



New Zealand Gazette

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POWERCO LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001

POWERCO LIMITED**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AND
THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT
REGULATIONS 2000 AND 2001****STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND
INFORMATION SUPPLIED TO SECRETARY**

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 Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

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 22nd day of August 2002.

Peter D. Tennent
Mayor
New Plymouth District Council
Justice of the Peace for New Zealand



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

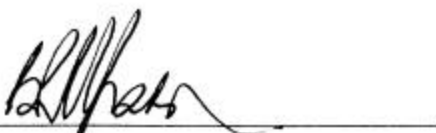
POWERCO LIMITED**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 AND
ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT
REGULATIONS 2000 AND 2001****CERTIFICATION OF VALUATION REPORT OF LINE OWNERS**

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 valuation report of Powerco Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001, complies with the requirements of those regulations; and
- (b) The replacement cost of the line business system fixed assets of Powerco Limited is \$746,372,698; and
- (c) The depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$377,155,871; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$377,155,871; and
- (e) The optimised deprival valuation of the line business system fixed assets of Powerco Limited is \$377,155,871; and
- (f) The values in (b) through (e) have been prepared in accordance with the ODV handbook.

These valuations are based on the audited valuation of system fixed assets as at 31 March 2001, adjusted for subsequent movements in asset values.





Date: 22nd August 2002

POWERCO LIMITED

**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999
AND THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT
REGULATIONS 2000 AND 2001**

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

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 Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001 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 Powerco Limited, and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2002.





22nd August 2002

**AUDITOR'S REPORT
TO THE READERS OF THE FINANCIAL STATEMENTS OF POWERCO LIMITED
FOR THE YEAR ENDED 31 MARCH 2002**

We have audited the financial statements of Powerco Limited on pages 1 to 17. The financial statements provide information about the past financial performance of Powerco Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 5 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 Powerco Limited as at 31 March 2002, and results of operations and cash flows for the year then ended.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report to you.

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 Powerco 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 obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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.

We carry out other assignments on behalf of the company in the areas of taxation and consulting advice. Other than in these capacities we have no relationship with or interest in Powerco Limited or its subsidiaries.

Unqualified Opinion

We have obtained all the information that we have required.

In our opinion –

- proper accounting records have been maintained by Powerco Limited as far as appears from our examination of those records, and
- the financial statements on pages 1 to 17:
 - (a) comply with generally accepted accounting practice; and
 - (b) give a true and fair view of the financial position of Powerco Limited as at 31 March 2002 and the results of its operations and cash flows for the year then ended; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 22 August 2002 and our unqualified opinion is expressed as at that date.



Trevor Deed
Deloitte Touche Tohmatsu
Hamilton

POWERCO LIMITED**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999*****Auditor's Opinion of Performance Measures***

We have examined the attached information, being:

- (a) The derivation table in regulation 16; and
- (b) The annual ODV reconciliation report in regulation 16A; and
- (c) The time weighted averages calculations in regulation 33; and
- (d) The financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (e) The financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1 –

that were prepared by Powerco Limited and dated 22 August 2002 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.



Trevor Deed
Deloitte Touche Tohmatsu
Hamilton
22 August 2002

POWERCO LIMITED - ELECTRICITY DIVISION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2002

	Notes	31 March 2002 Electricity Line \$000	31 March 2001 Electricity Line \$000
EQUITY			
Share capital		254,378	254,378
Asset revaluation reserve		-	-
Retained earnings		2,251	(619)
	2	256,629	253,759
NON CURRENT LIABILITIES			
Bonds	3	84,460	104,608
Commercial Paper	4	71,107	78,957
Current account		(26,621)	1,138
Deferred taxation		(1,134)	525
		127,812	185,228
CURRENT LIABILITIES			
Accounts payable & accruals		6,057	11,296
Tax Payable		14,359	1,752
		20,416	13,048
TOTAL EQUITY AND LIABILITIES		\$404,857	\$452,035
NON CURRENT ASSETS			
Property, Plant and Equipment	7	390,604	412,264
CURRENT ASSETS			
Cash	6	3,032	27,417
Receivables		11,221	10,949
Inventories		-	1,405
		14,253	39,771
TOTAL ASSETS		\$404,857	\$452,035

POWERCO LIMITED - ELECTRICITY DIVISION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2002

