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COUNTIES POWER LIMITED

INFORMATION FOR DISCLOSURE

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

**COUNTIES POWER LIMITED – LINE BUSINESS
ELECTRICITY (INFORMATION DISCLOSURE)
REGULATIONS 1999**

Counties Power Limited's electricity business for the year ended 31 March 2003 consisted of line business activities, electrical contracting and other business activities. To provide the best service to customers these activities were undertaken as a single operation. Accordingly statutory financial reporting and management reporting do not distinguish between line business and other activities. For the purposes of these financial statements the reporting entity has been established using the prescribed allocation methodology to provide accounting separation.

Note that the accompanying Statement of Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with regulations 6 (2) and 6 (3) of the Electricity (Information Disclosure) Regulations 1999 and are not intended for any other purpose.

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

We, Neil Simmonds and Paul Muir, principals of Counties Power Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- a) The attached audited financial statements of Counties Power Limited Line Business prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations; and
- b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Counties Power Limited's Line Business, and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2001.



N. Simmonds
Chief Executive Officer



P. G. Muir
Chairman

16 July 2003



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Report of the Audit Office

To the readers of the financial statements of Counties Power Limited Line Business for the year ended 31 March 2003.

We have audited the accompanying financial statements of Counties Power Limited Line Business. The financial statements provide information about the past financial performance of Counties Power Limited Line Business and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies disclosed with the financial statements.

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 Counties Power Limited Line Business as at 31 March 2003, and results of operations and cash flows for the year ended on that date.

Auditors' responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed G Pinfold of PricewaterhouseCoopers to undertake the audit.

Basis of opinion

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Counties Power Limited Line Business circumstances, consistently applied and adequately disclosed.



We conducted our audit in accordance with generally accepted auditing standards published by the Auditor-General, which incorporate 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 reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Counties Power Limited Line Business

Unqualified opinion

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

In our opinion:

- proper accounting records have been maintained by Counties Power Limited Line Business as far as appears from our examination of those records; and
- the financial statements of Counties Power Limited Line Business :
 - a) comply with generally accepted accounting practice in New Zealand; and
 - b) give a true and fair view of Counties Power Limited Line Business financial position as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date; and
 - c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 16 July 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'G Pinfold', written over a horizontal line.

G Pinfold
PricewaterhouseCoopers
Chartered Accountants
On behalf of the Controller and Auditor-General
Auckland, New Zealand

Counties Power Limited – Line Business
STATEMENT OF FINANCIAL PERFORMANCE
For the Year ended 31 March 2003

	Notes	31 March 2003 \$000	31 March 2002 \$000
TOTAL OPERATING REVENUE	(2)	25,818	25,741
TOTAL OPERATING EXPENDITURE	(3)	<u>22,276</u>	<u>(20,936)</u>
OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX		3,542	4,805
INTEREST EXPENSE	(3)	<u>(331)</u>	<u>(414)</u>
OPERATING SURPLUS BEFORE INCOME TAX		3,211	4,391
INCOME TAX CREDIT/(CHARGE)	(4)	(395)	1,589
NET SURPLUS AFTER TAX		<u>2,816</u>	<u>5,980</u>

STATEMENT OF MOVEMENTS IN EQUITY
For the Year Ended 31 March 2001

		31 March 2003 \$000	31 March 2002 \$000
EQUITY AT BEGINNING OF YEAR		87,546	75,065
Increase in Revaluation Reserve	(6)	6,025	7,251
Net Profit for Year		<u>2,816</u>	<u>5,980</u>
Total Recognised Revenues and Expenses		8,841	13,231
Dividend		(225)	(750)
EQUITY AT END OF YEAR		<u>96,162</u>	<u>87,546</u>

Counties Power Limited – Line Business
STATEMENT OF FINANCIAL POSITION
As at 31 March 2003

	Notes	31 March 2003 \$000	31 March 2002 \$000
CURRENT ASSETS			
Cash and bank balances		-	-
Short-term investments		-	-
Inventories		-	-
Accounts receivable	(7)	2,879	3,168
Other current assets		-	-
TOTAL CURRENT ASSETS		<u>2,879</u>	<u>3,168</u>
FIXED ASSETS			
	(10)	102,988	94,126
OTHER TANGIBLE ASSETS			
		-	-
TOTAL TANGIBLE ASSETS		<u>105,867</u>	<u>97,294</u>
INTANGIBLE ASSETS			
Goodwill		-	-
Other Intangibles		-	-
TOTAL INTANGIBLE ASSETS		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>105,867</u>	<u>97,294</u>
CURRENT LIABILITIES			
Bank Overdraft	(8)	56	-
Borrowings	(8)	3,743	7,262
Payables and accruals	(9)	2,706	2,486
Provision for dividend payable		-	-
Provision for income tax		-	-
Other current liabilities		-	-
TOTAL CURRENT LIABILITIES		<u>6,505</u>	<u>9,748</u>
NON-CURRENT LIABILITIES			
Payables and accruals		-	-
Borrowings	(8)	3,200	-
Deferred taxation	(4)	-	-
Other non-current assets		-	-
TOTAL NON-CURRENT LIABILITIES		<u>3,200</u>	<u>-</u>
SHAREHOLDERS' EQUITY			
Share capital	(5)	29,311	29,311
Retained earnings		20,713	18,122
Dividend proposed		-	-
Asset revaluation reserve	(6)	46,138	40,113
TOTAL SHAREHOLDERS' EQUITY		<u>96,162</u>	<u>87,546</u>
MINORITY INTERESTS IN SUBSIDIARIES			
		-	-
CAPITAL NOTES			
		-	-
TOTAL CAPITAL FUNDS		<u>96,162</u>	<u>87,546</u>
TOTAL EQUITY AND LIABILITIES		<u>105,867</u>	<u>97,294</u>

