



New Zealand Gazette

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POWERCO LIMITED

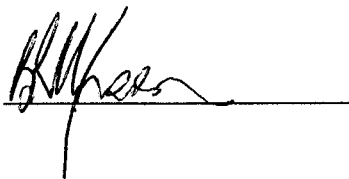
INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

POWERCO LIMITED**GAS (INFORMATION DISCLOSURE) REGULATIONS 1997****CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPELINE OWNERS OTHER THAN THE CORPORATION**

We, Barry Raymond Upson, director, and Steven Ronald Boulton, 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, comply with the requirements of that regulation; and
- (b) The attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and 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.



02 August 2000

POWERCO LIMITED**GAS (INFORMATION DISCLOSURE) REGULATIONS 1997****STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND
INFORMATION SUPPLIED TO SECRETARY OF COMMERCE**

I, Steven Ronald Boulton, 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.

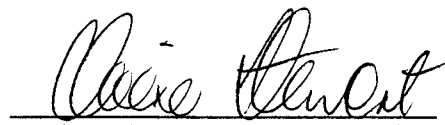
And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Oaths and Declarations Act 1957.



Declared at New Plymouth this ^{8th}~~2nd~~ day of August 2000.



Mrs CLAIRE STEWART, J.P.
MAYOR
New Plymouth District Council
Private Bag 2025
New Plymouth
New Zealand



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

**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 7 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 2 August 2000 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

Deloitte Touche Tohmatsu
Hamilton
2 August 2000

**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 2 August 2000 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
2 August 2000**

POWERCO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2000

		31 March 2000	31 March 1999
	Notes	Gas \$000	Gas \$000
EQUITY			
Share capital	2	13,923	17,219
Asset Revaluation Reserves	3	14,513	10,318
Retained earnings		3,478	3,650
		<hr/> 31,914	<hr/> 31,187
NON CURRENT LIABILITIES			
Term advances facility	4		842
Current account		7,342	
Deferred taxation		1,804	1,722
		<hr/> 9,146	<hr/> 2,564
CURRENT LIABILITIES			
Overdraft			1,111
Accounts payable & accruals		545	703
Provision for dividend		1,623	76
Provision for employee entitlements		152	233
		<hr/> 2,320	<hr/> 2,123
TOTAL EQUITY AND LIABILITIES		<hr/> \$43,380	<hr/> \$35,874
NON CURRENT ASSETS			
Fixed assets	5	41,468	36,592
Current account			(3,038)
		<hr/> 41,468	<hr/> 33,554
CURRENT ASSETS			
Cash		401	
Receivables		1,257	2,048
Tax receivable		202	170
Inventories		52	102
		<hr/> 1,912	<hr/> 2,320
TOTAL ASSETS		<hr/> \$43,380	<hr/> \$35,874

POWERCO LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2000

		31 March 2000	31 March 1999
	Notes	Gas \$000	Gas \$000
OPERATING REVENUE	6	7,393	7,811
OPERATING SURPLUS BEFORE TAXATION		3,585	4,807
Taxation expense		1,102	1,846
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		\$2,483	\$2,961

POWERCO LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2000

	31 March 2000 Gas \$000	31 March 1999 Gas \$000
EQUITY AT 1 APRIL 1999	31,187	27,282
Operating surplus attributable to the shareholders	2,483	2,961
Revaluation of network assets	5,379	
Deferred taxation on asset revaluation	(1,184)	
Total recognised revenue and expenses for the year.	6,678	2,961
Allocation adjustment		1,056
Distributions to shareholders		1,056
Share repurchase		
Dividends - paid	(1,032)	(36)
- proposed	(1,623)	(76)
	(2,655)	(112)
Share repurchase	(3,296)	
EQUITY AT 31 MARCH 2000	\$31,914	\$31,187

POWERCO LIMITED

Notes to the Financial Statements for the year ended 31 March 2000

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 of electricity and value added services.
- Distribution of gas and value added services.

