SUPPLEMENT TO

2763

New Zealand Gazette

OF THURSDAY, 23 AUGUST 2001

WELLINGTON: WEDNESDAY, 29 AUGUST 2001 — ISSUE NO. 108

POWERCO LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPELINE OWNERS OTHER THAN THE CORPORATION

We, Barry Raymond Upson, director, and Steven Ronald Boulton, principal of Powerco Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

(a) The attached audited financial statements of Powerco Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and

(b) The attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to Powerco Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

16 August 2001

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATONS 1997

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

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

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

Declared at New Plymouth this 16th day of August 2001.

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

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

Deloitte
Touche
Tohmatsu

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

Certification of Performance Measures by Auditor

We have examined the performance measures set out in Note 7 to the attached financial statements being:

(a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997;

(b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that schedule;

and having been prepared by Powerco Limited and dated 16 August 2001 for the purposes of regulations 15 and 16 of those regulations.

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

Trevor Deed
Deloitte Touche Tohmatsu
Hamilton
16 August 2001

Deloitte Touche Tohmatsu

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

Certification by Auditor in Relation to Financial Statements

We have examined the attached financial statements prepared by Powerco Limited dated 16 August 2001 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

Trevor Deed
Deloitte Touche Tohmatsu
Hamilton
16 August 2001

POWERCO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2001

	Notes	31 March 2001 Gas $000
EQUITY		
Share capital	2	24,369
Asset Revaluation Reserves		-
Retained earnings		(78)
		24,291
NON CURRENT LIABILITIES		
Redeemable Bonds		10,223
Current account		2,156
Commercial Paper	3	7,733
Deferred taxation		44
		20,156
CURRENT LIABILITIES		
Overdraft		-
Accounts payable & accruals		449
Tax payable		150
		599
TOTAL EQUITY AND LIABILITIES		$45,046
NON CURRENT ASSETS		
Property, Plant and Equipment	5	40,880
CURRENT ASSETS		
Cash	4	3,413
Receivables		700
Inventories		53
		4,166
TOTAL ASSETS		$45,046

POWERCO LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SEVEN MONTHS ENDED 31 MARCH 2001

	Notes	31 March 2001 Gas 7 mths $000
OPERATING REVENUE	6	4,480
OPERATING SURPLUS BEFORE TAXATION		1,497
Taxation expense @ 33%		494
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		$1,003

POWERCO LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SEVEN MONTHS ENDED 31 MARCH 2001

	Notes	31 March 2001 Gas 7 mths $000
EQUITY AT 1 SEPTEMBER 2000		**24,369**
Operating surplus attributable to the shareholders		**1,003**
Total recognised revenue and expenses for the year.		**1,003**
Distributions to shareholders		
Dividends - paid		(1,081)
- proposed		
		(1,081)
EQUITY AT 31 MARCH 2001		**$24,291**

POWERCO LIMITED
Notes to the Financial Statements
For the seven months ended 31 March 2001

1. Statement of Accounting Policies

Reporting Entity

Powerco Limited is a company registered under the Companies Act 1993. The group consists of Powerco Limited and its subsidiaries.

The following activities were the principal activities undertaken by Powerco Limited throughout the period:

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

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

Amalgamation Transaction

In accordance with a shareholder resolution dated 15th August 2000, the predecessor companies, Powerco Limited, CentralPower Limited and Taranaki Energy Limited amalgamated with Mergeco Limited on 1st September 2000. Mergeco Limited was incorporated on 23 March 2000 and was non-trading until the amalgamation. Immediately after the amalgamation, the continuing entity Mergeco Limited was renamed Powerco Limited.

The accounting for this transaction was completed at fair value for all assets and liabilities in accordance with Generally Accepted Accounting Principles. These values form the basis of cost to the amalgamated company, Powerco Limited.

The amalgamation has been treated as a non-qualifying amalgamation for tax purposes. The Board is very confident that this tax treatment is correct as it has received strong supporting opinions and advice from specialist tax advisers and senior legal counsel specialising in commercial tax issues. Inland Revenue is yet to advise its view on this issue.

On this basis, the financial statements presented reflect the following:

a) The period ended 31 March 2001 relates to the seven months of trading since the date of the amalgamation.

b) The reported proforma financial information for the combined year to date 31 March 2001, as per Note 7, represents a consolidation of the amalgamating companies for the 12 months to 31 March 2001, as if the companies operated as a Group.

Measurement Basis

The Group follows the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied:

a) Basis of Consolidation

The consolidated financial statements include those of Powerco Limited and its non-trading subsidiaries, accounted for using the purchase method. All significant inter-company transactions and balances are eliminated on consolidation. In the parent company financial statements investments in subsidiaries are stated at cost.

b) Property, Plant and Equipment

All property, plant and equipment values are stated at cost.

c) Depreciation of Property, Plant and Equipment

Depreciation rates based on remaining useful life, for major classes of asset are:

Land	Not Depreciated
Buildings	100 years
Furniture and Fittings	5 to 10 years
Office Equipment	3 to 10 years
Motor Vehicles	5 years
Network Systems	10 to 60 years

d) Properties intended for Resale

Properties intended for resale are shown at the lower of cost or estimated realisable value.

e) Receivables

Accounts receivable are valued at expected realisable value, after providing for doubtful debts. All known bad debts have been written off during the period under review.

f) Income Tax

The group adopts the liability method of accounting for deferred taxation.

