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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  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2001**

Prepared for the Purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000

**INFORMATION DISCLOSURE DISCLAIMER**

The information disclosed in this 2001 Information Disclosure package issued by The Power Company Limited has been prepared solely for the purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

The Regulations require the information to be disclosed in the manner it is presented.

The information should not be used for any other purposes than that intended under the Regulations.

The financial information presented is for the line business as described within the Electricity (Information Disclosure) Regulations 1999. There are also additional activities of the Company that are not required to be reported under the Regulations.

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2001**

	Note	31 March 2001 \$000	31 March 2000 \$000
<b><u>Revenue</u></b>			
Line/Access Charges		22,851	21,460
Gore District Discount		(229)	-
AC Loss Rental Rebates		1,228	413
Interest on Short Term Investments		77	176
Other Revenue		280	221
<b>Total Revenue</b>		<b>24,207</b>	<b>22,270</b>
<b><u>Direct Costs</u></b>			
Transmission Charges		7,751	7,716
Asset Maintenance		3,406	2,977
<b>Total Direct Costs</b>		<b>11,157</b>	<b>10,693</b>
<b>Gross Profit</b>		<b>13,050</b>	<b>11,577</b>
<b><u>Overheads and Expenses</u></b>			
Audit Fees		24	35
Bad Debts		4	1
Customer Billing and Information System Expense		114	89
Consultancy & Legal		60	154
Corporate & Administration		233	445
Directors Fees		100	134
Employee Salaries & Redundancies		887	1,088
Gore District Discount		-	205
Human Resources		77	114
Loss on Sale		48	61
Marketing/Advertising		84	108
Merger & Acquisition		-	67
Other Costs		198	208
Rates		6	14
Research & Development		4	23
Subvention Payments		72	71
<b>Total Overheads and Expenses</b>		<b>1,911</b>	<b>2,817</b>
<b>Earnings Before Interest, Depreciation and Tax</b>		<b>11,139</b>	<b>8,760</b>
Depreciation		4,661	4,273
<b>Earnings Before Interest and Tax</b>		<b>6,478</b>	<b>4,487</b>
Interest Expense		280	763
<b>Operating Surplus Before Tax</b>		<b>6,198</b>	<b>3,724</b>
Taxation		2,093	1,263
<b>Operating Surplus After Tax</b>		<b>4,105</b>	<b>2,461</b>

**THE POWER COMPANY LIMITED LINE BUSINESS  
STATEMENT OF MOVEMENT IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2001**

	Note	31 March 2001 \$000	31 March 2000 \$000
<b>Opening Balance</b>		39,866	37,523
Net Surplus for the Year		4,105	2,461
Revaluation		121,420	-
Total Recognised Revenue & Expenses		125,525	2,461
Less Distribution to Owners		-	118
Plus Funds Released from Other Business		32	-
<b>Closing Balance</b>		<b>165,423</b>	<b>39,866</b>

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2001**

	Note	31 March 2001 \$000	31 March 2000 \$000
<b><u>Current Assets</u></b>			
Cash at Bank		70	859
Receivables	1	376	420
Prepayments		61	62
Inventories		171	187
Work in Progress		-	20
<b>Total Current Assets</b>		<b>678</b>	<b>1,548</b>
<b><u>Non Current Assets</u></b>			
Capital Work in Progress		5,786	3,806
Fixed Assets	2	179,262	43,658
<b>Total Non Current Assets</b>		<b>185,048</b>	<b>47,464</b>
<b>TOTAL ASSETS</b>		<b>185,726</b>	<b>49,012</b>
<b><u>Current Liabilities</u></b>			
Accounts Payable and Accruals	3	3,693	3,726
Provision for Tax		513	412
Provision for Dividend		-	118
<b>Total Current Liabilities</b>		<b>4,206</b>	<b>4,256</b>
<b><u>Non Current Liabilities</u></b>			
Term Liabilities		3,427	4,416
Provision for Deferred Tax		12,670	474
<b>Total Non Current Liabilities</b>		<b>16,097</b>	<b>4,890</b>
<b>TOTAL LIABILITIES</b>		<b>20,303</b>	<b>9,146</b>
<b><u>Owners Equity</u></b>			
Capital Reserve		28,847	28,847
Asset Revaluation Reserve		121,420	-
Retained Earnings		15,156	11,019
<b>Total Owners' Equity</b>		<b>165,423</b>	<b>39,866</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>185,726</b>	<b>49,012</b>

