



# New Zealand Gazette

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## THE POWER COMPANY LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999 AND THE  
ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000

**THE POWER COMPANY LIMITED**  
**LINE BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2000**

	Notes	2000	1999
<b>Revenue</b>			
Line/Access Charges		21,459,922	20,648,384
AC Loss Rental Rebates		413,010	613,908
Interest on Short Term Investments		176,363	109,712
Other Revenue		220,917	726,777
<b>Total Revenue</b>		<b>22,270,212</b>	<b>22,098,781</b>
<b>Direct Costs</b>			
Transmission Charges		7,715,540	7,459,028
Asset Maintenance		2,977,120	2,791,003
<b>Total Direct Costs</b>		<b>10,692,660</b>	<b>10,250,031</b>
<b>Gross Profit</b>		<b>11,577,552</b>	<b>11,848,750</b>
<b>Overheads and Expenses</b>			
Audit Fees		35,105	33,059
Bad Debts		1,436	-
Customer Billing and Information System Expense		88,586	-
Consultancy & Legal		154,420	159,603
Corporate & Administration		444,769	377,676
Directors Fees		134,469	115,602
Employee Salaries & Redundancies		1,087,933	1,543,941
Gore Borough Subsidy		204,613	212,880
Human Resources		114,430	169,564
Loss on Sale		61,474	8,550
Marketing/Advertising		107,537	127,384
Merger & Acquisition		67,072	11,253
Other Costs		207,822	439,530
Rates		13,794	17,602
Research & Development		23,061	38,324
Subvention Payments		70,663	81,112
<b>Total Overheads and Expenses</b>		<b>2,817,184</b>	<b>3,336,080</b>
<b>Earnings Before Interest, Depreciation and Tax</b>		<b>8,760,368</b>	<b>8,512,670</b>
Depreciation Expense	2	4,272,946	3,780,095
<b>Earnings Before Interest and Tax</b>		<b>4,487,422</b>	<b>4,732,575</b>
Interest Expense		763,366	1,087,987
<b>Operating Surplus Before Tax</b>		<b>3,724,056</b>	<b>3,644,588</b>
Taxation		1,263,168	1,248,647
<b>Net Surplus After Tax</b>		<b>\$2,460,888</b>	<b>\$2,395,941</b>

**THE POWER COMPANY LIMITED**  
**LINE BUSINESS**  
**STATEMENT OF MOVEMENT IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2000**

	Note	2000	1999
<b>Opening Balance</b>		37,522,964	28,672,733
Plus Adjustments		-	(135,256)
Adjusted Opening Balance		37,522,964	28,537,477
Plus Net Surplus After Tax		2,460,888	2,395,941
Total Recognised Revenue & Expenses		2,460,888	2,395,941
Less Distribution to Owners		(118,226)	(105,703)
Plus Funds Released from Other Business		-	6,695,249
<b>Closing Balance</b>		<b>\$39,865,626</b>	<b>\$37,522,964</b>

**THE POWER COMPANY LIMITED**  
**LINE BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2000**

	Notes	2000	1999
<b><u>Current Assets</u></b>			
Cash at Bank		858,691	-
Receivables	3	419,806	2,744,958
Prepayments		62,093	46,474
Inventories		187,182	294,369
Work in Progress		20,158	209,682
Provision for Tax		-	365,881
<b>Total Current Assets</b>		<b>1,547,930</b>	<b>3,661,364</b>
<b><u>Non Current Assets</u></b>			
Capital Work in Progress		3,806,160	6,728,713
Fixed Assets	4	43,657,833	39,223,259
<b>Total Non Current Assets</b>		<b>47,463,993</b>	<b>45,951,972</b>
<b>TOTAL ASSETS</b>		<b>\$49,011,923</b>	<b>\$49,613,336</b>
<b><u>Current Liabilities</u></b>			
Bank Overdraft		-	1,578,827
Accounts Payable and Accruals	5	3,725,327	2,462,619
Provision for Tax		412,343	-
Provision for Dividend		118,226	75,116
<b>Total Current Liabilities</b>		<b>4,255,896</b>	<b>4,116,562</b>
<b><u>Non Current Liabilities</u></b>			
Term Liabilities		4,415,858	7,252,890
Provision for Deferred Tax		474,543	720,920
<b>Total Non Current Liabilities</b>		<b>4,890,401</b>	<b>7,973,810</b>
<b>TOTAL LIABILITIES</b>		<b>9,146,297</b>	<b>12,090,372</b>
<b><u>Owners Equity</u></b>			
Capital Reserve		28,846,599	28,846,599
Retained Earnings		11,019,027	8,676,365
<b>Total Owners' Equity</b>		<b>39,865,626</b>	<b>37,522,964</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$49,011,923</b>	<b>\$49,613,336</b>

