



# New Zealand Gazette

OF THURSDAY, 7 SEPTEMBER 2000

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WELLINGTON: FRIDAY, 8 SEPTEMBER 2000 — ISSUE NO. 125

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## SCANPOWER LIMITED

### INFORMATION FOR DISCLOSURE

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

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

I, *Peter Bruce Clayton* of *Dannevirke*,  
being a Director of SCANPOWER LIMITED, solemnly and sincerely declare that having  
made all reasonable 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 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.

*P. Clayton*  
.....

Declared at *Dannevirke* this *24<sup>th</sup>* day of *August* ~~15~~ *2000*.

*[Signature]*  
.....


Solicitor  
(*Alan Dodson*)


**CERTIFICATE OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND  
STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower**

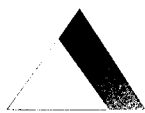
We, Michael Dodson and Di Wilkinson, Directors of SCANPOWER LIMITED, certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of SCANPOWER 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 performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to SCANPOWER LIMITED, and having been prepared for the purposes 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.

  
Michael Dodson  
August 2000

  
Di Wilkinson  
August 2000



## Audit New Zealand

### REPORT OF THE AUDIT OFFICE

#### TO THE READERS OF THE FINANCIAL STATEMENTS OF SCANPOWER LIMITED FOR THE YEAR ENDED 31 MARCH 2000

We have audited the financial statements of ScanPower Limited on pages 1 to 4 and 7 to 15. The financial statements provide information about the past financial performance of ScanPower Limited and its financial position as at 31 March 2000. This information is stated in accordance with the accounting policies set out on pages 7 to 8.

#### **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 ScanPower Limited as at 31 March 2000, and results of 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 L H Desborough, 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. 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 ScanPower Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with 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 ScanPower Limited.

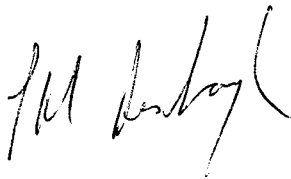
**Unqualified opinion**

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

In our opinion:

- ▲ proper accounting records have been kept by ScanPower Limited as far as appears from our examination of those records *and*
- ▲ the financial statements on pages 1 to 4 and 7 to 15:
  - comply with generally accepted accounting practice *and*
  - give a true and fair view of the financial position of ScanPower Limited as at 31 March 2000 and the results of its operations and cash flows for the year ended on that date; *and*
  - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 30 August 2000 and our unqualified opinion is expressed as at that date.



L H Desborough  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Palmerston North, New Zealand

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEARS ENDED 31 MARCH**

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	<b>Notes</b>	<b>2000</b> <b>\$</b>	<b>1999</b> <b>\$</b>
Revenue	1	5,007,305	4,907,482
Expense	1	<u>(4,751,776)</u>	<u>(4,732,338)</u>
<b>Operating surplus before income tax</b>		255,529	175,144
Income tax	2	<u>140,808</u>	<u>95,690</u>
<b>Operating surplus after income tax</b>		<u><u>114,721</u></u>	<u><u>79,454</u></u>

The accompanying notes and policies form an integral part of these statements

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEARS ENDED 31 MARCH**

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	Notes	2000 \$	1999 \$
<b>EQUITY AT BEGINNING OF THE YEAR</b>		8,386,015	7,823,921
Adjustment to equity	3,15	(3,722,597)	567,265
<b>AMENDED EQUITY AT BEGINNING OF THE YEAR</b>		<u>4,663,418</u>	<u>8,391,186</u>
<b>SURPLUS AND REVALUATIONS</b>			
Net surplus for the year		114,721	79,454
Revaluation of fixed assets	3	<u>0</u>	<u>(64,625)</u>
<b>Total recognised revenues and expenses for the year</b>		<u>114,721</u>	<u>14,829</u>
<b>OTHER MOVEMENTS</b>			
Distribution to owners	3	<u>(45,000)</u>	<u>(20,000)</u>
<b>EQUITY AT THE END OF THE YEAR</b>		<u><u>4,733,139</u></u>	<u><u>8,386,015</u></u>

Due to the change in methodology required by the Electricity (Information Disclosure) Regulations (1999), 100% of the equity was brought into the accounts in 1999.

An adjustment was also made through equity to account for the movements using the avoidable cost methodology.