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2001**

	Note	31 March 2001 \$000	31 March 2000 \$000
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was Provided From:</b>			
Receipts from Customers		24,118	23,914
Sundry Income		280	247
Interest Received		77	176
		24,475	24,337
<b>Cash was Applied To:</b>			
Payments to Suppliers		12,295	10,707
Payments to Employees		887	1,088
Taxes Paid		2,032	583
Interest Paid		280	763
		15,494	13,141
<b>NET CASH FROM OPERATING ACTIVITIES</b>	4	<b>8,981</b>	<b>11,196</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was Provided From:</b>			
Sale of Fixed Assets		74	1,298
		74	1,298
<b>Cash was Applied To:</b>			
Purchase of Fixed Assets		8,769	7,144
		8,769	7,144
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(8,695)</b>	<b>(5,846)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was Provided From:</b>			
Capital Contribution		32	-
		32	-
<b>Cash was Applied To:</b>			
Payment of Dividends		118	75
Repayment of Loans		989	2,837
		1,107	2,912
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(1,075)</b>	<b>(2,912)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(789)</b>	<b>2,438</b>
Plus Opening Cash Brought Forward		859	(1,579)
Ending Cash Carried Forward		70	859

**THE POWER COMPANY LIMITED LINE BUSINESS  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 MARCH 2001**

## 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 with the exception of certain items for which specific accounting policies are identified.

### 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") as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

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*

The network system assets were revalued as at 31 March 2001 to optimised depreciated replacement cost (ODRC) as assessed by independent valuers KPMG and Kerslake & Partners.

All other 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 valuation 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 accounts receivable and accounts payable which are GST inclusive.

**Changes in Accounting Policies**

Network system assets have been revalued at 31 March 2001. The effect of the revaluation has been to increase the value of the assets by \$133,599,000. Of the revaluation \$121,420,000 has been credited to the revaluation reserve and the balance of \$12,179,000 credited to deferred tax.

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



<b>THE POWER COMPANY LIMITED LINE BUSINESS</b> <b>NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS</b> <b>FOR THE YEAR ENDED 31 MARCH 2001</b>
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**1. RECEIVABLES**

	31 March 2001 \$000	31 March 2000 \$000
Trade Debtors	296	302
Other Debtors	80	118
	376	420
	376	420

**2. FIXED ASSETS**

	Cost or Valuation \$000	Accumulated Depreciation \$000	31.3.2001 \$000	31.3.2000 \$000
System Fixed Assets	176,870	-	176,870	41,527
Customer Billing & Information				
System Assets	20	14	6	8
Motor Vehicles	62	35	27	27
Office Equipment	923	668	255	222
Land & Buildings	2,319	437	1,882	1,740
Plant & Equipment	421	199	222	134
	180,615	1,353	179,262	43,658
	180,615	1,353	179,262	43,658

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

**3. ACCOUNTS PAYABLE AND ACCRUALS**

	31 March 2001 \$000	31 March 2000 \$000
Accounts Payable and Accruals	3,571	3,608
Provision for Employee Entitlements	122	118
	3,693	3,726
	3,693	3,726

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

	31 March 2001 \$000	31 March 2000 \$000
Net Surplus After Tax	4,105	2,461
<b>Add Non Cash Items</b>		
Depreciation and Loss on Sale	4,709	4,334
Movement in Deferred Tax	17	-
	<b>8,831</b>	<b>6,795</b>
<b>Plus/(Less) Movement in Working Capital Items:</b>		
(Increase)/Decrease in Accounts Receivable	44	2,325
Increase in Sundry Assets	2	(16)
(Increase)/Decrease in Stock	36	297
Increase/(Decrease) in Provision for Tax	100	532
Increase/(Decrease) in Accounts Payable	(32)	1,263
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>8,981</b>	<b>11,196</b>

#### 5. 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 2001 is \$3,000 (2000 \$47,000).

###### *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 2001 is \$6,000 (2000 \$6,000).

##### Operating Lease Commitments are as follows:

	31 March 2001 \$000	31 March 2000 \$000
➤ Less than one year	70	73
➤ Greater than one year and not later than two years	42	55
➤ Later than two years and no later than five years	11	29
➤ Later than five years	-	-

## 6. 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.

## 7. 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:

	31 March 2001 \$000	31 March 2000 \$000
Receivables	376	420

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 6.

### 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 borrowing for which interest rates are hedged by way of an interest rate swap. At 31 March 2001 the quantity of interest rate swaps was Nil (2000 \$8,500,000).