The taxation charge against the surplus of the period is the estimated liability in respect of that surplus after allowance for all the permanent differences and timing differences not expected to crystallise in the foreseeable future. This is the partial basis for the calculation of deferred taxation.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be realised or any losses utilised.

g) Inventory

Inventory is valued at the lower of historical cost and net realisable value. The weighted average method has been used to determine historical cost.

h) Investments

Investments are valued at the lower of cost and net realisable value.

i) Revenue Recognition

Revenue from the sale of distribution and value-added services is recognised when services are provided.

j) Contributions for Subdivisions/Uneconomic Lines

Contributions received from customers and grants towards the cost of reticulating new subdivisions are set-off against capital expenditure while contributions received, by way of "line rental in advance", for the construction of uneconomic lines are included in the determination of operating surplus before taxation.

k) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of operating surplus before taxation in equal instalments over the lease term.

l) Financial Instruments

The company has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest income/expense over the life of the agreement.

m) Goodwill

The excess of cost over the fair value of the net assets acquired is recognised as goodwill, and is amortised to the Statement of Financial Performance over the expected period of the benefit.

2 SHARE CAPITAL

	Gas 2001 $000
Opening share capital as at 1 September 2000	**24,369**
Closing share capital as at 31 March 2001	**24,369**

Total number of ordinary shares issued as of 31 March 2001 amounted to 12,893,650, calculated on the total number of shares issued by the company of 222,436,775.

3 COMMERCIAL PAPER FACILITY

As Powerco is an integrated business, this disclosure relates to the business as a whole.
The former Powerco Limited had established a Commercial Paper Facility in December 1997 to enable the Company to borrow money from the capital market. The programme is supported by a Cash Advances Facility of $160 million with the Bank of New Zealand and the ANZ Investment Bank, which continues until December 2002. The facility has the benefit of a Negative Pledge Deed declared by Deed Poll on August 1997, which has been joined by all subsidiaries as Guaranteeing Subsidiaries. At year-end a sum of $135,000,000, which has an accrued interest portion of $2,153,057, of 90 day bills, with varying maturity dates, had been drawn down under the Commercial Paper Programme.

4 WORKING CAPITAL ADVANCES FACILITY

As Powerco is an integrated business, this disclosure relates to the business as a whole.
The company adopted the established Wholesale Capital Advances Facility with the Bank of New Zealand of up to $15 million that the former Powerco had operated before the amalgamation. As at 31 March 2001, no funds were drawn down on the Facility and $2.65 million was invested in Call Funds. The facility is based on a revolving credit arrangement and as such does not have set repayment dates. The facility expires on 31 July 2001 but is subject to automatic renewal for a further period. The facility also has the benefit of the Negative Pledge Deed and the Group Cross-Guarantees.

5 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment as at 31 March 2001	Gas 2001 $000
Land	
Capital value	254
Buildings	
Capital value	785
less Accumulated depreciation	18
	767
Information Systems	
Capital value	47
less Accumulated depreciation	5
	42
Office Equipment	
Capital value	940
less Accumulated depreciation	102
	838
Motor Vehicles	
Capital value	248
less Accumulated depreciation	65
	183
Network Systems	
Capital value	38,647
less Accumulated depreciation	472
	38,175
Work in Progress	621
Total Property, Plant and Equipment	$40,880

6 OPERATING REVENUE & EXPENDITURE

Operating Revenue for the year ended 31 March 2001	Gas 2001 7 mths $000
Comprises:	
Line charge revenue	4,480
Interest revenue	21
Other revenue	-
	4,501

Expenditure	Gas 2001 7 mths $000
Operating Surplus Before Taxation for the year ended 31 March 2001	1,497
Specific disclosures	
Repairs and maintenance costs	693
Human resource costs	71
Depreciation on system assets	619
Bad debts	8
Interest expense	822
Corporate & administration	581
Marketing & advertising	25
Consulting & legal expenses	19
Total expenditure	3,004

7 Proforma Combined Net profit After Tax

for the 12 months ended 31 March 2001

	Line 2001 12 mths $000
Net operating revenue	7,439
Direct Operating Costs	1,190
Indirect Operating Costs	1,482
Total operating expenses	2,672
Operating surplus before interest, depreciation and tax	4,767
Depreciation	1,156
Interest	1,014
Income tax	857
Net profit after tax	1,740