Counties Power Limited – Line Business
STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2003

	Notes	31 March 2003 \$000	31 March 2002 \$000
CASHFLOW FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		26,084	25,424
Interest from cash management		-	-
		<u>26,084</u>	<u>25,424</u>
Cash was applied to:			
Payments to suppliers and employees		(10,091)	(10,161)
Discounts credited		(7,438)	(7,240)
Income tax paid		(356)	(463)
Interest Paid		(331)	(414)
Net GST paid		(749)	(58)
		<u>(18,965)</u>	<u>(18,336)</u>
Net Cashflows from operating activities	11	7,119	7,088
CASHFLOW FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of plant & property		33	210
		<u>33</u>	<u>210</u>
Cash was applied to:			
Purchase and construction of fixed assets		(6,664)	(7,523)
		<u>(6,664)</u>	<u>(7,523)</u>
Net cash (used)/generated by investing activities		(6,631)	(7,313)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loan drawdowns		-	975
		<u>-</u>	<u>975</u>
Cash was applied to:			
Term Loan repayments		(319)	-
Dividend Paid		(225)	(750)
		<u>(544)</u>	<u>(750)</u>
Net cash (used)/generated by financing activities		(544)	225
Net increase/(decrease) in cash held		(56)	-
Add opening cash/(borrowings) brought forward		-	-
Ending cash/(overdraft) carried forward		<u>(56)</u>	<u>-</u>

Counties Power Limited – Line Business
STATEMENT OF ACCOUNTING POLICIES
For the Year Ended 31 March 2003

1. STATEMENT OF ACCOUNTING POLICIES

STATUTORY BASE

These financial statements are presented in accordance with Regulation 6 of the Electricity (Information Disclosure) Regulations 1999.

REPORTING ENTITY

Counties Power's electricity business for the year ended 31 March 2003 consisted of line business activities, electrical construction, garage workshop services and other related activities. To provide the best service to customers these activities were undertaken as a single operation. Accordingly statutory financial reporting and management reporting do not distinguish between line business and other business activities. For the purposes of these financial statements the reporting entity has been established using the prescribed allocation methodology to provide accounting separation.

MEASUREMENT BASE

The financial statements have been prepared on the historic cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

Sales

Sales comprise the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Line revenue is charged to customers based mainly upon the volume of energy transmitted through lines. The volume of energy upon which invoicing is based, is advised to the Company by Electricity Retailers. This information is in turn based upon a combination of actual meter reads and assessments.

Investment Income

Interest and rental income are accounted for as earned.

Goods and Services Tax (GST)

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

Accounts Receivable

Accounts receivable are stated at expected net realisable value after providing against debts where collection is doubtful.

Employee Entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees.

Fixed Assets**Initial Recording**

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Valuation

Distribution system assets are normally revalued to depreciated replacement cost at intervals of three years. The next revaluation under this cycle would normally have occurred in the year ending 31 March 2004. Because the existing valuation was considered to no longer adequately represent current replacement costs an out of cycle revaluation was undertaken as at 31 March 2003. In accordance with the existing accounting policy, the next revaluation will occur in the year ending 31 March 2004.

Impairment

Annually, the Directors assess the carrying value of major assets. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment, if any, is recognised in the statement of financial performance.

Depreciation

Fixed assets have been depreciated, so as to write off cost less estimated residual value over their estimated useful lives, on the following basis:

Distribution System	1.4% to 2.2% (45 to 70 years) straight line (SL) for lines, cables & zone substations 2.2% to 2.9% (35 to 45 years) SL for switchgear, distribution transformers, distribution substations, service connection equipment and most other distribution equipment other than voltage regulators (which are depreciated at 1.8%, 55 years SL)
Buildings	1% to 4% SL for the majority of buildings
Plant & Equipment	40% DV for computer hardware and software 20% and 25% DV for other items
Motor Vehicles	20% and 25% DV for majority of vehicles

Estimated useful lives of Distribution System fixed assets were reviewed in conjunction with their revaluation to Depreciated Replacement Cost on 31 March 2003.