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, Taranaki Energy Limited. All significant inter-company transactions and balances are eliminated on consolidation. In the parent company financial statements investments in subsidiaries are stated at cost.

b) Associate Companies

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

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

c) Fixed Assets

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

Valuations of the company electricity and gas network assets were completed by KPMG Independent Consultants. These ODRC valuations are recorded in the financial statements at the date of valuation being 31 March 2000.

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	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 identifiable intangible asset is amortised over the estimated remaining life of the network system assets which range between 25 and 55 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.

2 SHARE CAPITAL

	2000	1999
	\$000	\$000
Opening issued and paid up capital as at 31 March 1999	17,219	17,219
Shares repurchased during the year	3,296	
Closing issued and paid up capital as at 31 March 2000	\$13,923	\$17,219

Total number of ordinary shares issued as of 31 March 2000 amounted to 6,860,212.

3 ASSET REVALUATION RESERVE

	2000	1999
	\$000	\$000
Balance as at 31 March 1999	10,318	9,262
Network asset revaluation	4,195	
Adjustment arising from business divestment		1,056
Balance as at 31 March 2000	\$14,513	\$10,318

4 WORKING CAPITAL ADVANCES FACILITY

As Powerco is an integrated business, this disclosure relates to the business as a whole. The company has established a Wholesale Capital Advances Facility with the Bank of New Zealand of up to \$15 million. As at 31 March 2000 \$5.75 million was invested in Call Funds on the Working Capital Facility (1999: draw down of \$8.3 million). Interest is calculated to the company according to the daily wholesale rate. The facility is based on a revolving credit and as such does not have set repayment dates. This facility also has the benefit of the Negative Pledge Deed and Group Cross Guarantees referred to in Note 5.

5 FIXED ASSETS

Fixed Assets as at 31 March 2000

	2000 \$000	1999 \$000
Land		
Capital value	70	29
Buildings		
Capital value	186	
less Accumulated depreciation	58	
	<u>128</u>	
Information Systems		
Capital value	1,199	
less Accumulated depreciation	722	
	<u>477</u>	
Office Equipment		
Capital value	1,386	2,209
less Accumulated depreciation	954	1,429
	<u>432</u>	<u>780</u>
Motor Vehicles		
Capital value	82	82
less Accumulated depreciation	44	33
	<u>38</u>	<u>49</u>
Network Systems		
Capital value	53,002	47,118
less Accumulated depreciation	14,223	13,200
	<u>38,779</u>	<u>33,918</u>
Work in Progress		244
Intangible Assets		
Capital value	1,578	1,578
less Accumulated depreciation	33	5
	<u>1,544</u>	<u>31,576</u>
Total Fixed Assets	<u>\$41,468</u>	<u>\$36,592</u>

6 OPERATING REVENUE & EXPENDITURE

Operating Revenue for the year ended
31 March 2000

	2000 \$000	1999 \$000
Comprises:		
Line charge revenue	7,177	7,798
AC loss-rental rebates		
Interest revenue	216	13
Other revenue		
	<u>7,393</u>	<u>7,811</u>

Expenditure

	2000 \$000	1999 \$000
Operating Surplus Before Taxation for the year ended 31 March 2000	3,585	4,807
Specific disclosures		
Energy purchases and transmission		917
Repairs and maintenance costs	640	
Personnel costs		521
Human resource costs	42	21
Consumer billing & information system expense	144	4
Depreciation on system assets	1,304	914
Bad debts	(46)	21
Interest expense	521	
Corporate & administration	1,135	590
Marketing & advertising	17	8
Consulting & legal expenses	51	8
Total expenditure	3,808	3,004

**7 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	2000	1999	1998	1997
(i) Accounting Return on Total Assets	9.74%	13.56	15.18	8.21
(ii) Accounting Return on Equity	7.87%	13.41%	10.40%	6.33%
(iii) Accounting Rate of Profit including revaluation	21.65%	8.95%	11.63%	8.17%
(iv) Accounting Rate of Profit excluding revaluation	7.21%	8.95%	11.63%	8.17%
Efficiency Performance Measures				
(iv) Direct Line Cost per Kilometre	\$1,159.84	\$2,153.56	\$1,742.75	2118.03
(v) Indirect Line Cost per Gas Customer	\$56.54	\$9.44	\$32.45	94.64

8 CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

Nil

Capital Commitments

Nil

9 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 2000 comprise 81.46% of total accounts receivable. These accounts are subject to a Board Prudential Supervision Policy. Cash deposits are only made with registered banks.