	Notes	31 March 2002 Electricity Line 12 mth \$000	31 March 2001 Electricity Line 7 mth \$000
OPERATING REVENUE	14	130,576	70,370
OPERATING SURPLUS BEFORE TAXATION	15	43,512	13,841
Taxation expense	8	14,359	5,786
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		\$29,153	\$8,055

POWERCO LIMITED - ELECTRICITY DIVISION
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2002

	Notes	31 March 2002 Electricity Line 12 mth \$000	31 March 2001 Electricity Line 7 mth \$000
OPENING EQUITY		253,759	254,378
Operating surplus attributable to the shareholders		29,153	8,055
Total recognised revenue and expenses for the year.		29,153	8,055
Distributions to shareholders Dividends - paid		(26,283)	(8,674)
		(26,283)	(8,674)
CLOSING EQUITY		\$256,629	\$253,759

POWERCO LIMITED - ELECTRICITY DIVISION
Statement of Cash Flow
for the year ended 31 March 2002

	31 March 2002 Electricity Line 12 mth \$000	31 March 2001 Electricity Line 7 mth \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	143,167	79,078
Interest received	183	168
Dividends received	-	-
	143,350	79,246
Cash was applied to:		
Payments to suppliers and employees	62,912	36,305
Interest paid	11,990	6,547
Net movement in GST	(67)	-
Payments of income tax	3,411	1,419
	78,246	44,271
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	13 65,104	34,975
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Disposal of property, plant and equipment	17,043	-
Cash was applied to:		
Purchase of property, plant and equipment	24,494	8,100
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(7,451)	(8,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was applied to:		
Current account movement	27,758	-
Bonds	20,148	1,493
Repayment of Commercial Paper	7,850	11,592
Dividends paid	26,282	8,674
	82,038	21,759
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(82,038)	(21,759)
NET INCREASE (DECREASE) IN CASH HELD	(24,385)	5,116
Opening cash brought forward	27,417	22,301
ENDING CASH CARRIED FORWARD	3,032	27,417

POWERCO LIMITED

Notes to the Financial Statements

For the year ended 31 March 2002

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, and the Financial Reporting Act 1993.

Special purpose financial statements

These financial statements are made pursuant to Powerco's obligations under the Electricity (Information Disclosure) Regulations 1999, read with Electricity (Information Disclosure) Amendment Regulations 2000.

The Lines Business is treated as the core business and corporate activities are accounted for through the Line and Other Business financial statements. Powerco has adopted the avoidable cost allocation methodology stipulated in the Electricity Information Disclosure Handbook issued on 30th June 2000.

There are various matters, which relate across the whole integrated business. These are shown specifically in the respective notes where relevant.

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 (subsequently renamed Powerco Ltd) on 1st September 2000. Consequently, the comparatives for the period ended 31 March 2001 relates to the seven months of trading since the date of amalgamation.

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 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, less accumulated depreciation.

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 net current 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 using a proforma income tax rate of 33%. 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 costs of reticulating new subdivisions and contributions received in constructing uneconomic lines are recognised as revenue. Any identified impairment losses in respect of uneconomic lines are recognised in the Statement of Financial Performance and the asset component is written down to its fair value.

k) Employee Entitlements

Liabilities for amounts expected to be paid to employees for their entitlement to annual leave and other current employee entitlements are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

A liability for long service leave is accrued for the value of expected future payments to be made in respect of services already provided by employees up to the balance date. The value is determined based on current wage and salary levels and service to date.

A liability for gratuities is accrued for the employees value of current entitlements. The value is calculated based on the age of the employee, wage and salary levels and current length of service.

l) 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.

m) Finance Leases

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases and are capitalised. The finance charge is allocated to periods during the lease term.

n) 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.

o) 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, currently estimated to be up to 5 years.

p) Changes in Accounting Policies

There have been no changes to accounting policies. All policies have been applied on a basis consistent with prior years.

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

2 SHARE CAPITAL

	Line 2002 \$000	Line 2001 \$000
Share Capital	254,378	254,378
Retained Earnings	2,251	(619)
	<u>256,629</u>	<u>253,759</u>

3 REDEEMABLE FIXED COUPON BONDS

	Line 2002 \$000	Line 2001 \$000
5 Year Fixed Coupon Bonds @ 7.77% p.a. interest	98,001	98,001
7 Year Fixed Coupon Bonds @ 7.95% p.a. interest	78,004	78,004
	<u>176,005</u>	<u>176,005</u>

These bonds were issued on 1 September 2000 and expire 1 September 2005 (5 year bonds) and 1 September 2007 (7 year bonds). Bonds are carried at cost and have fixed interest rate terms.