Taxation

The tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules, and timing differences between accounting and tax rules that are not expected to crystallise in future periods. This is the partial basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

Statement of Cash Flows

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

- a) Cash is considered to be cash on hand, current accounts in banks net of bank overdrafts and short term deposits with banks.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those activities that result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.
- d) Operating activities include all transactions and other events that are not investing or financing activities.

Financial Instruments

Counties Power Limited had no financial instruments with off-balance sheet risk during or at the end of the year (2002 Nil).

CHANGES IN ACCOUNTING POLICY

During the year there have been no changes in accounting policies.

Counties Power Limited – Line Business
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2003

2. REVENUE

	2003	2002
	\$000	\$000
Revenue from line/access charges	24,223	23,406
Revenue from “Other” Business for services carried out by the line business	-	-
Interest on cash, bank balances and short-term investments	-	-
AC loss-rental rebates	644	1,364
Other operating revenue	951	971
Total Operating Revenue	<u>25,818</u>	<u>25,741</u>

3. OPERATING EXPENDITURE

	2003	2002
	\$000	\$000
Transmission charges	5,040	4,885
Transfer payments to the “Other” business for -		
Asset maintenance	1,493	1,482
Consumer disconnection/reconnection services	-	-
Meter data	-	-
Consumer based load control services	-	-
Royalty and patent expenses	-	-
Avoided transmission charges on account of own generation	-	-
Other goods and services provided by “Other” business	-	-
Total transfer payment to the “Other” business	<u>1,493</u>	<u>1,482</u>
Expense to entities that are not related parties for -		
Asset maintenance	795	491
Consumer disconnection/reconnection services	94	69
Meter data	-	-
Consumer based load control services	-	-
Royalty and patent expenses	-	-
Total of specified expenses to non-related parties	<u>889</u>	<u>560</u>
Employee salaries, wages and redundancies	1,698	1,462
Consumer billing and information system expense	-	-
Depreciation on -		
System fixed assets	3,018	2,844
Other assets not listed	774	703
Total depreciation	<u>3,792</u>	<u>3,547</u>

Amortisation of -		
Goodwill	-	-
Other intangibles	-	-
Total amortisation of intangibles	<u>-</u>	<u>-</u>
Corporate and administration	313	393
Human resource expenses	127	98
Marketing/advertising	131	178
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	280	200
Donations	-	-
Directors' fees	108	100
Auditors' fees -		
Audit fees paid to principal auditors	38	26
Audit fees paid to other auditors	-	-
Fees paid for other services provided by the principal & other auditors	22	40
Total auditors' fees	<u>60</u>	<u>66</u>
Cost of offering credit -		
Bad debts written off	21	47
Increase in estimated doubtful debts	-	-
Total cost of offering credit	<u>21</u>	<u>47</u>
Local authority rates expense	18	18
AC loss-rental rebates (distribution to retailers/customers) expense		-
Customer discounts	7,514	7,353
Subvention payments	-	-
Unusual expenses	-	-
Loss on disposal of fixed assets	2	11
(Gain) on disposal of fixed assets	-	(149)
Other expenditure not listed	790	685
Total Operating Expenditure	<u>22,276</u>	<u>20,936</u>
Interest Expense:		
Interest expense on borrowings	331	414
Financing charges related to finance leases	-	-
Other interest expense	-	-
Total Interest Expense	<u>331</u>	<u>414</u>

4. TAXATION

	2003	2002
	\$000	\$000
Accounting profit before taxation	3,211	4,391
Prima facie taxation @ 33%	1,060	1,449
Plus/(less) taxation effect of:		
Over/(Under)estimation in prior year	51	9
Non deductible expenses	-	4
Other items treated as permanent differences	(715)	(653)
Reversal of prior year deferred tax liability	-	(2,398)
Income Tax Charge/(Credit) to Net Operating Surplus	<u>395</u>	<u>(1,589)</u>

The deferred taxation adjustment in 2002 arises from a change from the comprehensive to the partial method of accounting for deferred taxation in that year.

The taxation charge is represented by:

Current Taxation	395	809
Deferred Taxation	-	(2,398)
	<u>395</u>	<u>(1,589)</u>

Deferred taxation is represented by:

Deferred taxation 1 April 2001	-	9,649
Current charge/(credit)	-	(2,398)
Effect of revaluation of assets	-	-
Reversal of deferred tax effect of revaluation	-	(7,251)
Deferred taxation liability 31 March 2002	<u>-</u>	<u>-</u>

The Line Business has a potential deferred tax liability net of future tax benefits of \$12,764,000 (2002 \$11,052,000). This liability is not expected to crystallise and has therefore not been recognised in the financial statements, in accordance with the business's accounting policy.