### 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 2001 is \$Nil (2000 \$27,000).

## 8. 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>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
Construction of:		
➤ Subtransmission assets	1,379	3,422
➤ Zone substations	3,240	964
➤ Distribution lines and cables	390	1,028
➤ Medium voltage switchgear	188	91
➤ Distribution transformers	1,041	1,203
➤ Distribution substations	-	-
➤ Low voltage lines and cables	83	132
➤ Other system fixed assets	59	54

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

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
Maintenance of assets	-	-
Consumer connections and disconnections	-	-

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

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
Fixed Assets at Book Value	-	920

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

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
Rent	32	36

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 2001 these totalled \$80,000 (2000 \$118,000). A dividend has not been provided for in these accounts (2000 \$118,000).

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

The Power Company Limited Line Business owes PowerNet Limited Other Business \$1,120,000 (2000 \$296,000).

PowerNet Limited's Line Business owes The Power Company Limited Other Business \$3,000 (2000 \$3,000).

No related party debts have been written off or forgiven during 2001 or 2000.

## 9. ANNUAL VALUATION RECONCILIATION REPORT

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
System fixed assets at ODV – end of the previous financial year	143,941	142,913
<i>Add</i> system fixed assets acquired during the year at ODV	4,031	6,054
<i>Less</i> system fixed assets disposed of during the year at ODV	(1,945)	(454)
<i>Less</i> depreciation on system fixed assets at ODV	(4,605)	(4,572)
<i>Add</i> revaluations of system fixed assets	30,842	-
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<b>System fixed assets at ODV – end of the financial year</b>	<b>172,264</b>	<b>143,941</b>
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**10. 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.

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current Assets</b>		
(a) Cash and bank balances	70	859
(b) Short-term investments	-	-
(c) Inventories	171	187
(d) Accounts receivable	376	420
(e) Other current assets not listed in (a) to (d)	61	82
<b>Total Current Assets</b>	<b>678</b>	<b>1,548</b>
<b>Fixed Assets</b>		
(a) System fixed assets	176,870	41,527
(b) Consumer billing and information system assets	6	8
(c) Motor vehicles	27	27
(d) Office equipment	255	222
(e) Land and buildings	1,882	1,740
(f) Capital works under construction	5,786	3,806
(g) Other fixed assets not listed in (a) to (g)	222	134
<b>Total Fixed Assets</b>	<b>185,048</b>	<b>47,464</b>
<b>Other tangible assets not listed above</b>	-	-
<b>Total Tangible Assets</b>	<b>185,726</b>	<b>49,012</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>185,726</b>	<b>49,012</b>
<b>Current Liabilities</b>		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	3,693	3,726
(d) Provision for dividends payable	-	118
(e) Provision for income tax	513	412
(f) Other current liabilities not listed in (a) to (e) above	-	-
<b>Total Current Liabilities</b>	<b>4,206</b>	<b>4,256</b>
<b>Non-Current Liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	3,427	4,416
(c) Deferred tax	12,670	474
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
<b>Total Non-Current Liabilities</b>	<b>16,097</b>	<b>4,890</b>
<b>Equity</b>		
(a) Shareholders' equity:		
(i) Share capital	28,847	28,847
(ii) Retained earnings	15,156	11,019
(iii) Reserves	121,420	-
<b>Total Shareholders' equity</b>	<b>165,423</b>	<b>39,866</b>
(b) Minority interests in subsidiaries	-	-
<b>Total Equity</b>	<b>165,423</b>	<b>39,866</b>
(c) Capital notes	-	-
<b>Total Capital Funds</b>	<b>165,423</b>	<b>39,866</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>185,726</b>	<b>49,012</b>

