

New Zealand Gazette

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POWERCO LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

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

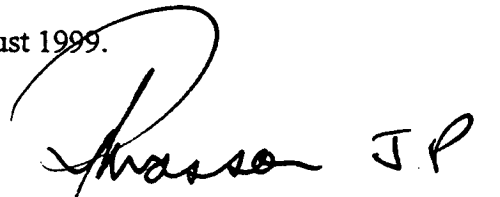
I, Simon Paul Moutter, of Level 2, Civic Centre Building, New Plymouth, being a principal of Powerco Limited, solemnly and sincerely declare that, having made all reasonably enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public under the Gas (Information Disclosure) Regulations 1997.

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 New Plymouth this 19th day of August 1999.

PAULL MASSON, J.P.
NEW PLYMOUTH



Justice of the Peace (or Solicitor
or other person authorised to take
a statutory declaration)

POWERCO LIMITED

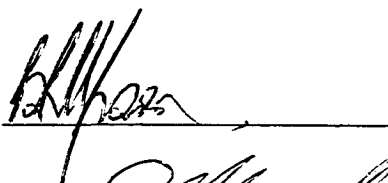
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997


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 Gas (Information Disclosure) Regulations 1997, give a true and fair view of the matters to which they relate and comply with the requirements of that regulation; 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 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

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





19 August 1999

**Deloitte Touche
Tohmatsu**



POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

Certification by Auditor in Relation to Financial Statements

We have examined the attached financial statements prepared by Powerco Limited dated 19 August 1999 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

We certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Hamilton
19 August 1999

**Deloitte Touche
Tohmatsu****POWERCO LIMITED****GAS (INFORMATION DISCLOSURE) REGULATIONS 1997***Certification of Performance Measures by Auditor*

We have examined the performance measures set out in Note 12 to the attached financial statements being:

- (a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997;
- (b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that schedule;

and having been prepared by Powerco Limited and dated 19 August 1999 for the purposes of regulations 15 and 16 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 requirements of the Gas (Information Disclosure) Regulations 1997.

Deloitte Touche Tohmatsu
Hamilton
19 August 1999

POWERCO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 1999

		31 March 1999	31 March 1998
	Notes	Gas Distribution \$000	Gas Distribution \$000
EQUITY			
Share capital	2	17,219	17,219
Reserves	3		
Asset Revaluation Reserves	4	10,318	9,262
Retained earnings		3,650	801
		<u>31,187</u>	<u>27,282</u>
NON CURRENT LIABILITIES			
Term advances facility	5	842	(8,142)
Commercial Paper	6		11,544
Deferred taxation		1,722	1,558
		<u>2,564</u>	<u>4,960</u>
CURRENT LIABILITIES			
Overdraft		1,111	39
Accounts payable		703	817
Provision for dividend		76	1,456
Provision for employee entitlements		233	164
		<u>2,123</u>	<u>2,476</u>
TOTAL EQUITY AND LIABILITIES		<u>\$35,874</u>	<u>\$34,718</u>
NON CURRENT ASSETS			
Fixed assets	7	36,592	29,308
Current account		(3,038)	3,905
		<u>33,554</u>	<u>33,213</u>
CURRENT ASSETS			
Receivables		2,048	1,318
Tax receivable		170	58
Inventories		101	129
		<u>2,320</u>	<u>1,505</u>
TOTAL ASSETS		<u>\$35,874</u>	<u>\$34,718</u>

POWERCO LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 1999

		31 March 1999	31 March 1998
	Notes	Gas Distribution \$000	Gas Distribution \$000
OPERATING REVENUE	8	7,811	9,093
OPERATING SURPLUS BEFORE TAXATION	9	4,807	4,162
Taxation expense	10	1,846	1,231
OPERATING SURPLUS AFTER TAXATION ATTRIBUTABLE TO THE SHAREHOLDERS		\$2,961	\$2,931

POWERCO LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	31 March 1999 Gas Distribution \$000	31 March 1998 Gas Distribution \$000
EQUITY AT 1 APRIL 1998		<u>27,282</u>	<u>28,382</u>
Operating surplus attributable to the shareholders		2,961	2,931
		<u>2,961</u>	<u>2,931</u>
Total recognised revenue and expenses for the year.		2,961	2,931
Allocation adjustment		<u>1,056</u>	<u>(1,715)</u>
		1,056	(1,715)
Distributions to shareholders			
Share repurchase			
Dividends - paid	11	(36)	(860)
- proposed	11	<u>(76)</u>	<u>(1,456)</u>
		(112)	(2,316)
		<u>(112)</u>	<u>(2,316)</u>
EQUITY AT 31 MARCH 1999		<u>\$31,187</u>	<u>\$27,282</u>

POWERCO LIMITED

Notes to the Financial Statements for the year ended 31 March 1999

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 subsidiaries and its associate.