The accompanying notes and policies form an integral part of these statements

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 MARCH**

	Notes	2000 \$	1999 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i><b>Cash was provided from:</b></i>			
Receipts from customers		3,097,416	4,240,155
Dividends received		0	7,962
Interest received		43,435	117,107
Taxation refund		0	67,333
		3,140,851	4,432,557
<i><b>Cash was applied to:</b></i>			
Payments to employees and suppliers		2,691,223	3,826,552
Taxation paid		0	47,387
Interest paid		101	769
		2,691,324	3,874,708
<b>Net cash inflows from operating activities</b>	9	449,527	557,849
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i><b>Cash was provided from:</b></i>			
Disposal of energy business		0	1,050,000
Proceeds from sale of fixed assets		62	8,444
		62	1,058,444
<i><b>Cash was applied to:</b></i>			
Purchase and construction of assets		336,279	183,077
Purchase of investments		0	1,463,943
		336,279	1,647,020
<b>Net cash inflows from investment activities</b>		(336,217)	(588,576)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i><b>Cash was applied to:</b></i>			
Dividends paid		20,000	15,000
Loan repayments		0	24,900
		20,000	39,900
<b>Net cash outflows from financing activities</b>		(20,000)	(39,900)
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		93,310	(70,627)
Opening Cash Brought Forward		1,303,831	1,374,458
Less Investments transferred to "OTHER" business		(1,283,365)	0
<b>CASH AT END OF THE YEAR</b>		113,776	1,303,831
<b>REPRESENTED BY:</b>			
Cash and bank balances		3,908	20,466
Investments		109,868	1,283,365
		113,776	1,303,831

The accompanying notes and policies form an integral part of these statements



**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH**

	Notes	2000 \$	1999 \$
<b>EQUITY</b>			
Share capital		7,500,000	7,500,000
Retained earnings	3	(2,795,042)	223,345
Reserves	3	28,181	662,670
<b>Shareholders' Equity</b>		<u>4,733,139</u>	<u>8,386,015</u>
<b>REPRESENTED BY:</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		3,908	20,466
Investments	6	109,868	1,283,365
Receivables and prepayments	4	476,936	358,032
Inventories	5	92,246	80,996
<b>Total Current Assets</b>		<u>682,958</u>	<u>1,742,859</u>
<b>NON CURRENT ASSETS</b>			
Deferred taxation	2	190,663	252,876
Investments	6	0	1,463,943
Capital works in progress		68,037	0
Fixed assets	8	4,336,825	5,435,731
<b>Total Non-Current Assets</b>		<u>4,595,525</u>	<u>7,152,550</u>
<b>TOTAL ASSETS</b>		<u>5,278,483</u>	<u>8,895,409</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	7	324,941	410,840
Proposed dividend		45,000	20,000
Employee entitlements		33,481	37,261
Tax provision		114,010	13,793
<b>Total Current Liabilities</b>		<u>517,432</u>	<u>481,894</u>
<b>NON CURRENT LIABILITIES</b>			
Employee entitlements		27,912	27,500
<b>Total Non-Current Liabilities</b>		<u>27,912</u>	<u>27,500</u>
<b>TOTAL LIABILITIES</b>		<u>545,344</u>	<u>509,394</u>
<b>NET ASSETS</b>		<u>4,733,139</u>	<u>8,386,015</u>

For and on behalf of the Board

  
**CHAIRMAN**

  
**GENERAL MANAGER**

The accompanying notes and policies form an integral part of these statements

**SCANPOWER LIMITED - LINES BUSINESS**  
**PERFORMANCE INDICATORS**  
**FOR THE YEARS ENDED 31 MARCH**

Regulation		2000	1999	1998	1997	1996
<b>15</b>	<b>FINANCIAL PERFORMANCE MEASURES</b>					
	Accounting Return on Total Assets	-na-	-na-	-0.45%	-0.12%	-1.44%
	Accounting Return on Equity	-na-	-na-	-0.66%	-0.71%	-1.55%
	Accounting Rate of Profit	-na-	-na-	-0.61%	-0.70%	-1.54%
15 a	Return on Funds	-1.49%	-1.25%	-na-	-na-	-na-
15 b	Return on Equity	-1.57%	-1.00%	-na-	-na-	-na-
15 c	Return on Investment	-2.36%	-1.37%	-na-	-na-	-na-
<b>15</b>	<b>EFFICIENCY PERFORMANCE INDICATORS</b>					
15 a	Direct Line Costs per Kilometre	\$849	\$1,091	\$959	\$899	\$866
15 b	Indirect Line Costs per Customer	\$66	\$67	\$63	\$68	\$57
	As in previous years, the network discount (1999/00 - \$1,547,978, 1998-99 - \$1,209,373) has been excluded from both numerators of these indicators.					
<b>20</b>	<b>OPTIMISED DEPRIVAL VALUATION</b>					
	The Optimised Deprival Valuation of the Lines Business Assets as at 31 March 1998 was \$16,013,157.					
<b>21.1</b>	<b>ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES</b>					
21 a	Load Factor	67.40%	67.00%	62.00%	66.50%	66.55%
21 b	Loss Ratio	8.10%	8.80%	7.28%	7.34%	7.95%
21 c	Capacity Utilisation	26.40%	25.28%	27.55%	26.32%	26.04%
<b>21.2</b>	<b>STATISTICS</b>					
21 a	System Length					
	11 KV	764	763	766	765	765
	400 V	231	231	231	230	229
	Total	995	994	997	995	994
21 b	Circuit Length of Overhead System					
	11 KV	764	763	766	765	765
	400 V	194	195	196	197	197
	Total	958	958	962	962	962
21 c	Circuit Length of Underground System					
	400 V	37	36	35	33	32
	Total	37	36	35	33	32
21 d	Transformer Capacity	54,597	54,507	54,317	53,157	54,425
21 e	Maximum Demand KW	14,406	13,778	14,967	13,971	14,176
21 f	Total Electricity Supplied from Systems (Sales) Kwhr	79,097,162	74,980,152	75,285,058	75,584,065	76,281,299
21 g	Electricity on behalf of other entities					
	Meridian	78,633,123	-	-	-	-
	Transalta	267,903	-	-	-	-
	Trustpower	196,136	41,778	-	-	-
21 h	Total Customers (average for year)	6,675	6,626	6,700	6,700	6,700
<b>22</b>	<b>Number of Faults per 100 circuit kilometre overhead</b>					
7 & 5a	11 KV	6.28	13	10	15	9
7 & 5a	Total	6.28	13	10	15	9
4a	Number of Faults greater than or equal to 3 hours	8 (17%)	19 (19.4%)			
4b	Number of Faults greater than or equal to 24 hours	0 (0%)	1 (1%)			

