED RELIABILITY PERFORMANCE MEASURES (LINE BUSINESS)

PURSUANT TO THE
ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

18.0 RELIABILITY STATISTICS FOR YEARS ENDING 31 MARCH 1996, 1997, 1998 AND 1999

Class		A	B	C	D	E	F	G	TOTAL
Interruptions	1995/96	0	384	428	0	0	0	0	812
	1996/97	0	439	483	3	0	0	0	925
	1997/98	0	545	545	0	0	0	0	1090
	1998/99	0	466	486	0	0	0	0	953
	Predicted 1999/2000		440	473					
5-Year Average Target			400	430					
SAIDI	1995/96	0	65.6	300.6	0	0	0	0	366.2
	1996/97	0	65.7	418.4	8.2	0	0	0	492.3
	1997/98	0	92.9	651.5	0	0	0	0	744.4
	1998/99	0	60.9	276.5	17.3	0	0	0	354.7
	Predicted 1999/2000	0	57.5	300.0					
5-Year Average Target			54.0	275.0					
SAIFI	1995/96	0	0.52	3.475	0	0	0	0	3.995
	1996/97	0	0.532	5.081	1.002	0	0	0	6.615
	1997/98	0	0.79	6.752	0	0	0	0	7.542
	1998/99	0	0.55	5.490	0.340	0	0	0	6.380
	Predicted 1999/2000		0.53	5.100					
5-Year Average Target			0.50	5.000					
CAIDI	1995/96	0	126	86	0	0	0	0	92.0
	1996/97	0	123.4	82.3	8.2	0	0	0	74.4
	1997/98	0	117.6	96.5	0	0	0	0	98.7
	1998/99	0	110.6	50.4	51.0				55.6
	Predicted 1999/2000		108.5	58.8					
5-Year Average Target			108.0	55.0					

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	1995/96	1.70	2.60	6.40	5.90
	1996/97	0.40	2.20	7.30	6.70
	1997/98	0.80	5.50	7.50	7.20
	1998/99	3.17	3.13	7.49	7.02
UG per 100km	1995/96	0	0	14.30	14.10
	1996/97	0	0	26.90	25.80
	1997/98	0	125	9.20	11.20
	1998/99	0	0	4.40	4.26
Total per 100km	1995/96	1.70	2.60	6.40	6.00
	1996/97	0.40	2.10	7.40	6.80
	1997/98	0.80	5.70	7.60	7.20
	1998/99	3.17	3.13	7.47	7.00
Predicted 1999/2000		3.17	3.13	7.46	7.02
5-Year Average Target		2.78	2.5	6.80	6.36

Class C Interruptions Not Restored in	3 hours	3.1%
Class C Interruptions Not Restored in	24 hours	0%

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

We, Warren Howard Conway and Cameron Andrew McCulloch, Directors of The Power Company Limited certify that, having made all reasonable inquiry, 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 1999, comply with the requirements of those regulations; and
- b) The attached information being the derivation table, financial measures, efficiency performance 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 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 1999.

Signed:

.....

.....
W. H. Conway

Dated:

.....
24/8/99

.....
24/8/99

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

I, Warren Howard Conway, of 110 Layard Street, Invercargill, being a Director of The Power Company Limited, 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 under the Electricity (Information Disclosure) Regulations 1999.

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

Signed: W. H. Conway

Declared at Invercargill this 24 day of August 1999.

Signed: [Signature]
[Solicitor]

**Anna M. Freeman
Solicitor
Invercargill**

I, Cameron Andrew McCulloch, of 87 Terrace Street, Invercargill, being a Director of The Power Company Limited, 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 under the Electricity (Information Disclosure) Regulations 1999.

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

Signed: [Signature]

Declared at Invercargill this 24 day of August 1999.