4 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 is unsecured and is subject to a Negative Pledge Deed declared by Deed Poll on August 1997, which has been joined by all subsidiaries (excluding Powerco Australian Holdings Pty Limited and Powerco Management Services Limited) as guaranteeing subsidiaries. At year-end a sum of \$144 million which includes an interest portion of \$1,820,306 of 90 day bills, with varying maturity dates, had been drawn down under the Commercial Paper Programme (2001: \$135 million was drawn down under the Commercial Paper Programme which included an interest portion of \$2,153,057). An additional sum of \$6 million had been drawn on the Cash Advances Facility, which has interest in addition to the \$6 million of \$76,140 which matures in May 2002.

5 CASH ADVANCES FACILITY (COMMERCIAL BANK DEBT)

As Powerco is an integrated business, this disclosure relates to the business as a whole.

Powerco Limited established a Cash Advances Facility in July 2001 for short term debt. This Cash Advances Facility for \$105 million is supported by the Bank of New Zealand. This Facility continues until April 2002 when Powerco Limited has the option to extend this until July 2002. The facility is unsecured and is subject to a Negative Pledge Deed declared by Deed Poll on August 1997, which has been joined by all subsidiaries (excluding Powerco Australian Holdings Pty Limited and Powerco Management Services Limited) as guaranteeing subsidiaries. At year-end a sum of \$105 million, which has an accrued interest portion of \$932,802, had been drawn down under the Cash Advances Facility.

6 WORKING CAPITAL ADVANCES FACILITY

As Powerco is an integrated business, this disclosure relates to the business as a whole.

Powerco Limited operates a Wholesale Capital Advances Facility with the Bank of New Zealand of up to \$15 million. As at 31 March 2002, no funds were drawn down on the Facility and \$5.035 million was invested in Call Funds (2002: investment of \$2.65 million). The Facility is based on a revolving credit arrangement and as such does not have set repayment dates. The Facility expires on 31 July 2002 but is subject to automatic renewal for a further period. The Facility is unsecured and is subject to a Negative Pledge Deed and the guaranteeing subsidiaries referred to in Note 4 above.

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

7 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment as at 31 March 2002

Land

Capital value

Line 2002 \$000	Line 2001 \$000
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-	2,565
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Buildings

Capital value

less Accumulated depreciation

-	7,908
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-	183
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-	7,725
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Information Systems

Capital value

less Accumulated depreciation

5,982	472
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385	47
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5,597	425
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Office Equipment

Capital value

less Accumulated depreciation

-	9,482
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-	1,026
---	-------

-	8,456
---	-------

Motor Vehicles

Capital value

less Accumulated depreciation

-	2,505
---	-------

-	653
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-	1,852
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Network Systems

Capital value

less Accumulated depreciation

393,089	393,278
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15,933	8,300
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377,156	384,978
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Work in Progress

7,851	6,263
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Total Property, Plant and Equipment

\$390,604	\$412,264
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Annual Valuation Reconciliation Report

Opening System Property, Plant and Equipment at ODV

Add system fixed assets acquired

Less depreciation

Add revaluations

Closing System Property, Plant and Equipment at ODV

374,105	388,514
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18,984	4,765
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15,933	8,300
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-	(10,874)
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\$377,156	\$374,105
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8 TAXATION

Taxation for the year ended 31 March 2002

Operating surplus before taxation

Prima facie taxation @ 33%

Plus/(less) tax effect of permanent timing
differences:

Taxation expense

Line 2002 12 mths \$000	Line 2001 7 mths \$000
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43,512	13,841
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14,359	4,568
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-	1,218
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\$14,359	\$5,786
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Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

**9 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO
REGULATION 15(2) AND PART III OF THE FIRST SCHEDULE OF THE
ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 2000**

Financial Performance Measures	Line 2002	Line 2001	Line 2000	Line 1999
(i) Return on Funds	14.26%	10.43%	10.77%	9.92%
(ii) Return on Equity	12.22%	8.58%	14.65%	8.28%
(iii) Return on Investment including revaluation	9.55%	4.04%	10.66%	6.21%
(iv) Return on Investment excluding revaluation	9.55%	6.70%	7.64%	6.21%
Efficiency Performance Measures				
(v) Direct Line Cost per Kilometre	\$949.08	\$1,152.23	\$1,049.72	\$752.98
(vi) Indirect Line Cost per Electricity Customer (including non-recurring costs)	\$77.61	\$120.12	\$61.98	\$71.71
(vii) Indirect Line Cost per Electricity Customer (excluding non-recurring costs)	\$77.61	\$69.34	-	-

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. The plaintiffs allege various breaches of the Commerce Act 1986 and claim various declarations and injunctions together with damages totalling \$19.9 million. However, on 25 October 2001, Kiwi Co-operatives Dairies Limited discontinued its proceedings against Powerco. This leaves Todd Energy Limited as the only plaintiff in the proceedings. 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.