**SCANPOWER LIMITED**  
**PERFORMANCE INDICATORS (contd.)**  
**FOR THE YEARS ENDED 31 MARCH**

Regulation  
 22

**Total Interruptions 2000**

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	56.38	47.50	18.64	0.00	0.00	0.00	0.00	122.52
12 & 15	SAIFI	0.24	0.35	0.32	0.00	0.00	0.00	0.00	0.90
16 & 19	CAIDI	239.91	137.68	58.43	0.00	0.00	0.00	0.00	136.28
1	INTERRUPTIONS	1.00	105.00	48.00	0.00	0.00	0.00	0.00	154.00

Regulation  
 22

**Total Interruptions 1999**

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	0.00	62.12	42.70	11.20	0.00	0.00	0.00	116.02
12 & 15	SAIFI	0.00	0.49	0.76	0.18	0.00	0.00	0.00	1.43
16 & 19	CAIDI	0.00	126.80	56.00	62.20	0.00	0.00	0.00	81.13
1	INTERRUPTIONS	0.00	151.00	98.00	1.00	0.00	0.00	0.00	250.00

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**Total Interruptions 1998**

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	49.00	44.37	64.80	78.00	0.00	0.00	0.00	236.17
12 & 15	SAIFI	0.23	0.28	0.63	0.80	0.00	0.00	0.00	1.94
16 & 19	CAIDI	209.00	160.00	103.00	97.50	0.00	0.00	0.00	121.64
1	INTERRUPTIONS	1.00	106.00	74.00	2.00	0.00	0.00	0.00	183.00

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**Total Interruptions 1997**

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	28.00	74.68	50.58	18.55	0.00	0.00	0.00	171.81
12 & 15	SAIFI	0.23	0.60	0.55	0.32	0.00	0.00	0.00	1.70
16 & 19	CAIDI	121.74	124.99	91.70	57.25	0.00	0.00	0.00	100.87
1	INTERRUPTIONS	1.00	99.00	113.00	2.00	0.00	0.00	0.00	215.00

22

**Total Interruptions 1996**

	CLASS	A	B	C	D	E	F	G	TOTAL
8 & 11	SAIDI	49.15	41.66	32.63	0.00	0.00	0.00	0.00	123.44
12 & 15	SAIFI	0.23	0.32	0.58	0.00	0.00	0.00	0.00	1.13
16 & 19	CAIDI	214.00	129.00	56.00	0.00	0.00	0.00	0.00	109.10
1	INTERRUPTIONS	1.00	127.00	68.00	0.00	0.00	0.00	0.00	196.00

22

CLASS	TARGET	AVERAGE	TARGET	AVERAGE
YEAR	2001	2001-2005	2000	2000-2004
9a & 10a	SAIDI B	75	75	75
9b & 10b	SAIDI C	75	75	75
13a & 14b	SAIFI B	0.8	0.8	0.8
13b & 14b	SAIFI C	1	1	1
17a & 18a	CAIDI B	160	160	160
17b & 18b	CAIDI C	110	110	110
2a & 3a	No. of Interruptions B	150	150	150
2b & 3b	No. of Interruptions C	150	150	150
5b-d	No. of faults/100km 11Kv	12	12	12
6	N/A No 11kv U/G			

**SCANPOWER LIMITED - LINES BUSINESS  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 MARCH 2000**

SCANPOWER Limited ("SCANPOWER") is a public company registered under the Companies Act 1993. These financial statements have been prepared for the purposes of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000. The financial statements comprise separate Statements of Financial Position, Financial Performance, Cash Flows and Movements in Equity for the Line and Other Businesses as required by the Regulations. These businesses operate in and around the Southern Hawkes Bay area. The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Company, with the exception that certain fixed assets have been revalued.