Imputation credit account:

Balance as at 1 April 2002	2,593	2,285
Income tax payments made during the period:		
Line Business	357	463
Other Business	290	337
Imputation credits attached to dividends paid to shareholders:		
Line Business	(111)	(369)
Other Business	(37)	(123)
Balance as at 31 March 2003	<u>3,092</u>	<u>2,593</u>

Imputation credits are recorded for both the Line and Other Businesses, as the two businesses operate as a single legal and tax entity. As a consequence all imputation credits are available for utilisation by either or both businesses.

5. SHARE CAPITAL

	2003	2002
	\$000	\$000
Issued and Paid In Capital: 15,000,000 Ordinary Shares	<u>29,311</u>	<u>29,311</u>

6. ASSET REVALUATION RESERVE

	2003	2002
	\$000	\$000
BALANCE AT BEGINNING OF YEAR	40,113	32,862
Revaluation	6,025	-
Reversal of deferred tax effect of revaluation	-	7,251
BALANCE AT END OF YEAR	<u>46,138</u>	<u>40,113</u>

7. ACCOUNTS RECEIVABLE

	2003	2002
	\$000	\$000
Trade Debtors	2,201	2,451
Prepayments	163	179
Other Debtors	16	-
Tax Refund Due	499	538
	<u>2,879</u>	<u>3,168</u>

8. BORROWINGS

	2003	2002
	\$000	\$000
CURRENT		
Bank Overdraft	56	-
Loan from Other Business	3,743	7,262
Term Loan – Current Portion	-	-
	<u>3,799</u>	<u>7,262</u>
NON-CURRENT		
Multi-Option Credit Facility	3,200	-
	<u>6,999</u>	<u>7,262</u>

None of the borrowings are secured over the assets of the Company, although a negative pledge agreement exists. The Multi-Option Credit Facility is a five-year revolving credit facility for \$21.0 million expiring in December 2007. The facility reduces by \$2.0 million per annum commencing 2004. The interest rate as at 31 March 2003 was 6.0%.

Interest has been charged in respect of the loan provided by the Other Business at the rate of 6.0%.

9. PAYABLES AND ACCRUALS

	2003	2001
	\$000	\$000
Accounts Payable	2,569	2,295
Other Accruals	-	67
Accrued Payroll	137	124
	<u>2,706</u>	<u>2,486</u>

10. FIXED ASSETS

	Cost/Valuation	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000
		2003	
System fixed assets at valuation	98,671	-	98,671
Capital works under construction	413	-	413
Motor vehicles	450	292	158
Consumer billing & information systems	601	573	28
Office equipment	4,515	3,353	1,162
Land	895	-	895
Buildings	2,440	779	1,661
Other fixed assets	-	-	-
	<u>107,985</u>	<u>4,997</u>	<u>102,988</u>
		2002	
System fixed assets:			
At cost	8,599	97	8,502
At valuation	83,967	2,748	81,219
Capital works under construction	228	-	228
Motor vehicles	450	268	182
Consumer billing & information systems	601	568	33
Office equipment	4,073	2,692	1,381
Land	895	-	895
Buildings	2,410	724	1,686
Other fixed assets	-	-	-
	<u>101,223</u>	<u>7,097</u>	<u>94,126</u>

Valuation Information**Distribution System Assets**

Distribution system assets, were revalued to \$98,671,000 at 31 March 2003, which was outside the normal three year cycle revaluation policy. The next revaluation will occur for the year ending 31 March 2004 in line with the existing revaluation policy cycle. As the fair value of the assets is not able to be reliably determined using market based evidence the valuation was prepared on a depreciated replacement cost basis. The valuation was prepared by Meritec Limited.

Land and Buildings

The major property holding of the Company comprises the depot complex at Glasgow Road and Nelson Street, Pukekohe. This property was valued as at 1 September 2000 by Value and Management Services Limited as part of a General Revaluation by the Franklin District Council. This valuation amounted to \$1,975,000. The accounting book value in the Financial Statements in respect of this property as at 31 March 2003 was \$1,755,000 (2002 \$1,775,000).

Other properties with a total accounting book value amounting to \$795,000 (2002 \$806,000) were not included in the above valuation.

**11. RECONCILIATION OF NET PROFIT
AFTER TAXATION WITH CASH INFLOW
FROM OPERATING ACTIVITIES**

	2003	2002
	\$000	\$000
Reported surplus after taxation	2,816	5,980
Add non-cash items:		
Depreciation	3,792	3,547
Movement in deferred tax	-	(2,398)
	<hr/> 3,792	<hr/> 1,149
Add item classified as investing activity		
Net (gain)/loss on disposal of fixed assets	2	(138)
	<hr/> 2	<hr/> (138)
Movement in working capital:		
(Decrease)/Increase in accounts payable	220	(648)
(Increase)/Decrease in taxation receivable	39	346
(Increase)/Decrease in accounts receivable	250	399
	<hr/> 509	<hr/> 97
Net cash inflow/(outflow) from operating activities	<hr/> <hr/> 7,119	<hr/> <hr/> 7,088

12. OPERATING LEASE COMMITMENT

Counties Power Limited Line Business had no operating lease commitments (2002 Nil).