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
<b>Operating Revenue</b>		
(a) Revenue from line/access charges (net of discounts)	22,622	21,460
(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	77	176
(d) AC loss-rental rebates	1,228	413
(e) Other revenue not listed in (a) to (d)	280	221
<b>Total Operating Revenue</b>	<b>24,207</b>	<b>22,270</b>
<b>Operating Expenditure</b>		
(a) Payment for transmission charges	7,751	7,716
(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	-	-
(vii) Other goods and services not listed in (i) to (vi) above	32	36
<b>Total transfer payment to the "Other" business</b>	<b>32</b>	<b>36</b>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	3,406	2,977
(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>3,406</b>	<b>2,977</b>
(d) Employee salaries, wages and redundancies	887	1,088
(e) Consumer billing and information system expense	114	89
(f) Depreciation on:		
(i) System fixed assets:	4,471	4,089
(ii) Other assets not listed in (i)	190	184
<b>Total depreciation</b>	<b>4,661</b>	<b>4,273</b>
(g) Amortisation of:		
(i) Goodwill:	-	-
(ii) Other intangibles:	-	-
<b>Total Amortisation of intangibles</b>	<b>-</b>	<b>-</b>
(h) Corporate and administration:	233	445
(i) Human resource expenses:	77	114
(j) Marketing/advertising:	84	108
(k) Merger and acquisition expenses:	-	67
(l) Takeover defence expenses:	-	-

	<b>31 March 2001</b>	<b>31 March 2000</b>
	<b>\$000</b>	<b>\$000</b>
(m) Research and development expenses:	4	23
(n) Consultancy and legal expenses:	60	154
(o) Donations:	-	-
(p) Directors' fees:	100	134
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	25	35
(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>25</b>	<b>35</b>
(r) Costs of offering credit:		
(i) Bad debts written off:	4	1
(ii) Increase in estimated doubtful debts:	-	-
<b>Total cost of offering credit:</b>	<b>4</b>	<b>1</b>
(s) Local authority rates expense:	6	14
(t) AC loss-rentals (distribution to retailers/customers) expense:	-	-
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	72	71
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	213	438
<b>Total operating expenditure</b>	<b>17,729</b>	<b>17,783</b>
<b>Operating surplus before interest and income tax</b>	<b>6,478</b>	<b>4,487</b>
<b>Interest expense</b>		
(a) Interest expense on borrowings	280	763
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
<b>Total interest expense</b>	<b>280</b>	<b>763</b>
<b>Operating surplus before income tax</b>	<b>6,198</b>	<b>3,724</b>
<b>Income tax</b>	<b>2,093</b>	<b>1,263</b>
<b>Net surplus after tax</b>	<b>4,105</b>	<b>2,461</b>



<b>THE POWER COMPANY LIMITED LINE BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES</b>
--

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

**FINANCIAL MEASURES**

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Return on Funds	3.90%	2.30%	4.01%	6.50%
Return on Equity	2.74%	1.47%	2.24%	5.07%
Return on Investment	24.61%	1.23%	47.70%	-.50%
Return on Investment (excluding revaluation)	2.61%			

**EFFICIENCY PERFORMANCE MEASURES**

	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Direct Line Costs per Kilometre	\$595	\$551	\$570	\$675
Indirect Line Costs per Electricity Customer	\$25	\$53	\$55	\$82

**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	6,478,370				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	6,478,370				
Interest on cash, bank balances, and short-term investments (ISTI)	279,803	a	6,198,567		6,198,567
OSBIIT minus ISTI	4,105,108				
Net surplus after tax from financial statements	4,105,108	n		4,105,108	
Net surplus after tax adjusted pursuant to Regulation 18 (NSAT)	4,105,108				
Amortisation of goodwill and amortisation of other intangibles	0	g	0	0	0
Subvention payment	72,366	s	72,366	72,366	72,366
Depreciation of SFA at BV (x)	4,470,897				
Depreciation of SFA at ODV (y)	4,604,986				
ODV depreciation adjustment	-134,089	d	-134,089	-134,089	-134,089
Subvention payment tax adjustment	23,881	s*t	23,881	23,881	23,881
Interest tax shield	-92,335	q			-92,335
Revaluations	30,842,081	r			30,842,081
Income tax	2,093,459	p			2,093,459
<b>Numerator</b>			6,136,844 OSBIIT <sup>Adj</sup> = a+r-g+s+d	4,019,504 NSAT <sup>Adj</sup> = n+g-r-s*t+d	34,933,920 OSBIIT <sup>Adj</sup> = a+r-g+s+d-p-s*t
Fixed assets at end of previous financial year (FA <sub>0</sub> )	47,463,993				
Fixed assets at end of current financial year (FA <sub>1</sub> )	185,048,123				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-2,707,966				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-3,084,877				
Average total funds employed (ATFE)	113,359,637 (or regulation 33 time-weighted average)	c	113,359,637		113,359,637
Total equity at end of previous financial year (TE <sub>0</sub> )	39,865,626				
Total equity at end of current financial year (TE <sub>1</sub> )	165,422,736				
Average total equity	102,644,181 (or regulation 33 time-weighted average)	k		102,644,181	
WUC at end of previous financial year (WUC <sub>0</sub> )	3,806,160				
WUC at end of current financial year (WUC <sub>1</sub> )	5,785,989				
Average total works under construction	4,796,075 (or regulation 33 time-weighted average)	e	4,796,075	4,796,075	4,796,075
Revaluations	30,842,081	r			
Half of revaluations	15,421,041	r/2			15,421,041