Capital Commitments

As Powerco is an integrated business, this disclosure relates to the business as a whole.

Commitments for future capital expenditure resulting from contracts entered into amounts to \$840,000 (2001: \$16,000).

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

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. There are no significant concentrations of credit risk. The five largest accounts receivable balances as at 31 March 2002 comprise 11.49% (2001: 73.76%) of total accounts receivable. These accounts are subject to a Board Prudential Supervision Policy which is used to manage the exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. 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. Non-current debt is funded by the Redeemable Fixed Coupon Bonds and Powerco's Commercial Paper programme 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 borrowings. As at 31 March 2002 the Company had interest rate swap agreements with registered banks. The maturities of these agreements are shown in Note 10 (iii). The weighted average of the interest rate swap agreements (excluding the reverse swap agreements) produce an interest rate of 7.13% p.a.

(iii) Fair Value as at 31 March 2002

Financial assets and liabilities (excluding Bonds referred to in Note 3 above) are considered to be at their fair value with the exception of the following items:

	Maturities	Notional Values Current 31 March 2002 \$000	Notional Values Forward rate 31 March 2002 \$000	Mark to Market Adjustment 31 March 2002 \$000
Interest rate swaps (Powerco pays fixed/receives floating)	2002-2010	420,000	-	(1,943)
Forward rate swaps (Powerco pays fixed/receives floating)	2005-2011	-	305,000	182
Swaps (Fixed to floating for Bonds) (Powerco receives fixed/pays floating margin)	2006-2008	178,000	-	1,614
				(147)

(iv) Fair Value as at 31 March 2001

Financial assets and liabilities (excluding Bonds referred to in Note 3 above) are considered to be at their fair value with the exception of the following items:

	Maturities	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 (Powerco pays fixed/receives floating)	2002-2010	310,000	-	(7,113)
Forward rate swaps (Powerco pays fixed/receives floating)	2005-2011	-	245,000	(4,690)
Swaps (Fixed to floating for Bonds) (Powerco receives fixed/pays floating margin)	2006-2008	178,000	-	7,456
				(4,347)

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

12 RELATED PARTY TRANSACTIONS

As Powerco is an integrated business, this disclosure relates to the business as a whole.

Powerco paid consulting fees amounting to \$56,200 (2001: \$48,000) to Upson Associates Ltd, a company in which Mr B R Upson, a Director, has an interest for work performed in the area of corporate development.

Powerco paid legal fees amounting to \$609,089 (2001: \$585,055) to Horsley Christie, a firm in which Mr D H Brown, Alternate Director, is a partner.

Powerco paid consulting fees and brokerage amounting to \$1,663,016 (2001: \$2,284,206) to companies in the Macquarie New Zealand group, companies in which Mr J H Ogden is a Director. Mr J H Ogden was appointed a Director of Powerco on 1 October 2001.

Powerco is also deemed to have a related party relationship with the New Plymouth District Council. The New Plymouth District Council holds a 47.61% material interest in Powerco Limited. Powerco paid \$62,304 (2001: \$109,000) rent to the New Plymouth District Council at market rates. Rates have been paid to the New Plymouth District Council to the value of \$21,060 (2001: \$18,103). Other arms-length transactions with the New Plymouth District Council amounted to \$131,628 (2001: \$18,562).

In the financial year under review, all operating activities and relevant assets were transferred to a subsidiary company, Powerco Management Services Limited. PMS Ltd charges Powerco market rates for all services provided, including electricity network management and maintenance. The following amounts were paid to PMS Ltd for services provided:

Network Maintenance	\$1,085,529
Asset Management	\$ 447,949
Operations and Dispatch	\$ (19,929)
Group Services	\$ 877,898
Corporate Services	\$1,484,500

These transactions are completed upon normal commercial terms. No amounts have been forgiven or written off in the year.