**THE POWER COMPANY LIMITED**  
**LINE BUSINESS**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2000**

	2000	1999
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash was Provided From:</b>		
Receipts from Customers	23,913,405	18,551,184
Sundry Income	247,246	726,777
Interest Received	176,363	108,157
	<b>24,337,014</b>	<b>19,386,118</b>
<b>Cash was Applied To:</b>		
Payments to Suppliers	10,988,231	11,636,876
Payments to Employees	1,087,933	1,543,941
Net GST Paid (Received)	(281,373)	(65,316)
Taxes Paid	582,750	1,615,342
Interest Paid	763,366	1,087,987
	13,140,907	15,818,830
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>11,196,107</b>	<b>3,567,288</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash was Provided From:</b>		
Sale of Fixed Assets	1,298,307	3,757,448
	1,298,307	3,757,448
<b>Cash was Applied To:</b>		
Purchase of Fixed Assets	7,144,748	8,285,061
	7,144,748	8,285,061
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(5,846,441)</b>	<b>(4,527,613)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash was Provided From:</b>		
Capital Contribution	-	6,695,249
	-	6,695,249
<b>Cash was Applied To:</b>		
Payment of Dividends	75,116	30,587
Repayment of Loans	2,837,032	7,248,495
	2,912,148	7,279,082
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(2,912,148)</b>	<b>(583,833)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>2,437,518</b>	<b>(1,544,158)</b>
Plus Opening Cash Brought Forward	(1,578,827)	(34,669)
Ending Cash Carried Forward	\$858,691	(\$1,578,827)

**THE POWER COMPANY LIMITED**  
**LINE BUSINESS**  
**STATEMENT OF ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 MARCH 2000**

**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 or non Line Business activity has been excluded from these accounts.

(c) *Fixed Assets*

At 31 March 2000 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.

**Changes in Accounting Policies**

There have been no changes in accounting policies. These have been applied on a basis consistent with those used in previous years.

**2.0 DEPRECIATION**

	2000	1999
System Fixed Assets	4,089,073	3,502,561
Capital Works Under Construction	-	-
Other	183,873	277,534
	<b>\$4,272,946</b>	<b>\$3,780,095</b>

**3.0 RECEIVABLES**

	<b>2000</b>	<b>1999</b>
Trade Debtors	301,580	2,744,958
Other Debtors	118,226	-
	<b>\$419,806</b>	<b>\$2,744,958</b>

**4.0 FIXED ASSETS**

	<b>Cost Price</b>	<b>Accumulated Depreciation</b>	<b>2000 Book Value</b>	<b>1999 Book Value</b>
System Fixed Assets	69,788,540	29,910,239	39,878,301	34,670,328
Centralised Load Control	4,389,543	2,741,348	1,648,195	1,818,948
Customer Billing & Information				
System Assets	18,313	10,119	8,194	2,185
Motor Vehicles	71,295	44,126	27,169	72,133
Office Equipment	913,841	691,646	222,195	394,889
Land & Buildings	2,084,834	345,176	1,739,658	2,154,260
Plant & Equipment	265,135	131,014	134,121	110,516
	<b>\$77,531,501</b>	<b>\$33,873,668</b>	<b>\$43,657,833</b>	<b>\$39,223,259</b>

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

**5.0 ACCOUNTS PAYABLE AND ACCRUALS**

	<b>2000</b>	<b>1999</b>
Accounts Payable	2,796,212	1,747,077
Accrued Payroll	117,721	154,458
Other Accruals	811,394	561,084
	<b>\$3,725,327</b>	<b>\$2,462,619</b>