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
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
	(or regulation 33 time-weighted average)				
Subvention payment at end of previous financial year (S <sub>0</sub> )	70,663				
Subvention payment at end of current financial year (S <sub>1</sub> )	72,366				
Subvention payment tax adjustment at end of previous financial year	23,319				
Subvention payment tax adjustment at end of current financial year	23,881				
Average subvention payment and related tax adjustment	47,915	v		add	47,915
	41,526,496				
System fixed assets at end of previous financial year at BV (SFA <sub>0(bv)</sub> )	176,870,312				
System fixed assets at end of current financial year at BV (SFA <sub>1(bv)</sub> )	109,198,404	f	deduct	109,198,404	deduct
Average value of system fixed assets at BV	(or regulation 33 time-weighted average)				
System Fixed assets at year beginning at ODV value (SFA <sub>0(odv)</sub> )	143,940,981				
System Fixed assets at end of current financial year at ODV value (SFA <sub>1(odv)</sub> )	172,263,765				
Average value of system fixed assets at ODV value	158,102,373	h	add	158,102,373	add
	(or regulation 33 time-weighted average)				
<b>Denominator</b>			157,467,531	146,799,990	142,046,491
			ATFE <sup>Adj</sup> = c-e-f+h	Ave TE <sup>Adj</sup> = k-e-m+v-f+h	ATFE <sup>Adj</sup> = c-e-1/2r-f+h
<b>Financial Performance Measure</b>			ROF=OSBIT <sup>Adj</sup> /ATFE <sup>Adj</sup> x 100	ROE=NSAT <sup>Adj</sup> /ATE <sup>Adj</sup> x 100	ROI=OSBIT <sup>Adj</sup> /ATFE <sup>Adj</sup> x 100
			3.90	2.74	24.61

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 LINE BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

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

### ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES YEARS ENDING 31 MARCH 1998, 1999, 2000 AND 2001

	2001	2000	1999	1998
(e) Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	66.5%	65%	65%	64%
(f) Loss Ratio (Transmission losses over energy entering the system)	8.5%	8.5%	8.4%	9.4%
(g) Capacity Utilisation (Maximum demand over total transformer capacity)	34.8%	34%	35%	37%

The loss ratio for the 2001 year of 11.1% and 2000 year of 11.5% 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 and has therefore estimated losses for these years at 8.5%.

### STATISTICS

		66kV	33kV	11kV	400V	Total
System Length (km's)	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
	2000/01	263	541	5,707	989	7,500
Overhead Lines (km's)	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
	2000/01	263	539	5,658	886	7,346
Underground Cables (km's)	1997/98	0	1	43	101	145
	1998/99	0	1	45	102	148
	1999/00	0	1	47	103	151
	2000/01	0	2	49.2	103.6	154.7

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
1997/98	280,649	100,520	35,964,760	512,307,503	30,212
1998/99	283,332	98,076	491,438,251	511,952,648	30,204
1999/00	286,403	97,827	476,028,494	493,872,093	30,273
2000/01	291,963	101,631	525,979,285	591,686,187	31,005

Retailer	KWh (2000/01)	KWh (1999/00)	KWh (1998/99)
Retailer A		-	407,284,491
Retailer B		-	69,511,496
Retailer C		-	7,383,289
Retailer D		-	236,382
Retailer E		-	4,955,408
Retailer F	17,040,154	12,038,776	1,072,878
Retailer G	18,876,580	8,189,523	994,307
Retailer H	395,939,877	352,579,433	
Retailer I	25,261,645	11,290,158	
Retailer J	104,834,894	89,472,164	
Retailer K	13,070,583	2,458,440	
Electricity Invercargill Limited	16,662,454		
<b>Total</b>	<b>591,686,187</b>	<b>476,028,494</b>	<b>491,438,251</b>

The Electricity Supplied 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 LINE BUSINESS RELIABILITY PERFORMANCE MEASURES