The following activities were the principal activities undertaken by Powerco Limited during the financial year:

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

As a result of the enactment of the Electricity Industry Reform Act during the year, the directors made the decision to dispose of the company energy retail and generation activities.

The disposal of these business assets, including relevant employees, has now been completed. The impact of these transactions have been fully recognised in these financial statements.

These financial statements have been prepared to comply with the provisions of The Gas (Information Disclosure) Regulations 1997, Section 44 of the Energy Companies Act 1992, the Companies Act 1993, and 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, Egmont Electricity 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.

c) Fixed Assets

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

Valuations were completed by Coopers and Lybrand Independent Consultants. These valuations are recorded in the financial statements at the date of valuation being 31 March 1998. Assets are recorded as follows:

- Electricity and gas network assets of the company - ODRC

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	1.8% to 2% SL and 5% to 14.4% DV

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.

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.

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 sales at balance date.

j) Financial Instruments

The company has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates. While these financial instruments are subject to risk that the market rates may change subsequent to acquisition.

Financial instruments purchased with the intention of being held for the long term or until maturity are recorded at cost which is adjusted for the amortisation of premiums and accretion of discounts to maturity.

k) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired at the time of acquisition of a business or shares in a subsidiary or an associate company.

Goodwill is amortised on a systematic basis over the period benefits are expected to arise, which will generally be twenty years or less.

l) Identifiable Intangible Asset

The identifiable intangible asset recognises the purchase price of the network system assets acquired above the certified ODV valuation.

The asset includes the goodwill previously recognised on the acquisition of the Egmont Electricity network transferred as at 1 April 1998. This reclassification has increased the reported net profit before tax of the company in the current year by \$318,000, which arises on the extension of the asset life from the previous goodwill classification.

The identifiable intangible asset is amortised over the estimated average life of the network system assets of 45 years, on a straight line basis.

Changes in Accounting Policies

There have been no 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 1999

2 SHARE CAPITAL

	1999 \$000	1998 \$000
Opening issued and paid up capital as at 31 March 1998	\$17,219	17,219
Closing issued and paid up capital as at 31 March 1999	<u>\$17,219</u>	<u>\$17,219</u>

Total number of ordinary shares issued as of 31 March 1999 amounted to 52,123,989.

3 RESERVES

	1999 \$000	1998 \$000
Balance as at 31 March 1998		
Transfer to share capital		
Balance as at 31 March 1999		

4 ASSET REVALUATION RESERVE

	1999 \$000	1998 \$000
Balance as at 31 March 1998	9,262	10,014
Adjustment arising from business divestments	1,056	(752)
Balance as at 31 March 1999	<u>\$10,318</u>	<u>\$9,262</u>

5 WORKING CAPITAL ADVANCES FACILITY

The company has established a Wholesale Working Capital Advances Facility with the BNZ Bank of up to \$15 million dollars. At 31 March 1999 the amount drawn down from this facility amounted to \$8.3 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.

6 COMMERCIAL PAPER FACILITY

The company established a commercial paper facility in December 1997 with ANZ Investment Bank, Bank of New Zealand and WestpacTrust. This is a 90 day rolling facility with a maximum amount of \$200 million.

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 1999

7 FIXED ASSETS

Fixed Assets as at 31 March 1999

	Gas Distribution 1999 \$000	Gas Distribution 1998 \$000
Land		
Capital value	29	32
Buildings		
Capital value		15
less Accumulated depreciation		15
Furniture and Fittings		
Capital value	686	783
less Accumulated depreciation	399	372
	286	411
Office Equipment		
Capital value	1,523	1,444
less Accumulated depreciation	1,030	815
	493	629
Motor Vehicles		
Capital value	82	79
less Accumulated depreciation	33	45
	49	34
Network Systems		
Capital value	47,118	40,411
less Accumulated depreciation	13,200	12,418
	33,918	27,993
Work in Progress	244	194
Intangible Assets		
Capital value	1,578	
less Accumulated depreciation	5	
	1,573	
Total Fixed Assets	\$36,592	\$29,308

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 1999

8 OPERATING REVENUE

Operating Revenue for the year ended
31 March 1999

	Gas Distribution 1999 \$000	Gas Distribution 1998 \$000
Comprises:		
Sales	7,798	9,066
Interest revenue	13	27
	<u>7,811</u>	<u>9,093</u>