**13 RECONCILIATION OF OPERATING SURPLUS AFTER TAXATION
WITH CASH INFLOW FROM OPERATING ACTIVITIES**

	Line 2002 \$000	Line 2001 \$000
Operating surplus after taxation	29,153	8,055
Add (less) non cash items		
Depreciation	18,237	9,770
Loss on Sale	-	222
Provision for Doubtful Debts	308	264
	<hr/> 18,545	<hr/> 10,256
Movements in working capital		
Asset revaluation	10,874	-
Accounts receivable	1,591	8,499
Change in Prepayments	(2,173)	4,014
Movements in deferred taxation	(1,659)	1,100
Tax refund due	12,608	3,266
Inventories	1,405	(527)
Accounts payable	(5,240)	312
	<hr/> 17,406	<hr/> 16,664
Net cashflow from operating activities	<hr/> \$65,104	<hr/> \$34,975

14 INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS PURSUANT TO REGULATION 6 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000

para

2002
12 mths
\$'000

11

11 Operating revenue

(a)	(a) Revenue from line/access charges:	124,716
(b)	(b) Revenue from "Other" business for services carried out by the line business (transfer payment):	
(c)	(c) Interest on cash, bank balances and short term investments:	183
(e)	(d) AC loss-rental rebates:	5,677
(f)	(e) Other revenue not listed in (a) to (d):	
(g)	Total operating revenue	130,576

15 INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS PURSUANT TO REGULATION 6 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000

para

2002
12 mths
\$'000

12 Operating expenditure

(a)	Payment for transmission charges	29,374
(b)	Transfer payments to the "Other" business for:	
(i)	Asset maintenance:	15,242
(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	
(viii)	Total transfer payment to the "Other" business	15,242
(c)	Expense to entities that are not related parties for:	
(i)	Asset maintenance:	
(ii)	Consumer disconnection/reconnection services	
(iii)	Meter data	
(iv)	Consumer-based load control services	
(v)	Royalty and patent expenses	
(vi)	Total of specified expenses to non-related parties (sum of (i) to (v))	
(d)	Employee salaries, wages and redundancies (1)	
(e)	Consumer billing and information system expense	
(f)	Depreciation on:	
(i)	System fixed assets:	18,237
(ii)	Other assets not listed in (i)	
(iii)	Total depreciation	18,237
(g)	Amortisation of:	
(i)	Goodwill:	
(ii)	Other intangibles:	
(iii)	Total amortisation of intangibles	
(h)	Corporate and administration:	7,562
(i)	Human resource expenses:	1,875
(j)	Marketing/advertising:	382
(k)	Merger and acquisition expenses:	908
(l)	Takeover defence expenses:	

(m)	Research and development expenses:	
(n)	Consultancy and legal expenses:	239
(o)	Donations:	
(p)	Directors' fees:	336
(q)	Auditors' fees:	
	(i) Audit fees paid to principal auditors:	60
	(ii) Audit fees paid to other auditors:	
	(iii) Fees paid for other services provided by principal and other auditors:	834
	(iv) Total auditors' fees:	894
(r)	Costs of offering credit:	
	(i) Bad debts written off:	180
	(ii) Increase in estimated doubtful debts:	(176)
	(iii) Total cost of offering credit:	4
(s)	Local authority rates expense:	21
(t)	AC loss-rentals (distribution to retailers/customers) expense:	
(u)	Rebates to consumers due to ownership interest:	
(v)	Subvention payments:	
(w)	Unusual expenses:	
(x)	Other expenditure not listed in (a) to (w)	
13	Total operating expenditure	75,074
14	Operating surplus before interest and income tax	55,502
15	Interest expense	
	(a) Interest expense on borrowings	11,990
	(b) Financing charges related to finance leases	
	(c) Other interest expense	
	(d) Total interest expense	11,990
16	Operating surplus before income tax	43,512
17	Income tax	14,359
18	Net surplus after tax	29,153
Note 1	Employee salaries, wages and redundancies This expense is an integral part of the disclosures above.	11,932