**Methodology and Separation of Businesses**

SCANPOWER has generally followed the guidelines in the Electricity Information Disclosure Handbook issued by the Energy Markets Policy Group of the Ministry of Economic Development.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

**Goods and Services Tax (GST)**

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

**Operating Revenue**

Sales revenue represents revenue earned for the sale of the company's products and services net of returns, trade allowances and taxes paid. Other revenue includes interest income on investments and dividends received.

**Income Tax**

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

**Receivables**

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

**Inventories**

Inventories are valued at the lower of weighted average cost and net realisable value.

**Employee Entitlements**

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages, annual leave and long service leave as a result of services rendered by employees up to balance date.

**STATEMENT OF ACCOUNTING POLICIES (Continued)****Fixed Assets**

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently revalued to net current value by an independent valuer. Fixed assets within these classes are revalued on a cyclical basis. The revaluations are conducted on a systematic basis so that each individual asset is revalued every three years.

**Depreciation**

Depreciation of fixed assets, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives.

Major depreciation periods are:

Buildings	- 50 years
Computer Equipment	- 3 to 5 years
Distribution System	- 33 to 35 years
Motor Vehicles	- 6 to 10 years
Plant and Equipment	- 10 years

**Financial Instruments**

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables and trade creditors. These financial assets and financial liabilities are, generally, carried at their estimated fair value and, where appropriate, particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The company does not normally require deposits from customers except where there has previously been non-payment of outstanding accounts. No other form of security or collateral is required to support financial instruments with credit risk.

**Statement of Cash Flows**

The following are the definitions of the terms used in the statement of cash flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

**Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 MARCH**

	2000	1999
	\$	\$
<b>Note 1: (I) OPERATING REVENUE</b>		
Network line rentals	4,746,635	4,534,964
AC loss-rental rebates	157,646	248,850
Interest income	103,024	111,783
Dividend income	0	11,885
<b>Total revenue</b>	<u>5,007,305</u>	<u>4,907,482</u>
<b>(II) OPERATING EXPENSES</b>		
Audit fees	26,500	24,600
Auditors fees for other services	4,000	2,750
Fees to other auditors	1,030	6,123
Bad debts written off	0	8,405
Depreciation	307,528	368,872
Directors remuneration & expenses	72,000	78,102
Interest paid	101	768
Loss/ (gain) on sale of assets	4,171	70,690
Network holiday credits (1999 including discounts)	1,547,978	1,209,373
Cost of sales & operating expenses	<u>2,788,468</u>	<u>2,962,655</u>
	<u>4,751,776</u>	<u>4,732,338</u>
<b>Note 2: Taxation Reconciliation</b>		
Accounting net operating surplus before taxation	255,529	175,144
Taxation at 33%	84,325	57,798
Plus tax effect of:		
Non deductible expenditure	0	0
Permanent differences	8,313	9,096
Prior year adjustment	48,170	28,796
<b>Income tax charge for the year</b>	<u>140,808</u>	<u>95,690</u>
<b>Income tax charge for the year comprises:</b>		
Current taxation	0	7,135
Deferred taxation	140,808	88,555
	<u>140,808</u>	<u>95,690</u>
<b>Deferred Tax Asset / (Liability):</b>		
Opening balance	252,876	(45,850)
Prior period adjustment	237,209	(28,847)
Current year movement	(11,353)	29,522
Tax losses	(288,069)	298,051
Closing balance	<u>190,663</u>	<u>252,876</u>
<b>Note 3: Retained Earnings &amp; Reserves</b>		
<b>Retained Earnings</b>		
Balance at beginning of the year	223,345	231,690
Net surplus for the year	114,721	79,454
Adjustment to equity	(3,722,597)	(67,799)
Transfer from revaluation reserves	449,464	0
Share premium reserve account closed	185,025	0
Dividends paid and proposed	(45,000)	(20,000)
<b>Balance at end of the year</b>	<u>(2,795,042)</u>	<u>223,345</u>

## NOTES TO THE FINANCIAL STATEMENTS

	2000	1999
	\$	\$
<b>Note 3: Retained Earnings &amp; Reserves (continued)</b>		
<b>Reserves</b>		
Share premium reserve	0	185,025
Asset revaluation reserve	28,181	477,645
<b>Balance at end of the year</b>	<u>28,181</u>	<u>662,670</u>

Due to the change in methodology required by the Electricity (Information Disclosure) Regulations (1999), 100% of the equity was brought into the accounts in 1999.