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Counties Power Limited Line Business had commitments for future capital expenditure at 31 March 2003 totaling \$331,000 (2002: \$117,000).

There were no material contingent liabilities at 31 March 2003.

14. FINANCIAL INSTRUMENTS

(A) Nature of activities and management policies with respect to financial instruments.

- (i) The company incurs credit risk from transactions with trade debtors and financial institutions in the normal course of business. At balance date the company had a significant concentration of credit risk relating to the amount receivable from Electricity Retailers. The company has a programme to manage this risk concentration, including adhering to specific credit policy requirements, insurance arrangements and having the contractual ability to require security to be provided by these customers under certain circumstances.

The maximum estimated credit exposure in respect of trade debts is:

- Total asset class - \$2.2 million (2002 \$2.5 million)
- Debts subject to significant debt concentration risk - \$1.8 million (2002 \$1.7 million)

The company does not generally require collateral or security to support financial instruments other than as outlined above, due to the quality of the financial institutions dealt with.

- (ii) The company does not generally undertake any transactions denominated in foreign currencies apart from the purchase of distribution system equipment and does not hold any long term borrowings.

(B) Fair Values

Cash and Liquid Deposits, Short and Long Term Loans, Accounts Payable and Receivable.

The carrying value of these items is equivalent to their fair value.

15. RELATED PARTY TRANSACTIONS

(a) The Line business enters into transactions with the “Other” Business. The relationship is managed on an arms length basis, with significant contracts generally awarded by the Line business on a competitive tendering basis.

(b) & (c)

The services provided by the “Other” Business generally include normal electrical construction, maintenance and fault response services related to the Line business electrical network.

(d) Services provided were in the following categories and at total prices as indicated in \$000:

	2003	2002
	\$000	\$000
Construction of subtransmission assets	11	15
Construction of zone substations	-	-
Construction of distribution lines and cables	1,025	843
Construction of medium voltage switch gear	-	-
Construction of distribution transformers	353	355
Construction of distribution substations	83	142
Construction of low voltage reticulation	150	211
Construction of other system fixed assets	14	9
Maintenance of assets	1,493	1,492

(e) Services were provided throughout the financial year.

(f) There were no outstanding trade balances owing at year-end for services performed by the Other business for the Line business, as payment is effected by way of accounting entry at the end of each month. Loan funding was provided by the Other business to the Line Business, as disclosed in Note 8. As the Line and Other Businesses operate as a single legal entity no formal loan documentation is prepared in respect of loans between them. The loan has been treated in the Line Business financial statements as being on-call.

(g) No debts arising from related party transactions have been written off or forgiven during the year.

(h) No transactions were undertaken at a nil or nominal value, other than minor items as would occur in a normal arms length relationship.

Counties Power Line Business paid \$4,000 (2002 \$15,000) in valuation and consultancy fees to Meritec Limited, a subsidiary of Meritec Group Limited of which Mr. J.W. Wilson was a Director. There was no balance outstanding at balance date (2002 \$4,000). This payment related to the amount outstanding at 31 March 2002 for services undertaken on normal commercial terms. Mr. Wilson was not involved in them.

16. OPTIMISED DEPRIVAL VALUE VALUATION

The ODV valuation of Counties Power Limited Line Business Distribution System assets was calculated at \$83,966,707 at 31 March 2001 by Meritec Limited. This valuation, updated for movements to 31 March 2003, has been used as the basis for calculation of financial performance measures.



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AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF COUNTIES POWER LIMITED LINE BUSINESS.

We have examined the 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
- (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 Counties Power Limited – Line Business and dated 31 March 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' with a flourish underneath.