## 6.0 RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH CASHFLOW FROM OPERATING ACTIVITIES

	2000	1999
Net Surplus After Tax	2,460,888	2,395,941
<b>Add Non Cash Items</b>		
Depreciation and Loss on Sale	4,334,420	3,788,645
	<b>6,795,308</b>	<b>6,184,586</b>
<b>Plus/(Less) Movement in Working Capital Items:</b>		
(Increase)/Decrease in Accounts Receivable	2,325,152	(2,092,776)
Increase in Sundry Assets	(15,619)	(6,491)
(Increase)/Decrease in Stock	296,711	(61,429)
Decrease in GST Refund	23,023	65,316
Increase/(Decrease) in Provision for Tax	531,847	(232,994)
Increase/(Decrease) in Accounts Payable	1,239,685	(149,245)
	<b>11,196,107</b>	<b>3,706,968</b>
<b>Plus/(Less) Items Classified as Investing or Financing Activities:</b>		
Tax Adjustment	-	(135,256)
Depreciation Recovered	-	(4,424)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$11,196,107</b>	<b>\$3,567,288</b>

## 7.0 COMMITMENTS

### Capital Commitments

#### *Easement Agreements*

The Power Company 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 2000 is \$47,074 (1999 \$21,951).

#### *GIS Mapping Project*

PowerNet Limited has commitments relating to the GIS Mapping Project. The Power Company Limited's share of these commitments as at 31 March 2000 is \$6,245 (1999 Nil).

### Operating Lease Commitments are as follows:

	2000 (\$000)	1999 (\$000)
➤ Less than one year	73	59
➤ Greater than one year and not later than two years	55	50
➤ Later than two years and no later than five years	29	58
➤ Later than five years	-	-

## 8.0 CONTINGENT LIABILITIES

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. All of these guarantees have now been released, however there is 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 \$316,750 (1999 \$6,250,000) in favour of 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.

## 9.0 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 8 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:

	2000	1999
Receivables	419,806	2,744,958

The above exposures are net of any recognised provision for losses on these financial instruments.

No collateral is held on the bank balances and accounts receivable, with the exception of the security over the guarantees referred to in note 8.

### 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 \$8,500,000 (1999 \$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 2000 is \$26,788 (1999 \$570,649).

**10.0 RELATED PARTIES**

The Power Company Limited "Line Business" consists of line activities conducted in The Power Company Limited and its joint venture company PowerNet Limited. The Power Company Limited "Other Business" consists of other or non-line activities conducted in The Power Company Limited and its joint venture company PowerNet Limited.

All related party transactions between The Power Company Limited Line Business and PowerNet Limited Line Business have been eliminated in the preparation of the financial statements.

During the year related party transactions took place between The Power Company Limited Line Business and The Power Company Limited Other Business. All related party transactions have been conducted on a commercial and arms length basis.

The Line Business purchased goods and services at cost, including overheads where applicable, from the Other Business. The value of the transactions, parties involved, and description of goods or services purchased were as follows:

The Power Company Limited Line Business purchased from PowerNet Limited Other Business:

	<b>2000</b>	<b>1999</b>
Construction of:		
➤ Subtransmission assets	3,421,920	-
➤ Zone substations	963,871	-
➤ Distribution lines and cables	1,028,062	-
➤ Medium voltage switchgear	90,654	-
➤ Distribution transformers	1,203,139	-
➤ Distribution substations	-	-
➤ Low voltage lines and cables	131,604	-
➤ Other system fixed assets	53,731	-

These amounts represent the capital works programme undertaken by PowerNet Limited on behalf of The Power Company Limited.

Maintenance of assets	-	-
Consumer connections and disconnections	-	-

The Power Company Limited Line Business purchased from The Power Company Limited Other Business:

	<b>2000</b>	<b>1999</b>
Fixed Assets at Book Value	919,874	3,726,499

PowerNet Limited's Line Business purchased from The Power Company Limited Other Business:

	<b>2000</b>	<b>1999</b>
Rent	35,888	45,719
Management Services	-	21,985
Avoided Transpower charge from Monowai Generation Scheme	-	407,207

The Power Company Limited Other Business released cash of NIL (1999 \$6,695,249) to The Power Company Limited Lines Business.