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

Derivation Table	Input and Calculations	Symbol in Formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	55,502,141				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	55,502,141				
Interest on cash, bank balances, and short-term investments (ISTI)	182,551				
OSBIIT minus ISTI	55,319,590	a	55,319,590		55,319,590
Net surplus after tax from financial statements	29,153,291	n		29,153,291	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	29,153,291	g	add	0	add
Amortisation of goodwill and amortisation of other intangibles	0	s	add	0	add
Subvention payment	0				
Depreciation of SFA at BV (X)	15,933,165				
Depreciation of SFA at ODV (Y)	15,933,165	d	add	0	add
ODV depreciation adjustment	0	s*t		deduct	deduct
Subvention payment tax adjustment	0	q		deduct	deduct
Interest tax shield	3,896,381	r		add	add
Revaluations					
Income tax	14,359,083	p		deduct	deduct
Numerator			OSBIIT ^{adj} = a + g + s + d	NSAT ^{adj} = n + g + s + s*t + d	OSBIIT ^{adj} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	412,263,758				
Fixed assets at end of current financial year (FA ₁)	390,603,759				
Adjusted net working capital at end of previous financial year (ANWC ₀)	1,057,153				
Adjusted net working capital at end of current financial year (ANWC ₁)	5,165,478				
Average total funds employed (ATFE)	404,545,074 (or regulation 33 time-weighted average)	c	404,545,074		404,545,074
Total equity at end of previous financial year (TE ₀)	253,759,142				
Total equity at end of current financial year (TE ₁)	256,630,094				
Average total equity	255,194,618 (or regulation 33 time-weighted average)	k		255,194,618	
WUC at end of previous financial year (WUC ₀)	6,791,821				

16 DISCLOSURE OF OPTIMAL DEPRIVAL VALUE (ODV) PURSUANT TO REGULATION 20 OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

	2002	2001	2000
ODV as per latest valuation (Note 1)	377,155,871	374,105,277	\$253,264,729

Note 1: ODV from recalibration of 2001 ODV at 12/03/02.

17 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 21 AND PART IV OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

17.1	2002 Powerco	2001 Powerco	2000 Powerco	1999 Powerco
(a) Load Factor	63.5%	60%	63.26%	64.72%
(b) Loss Ratio (Note 2)	5.88%	6.80%	6.80%	6.80%
(c) Capacity Utilisation	29.62%	28.19%	29.80%	29.80%

Note 2. The information for this disclosure in 2000 and 2001 (energy sold) is obtained from the Energy Retailers. Some of the companies did not provide the required information. For the purposes of information disclosure the 1999 figure has been used for these years.

17.2 (a) System Length

	2002 Powerco Total System Length (km)	2001 Powerco Total System Length (km)	2000 Powerco Total System Length (km)	1999 Powerco Total System Length (km)
Nominal Voltage				
110kV	-	-	-	23.00
33kV	1,030.26	1,030.53	747.30	759.71
22kV	107.70	113.31	113.50	113.43
11kV	9,896.20	9,501.67	6,403.44	6,490.71
6.6kV	444.73	430.75	834.44	846.51
230/400V	4,481.57	4,236.34	2,760.21	2,903.27
Total	15,960.46	15,312.60	10,858.89	11,136.63

(b) Overhead Line Length

	2002 Powerco O/H Line Length (km)	2001 Powerco O/H Line Length (km)	2000 Powerco O/H Line Length (km)	1999 Powerco O/H Line Length (km)
Nominal Voltage				
110kV	-	-	-	23.00
33kV	984.31	975.51	731.14	744.28
22kV	107.37	113.07	113.23	113.17
11kV	9,378.37	9,012.63	6,179.87	6,274.93
6.6kV	434.95	430.75	828.52	834.67
230/400V	3,252.62	3,077.06	2,300.18	2,413.85
Total	14,157.62	13,609.03	10,152.94	10,403.90

(c) Underground Line Length

	2002 Powerco U/G Line Length (km)	2001 Powerco U/G Line Length (km)	2000 Powerco U/G Line Length (km)	1999 Powerco U/G Line Length (km)
Nominal Voltage				
110 kV	-	-	-	-
33kV	45.96	55.02	16.16	15.43
22kV	0.33	0.24	0.27	0.23
11kV	517.83	485.76	223.57	215.78
6.6kV	9.78	3.27	5.92	11.84
230/400V	1,228.95	1,159.28	460.03	489.42
Total	1,802.85	1,703.57	705.95	732.69

	2002 Powerco	2001 Powerco	2000 Powerco	1999 Powerco
(d) Transformer Capacity (kVA)	1,312,237	1,320,123	831,041	831,536
(e) Maximum Demand (kW)	373,232	372,086	243,335	234,050
(f) Total Electricity Supplied From System (kWh) (Note 3)	1,955,252,266	1,941,496,969	1,256,670,392	1,377,340,529
(g) Total Electricity Conveyed Through System On Behalf of Other Electricity Retailers (kWh)	2,077,336,916	2,083,151,254	1,348,358,790	77,456,468

