



New Zealand Gazette

OF THURSDAY, 4 AUGUST 2005

WELLINGTON: WEDNESDAY, 10 AUGUST 2005 — ISSUE NO. 121

COUNTIES POWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

COUNTIES POWER LIMITED – LINES BUSINESS ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

Counties Power Limited's electricity business for the year ended 31 March 2005 consisted of lines 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 lines 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 Requirement 6 (1) of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN TRANSPower)

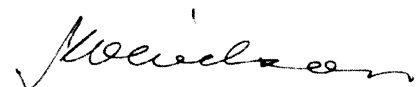
We, Paul Giles Muir and Jeffrey Webster Wilson, directors of Counties Power Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- a) The attached audited financial statements of Counties Power Limited Lines Business prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004, comply with those Requirements; 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 Lines Business, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with the requirements of those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2005.



P.G Muir
Chairman



J.W. Wilson
Director

30 June 2005



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REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF COUNTIES POWER LIMITED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2005

We have audited the financial statements of Counties Power Limited – Lines Business on pages 4 to 20. The financial statements provide information about the past financial performance of Counties Power Limited – Lines Business and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 8 to 11.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Counties Power Limited – Lines Business as at 31 March 2005, and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity Information Disclosure Requirements 2004 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 Graeme 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' - – Lines Business's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the 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.

In addition to the audit we have carried out an audit related assignment for the Counties Power Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2005 as well as audit certificates pursuant to the Commerce Act Electricity Lines Threshold Notice 2004. Other than these assignment we have no relationship with or interest in the Counties Power Limited.



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 – Lines Business as far as appears from our examination of those records; and
- the financial statements of Counties Power Limited – Lines Business on pages 4 to 20:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Counties Power Limited – Lines Business's financial position as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 30 June 2005 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'G Pinfold'.

Graeme Pinfold
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand

Counties Power Limited – Lines Business
STATEMENT OF FINANCIAL PERFORMANCE
For the Year ended 31 March 2005

	Notes	31 March 2005 \$000	31 March 2004 \$000
TOTAL OPERATING REVENUE	(2)	28,627	26,325
TOTAL OPERATING EXPENDITURE	(3)	<u>(22,404)</u>	<u>(22,033)</u>
OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX		6,223	4,292
INTEREST EXPENSE	(3)	<u>-</u>	<u>(112)</u>
OPERATING SURPLUS BEFORE INCOME TAX		6,223	4,180
INCOME TAX CREDIT/(CHARGE)	(4)	(2,085)	(907)
NET SURPLUS AFTER TAX		<u>4,138</u>	<u>3,273</u>

STATEMENT OF MOVEMENTS IN EQUITY
For the Year Ended 31 March 2005

		31 March 2005 \$000	31 March 2004 \$000
Net surplus for Year		4,138	3,273
Increase in Revaluation Reserve	(6)	-	6,218
Total Recognised Revenues and Expenses		<u>4,138</u>	<u>9,491</u>
Dividend		(250)	(300)
Movements in Equity for Year		<u>3,888</u>	<u>9,191</u>
Equity at Beginning of Year		105,353	96,162
EQUITY AT END OF YEAR		<u>109,241</u>	<u>105,353</u>

Counties Power Limited – Lines Business
STATEMENT OF FINANCIAL POSITION
As at 31 March 2005

	Notes	31 March 2005 \$000	31 March 2004 \$000
CURRENT ASSETS			
Cash and bank balances		82	159
Short-term investments		-	-
Inventories		-	-
Accounts receivable	(7)	3,004	2,395
Other current assets		-	-
TOTAL CURRENT ASSETS		<u>3,086</u>	<u>2,554</u>
FIXED ASSETS	(10)	113,025	111,983
OTHER TANGIBLE ASSETS		-	-
TOTAL TANGIBLE ASSETS		<u>116,111</u>	<u>114,537</u>
INTANGIBLE ASSETS			
Goodwill		-	-
Other Intangibles		-	-
TOTAL INTANGIBLE ASSETS		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>116,111</u>	<u>114,537</u>
CURRENT LIABILITIES			
Bank Overdraft		-	-
Borrowings		-	-
Payables and accruals	(9)	2,740	2,610
Provision for dividend payable		-	-
Provision for income tax	(9)	1,155	-
Other current liabilities		-	-
TOTAL CURRENT LIABILITIES		<u>3,895</u>	<u>2,610</u>
NON-CURRENT LIABILITIES			
Payables and accruals		-	-
Borrowings	(8)	2,975	6,574
Deferred taxation		-	-
Other non-current assets		-	-
TOTAL NON-CURRENT LIABILITIES		<u>2,975</u>	<u>6,574</u>
SHAREHOLDERS' EQUITY			
Share capital	(5)	29,311	29,311
Retained earnings		27,574	23,686
Dividend proposed		-	-
Asset revaluation reserve	(6)	52,356	52,356
TOTAL SHAREHOLDERS' EQUITY		<u>109,241</u>	<u>105,353</u>
MINORITY INTERESTS IN SUBSIDIARIES		-	-
CAPITAL NOTES		-	-
TOTAL CAPITAL FUNDS		<u>109,241</u>	<u>105,353</u>
TOTAL EQUITY AND LIABILITIES		<u>116,111</u>	<u>114,537</u>