Signed: [Signature]
[Solicitor]

**Anna M. Freeman
Solicitor
Invercargill**



Office address
KPMG Centre
135 Victoria Street
Wellington
New Zealand

Mail address
P.O. Box 996
Wellington
New Zealand
Telephone: (04) 382-8800

Fax: (All Depts)	(04) 802-1224
Fax: Assurance	(04) 802-1233
Fax: BAS	(04) 802-1238
Fax: Tax	(04) 802-1263
Fax: Consulting	(04) 802-1225
Fax: FAS	(04) 802-1710

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

The Power Company Limited

I have examined the valuation report of The Power Company Limited, initially prepared by KPMG as at July 1998, which contained a valuation of system fixed assets as at 31 March 1998 amounting to \$93,903,038. This valuation has been updated as at 31 March 1999, due to the subsequent removal of customer related assets valued at \$3,431,547 and the revenue growth assumptions of the model.

I hereby certify that, having made reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including total valuation of system fixed assets of \$142,912,884 have been made in accordance with the ODV handbook.

A handwritten signature in black ink that reads 'Ross Buckley'. The signature is written in a cursive, flowing style with a large loop at the end.

Ross Buckley
Partner

18 August 1999



Audit New Zealand

THE POWER COMPANY LIMITED

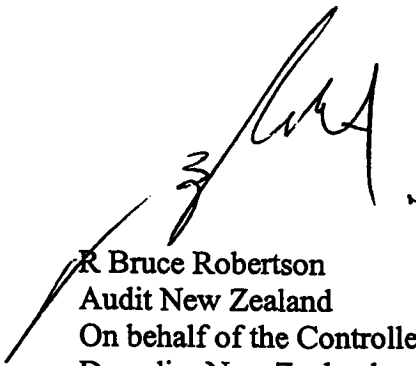
CERTIFICATION OF PERFORMANCE MEASURES

We have examined the attached information, being —

- (a) The derivation table specified in regulation 16; and
- (b) Financial performance measures specified in clause 1 of Part 3 of Schedule 1 of the Electricity (Information Disclosure) Regulations 1999; and
- (c) Financial components of the efficiency performance measures specified in clause 2 of Part 3 of that schedule, —

and having been prepared by The Power Company Limited and dated 31 March 1999 for the purposes of regulation 15 of those regulations.

We 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 1999.



R Bruce Robertson
Audit New Zealand
On behalf of the Controller and Auditor-General
Dunedin, New Zealand

20 August 1999



Audit New Zealand

THE POWER COMPANY LIMITED

AUDITOR'S REPORT

To the readers of the financial statements of The Power Company Limited.

We have audited the accompanying financial statements of The Power Company Limited. The financial statements provide information about the past financial performance of The Power Company Limited and its financial position as at 31 March 1999. This information is stated in accordance with the accounting policies set out on pages 8 and 9.

Director's Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of The Power Company Limited as at 31 March 1999, and results of operations and cashflows for the year then ended.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing —

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Power Company Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statement.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interest in The Power Company Limited.

Qualified Opinion – Comparative Figures Omitted

Paragraph 2.18 of the Electricity Information Disclosure Handbook issued by the Ministry of Commerce permits energy companies to exclude comparative figures where disclosures are made for the first time for the current disclosure year. The Power Company Limited has taken advantage of this exemption and has not disclosed comparative figures in these circumstances. To this extent, the financial statements of The Power Company Limited do not comply with Financial Reporting Standard No. 2, *Presentation of Financial Reports*, or the Electricity (Information Disclosure) Regulations 1999.

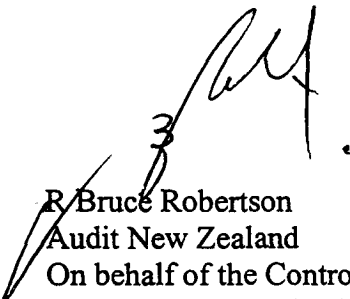
We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by The Power Company Limited as far as appears from our examination of those records.

In our opinion, except for the omission of comparative figures referred to above, the financial statements of The Power Company Limited on pages 1 to 13:

- comply with generally accepted accounting practice; and
- give a true and fair view of:
 - the financial position as at 30 June 1999; and
 - the results of its operations and cash flows for the year ended on that date; and
- comply with the Energy (Information Disclosure) Regulations 1999.

Our audit was completed on 20 August 1999 and our qualified opinion is expressed as at that date.


R. Bruce Robertson
Audit New Zealand
On behalf of the Controller and Auditor-General
Dunedin, New Zealand