Note 3: Total Electricity Supplied to Retailers

	2002 Powerco 000 MWh	2001 Powerco 000 MWh
Genesis Power Ltd	1,279,941	1,331,898
Trustpower Ltd	103,482	160,686
Meridian Energy Ltd	304,821	137,191
Mighty River Power Ltd	23,972	78,944
On Energy Ltd	15,599	78,307
Fresh Start	127,445	71,700
Phoenix Energy Ltd	1,049	53,782
Kiwi Power Ltd	-	13,574
Contact Energy Ltd	98,261	8,152
Empower Ltd	-	6,768
Energy Waikato Ltd	682	495
Total	1,955,252	1,941,497

	2002 Powerco	2001 Powerco	2000 Powerco	1999 Powerco
(h) Total Customers	157,451	157,120	106,525	104,370

18 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 22 AND PART VI OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

18.1 Total Number Of Interruptions

	2002 Powerco Number of Interruptions	2001 Powerco Number of Interruptions	2000 Powerco Number of Interruptions	1999 Powerco Number of Interruptions
Class A - Transpower Planned	13	4	2	4
Class B - Distributor Planned	673	447	279	400
Class C - Distributor Unplanned	973	718	842	691
Class D - Transpower Unplanned	10	9	6	4
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	-
Class G - Other Line Owner (Not in A to F)	1	-	-	-
Class H - Other Line Owner (Not in A to G)	-	-	-	-
Class I - Other Owner	-	-	-	-
Total	1,670	1,178	1,129	1,099

18.2 Interruption Targets for the Following Financial Year

	2003 Powerco
Class B - Principal Line Owner Planned	650
Class C - Principal Line Owner Unplanned	964

18.3 Average Interruption Targets for the Following Financial Year and Subsequent 4 Financial Years

	2003 Powerco	2004-2007 Powerco
Class B - Principal Line Owner Planned	650	650
Class C - Principal Line Owner Unplanned	964	955

18.4 Proportion of the Total Number of Faults Not Restored Within:-

	Period	2002 Powerco	2001 Powerco	2000 Powerco
Class C - Principal Line Owner Unplanned	3 Hours	8.22%	8.64%	11.70%
Class C - Principal Line Owner Unplanned	24 Hours	0.82%	14.00%	0.20%

18.5a Total Number Of Faults Per 100km Of Prescribed Voltage Line

	2002 Powerco	2001 Powerco	2000 Powerco	1999 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
110kV	-	-	-	-
33kV	3.98	3.40	3.48	4.48
22kV	13.00	13.24	8.81	9.70
11kV	8.91	11.23	12.54	9.88
6.6kV	6.07	5.34	0.72	0.59
3.3kV	-	-	-	-
Total	8.40	10.29	10.43	8.39

18.5b Total Number Of Faults Per 100km Of Prescribed Voltage Line (Targeted for the Following Financial Year)

Nominal Voltage	2003 Powerco	2002 Powerco	2001 Powerco
	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
110kV	-	-	-
33kV	5.9	6.0	3.5
22kV	9.5	9.5	8.8
11kV	9.4	9.4	12.5
6.6kV	9.7	9.7	0.7
3.3kV	-	-	-
Total (Weighted Average)	9.2	9.1	10.4

18.5c Total Number Of Faults Per 100km Of Prescribed Voltage Line (Targeted for the Following Financial Year and Subsequent 4 Financial Years)

	2003 Powerco	2004-2007 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km
110kV	-	-
33kV	5.9	5.8
22kV	9.5	9.3
11kV	9.4	9.3
6.6kV	9.7	9.6
3.3kV	-	-
Total (Weighted Average)	9.2	9.0

18.6 Total Number Of Faults Per 100km Of Prescribed Voltage Underground Line

Nominal Voltage	2002	2001	2000	1999
	Powerco Number of Faults/100km	Powerco Number of Faults/100km	Powerco Number of Faults/100km	Powerco Number of Faults/100km
110kV	-	-	-	-
33kV	-	-	-	-
22kV	-	-	-	-
11kV	4.25	3.29	4.92	2.78
6.6kV	-	-	-	-
3.3kV	-	-	-	-
Total	3.83	2.94	4.47	2.47