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

Financial Performance Measures	Gas 2001	2000	1999	1998
(i) Accounting Return on Total Assets	8.28%	9.74%	13.56%	15.18%
(ii) Accounting Return on Equity	7.17%	7.87%	13.41%	10.40%
(iii) Accounting Rate of Profit including revaluation	5.40%	21.65%	8.95%	11.63%
(iv) Accounting Rate of Profit excluding revaluation	5.40%	7.21%	8.95%	11.63%
Efficiency Performance Measures				
(v) Direct Line Cost per Kilometre	$1,632.68	$1,159.84	$2,153.56	$1,742.75
(vi) Indirect Line Cost per Gas Customer	$72.26	$56.54	$9.44	$32.45

9 CALCULATION OF RATIOS

The calculation of the ratios disclosed in note 8 is based on the 12 month actual results of the amalgamated companies Powerco Limited and Centralpower Limited as disclosed in the proforma results in note 7. The balance sheet denominator used in the calculation is based on the weighted average of the balance sheet since the amalgamation on 1 September 2000.

The ratios disclosed for the previous 3 years relate to the gas operations of the predecessor company Powerco Limited. The amalgamation did not result in any change to the predecessor gas line or customer base.

10 CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

As Powerco is an integrated business, this disclosure relates to the business as a whole.
The company has been named as a Second Defendant in a claim issued by Todd Energy Limited and Kiwi Co-operative Dairies Limited against Transpower Limited. Kiwi Cogeneration Limited has applied to the Court to be substituted as a Plaintiff in place of Kiwi Co-Operative Dairies Limited. The Plaintiffs allege various breaches of the Commerce Act 1986 and claim various declarations and injunctions together with damages totalling $19.9 million. The claim is being defended by Powerco, which contends that it is not in breach of any of its obligations. No provision for the claim has been included in the financial statements.

11 FINANCIAL INSTRUMENTS

(i) Credit Risk

As Powerco is an integrated business, this disclosure relates to the business as a whole.
Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. The five largest accounts receivable balances as at 31 March 2001 comprise 73.76% of total accounts receivable. These accounts are subject to a Board Prudential Supervision Policy. Cash deposits are only made with registered banks.

(ii) Interest Rate Risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The company's short-term borrowings are on a floating daily interest rate. Long-term debt is funded by the Fixed Coupon Bonds and Powerco's Commercial Paper program based on 90 day Bank Bills.

Powerco has entered into interest rate swap agreements to reduce the impact of the changes in interest rates on its Commercial Paper program and has converted the fixed interest rates on Bonds into floating by a reverse swap agreement, and re-fixed interest rates via additional swap agreements. As at 31 March 2001 the Company had interest rate swap agreements with registered banks. The last of these agreements maturing within 10 years. The weighted average of these swap agreements produce an interest rate of 7.408% p.a.

(iii) Fair Value

All assets and liabilities are considered to be at their fair value with the exception of the following items;

	Notional Values Current 31 March 2001 $000	Notional Values Forward rate 31 March 2001 $000	Mark to Market Adjustment 31 March 2001 $000
Interest rate swaps	**27,962**	-	**(642)**
Forward rate swaps	-	**22,099**	**(423)**
Swaps (Fixed to floating for Bonds)	**(16,056)**	-	**673**
Total Bonds Debt (Fixed payments to Bond Holders)	**15,876**	-	-
			(392)

12 RELATED PARTY TRANSACTIONS

Powerco paid consulting fees amounting to $3,608 to Upson Associates Ltd, a company in which Mr B R Upson, a director has an interest, for work done on behalf of the predecessor companies for the amalgamation. This amount was paid in September 2000.

Powerco is also deemed to have a related party relationship with New Plymouth District Council. The New Plymouth District Council holds a 47.61% material interest in Powerco Limited. Powerco paid $9,832 rent to the New Plymouth District Council at market rates. Rates have been paid to New Plymouth District Council to the value of $1,633. Other arms length transactions with the New Plymouth District Council amounted to $1,674.

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

	Note	2001	2000	1999	1998
13.1 Energy delivery efficiency measures					
(a) Load Factor		79.13%	68.29%	76.00%	70.00%
(b) Un-accounted for Gas Ratio	1	3.20%	13.41%	1.60%	20.06%

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

	2001	2000	1999	1998
13.2 Statistics				
(a) System Length	729.00 km	726.00 km	523.60 km	457.30 km
(b) Maximum monthly amount entering the system	177,800GJ	202,631GJ	153,720GJ	198,050GJ
(c) Total amount of gas conveyed	1,688,477GJ	1,660,443GJ	1,509,120GJ	1,721,733GJ
(d) Total amount of gas conveyed on behalf of other persons	1,688,477GJ	0GJ	0GJ	0GJ
(e) Total customers	20,516	20,176	20,306	16,405

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

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

LexisNexis
PUBLISHED BY THE
DEPARTMENT OF INTERNAL AFFAIRS
PRINTED BY WICKLIFFE LIMITED

THE DEPARTMENT OF INTERNAL AFFAIRS
Te Tari Taiwhenua

ISSN 0111-5650
Price $5.00 (inc. G.S.T.)