The Southland Electric Power Supply Consumer Trust, which owns 100% of the shares in The Power Company Limited, is a related party. During the year expenses are paid out on behalf of the Trust, at 31 March 2000 these totalled \$118,226 (1999 \$75,116). A dividend totalling \$118,226 (1999 \$75,116) has been provided for in these accounts. The Company's financial year ends on 30 June, and no recommendation will be made as to a dividend until then.

The value of transactions owing at balance date were as follows:

The Power Company Limited Line Business owes PowerNet Limited Other Business \$296,315 (1999 Nil).

PowerNet Limited's Line Business owes The Power Company Limited Other Business \$3,313 (1999 \$8,405).

No related party debts have been written off or forgiven during 2000 or 1999.

#### 11. RECONCILIATION OF ODV VALUATION

	<b>2000</b>
<b>ODV at 1 April</b>	<b>142,912,884</b>
Additions for the year	6,054,450
Disposals for the year	(454,258)
Annual Depreciation	(4,572,095)
<b>ODV at 31 March</b>	<b>\$143,940,981</b>

**12. DISCLOSURE OF INFORMATION**

Disclosure of information to be disclosed in the Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999, Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

	2000	1999
<b>Current Assets</b>		
(a) Cash and bank balances	858,691	-
(b) Short-term investments	-	-
(c) Inventories	187,182	294,369
(d) Accounts receivable	419,806	2,744,958
(e) Other current assets not listed in (a) to (d)	82,251	256,156
<b>Total Current Assets</b>	<b>1,547,930</b>	<b>3,295,483</b>
<b>Fixed Assets</b>		
(a) System fixed assets	41,526,496	36,489,276
(b) Consumer billing and information system assets	8,194	2,185
(c) Motor vehicles	27,169	72,133
(d) Office equipment	222,195	394,889
(e) land and buildings	1,739,658	2,154,260
(f) Capital works under construction	3,806,160	6,728,713
(g) Other fixed assets not listed in (a) to (g)	134,121	110,516
<b>Total Fixed Assets</b>	<b>47,463,993</b>	<b>45,951,972</b>
<b>Other tangible assets not listed above</b>	-	-
<b>Total Tangible Assets</b>	<b>49,011,923</b>	<b>49,247,455</b>
<b>Intangible Assets</b>		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a) above	-	-
<b>Total Intangible Assets</b>	-	-
<b>TOTAL ASSETS</b>	<b>\$49,011,923</b>	<b>\$49,247,455</b>
<b>Current Liabilities</b>		
(a) Bank overdraft	-	1,578,827
(b) Short-term borrowings	-	-
(c) Payables and accruals	3,725,327	2,462,619
(d) Provision for dividends payable	118,226	75,116
(e) Provision for income tax	412,343	(365,881)
(f) Other current liabilities not listed in (a) to (e) above	-	-
<b>Total Current Liabilities</b>	<b>4,255,896</b>	<b>3,750,681</b>
<b>Non-Current Liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	4,415,858	7,252,890
(c) Deferred tax	474,543	720,920
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
<b>Total Non-Current Liabilities</b>	<b>4,890,401</b>	<b>7,973,810</b>
<b>Equity</b>		
(a) Shareholders' equity:		
(i) Share capital	28,846,599	28,846,599
(ii) Retained earnings	11,019,027	8,676,365
(iii) Reserves	-	-
<b>Total Shareholders' equity</b>	<b>39,865,626</b>	<b>37,522,964</b>
(b) Minority interests in subsidiaries	-	-
<b>Total Equity</b>	<b>39,865,626</b>	<b>37,522,964</b>
(c) Capital notes	-	-
<b>Total Capital Funds</b>	<b>39,865,626</b>	<b>37,522,964</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$49,011,923</b>	<b>\$49,247,455</b>