An adjustment was also made through equity to account for the movements using the avoidable cost methodology.

<b>Note 4: Receivables and prepayments</b>		
Trading debtors	442,692	328,795
Estimated doubtful receivables	0	0
GST clearing account	15,854	0
Miscellaneous prepayments	18,390	29,237
Accruals	0	0
	<u>476,936</u>	<u>358,032</u>

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.

The Company has a credit policy which restricts the exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis. Where there is a significant concentration of credit risk, the exposure is minimised by provisions in use of systems agreements between the parties. Amounts owed by trade receivables are unsecured.

<b>Note 5: Inventories</b>		
Network and contracting stocks	92,246	80,996
	<u>92,246</u>	<u>80,996</u>

<b>Note 6: Investments</b>		
<b>(i) CURRENT</b>		
Short term deposits held with registered banks	109,868	1,283,365
	<u>109,868</u>	<u>1,283,365</u>

Market fluctuations in interest rates affect the earnings on these investments but company policy of placing deposits with high credit quality financial institutions minimises its credit exposure.

<b>(ii) NON CURRENT</b>		
Unlisted securities	0	0
Listed securities	0	1,463,943
	<u>0</u>	<u>1,463,943</u>

<b>(iii) FAIR AND MARKET VALUE INFORMATION</b>		
Listed securities	0	1,438,146

The market value is based on prices quoted on the stock exchange at balance date.

The fair values of the other investments are not materially different from their carrying amounts.

<b>(iii) INTEREST RATES</b>		
The range of interest rates on investments were:		
Short term bank investments	0.50 - 5.45%	2.85 - 9.10%

<b>Note 7: Accounts Payable</b>		
GST clearing account	0	19,158
Trade creditors	287,868	327,830
Other creditors & accruals	37,073	63,852
	<u>324,941</u>	<u>410,840</u>

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2000</b>	<b>1999</b>
	\$	\$
<b>Note 8: Fixed Assets</b>		
<b>Distribution assets</b>		
At cost	8,686,662	8,405,763
Accumulated depreciation	<u>(4,669,679)</u>	<u>(4,413,475)</u>
Total carrying amount of distribution assets	<u>4,016,983</u>	<u>3,992,288</u>
<b>Freehold land</b>		
At valuation - 31 March 1999	<u>0</u>	<u>84,000</u>
Total carrying amount of freehold land	<u>0</u>	<u>84,000</u>
<b>Freehold buildings</b>		
At valuation - 31 March 1999	60,300	946,300
At cost	0	0
Accumulated depreciation	<u>(1,206)</u>	<u>0</u>
Total carrying amount of freehold buildings	<u>59,094</u>	<u>946,300</u>
<b>Motor vehicles</b>		
At cost	64,340	64,340
Accumulated depreciation	<u>(40,070)</u>	<u>(30,419)</u>
Total carrying amount of motor vehicles	<u>24,270</u>	<u>33,921</u>
<b>Plant and equipment</b>		
At cost	486,451	516,141
Accumulated depreciation	<u>(256,490)</u>	<u>(234,849)</u>
Total carrying amount of plant and equipment	<u>229,961</u>	<u>281,292</u>
<b>Consumer billing and information systems equipment</b>		
At cost	37,282	363,131
Accumulated depreciation	<u>(30,765)</u>	<u>(265,201)</u>
Total carrying amount of computer equipment	<u>6,517</u>	<u>97,930</u>
<b>Total Fixed Assets</b>	<u><u>4,336,825</u></u>	<u><u>5,435,731</u></u>

The fair value of the land and buildings is not materially different from their carrying amounts.

**Note 9: Reconciliation of CashFlow with Operating Surplus**

<b>Reported surplus after taxation</b>	114,721	79,454
<b>Add Non Cash Items</b>		
Depreciation	307,528	368,273
Change in deferred tax provision	62,213	(298,726)
<b>Changes in Working Capital</b>		
Increase/(decrease) in accounts payable & accruals	(85,899)	229,667
(Increase)/decrease in accounts receivable	(118,904)	(156,345)
(Increase)/decrease in inventory	(11,250)	24,150
Increase/(decrease) in employee entitlements	(3,367)	(150,510)
Increase/(decrease) in provision for taxation	100,217	21,526
Increase/(decrease) in provision for dividend	25,000	
<b>Other</b>		
Net movements in other business *	55,097	369,670
<b>Items Classified as Investing Activities</b>		
Net (surplus)/loss on disposal of fixed assets	<u>4,171</u>	<u>70,690</u>
<b>Net Cashflow from Operating Activities</b>	<u><u>449,527</u></u>	<u><u>557,849</u></u>

\* Relates to other business items utilising the avoidable cost methodology



**NOTES TO THE FINANCIAL STATEMENTS**

	2000	1999
	\$	\$

**Note 10: Wind Generation Project**

SCANPOWER Limited has a 10% interest in The Wind Farm Company which holds a resource management consent to erect and operate wind turbines near Woodville.