(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 90 day Bank Bills. 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 2000 the company had interest rate swap agreements outstanding with commercial banks. The total notional principal amount of these arrangements totalled \$61 million with the last of these agreements maturing within 5 years. The weighted average of these swap agreements produce an interest rate of 7.22%.

10 RELATED PARTY TRANSACTIONS

A total sum of \$ 462,266 was paid to Horsley Christie, Solicitors, of Wanganui as legal fees where Mr. Brown is a Partner. Legal fees paid were mainly in respect of merger and acquisition strategies undertaken by the Company during the year under review.

A sum of \$ 29,150 was paid to Upson Associates Limited for consulting services provided, where Mr Upson is a director and a further sum of \$ 101,400 was also paid to the said company for services provided by Mr. Upson as Acting Chief Executive of Powerco for an approximate period of six months.

A sum of \$ 10,846 was paid to Auld Brewer Mazengarb & McEwen, Solicitors, of New Plymouth for consulting services provided where Mr Auld is a partner.

Powerco is also deemed to have a related party relationship with New Plymouth District Council. The New Plymouth District Council holds a material interest in Pukeariki Holdings Limited, who hold a 50.41% shareholding in Powerco Limited.

Powerco paid \$337,252 rent to the New Plymouth District Council at market rates.

Powerco also supplied energy to the New Plymouth District Council under normal terms and conditions, sales being 0.51% of total sales. Rates have been paid to New Plymouth District Council to the value of \$36,752. Other arms length transactions with the New Plymouth District Council amounted to \$87,614.

Powerco has a current account arrangement with Taranaki Energy Limited, a wholly owned subsidiary. Powerco pays interest and other costs on behalf of Taranaki Energy Limited and on-charges these through the current account.

11 SUBSEQUENT EVENTS

Early this year, it was announced that formal negotiations over a possible merger with CentralPower had commenced. The two major shareholders of both companies, Palmerston North City Council and New Plymouth District Council, had indicated their support towards the establishment of a regional energy distribution business. The Boards of both companies expect to make an announcement shortly in relation to the merger discussions.

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

	2000	1999	1998	1997
12.1 Energy delivery efficiency measures				
(a) Load Factor	68.29%	76.00%	70.00%	63.60%
(b) Un-accounted for Gas Ratio	1 13.41%	1.60%	2.06%	0.79%

Note 1. The information for this disclosure is provided by the retail companies. Some of the companies, at the time of publication of these accounts had not provided the information required. Therefore this figure is incomplete. The accuracy of the information provided has also been questioned. In our opinion the loss ratio should not be materially different from the previous year.

12.2 Statistics

(a) System Length	726.00 km	523.60 km	457.30 km	454.93 km
(b) Maximum monthly amount entering the system	202,631 GJ	153,720 GJ	198,050 GJ	278,367 GJ
(c) Total amount of gas conveyed	1,660,443 GJ	1,509,120 GJ	1,721,733 GJ	2,089,567 GJ
(d) Total amount of gas conveyed on behalf of other persons	1,660,443 GJ	0GJ	0 GJ	0 GJ
(e) Total customers	20,176	20,306	16,405	16,286

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

13.1 Un-planned interruptions in transmission systems 0 0 0 0

13.2 Un-planned interruptions in distribution systems

(a) Un-planned interruptions other than those directly resulting from un-planned interruptions of a transmission system.	9	2	0	0
(b) Un-planned interruptions directly resulting from un-planned interruptions of a transmission system.	0	0	0	0