	2000	1999
<b>Operating Revenue</b>		
(a) Revenue from line/access charges.	21,459,922	20,648,384
(b) Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
(c) Interest on cash, bank balances and short-term investments	176,363	109,712
(d) AC loss-rental rebates	413,010	613,908
(e) Other revenue not listed in (a) to (d)	220,917	726,777
<b>Total Operating Revenue</b>	<b>22,270,212</b>	<b>22,098,781</b>
	<b>2000</b>	<b>1999</b>
<b>Operating Expenditure</b>		
(a) Payment for transmission charges	7,715,540	7,051,821
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges on account of own generation	-	407,207
(vii) Other goods and services not listed in (i) to (vi) above	35,888	67,704
<b>Total transfer payment to the "Other" business</b>	<b>35,888</b>	<b>474,911</b>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	2,977,120	2,791,003
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
<b>Total of specified expenses to non-related parties (sum of (i) to (v))</b>	<b>2,977,120</b>	<b>2,791,003</b>
(d) Employee salaries, wages and redundancies	1,087,933	1,543,941
(e) Consumer billing and information system expense	88,586	-
(f) Depreciation on:		
(i) System fixed assets:	4,089,073	3,502,561
(ii) Other assets not listed in (i)	183,873	277,534
<b>Total depreciation</b>	<b>4,272,946</b>	<b>3,780,095</b>
(g) Amortisation of:		
(i) Goodwill:	-	-
(ii) Other intangibles:	-	-
<b>Total Amortisation of intangibles</b>	<b>-</b>	<b>-</b>
(h) Corporate and administration:	444,769	355,691
(i) Human resource expenses:	114,430	169,564
(j) Marketing/advertising:	107,537	127,384
(k) Merger and acquisition expenses:	67,072	11,253
(l) Takeover defence expenses:	-	-

	<b>2000</b>	<b>1999</b>
(m) Research and development expenses:	23,061	38,324
(n) Consultancy and legal expenses:	154,420	159,603
(o) Donations:	-	-
(p) Directors' fees:	134,469	115,602
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	35,105	33,059
(ii) Audit fees paid to other auditors:	-	-
(iii) Fees paid for other services provided by principal and other auditors:	-	-
<b>Total Auditors' fees:</b>	<b>35,105</b>	<b>33,059</b>
(r) Costs of offering credit:		
(i) Bad debts written off:	1,436	-
(ii) Increase in estimated doubtful debts:	-	-
<b>Total cost of offering credit:</b>	<b>1,436</b>	<b>-</b>
(s) Local authority rates expense:	13,794	17,602
(t) AC loss-rentals (distribution to retailers/customers) expense:	-	-
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	70,663	81,112
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	438,021	615,241
<b>Total operating expenditure</b>	<b>17,782,790</b>	<b>17,366,206</b>
<b>Operating surplus before interest and income tax</b>	<b>4,487,422</b>	<b>4,732,575</b>
<b>Interest expense</b>		
(a) Interest expense on borrowings	763,366	1,087,987
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
<b>Total interest expense</b>	<b>763,366</b>	<b>1,087,987</b>
<b>Operating surplus before income tax</b>	<b>3,724,056</b>	<b>3,644,588</b>
<b>Income tax</b>	<b>1,263,168</b>	<b>1,248,647</b>
<b>Net surplus after tax</b>	<b>\$2,460,888</b>	<b>\$2,395,941</b>

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

**PURSUANT TO REGULATION 15 OF THE ELECTRICITY  
(INFORMATION DISCLOSURE) REGULATIONS 1999 AS AMENDED BY  
THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT  
REGULATIONS 2000**

**13.0 FINANCIAL MEASURES**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Return on Funds	2.30%	4.01%	6.50%	6.36%
Return on Equity	1.47%	2.24%	5.07%	4.53%
Return on Investment	1.23%	47.70%	-.50%	5.58%

**14.0 EFFICIENCY PERFORMANCE MEASURES**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Direct Line Costs per Kilometre	\$551	\$570	\$675	\$607
Indirect Line Costs per Electricity Customer	\$53	\$55	\$82	\$107



**FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS  
SCHEDULE 1 – PART 7**

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	4,487,422				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	4,487,422				
Interest on cash, bank balances, and short-term investments (ISTI)	763,366				
OSBIIT minus ISTI	3,724,056	a	3,724,056		3,724,056
Net surplus after tax from financial statements	2,460,888				
Net surplus after tax adjusted pursuant to Regulation 18 (NSAT)	2,460,888	n		2,460,888	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	70,663	s	add	add	add
Depreciation of SFA at BV (x)	4,089,073				
Depreciation of SFA at ODV (y)	4,572,095				
ODV depreciation adjustment	-483,022	d	add	add	add
Subvention payment tax adjustment	23,319	s*t		deduct	deduct
Interest tax shield	251,911	q			deduct
Revaluations	0	r			add
Income tax	1,263,168	p			deduct
<b>Numerator</b>			OSBIIT <sup>Adj</sup> = a+g+s+t+d	NSAT <sup>Adj</sup> = n+g+s-s*t+d	OSBIIT <sup>Adj</sup> = a+g-q+t+s+t-d-p-s*t
			3,311,697	2,025,210	1,773,299
Fixed assets at end of previous financial year (FA <sub>0</sub> )	45,951,972				
Fixed assets at end of current financial year (FA <sub>1</sub> )	47,463,993				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-455,198				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-2,707,966				
Average total funds employed (ATFE)	45,126,401	c	45,126,401		45,126,401
	(or regulation 33 time-weighted average)				
Total equity at end of previous financial year (TE <sub>0</sub> )	37,522,964				
Total equity at end of current financial year (TE <sub>1</sub> )	39,865,626				
Average total equity	38,694,295	k		38,694,295	
	(or regulation 33 time-weighted average)				
WUC at end of previous financial year (WUC <sub>0</sub> )	6,728,713				
WUC at end of current financial year (WUC <sub>1</sub> )	3,806,160				
Average total works under construction	5,267,437	e	deduct	deduct	deduct
	(or regulation 33 time-weighted average)				
Revaluations	0	r			
Half of revaluations	0	r/2			
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Intangible assets at end of current financial year ( $I_{A,t}$ )	0				
Average total intangible asset	0	m		add	0
Subvention payment at end of previous financial year ( $S_0$ )	(or regulation 33 time-weighted average)				
Subvention payment at end of current financial year ( $S_1$ )	81,112				
Subvention payment tax adjustment at end of previous financial year	70,663				
Subvention payment tax adjustment at end of current financial year	26,767				
Subvention payment tax adjustment at end of previous financial year	23,319				
Average subvention payment and related tax adjustment	50,845	v		add	50,845
System fixed assets at end of previous financial year at BV ( $SFA_{bv,t}$ )	36,489,276				
System fixed assets at end of current financial year at BV ( $SFA_{bv,t}$ )	41,526,496				
Average value of system fixed assets at BV	39,007,886	f	deduct	deduct	39,007,886
System Fixed assets at year beginning at ODV value ( $SFA_{odv,t}$ )	(or regulation 33 time-weighted average)				
System Fixed assets at end of current financial year at ODV value ( $SFA_{odv,t}$ )	142,912,884				
Average value of system fixed assets at ODV value	143,940,981				
	143,426,933	h	add	add	143,426,933
	(or regulation 33 time-weighted average)				
<b>Denominator</b>			ATFE <sup>ADI</sup> = c-e-f+h	Ave TE <sup>ADI</sup> = k-e-m+v-f+h	ATFE <sup>ADI</sup> = c-e-1/2r-f+h
<b>Financial Performance Measure</b>			ROF=OSBIT <sup>ADI</sup> /ATFE <sup>ADI</sup> x 100	ROE=NSAT <sup>ADI</sup> /ATE <sup>ADI</sup> x 100	ROI=OSBIT <sup>ADI</sup> /ATFE <sup>ADI</sup> x 100

t = maximum statutory income tax rate applying to corporate entities  
 subscript '0' = end of the previous financial year  
 ROI = return on investment  
 BV = book value  
 subscript '1' = end of the current financial year  
 ave = average  
 ROF = return on funds  
 odv = optimised deprival valuation  
 ROE = return on equity

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

**PURSUANT TO REGULATION 21 OF THE ELECTRICITY (INFORMATION DISCLOSURE)  
REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000**

**16.0 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES  
YEARS ENDING 31 MARCH 1997, 1998, 1999 AND 2000**

	2000	1999	1998	1997
(e) Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	65%	65%	64%	63%
(f) Loss Ratio (Transmission losses over energy entering the system)	11.5%	8.4%	9.4%	8.8%
(g) Capacity Utilisation (Maximum demand over total transformer capacity)	34%	35%	37%	38%

The loss ratio is derived from electricity supplied information provided by other parties. The Power Company Limited is unable to audit this information and has little confidence in its accuracy.