G. Pinfold
PricewaterhouseCoopers
On behalf of the Controller and Auditor-General
Auckland, New Zealand
16 July 2003

Counties Power Limited - Line Business					
Derivation Table of Financial Performance Measures from Financial Statements					
Pursuant to Regulation 16 of the Electricity (Information Disclosure) Regulations 1999 Schedule 1 Part 7					
For the Year Ended 31 March 2003					
Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	3,542				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	3,542				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIT minus ISTI	3,542	a	3,542		3,542
Net surplus after tax from financial statements	2,816				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	2,816	n		2,816	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,018				
Depreciation of SFA at ODV (y)	3,018				
ODV depreciation adjustment	0	d	add 0	add 0	add 0
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	109	q			deduct 109
Revaluations	0	r			add 0
Income tax charge	395	p			deduct 395
Numerator			3,542	2,816	3,038
			OSBIT ^{ADJ} = a+g+s+d	NSAT ^{ADJ} = n+g+s-s*t+d	OSBIT ^{ADJ} = a+g-q+r+s+d-p-s*t
Fixed assets at end of previous financial year (FA ₀)	94,126				
Fixed assets at end of current financial year (FA ₁)	102,988				
Adjusted net working capital at end of previous financial year (ANWC ₀)	682				
Adjusted net working capital at end of current financial year (ANWC ₁)	173				
Average total funds employed (ATFE)	98,985	c	98,985		98,985
	(or regulation 33 time-weighted average)				
Total equity at end of previous financial year (TE ₀)	87,456				
Total equity at end of current financial year (TE ₁)	96,162				
Average total equity	91,809	k		91,809	
	(or regulation 33 time-weighted average)				
WUC at end of previous financial year (WUC ₀)	228				
WUC at end of current financial year (WUC ₁)	413				
Average total works under construction	321	e	deduct 321	Deduct 321	deduct 321
	(or regulation 33 time-weighted average)				
Revaluations	0	r			
Half of revaluations	0	R/2			deduct 0
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0	m		add 0	0
	(or regulation 33 time-weighted average)				
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	0
System fixed assets at end of previous financial year at book value (SFA _{sv,0})	89,721				
System fixed assets at end of current financial year at book value (SFA _{sv,1})	98,671				
Average value of system fixed assets at book value	94,196	f	deduct 94,196	deduct 94,196	deduct 94,196
	(or regulation 33 time-weighted average)				
System Fixed assets at year beginning at ODV value (SFA _{odv,0})	89,721				
System Fixed assets at end of current financial year at ODV value (SFA _{odv,1})	92,553				
Average value of system fixed assets at ODV value	91,137	h	add 91,137	add 91,137	add 91,137
	(or regulation 33 time-weighted average)				
Denominator			95,605	88,429	95,605
			ATFEADJ = c-e-f+h	Ave TEADJ = k-e-m+v-f+h	ATFEADJ = c-e-1/2r-f+h
Financial Performance Measure:			3.7	3.2	3.2
			ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100

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

Counties Power Limited – Line Business
1 April 2002 to 31 March 2003

1. Financial Performance Measures

	2003	2002	2001	2000
(a) Return on funds, being operating surplus before interest and income tax (as adjusted), divided by average total funds employed (as adjusted).	3.7%	5.2%	6.2%	9.4%
(b) Return on equity, being net surplus after tax (as adjusted), divided by average total equity (as adjusted)	3.2%	7.5%	5.4%	6.5%
(c) Return on investment	3.2%	6.8%	4.8%	6.2%

2002 Return on Equity and Return on Investment measures increased as a result of a one time tax credit being recorded. This was caused by changing from the comprehensive to the partial method of accounting for income tax.

2. Efficiency Performance Measures

	2003	2002	2001	2000
(a) Direct line costs per kilometre	\$1,099	\$926	\$947	\$1,249
(b) Indirect line cost per consumer (excluding customer discounts as an indirect cost)	\$75	\$68	\$72	\$79
(c) Indirect line cost per consumer (including customer discounts as an indirect cost)	\$313	\$306	\$313	\$156

Indirect line cost per consumer has been calculated using estimated average consumer numbers. The methodology used to calculate this estimate is publicly available.

3. Annual Valuation Reconciliation Report – Year Ending 31 March 2003

	\$000
System fixed assets at ODV – end of the previous financial year	89,721
Add system fixed assets acquired during the year at ODV	5,850
Less system fixed assets disposed of during the year at ODV	-
Less depreciation on system fixed assets at ODV	(3,018)
Add revaluations of system fixed assets	-
Equals system fixed assets at ODV – end of the financial year	<u>92,553</u>

	2003	2002	2001	2000
(a) Load Factor (= $[a/bc]*100/1$)	63.02%	55.62%	60.06%	60.26%
where -				
a = Kwh of electricity entering system during the financial year	441,116,412	418,091,000	409,297,000	397,735,000
b = Maximum Demand	79,902	85,808	77,800	75,146
c = Total number of hours in financial year	8,760	8,760	8,760	8,784

	2003	2002	2001	2000
(b) Loss Ratio (= $a/b*100/1$)	7.21%	7.19%	7.38%	7.67%
where -				
a = losses in electricity in kWh	31,789,933	30,062,000	30,196,000	30,521,000
b = Kwh of electricity entering system during the financial year	441,116,412	418,091,000	409,297,000	397,735,000

	2003	2002	2001	2000
(c) Capacity Utilisation (= $a/b*100/1$)	30.96%	36.09%	33.83%	32.53%
where -				
a = Maximum Demand	79,902	85,808	77,800	75,146
b = Transformer Capacity	258,069	237,730	229,975	231,026