18.7 Total Number Of Faults Per 100km Of Prescribed Voltage Overhead Line

Nominal Voltage	2002	2001	2000	1999
	Powerco Number of Faults/100km	Powerco Number of Faults/100km	Powerco Number of Faults/100km	Powerco Number of Faults/100km
110kV	-	-	-	-
33kV	4.17	3.59	-	-
22kV	13.04	13.27	8.83	9.72
11kV	9.17	11.66	12.82	10.12
6.6kV	6.21	5.34	0.72	0.60
3.3kV	-	-	-	-
Total	8.64	10.67	10.62	8.57

18.8 SAIDI

Interruption Class	2002	2001	2000	1999
	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI
Class A - Transpower Planned	8.82	7.51	6.53	10.46
Class B - Distributor Planned	38.02	23.59	13.23	23.79
Class C - Distributor Unplanned	91.92	60.84	88.73	100.80
Class D - Transpower Unplanned	20.59	3.75	1.05	3.22
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	-
Class G - Other (Not in A to F)	0.23	-	-	-
Class H - Other Owner	-	-	-	-
Class I - Other Owner (Not in A - I)	-	-	-	-
Total	159.57	95.69	109.53	138.27

18.9 SAIDI - Targeted for the Following Financial Year

Interruption Class	2003	2002	2001
	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI
Class B - Distributor Planned	25	25	13.23
Class C - Distributor Unplanned	73	75	88.73

18.10 - 18.11 SAIDI Targeted for the Following Financial Year and Subsequent 4 Financial Years

Interruption Class	2003	2004-2007	2002	2000	2001-2004
	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI
Class B - Distributor Planned	25	25	25	23	13
Class C - Distributor Unplanned	73	73	75	99	89

18.12 SAIFI

Interruption Class	2002	2001	2000	1999
	Powerco SAIFI	Powerco SAIFI	Powerco SAIFI	Powerco SAIFI
Class A - Transpower Planned	0.04	0.03	0.03	0.05
Class B - Distributor Planned	0.19	0.15	0.10	0.15
Class C - Distributor Unplanned	2.05	1.42	1.73	1.97
Class D - Transpower Unplanned	0.27	0.23	0.19	0.27
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	-
Class G - Other (Not in A to F)	0.00	-	-	-
Class H - Other Line Owner	-	-	-	-
Class I - Other Owner	-	-	-	-
Total	2.55	1.84	2.04	2.44

18.13 SAIFI -

Targeted for the Following Financial Year

Interruption Class	2003
	Powerco SAIFI
Class B - Distributor Planned	0.16
Class C - Distributor Unplanned	1.74

2002	2001
Powerco SAIFI	Powerco SAIFI
0.16	0.10
1.74	1.73

18.14 -18.15 SAIFI

Targeted for the Following Financial Year and Subsequent 4 Financial Years

Interruption Class	2003	2004-2007
	Powerco SAIFI	Powerco SAIFI
Class B - Distributor Planned	0.16	0.16
Class C - Distributor Unplanned	1.74	1.74

2002	2000	2001-2004
Powerco SAIFI	Powerco SAIFI	Powerco SAIFI
0.16	0.14	0.10
1.74	1.76	1.73

18.16 CAIDI

Interruption Class	2002	2001	2000	1999
	Powerco CAIDI	Powerco CAIDI	Powerco CAIDI	Powerco CAIDI
Class A - Transpower Planned	233.46	224.57	240.00	218.29
Class B - Distributor Planned	198.35	153.90	139.84	160.19
Class C - Distributor Unplanned	44.94	42.87	51.26	51.07
Class D - Transpower Unplanned	74.89	16.36	5.67	11.91
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	-
Class G - Other (Not in A to F)	46.88	-	-	-
Class H - Other Line Owner	-	-	-	-
Class I - Other Owner	-	-	-	-
Total (Average)	62.46	52.14	53.76	56.56

18.17 CAIDI

Targeted for the Following Financial Year

Interruption Class	2003
	Powerco CAIDI
Class B - Distributor Planned	153.0
Class C - Distributor Unplanned	42.0

2002	2001
Powerco CAIDI	Powerco CAIDI
153.0	139.8
43.1	51.3

18.18 CAIDI

Targeted for the Following Financial Year and Subsequent 4 Financial Years

Interruption Class	2003	2004-2007
	Powerco CAIDI	Powerco CAIDI
Class B - Distributor Planned	153.0	153.0
Class C - Distributor Unplanned	42.0	42.0

2002
Powerco CAIDI
153.0
43.1