**17.0 STATISTICS**

		66kV	33kV	11kV	400V	Total
System Length (km's)	1996/97	246	463	6,443	1,111	8,263
	1997/98	252	457	6,447	1,115	8,271
	1998/99	252	480	6,078	1,051	7,861
	1999/00	258	517	5,708	989	7,472
Overhead Lines (km's)	1996/97	246	462	6,401	1,013	8,122
	1997/98	252	456	6,404	1,014	8,126
	1998/99	252	479	6,032	949	7,712
	1999/00	258	516	5,661	886	7,321
Underground Cables (km's)	1996/97	0	1	42	98	141
	1997/98	0	1	43	101	145
	1998/99	0	1	45	102	148
	1999/00	0	1	47	103	151

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
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
1999/00	286,403	97,827	493,872,093	476,028,494	30,273

Retailer	KWh (1999/00)	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	12,038,776	1,072,878
TrustPower	8,189,523	994,307
Contact Energy	352,579,433	
Meridian Energy	11,290,158	
Mighty River Power	89,472,164	
Genesis Power	2,458,440	
<b>Total</b>	<b>476,028,494</b>	<b>491,438,251</b>

The Electricity Supplied and Electricity Conveyed details are provided by other parties. The Power Company Limited is unable to audit this information and has little confidence in its accuracy.

## THE POWER COMPANY LIMITED RELIABILITY PERFORMANCE MEASURES (LINE BUSINESS)

PURSUANT TO REGULATION 22 OF THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY  
(INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000

### 18.0 RELIABILITY STATISTICS FOR YEARS ENDING 31 MARCH 1997, 1998, 1999 AND 2000

Class		A	B	C	D	E	F	G	TOTAL
Interruptions	1996/97	0	439	483	3	0	0	0	925
	1997/98	0	545	545	0	0	0	0	1,090
	1998/99	0	466	486	0	0	0	0	953
	1999/00	0	424	488	1	0	1	2	916
Predicted 2000/2001			420	473					
5-Year Average Target			400	430					
SAIDI	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
	1999/00	0	73.9	339.6	51.3	0	1.1	0.6	446.4
Predicted 2000/2001		0	57.5	300.0					
5-Year Average Target			54.0	275.0					
SAIFI	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
	1999/00	0	0.56	5.890	0.280	0	0.04	0.01	6.780
Predicted 2000/2001			0.53	5.100					
5-Year Average Target			0.50	5.000					
CAIDI	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	0	0	0	55.6
	1999/00	0	131.9	57.7	180.9	0	30.0	44.4	68.8
Predicted 2000/2001			108.5	58.8					
5-Year Average Target			108.0	55.0					

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	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
	1999/00	2.33	6.20	7.84	7.44
UG per 100km	1996/97	0	0	26.90	25.80
	1997/98	0	125	9.20	11.20
	1998/99	0	0	4.40	4.26
	1999/00	0	0	8.50	8.25
Total per 100km	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
	1999/00	2.33	6.18	7.85	7.45
Predicted 2000/2001		3.17	3.13	7.46	7.02
5-Year Average Target		2.78	2.5	6.80	6.36

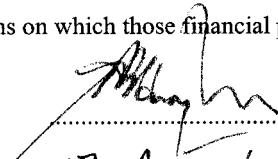
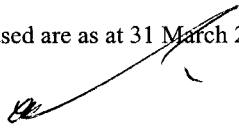
Class C Interruptions Not Restored in	3 hours	3.48%
Class C Interruptions Not Restored in	24 hours	0%

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

We, Alan Bertram Harper 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 2000.

Signed:  .....  .....