Statistics	Nominal Voltage	2003	2002	2001	2000
(a) System Length (Total) (kms)					
	110kV	17.29	17.00	17.00	0
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	158.11	151.24	151.00	169.41
	22kV	227.55	190.57	172.00	89.70
	11kV	1,620.62	1,618.15	1,599.00	1,722.40
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	1,282.94	1,408.5	1,408.00	1,158.30
	Other	0	0	0	0
	Total	3,306.51	3,385.46	3,347.00	3,139.82
(b) Circuit Length (Overhead) (kms)					
	110kV	17.29	17.00	17.00	0
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	156.64	150.50	151.00	169.41
	22kV	171.45	140.63	126.00	88.00
	11kV	1,562.33	1,559.80	1,541.00	1,631.00
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	991.42	1,117.00	1,120.00	985.60
	Other	0	0	0	0
	Total	2,899.13	2,984.93	2,955.00	2,874.01
(c) Circuit Length (Underground) (kms)					
	110kV	0	0	0	0
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	1.47	0.74	0	0
	22kV	56.10	49.95	46.00	1.70
	11kV	58.29	58.35	58.00	91.40
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	291.52	291.50	288.00	172.70
	Other	0	0	0	0
	Total	407.38	400.54	392.00	265.80
(d) Transformer Capacity (kVA)		258,069	237,730	229,975	231,026
(e) Maximum Demand (kWh)		79,902	85,808	77,800	75,146
(f) Total Electricity Entering the System (before losses of electricity) in kilowatt hours		441,116,412	418,091,000	409,297,000	397,735,000

Statistics		Name of retailer/ generator	2003	2002	2001	2000	
(g)	Total amount of electricity (in kilowatt hours) supplied from the system, (after losses of electricity) on behalf of each person that is an electricity generator or electricity retailer or both: in kWh	Retailer A	300,384,317	297,017,000	303,914,000	321,022,000	
		Retailer B	16,263,280	20,080,000	40,130,000	9,663,000	
		Retailer C	21,967,606	0	5,700,000	2,343,000	
		Retailer D	18,752,772	42,408,000	8,826,000	25,234,000	
		Retailer E	13,824,325	17,118,000	14,369,000	6,161,000	
		Retailer F	1,440,000	0	1,513,000	774,000	
		Retailer G	6,827,215	11,406,000	4,162,000	2,017,000	
		Retailer H	29,866,964	0	487,000	0	
		Other					
		TOTAL		409,326,479	388,029,000	379,101,000	367,214,000
(h)	Total number of consumers	Number	31,214	30,817	30,546	30,470	

DISCLOSURE OF RELIABILITY PERFORMANCE MEASURES PURSUANT TO REGULATION 22 OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999
SCHEDULE 1 PART 5

Interruptions	Class	Average Interruption Targets	Interruption Targets	Actual Interruptions			
		2004/08	2004	2003	2002	2001	2000
1 to 3	Class A					0	0
Planned Interruptions	Class B	42	46	48	72	234	323
Unplanned Interruptions	Class C	100	104	132	98	113	86
	Class D				0	0	0
	Class E				0	0	0
	Class F				0	0	0
	Class G				0	0	0
	Class H				0	0	0
	Class I				0	0	0
	Total			180	170	347	409
4	Proportion of Total Class C Interruptions not restored: (= a/b*100/1) where -			Within 3 Hours	Within 24 Hours		
	a = No. of interruptions not restored within			27	0		
	b = Total number of Class C interruptions			132	132		
	Proportion expressed as a percentage			20.45%	0.00		

5	Faults	Average	Faults	Actual number of faults			
		Faults Targets 2004/08	Faults Targets 2004	2003	2002	2001	2000
Faults per 100 circuit kilometres of prescribed voltage electric line							
	Input faults for each nominal voltage	Nominal Voltage					
		110kV		0	0	0	0
		66kV		0	0	0	0
		50kV		0	0	0	0
		33kV		7.0	11	6	6
		22kV		4.0	6	2	6
		11kV		7.2	5	6	4
		6.6kV		0	0	0	0
		3.3kV		0	0	0	0
		230/400 V		0	0	0	0
		Other		0	0	0	0
		Other		0	0	0	0
		Other		0	0	0	0
		Total		6.8	6.8	6	4.3
Actual number of faults							
6				2003	2002	2001	2000
Faults per 100 circuit kilometres of underground prescribed voltage electric line							
		Nominal Voltage					
		110kV		0	0	0	0
		66kV		0	0	0	0
		50kV		0	0	0	0
		33kV		0	0	0	0
		22kV		0	0	0	0
		11kV		2.7	2	3	4
		6.6kV		0	0	0	0
		3.3kV		0	0	0	0
		230/400 V		0	0	0	0
		Other		0	0	0	0
		Other		0	0	0	0
		Other		0	0	0	0
		Total		1.4	2	3	4
Actual number of faults							
7				2003	2002	2001	2000
Faults per 100 circuit kilometres of overhead prescribed voltage electric line							
		Nominal Voltage					
		110kV		0	0	0	0
		66kV		0	0	0	0
		50kV		0	0	0	0
		33kV		7.0	11	6	6
		22kV		5.2	2	2	6
		11kV		7.3	6	6	4
		6.6kV		0	0	0	0
		3.3kV		0	0	0	0
		230/400 V		0	0	0	0
		Other		0	0	0	0
		Total		7.0	6	6	4.3