**Note 11: Environmental Policy**

SCANPOWER endeavours to adhere to a sustainable use policy with a minimum of environmental disturbance and desecration. To date, SCANPOWER is unaware of any of its projects or operations that would not meet the above policy nor any environmental regulations currently in existence in New Zealand.

**Note 12: Capital Commitments and Contingent Liabilities**

As at 31 March 2000, the company had no contingent liabilities (1998/9 also Nil).

SCANPOWER has not entered into any contracts to purchase or install equipment of a capital nature (1998/9-Nil)

**Note 13: Related Party Information**

Directors' transactions with the company were made under normal terms and conditions of supply and sale available to members of staff. No discounts were given during the year.

Contestable contracting services in asset construction and maintenance were provided by SCANPOWER's contracting division at cost, including overheads, and as detailed, respectively, here and in Note 17.12b below.

Subtransmission assets	0	0
Zone substations	0	0
Distribution lines and cables	0	0
Medium voltage switchgear	0	0
Distribution transformers	0	0
Distribution substations	0	0
Low voltage lines and cables	165,353	42,651
Other system fixed assets	0	0

An imputed rental of \$16,436 is included in Note 17.12b (vii) as being paid to the "Other" business.

As at 31 March 2000, there were no outstanding balances for related parties other than those disclosed (1998/9 also Nil).

All transactions with other related parties are also made under normal terms and conditions of supply and sale. No related party debts were forgiven or written off during the year.

**Note 14: Financial Instruments**

SCANPOWER has no off balance sheet financing (other than those disclosed in these notes), nor any foreign exchange exposure. All instruments are carried at fair value and take into account the company's maximum exposure to credit risk.

Concentrations of credit risk with respect to receivables are limited due to a large customer base to whom the company supplies services.

The interest rates on the company's deposits are presented in note 6.

**Note 15: Restatement of Comparative figures**

Employee entitlements that are expected to be paid out beyond one year have been included under non-current liabilities, the corresponding amount for 1999 has also been similarly re-stated.

Note 1 above has also been re-stated for 1999 to separately disclose AC Loss Rental Rebates for that year.

The 1999 adjustment made through equity for the avoidable cost methodology has been restated as an adjustment to equity at the beginning of the year.

**Note 16: Significant Events after Balance Date**

The company is not aware of any post balance date events which would have a significant effect on the business activities of SCANPOWER.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 17: Electricity (Information Disclosure) Regulations 1999 (Schedule 1 Part 2) requirements:

	2000	1999
	\$	\$
<b>1 Current Assets</b>		
a Cash and bank balances	3,908	20,466
b Short-term investments	109,868	1,283,365
c Inventories	92,246	80,996
d Accounts receivable	442,692	328,795
e Other current assets not listed in (a) to (d)	34,244	29,237
<b>Total current assets</b>	<b>682,958</b>	<b>1,742,859</b>
<b>2 Fixed Assets</b>		
a System fixed assets	4,016,983	3,992,288
b Consumer billing and information system assets	6,517	97,930
c Motor vehicles	24,270	33,921
d Office equipment	57,315	67,990
e Land and buildings	59,094	1,030,300
f Capital works under construction	68,037	0
g Other fixed assets not listed in (a) to (f)	172,647	213,302
<b>Total fixed assets</b>	<b>4,404,863</b>	<b>5,435,731</b>
<b>3 Other tangible assets not listed above</b>	<b>190,662</b>	<b>1,716,819</b>
<b>4 Total tangible assets</b>	<b>5,278,483</b>	<b>8,895,409</b>
<b>5 Intangibles</b>		
a Goodwill	0	0
b Other intangibles not listed in (a) above	0	0
<b>Total intangibles</b>	<b>0</b>	<b>0</b>
<b>6 Total assets</b>	<b>5,278,483</b>	<b>8,895,409</b>
<b>7 Current liabilities</b>		
a Bank overdraft	0	0
b Short-term borrowings	0	0
c Payables and accruals	324,941	410,840
d Provision for dividends payable	45,000	20,000
e Provision for income tax	114,010	13,794
f Other current liabilities not listed in (a) to (e) above	33,481	37,260
<b>Total current liabilities</b>	<b>517,432</b>	<b>481,894</b>
<b>8 Non-current liabilities</b>		
a Payables and accruals	0	0
b Borrowings	0	0
c Deferred tax	0	0
d Other non-current liabilities not listed in (a) to (c) above	27,912	27,500
<b>Total non-current liabilities</b>	<b>27,912</b>	<b>27,500</b>
<b>9 Equity</b>		
a Shareholders' equity		
(i) Share capital	7,500,000	7,500,000
(ii) Retained earnings	(2,795,042)	223,345
(iii) Reserves	28,181	662,670
(iv) Total shareholders' equity	4,733,139	8,386,015
b Minority interests in subsidiaries	0	0
<b>Total equity</b>	<b>4,733,139</b>	<b>8,386,015</b>
c Capital notes	0	0
<b>Total capital funds</b>	<b>4,733,139</b>	<b>8,386,015</b>
<b>10 Total equity and liabilities</b>	<b>5,278,483</b>	<b>8,895,409</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2000	1999
	\$	\$
<b>11 Operating revenue</b>		
a Revenue from line/access charges	4,746,635	4,534,964
b Revenue from "Other" business for services carried out by the line business (transfer payment)	0	0
c Interest on cash, bank balances and short term investments:	103,024	111,783
d AC loss-rental rebates	157,646	248,850
e Other revenue not listed in (a) to (d)	0	11,885
f <b>Total operating revenue</b>	<u>5,007,305</u>	<u>4,907,482</u>
<b>12 Operating expenditure</b>		
a Payment for transmission charges	1,607,629	1,576,129
b Transfer payments to the "Other" business for:		
(i) Asset maintenance	569,691	881,687
(ii) Consumer disconnection/reconnection services	0	0
(iii) Meter data	5,245	0
(iv) Consumer-based load control services	6,000	0
(v) Royalty and patent expenses	0	0
(vi) Avoided transmission charges on account of own generation	0	0
(vii) Other goods and services not listed in (i) to (vi) above	16,440	115,851
(viii) <b>Total transfer payment to the "Other" business</b>	<u>597,376</u>	<u>997,538</u>
c Expense to entities that are not related parties for:		
(i) Asset maintenance	0	0
(ii) Consumer disconnection/reconnection services	0	0
(iii) Meter data	3,600	0
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0
(vi) <b>Total of specified expenses to non-related parties (sum of (i) to (v))</b>	<u>3,600</u>	<u>0</u>
d Employee salaries, wages and redundancies	216,555	258,153
e Consumer billing and information system expense	17,112	261,989
f Depreciation on:		
(i) System fixed assets	253,022	228,111
(ii) Other assets not listed in (i)	54,506	140,761
(iii) <b>Total depreciation</b>	<u>307,528</u>	<u>368,872</u>
g Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	0	0
(iii) <b>Total amortisation of intangibles</b>	<u>0</u>	<u>0</u>
h Corporate and administration	315,730	178,708
i Human resource expenses	10,682	10,682
j Marketing/advertising	16,111	12,196
k Merger and acquisition expenses	0	0
l Takeover defence expenses	0	0
m Research and development expenses	0	0
n Consultancy and legal expenses	774	37,889
o Donations	0	0
p Directors' fees	72,000	0
q Auditors' fees		
(i) Audit fees paid to principal auditors	26,500	0
(ii) Audit fees paid to other auditors	1,030	0
(iii) Fees paid for other services provided by principal and other auditors	4,000	0
(iv) <b>Total auditors' fees</b>	<u>31,530</u>	<u>0</u>
r Costs of offering credit		
(i) Bad debts written off	0	0
(ii) Increase in estimated doubtful debts	0	0
(iii) <b>Total cost of offering credit</b>	<u>0</u>	<u>0</u>
s Local authority rates expense	7,070	0
t AC loss-rentals (distribution to retailers/customers) expense	0	0

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2000</b>	<b>1999</b>	
	<b>\$</b>	<b>\$</b>	
u	Rebates to consumers due to ownership interest	1,547,978	0
v	Subvention payments	0	0
w	Unusual expenses	0	0
x	Other expenditure not listed in (a) to (w)	0	1,029,414
13	<b>Total operating expenditure</b>	<u>4,751,675</u>	<u>4,731,570</u>
14	<b>Operating surplus before interest and income tax</b>	<u>255,630</u>	<u>175,912</u>
15	<b>Interest expense</b>		
a	Interest expense on borrowings	0	0
b	Financing charges related to finance leases	0	0
c	Other interest expense not listed in (a) or (b)	101	768
d	<b>Total interest expense</b>	<u>101</u>	<u>768</u>
16	<b>Operating surplus before income tax</b>	<u>255,529</u>	<u>175,144</u>
17	<b>Income tax</b>	140,808	95,690
18	<b>Net surplus after tax</b>	<u><u>114,721</u></u>	<u><u>79,454</u></u>

**SCANPOWER LIMITED - LINES BUSINESS  
FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)  
FOR THE YEAR ENDED 31 MARCH 2000**