9 OPERATING EXPENSES

	Gas Distribution 1999 \$000	Gas Distribution 1998 \$000
Specific disclosures		
Energy purchases and transmission	917	1,460
Personnel costs	521	1,135
Human resource costs	21	
Consumer billing & information system expense	4	5
Depreciation on system assets	885	841
Total depreciation	914	1,011
Interest expense		896
Corporate & administration	35	203
Marketing & advertising	8	7
Consulting & legal expenses	8	22
Total expenditure	3,004	4,931

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 1999

10 TAXATION

Taxation for the year ended 31 March 1999	Gas Distribution 1999 \$000	Gas Distribution 1998 \$000
Operating surplus before taxation	4,807	4,162
Prima facie taxation @ 33%	1,586	1,373
Plus/(less) tax effect of permanent timing differences:	327	(92)
Deferred taxation	(67)	(51)
Prior year over provision		
Taxation expense	<u>\$1,846</u>	<u>\$1,231</u>

11 DIVIDENDS

	1999 \$000	1998 \$000
Interim distributions:		
-Dividends paid on ordinary shares	36	860
Proposed distributions:		
-Proposed dividend on ordinary shares	112	1,456
	<u>\$148</u>	<u>\$2,316</u>

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 1999

**12 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO
REGULATION 15 AND PART II OF THE FIRST SCHEDULE OF THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997**

Financial Performance Measures	1999	1998	1997
(i) Return on Funds	13.56%	15.18%	8.21%
(ii) Return on Equity	13.41%	10.40%	6.33%
(iii) Return on Investment	8.95%	11.63%	8.17%
Efficiency Performance Measures			
(iv) Direct Line Cost per Kilometre	\$2,153.56	\$1,742.75	2118.03
(v) Indirect Line Cost per Gas Customer	\$9.44	\$32.45	94.64

13 CONTINGENT LIABILITIES AND COMMITMENTS

There are no capital commitments as at balance date.

14 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 1999 comprise 93.65% of total accounts receivable. Cash deposits are only made with registered banks, no specific concerns regarding credit risk exist.

(ii) Interest Rate Risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The company's short-term borrowings are on a floating daily interest rate. Long-term debt is funded via Powerco's Commercial Paper program based on the Bank bill rates every 90 days.

Powerco has entered into interest rate swap agreements to reduce the impact of the changes in interest rates on its Commercial Paper program. At 31 March 1999 the company had interest rate swap agreements outstanding with commercial banks. The total notional principal amount of these arrangements totalled \$61.3 million with the last of these agreements maturing within 7yrs.

The weighted average of these swap agreements give an interest of 7.64%.

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 1999

15 RELATED PARTY TRANSACTIONS

As an integrated company, Powerco's corporate function provides services to both the line and energy functions. These services include billing, meter reading, call centre services, in addition to other normal corporate activities. These costs have been allocated between the functions to reflect the costs incurred.

16 ALLOCATION METHODOLOGY

In general the Ministry of Commerce guidelines for allocation of income and expenditure have been applied. Deviations have been used where assumptions made in the guidelines are not consistent for Powerco Limited.

A weighted average adjustment has been performed between gas and electricity based on customer numbers for overhead costs to fairly reflect the actual costs incurred.

**17 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 17
AND PART III OF THE FIRST SCHEDULE OF THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997**

	1999	1998	1997
17.1 Energy delivery efficiency measures			
(a) Load Factor	76.00%	70.00%	63.60%
(b) Un-accounted for Gas Ratio	1.60%	2.06%	0.79%
17.2 Statistics			
(a) System Length	523.60 km	457.30 km	454.93 km
(b) Maximum monthly amount entering the system	153,720 GJ	198,050 GJ	278,367 GJ
(c) Total amount of gas conveyed	1,509,120 GJ	1,721,733 GJ	2,089,567 GJ
(d) Total amount of gas conveyed on behalf of other persons	0GJ	0 GJ	0 GJ
(e) Total customers	20,306	16,405	16,286

**18 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 18
AND PART IV OF THE FIRST SCHEDULE OF THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997**

18.1 Un-planned interruptions in transmission systems	0	0	0
18.2 Un-planned interruptions in distribution systems			
(a) Un-planned interruptions other than those directly resulting from un-planned interruptions of a transmission system.	2	0	0
(b) Un-planned interruptions directly resulting from un-planned interruptions of a transmission system.	0	0	0