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

### RELIABILITY STATISTICS FOR YEARS ENDING 31 MARCH 1998, 1999, 2000 AND 2001

Class		A	B	C	D	E	F	G	TOTAL
Interruptions	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
	2000/01	0	177	389	0	0	2	0	568
Predicted 2001/2002			256	390					
5-Year Average Target			226	344					
SAIDI	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
	2000/01	0	16.0	130.0	0	0	0.5	0	146.5
Predicted 2001/2002		0	30.4	180.6					
5-Year Average Target			23.8	144.4					
SAIFI	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
	2000/01	0	0.13	2.76	0	0	0.01	0	2.900
Predicted 2001/2002			0.26	3.69					
5-Year Average Target			0.22	3.07					
CAIDI	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
	2000/01	0	120.5	47.1	0	0	80.0	0	50.5
Predicted 2001/2002			115.0	49.0					
5-Year Average Target			109.0	47.0					

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	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
	2000/01	1.52	2.60	6.52	5.99
UG per 100km	1997/98	0	125	9.20	11.20
	1998/99	0	0	4.40	4.26
	1999/00	0	0	8.50	8.25
	2000/01	0	0	8.13	7.82
Total per 100km	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
	2000/01	1.52	2.59	6.54	6.00
Predicted 2001/2002		1.90	2.80	6.20	5.80
5-Year Average Target		1.50	2.40	5.50	5.08

Class C Interruptions Not Restored in	3 hours	0%
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 2001.

Signed:

Dated:

*Alan Bertram Harper*  
 .....  
 16 August 2001

*Cameron Andrew McCulloch*  
 .....  
 16 August 2001

**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 \$289,021,870; and
- (c) The depreciated replacement cost of the line business system fixed assets of The Power Company Limited is \$180,144,069; and
- (d) The Optimised Depreciated Replacement Cost of the line business system fixed assets of The Power Company Limited is \$176,870,312; and
- (e) The Optimised Deprival Valuation of the line business system fixed assets of The Power Company Limited is \$172,263,765; 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 2001.

Signed:

Dated:

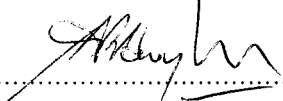
*Alan Bertram Harper*  
 .....  
 16 August 2001

*Cameron Andrew McCulloch*  
 .....  
 16 August 2001


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

I, Alan Bertram Harper, of 18 Turnbull 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:  .....

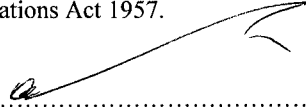
Declared at Invercargill this 16<sup>th</sup> day of August 2001.

Signed:  .....

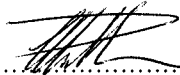
[Solicitor]

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 17 day of August 2001.

Signed:  .....

[Solicitor]

SOA-31Mar01.doc



Office address  
Clarendon Tower  
78 Worcester Street  
Christchurch  
New Zealand

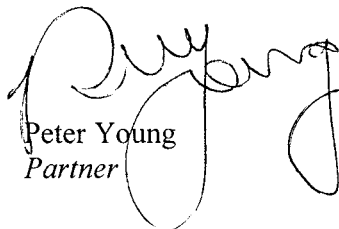
Mail address  
P.O. Box 274  
Christchurch  
New Zealand

Telephone (03) 363-5764  
Fax (03) 363-5765

**AUDITORS OPINION IN RELATION TO ODV VALUATION**  
**THE POWER COMPANY LIMITED**

I have examined the valuation report of The Power Company Limited by KPMG and dated 8 August 2001, which contains valuations of system fixed assets as at 31 March 2001.

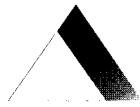
In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$172,263,765 have been made in accordance with the ODV Handbook.



Peter Young  
Partner

8 August 2001





## Audit New Zealand

### **AUDITOR'S REPORT TO THE READERS OF THE FINANCIAL STATEMENTS OF THE POWER COMPANY LIMITED**

We have audited the financial statements of The Power Company Limited on pages 3 to 16. The financial statements provide information about the past financial performance of The Power Company Limited and its financial position as at 31 March 2001. 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 The Power Company Limited as at 31 March 2001 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 Bede 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, which 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
- the financial statements on pages 3 to 16.
  - 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 2001 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 17 August 2001 and our unqualified opinion is expressed as at that date.



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





**Audit New Zealand**

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

We have examined the information on pages 17 to 20 being –

- (a) the derivation table in regulation 16; and
- (b) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (c) 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 2001 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.

B F Kearney  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Christchurch, New Zealand  
17 August 2001