SAIDI	Class	Average SAIDI Targets		Actual SAIDI			
		2004/08	2004	2003	2002	2001	2000
SAIDI for total number of interruptions (= a/b)				92.03	61.69	132.00	124.00
where -							
a = sum of interruption duration factors for all interruptions							
b = Total consumers							
SAIDI Targets (=a/b)							
Planned Interruptions	Class B	8	9				
Unplanned Interruptions	Class C	66	67				
where-							
Planned Interruptions (pi)	Class B						
A ^{pi} = sum of interruption duration factors for all interruptions		264,920	289,350				
Unplanned Interruptions (ui)	Class C						
A ^{ui} = sum of interruption duration factors for all interruptions		2,185,590	2,154,050				
b = Projected total consumers							
		33,115	32,150				
SAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			12.59	13.46	54.00	57.00
	Class C			79.44	48.23	78.00	67.00
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	SAIDI for total of interruptions			92.03	61.69	132.00	124.00
where -							
a = sum of interruption duration factors for all interruptions within the particular interruption class							
	Class A			0	0	0	0
	Class B			392,984	414,797	1,649,484	1,736,790
	Class C			2,479,640	1,486,304	2,382,588	2,041,490
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
b = Total consumers							
				31,214	30,817	30,546	30,470

SAIFI	Class	Average SAIFI Targets		Actual SAIFI			
		2004/08	2004	2003	2002	2001	2000
SAIFI for total number of interruptions (= a/b)				2.64	2.20	2.64	2.43
Where -							
a = sum of electricity consumers affected by each of those interruptions							
b = Total consumers							
SAIFI Targets (=a/b)							
Planned Interruptions	Class B	0.09	0.10				
Unplanned Interruptions	Class C	2.05	2.10				
Where-							
Planned Interruptions	Class B						
a = projected number of electricity consumers affected by each of those interruptions							
		2,980	3,215				
b = Projected total customers							
Unplanned Interruptions	Class C						
a = projected number of electricity consumers affected by each of those interruptions							
		67,886	67,515				
b = Projected total customers							
		33,115	32,150				
SAIFI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			0.09	0.10	0.47	0.37
	Class C			2.55	2.10	2.17	2.06
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	SAIFI for total of interruptions			2.64	2.20	2.64	2.43
where -							
a = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			0	0	0	0
	Class B			2,809	3,081	14,357	11,274
	Class C			79,596	64,715	66,285	62,768
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			3	3	0	0
b = Total consumers							
				31,214	30,817	30,546	30,470

CAIDI	Class	Average CAIDI Targets	CAIDI Targets	Actual CAIDI			
		2004/08	2004	2003	2002	2001	2000
CAIDI for total number of interruptions (= a/b)				34.86	28	50	51
where -		a = sum of interruption duration factors for all interruptions					
		b = sum of electricity consumers affected by each of those interruptions					
CAIDI Targets (=a/b)							
Planned							
Interruptions	Class B	89	90				
Unplanned							
Interruptions	Class C	32	32				
where-							
Planned							
Interruptions	Class B						
a = sum of interruption duration factors for all interruptions		264,920	289,350				
b = projected number of electricity consumers affected by each of those interruptions		2,980	3,215				
Unplanned							
Interruptions	Class C						
a = sum of interruption duration factors for all interruptions		2,185,590	2,154,050				
b = projected number of electricity consumers affected by each of those interruptions		67,886	67,515				

CAIDI	Class	Average	CAIDI	Actual CAIDI			
		CAIDI	CAIDI	2003	2002	2001	2000
		Targets	Targets				
		2004/08	2004				
CAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			139.89	135	115	154
	Class C			31.15	23	36	33
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	CAIDI for total of interruptions			34.86	28	50	51
Where -							
a = sum of interruption duration factors for all interruptions							
	Class A			0	0	0	0
	Class B			392,984	414,797	1,649,484	1,736,790
	Class C			2,479,640	1,486,304	2,382,588	2,041,490
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
b = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			0	0	0	0
	Class B			2,809	3,081	14,357	11,274
	Class C			79,596	64,715	66,285	62,768
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0