	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	255,630				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	255,630				
Interest on cash, bank balances, and short-term investments (ISTI)	103,024				
OSBIT minus ISTI	152,606	a	152,606		152,606
Net surplus after tax from financial statements	114,721	n		114,721	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	114,721				
Amortisation of goodwill and amortisation of other intangibles	0	g	0	add	0
Subvention payment	0	s	0	add	0
Depreciation of SFA at BV (x)	253,022				
Depreciation of SFA at ODV (y)	644,548				
ODV depreciation adjustment	(391,526)	d	(391,526)	add	(391,526)
Subvention payment tax adjustment	0	s†		deduct	0
Interest tax shield	33	q		deduct	33
Revaluations	0	r		add	0
Income tax	140,808	p		deduct	140,808
<b>Numerator</b>			(238,920) OSBIT <sup>(a)</sup> = a + g + s + d	(276,805) NSAT <sup>(n)</sup> = n + g + s + s† + d	(379,761) OSBIT <sup>(a)</sup> = a + g + s + s† + d - p - s†
Fixed assets at end of previous financial year (FA <sub>0</sub> )	5,435,731				
Fixed assets at end of current financial year (FA <sub>1</sub> )	4,336,825				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	(9,073)				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	210,761				
Average total funds employed (ATFE)	4,987,122	c	4,987,122		4,987,122
Total equity at end of previous financial year (TE <sub>0</sub> )	8,386,015				
Total equity at end of current financial year (TE <sub>1</sub> )	4,733,139				
Average total equity	6,559,577	k		6,559,577	

**SCANPOWER LIMITED - LINES BUSINESS  
FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)  
FOR THE YEAR ENDED 31 MARCH 2000**

	Input and Calculations	Symbol in formula	ROF	ROE	ROI
WUC at end of previous financial year (WUC <sub>0</sub> )	0				
WUC at end of current financial year (WUC <sub>1</sub> )	68,037				
Average total works under construction	34,019	e	deduct 34,019	deduct 34,019	deduct 34,019
Revaluations	0	r			
Half of revaluations	0	r/2			deduct 0
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
Average total intangible asset	0	m	add 0	add 0	add 0
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v	add 0	add 0	add 0
System fixed assets at end of previous financial year at book value (SFA <sub>book</sub> )	3,992,288				
System fixed assets at end of current financial year at book value (SFA <sub>book</sub> )	4,016,983				
Average value of system fixed assets at book value	4,004,636	f	deduct 4,004,636	deduct 4,004,636	deduct 4,004,636
System Fixed assets at year beginning at ODV value (SFA <sub>odv</sub> )	15,117,823				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv</sub> )	15,154,249				
Average value of system fixed assets at ODV value	15,136,036	h	add 15,136,036	add 15,136,036	add 15,136,036
Denominator			16,084,503 ATFE <sup>odv</sup> = e - e - f + h	17,656,958 Ave TE <sup>odv</sup> = k - e - m + v - f + h	16,084,503 ATFE <sup>odv</sup> = e - e - f + h
Financial Performance Measure:			(1.49) ROF = OSBIT <sup>odv</sup> /ATFE <sup>odv</sup> x 100	(1.57) ROE = NSA <sup>odv</sup> /ATE <sup>odv</sup> x 100	(2.36) ROI = OSBIT <sup>odv</sup> /ATE <sup>odv</sup> x 100

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



**SCANPOWER LIMITED - LINES BUSINESS**  
**ANNUAL VALUATION RECONCILIATION REPORT - (Part 8)**  
**FOR THE YEAR ENDED 31 MARCH 2000**

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	2000 \$
<b>System fixed assets at ODV at end of previous financial year</b>	15,117,823
<b>ADD system fixed assets acquired during the year at ODV<sup>1</sup></b>	204,860
<b>LESS system fixed assets disposed of during the year at ODV</b>	19,432
<b>LESS depreciation on system fixed assets at ODV</b>	644,548
<b>ADD revaluation of system fixed assets</b>	495,546
<b>System fixed assets at ODV at end of the financial year</b>	<u><u>15,154,249</u></u>

<sup>1</sup> The value of system fixed assets acquired during the financial year includes capitalised expenditure on replacement and refurbishment of system fixed assets.



# Audit New Zealand

## AUDIT OFFICE OPINION ON THE PERFORMANCE MEASURES OF SCANPOWER LIMITED

We have examined the information on pages 5 and 16 to 18, being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulation 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 ScanPower 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.

L H Desborough  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Palmerston North, New Zealand

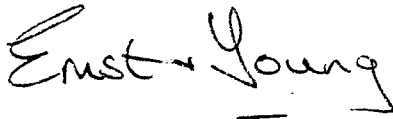
30 August 2000



**CERTIFICATION BY AUDITOR IN RELATION TO VALUATION**

We have examined the valuation report of SCANPOWER Limited and dated 6 August 1998, which report contains valuations of system fixed assets as at 31 March 1998.

We certify that, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$16,013,157, have been made in accordance with the ODV Handbook.



Ernst & Young  
Auckland

19 January 2000