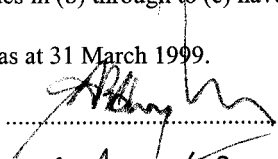
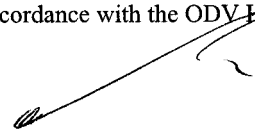
Dated: 17 August 2000 ..... 18 August 2000 .....

**CERTIFICATION OF VALUATION REPORT OF  
 LINE OWNERS**

We, Alan Bertram Harper 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 valuation report of The Power Company Limited, prepared for the purposes of Regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that Regulation; and
- (b) The replacement cost of the line business system fixed assets of The Power Company Limited is \$282,292,718; and
- (c) The depreciated replacement cost of the line business system fixed assets of The Power Company Limited is \$150,827,393; and
- (d) The Optimised Depreciated Replacement Cost of the line business system fixed assets of The Power Company Limited is \$145,075,077; and
- (e) The Optimised Deprival Valuation of the line business system fixed assets of The Power Company Limited is \$142,912,884; and
- (f) The values in (b) through to (e) have been prepared in accordance with the ODV Handbook.

These values are as at 31 March 1999.

Signed:  .....  .....

Dated: 17 August 2000 ..... 18 August 2000 .....

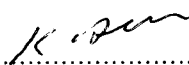
**STATUTORY DECLARATION IN RESPECT OF  
STATEMENTS AND INFORMATION  
SUPPLIED TO SECRETARY**

I, Alan Bertram Harper, of 119 Chelmsford 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:  .....

Declared at Invercargill this 17 day of August 2000.

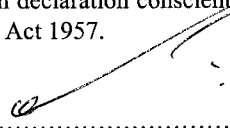
Signed:  .....

[Solicitor]

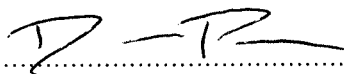
**Kevin E. Dell  
Solicitor  
Invercargill**

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:  .....

Declared at Invercargill this 18 day of August 2000.

Signed:  .....

[Solicitor]



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

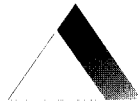
I have examined the valuation report of The Power Company Limited, initially prepared by KPMG as at July 1998, which contained a valuation of system fixed assets as at 31 March 1998 amounting to \$93,903,038. This valuation has been updated as at 31 March 1999, due to the subsequent removal of customer 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 style with a long, sweeping tail on the letter 'y'.

**Ross Buckley**  
*Partner*

18 August 1999



Audit New Zealand

**AUDIT OFFICE OPINION ON THE PERFORMANCE MEASURES OF THE  
POWER COMPANY LIMITED**

We have examined the information on pages 17 to 19, being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulations 16A; and
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

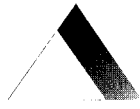
that were prepared by The Power Company Limited and dated 31 March 2000 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.

A handwritten signature in black ink, appearing to read 'B F Kearney', with a long horizontal line extending to the right.

B F Kearney  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Christchurch, New Zealand  
18 August 2000





## Audit New Zealand

### **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 2000. This information is stated in accordance with the accounting policies set out on page 3 to 16 .

#### **Directors' 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 2000 and the results of its operations and cash flows for the year then ended.

#### **Auditor's Responsibilities**

It is the responsibility of the Audit Office to express an independent opinion on the financial statements presented by the Directors and report its opinion to you.

The Controller and Auditor-General has appointed B F Kearney, of Audit New Zealand, to undertake the audit.

#### **Basis of Opinion**

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

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Power Company Limited 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 statements.

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

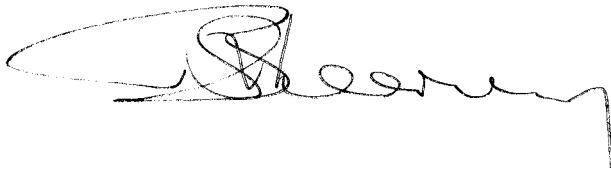
### Unqualified Opinion

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; and
- except for the omission of comparative figures referred to above, the financial statements referred to above;
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the financial position of The Power Company Limited as at 31 March 2000 and the results of its operations and cash flows for the year then ended; and
  - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 18 August 2000 and our opinion is expressed as at that date.



B F Kearney  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Christchurch, New Zealand