Counties Power Limited – Lines Business
STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2005

	31 March 2005 \$000	31 March 2004 \$000
CASHFLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	28,001	26,270
Interest from cash management	17	24
	<u>28,018</u>	<u>26,294</u>
Cash was applied to:		
Payments to suppliers and employees	(9,860)	(9,779)
Discounts credited	(6,873)	(7,493)
Income tax paid	(930)	(408)
Interest Paid	-	(112)
Net GST paid	(1,168)	(708)
	<u>(18,831)</u>	<u>(18,500)</u>
Net Cashflows from operating activities	9,187	7,794
CASHFLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of plant & property	-	-
	<u>-</u>	<u>-</u>
Cash was applied to:		
Purchase and construction of fixed assets	(5,415)	(6,910)
	<u>(5,415)</u>	<u>(6,910)</u>
Net cash (used)/generated by investing activities	(5,415)	(6,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was applied to:		
Term Loan repayments	(3,599)	(369)
Dividend Paid	(250)	(300)
	<u>(3,849)</u>	<u>(669)</u>
Net cash (used)/generated by financing activities	(3,849)	(669)
Net increase/(decrease) in cash held	(77)	215
Add opening cash/(borrowings) brought forward	159	(56)
Ending cash/(overdraft) carried forward	<u>82</u>	<u>159</u>

31 March	31 March
2005	2004
\$000	\$000

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

Reported surplus after taxation	4,138	3,273
Add non-cash items:		
Depreciation	4,370	4,132
	<u>4,370</u>	<u>4,132</u>
Add item classified as investing activity		
Net (gain)/loss on disposal of fixed assets	3	1
	<u>3</u>	<u>1</u>
Movement in working capital:		
(Decrease)/Increase in accounts payable	130	(96)
(Increase)/Decrease in taxation receivable	1,155	499
(Increase)/Decrease in accounts receivable	(609)	(15)
	<u>676</u>	<u>388</u>
Net cash inflow/(outflow) from operating activities	<u><u>9,187</u></u>	<u><u>7,794</u></u>

Counties Power Limited – Lines Business
STATEMENT OF ACCOUNTING POLICIES
For the Year Ended 31 March 2005

1. STATEMENT OF ACCOUNTING POLICIES

ENTITY REPORTING

Counties Power's electricity business for the year ended 31 March 2005 consisted of lines 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 lines 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.

STATUTORY BASE

These financial statements are presented in accordance with Requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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.

Revenue

Goods and Services

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

Lines 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.

Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract.

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 that 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, costs of obtaining Resource Management Act consents, financing costs that are directly attributable to the project 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.

Revaluations

Distribution system assets, excluding meters and relays, are normally revalued to depreciated replacement cost at intervals of three years. A revaluation was undertaken as at 31 March 2004. The next revaluation is anticipated to occur in the year ending 31 March 2007.

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:

Electricity 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% diminishing value (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 2004.

Intangible Assets - Research and Development

All research costs are recognised as an expense when incurred.

When a project reaches the stage where it is reasonably certain that further expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset. The asset is amortised from the commencement of commercial production of the product or service to which it relates over the period of the expected benefit, which generally ranges from 5 to 10 years.

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 Line Business had no financial instruments with off-balance sheet risk during or at the end of the year (2004 Nil).

CHANGES IN ACCOUNTING POLICY

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

Counties Power Limited – Lines Business**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****For the Year Ended 31 March 2005****2. OPERATING REVENUE**

	2005	2004
	\$000	\$000
Revenue from lines/access charges	26,961	24,275
Revenue from “Other” Business for services carried out by the lines business	-	-
Interest on cash, bank balances and short-term investments	17	24
AC loss-rental rebates	493	980
Other operating revenue	1,156	1,046
Total Operating Revenue	<u>28,627</u>	<u>26,325</u>

3. OPERATING EXPENDITURE

	2005	2004
	\$000	\$000
Transmission charges	5,043	4,941
Transfer payments to the “Other” business for -		
Asset maintenance	1,379	1,331
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>1,379</u>	<u>1,331</u>
Expense to entities that are not related parties for -		
Asset maintenance	751	589
Consumer disconnection/reconnection services	73	77
Meter data	-	-
Consumer based load control services	-	-
Royalty and patent expenses	-	-
Total of specified expenses to non-related parties	<u>824</u>	<u>666</u>
Employee salaries, wages and redundancies	1,762	1,545
Consumer billing and information system expense		-
Depreciation on -		
System fixed assets	3,692	3,473
Other assets not listed	678	659
Total depreciation	<u>4,370</u>	<u>4,132</u>

Amortisation of -		
Goodwill	-	-
Other intangibles	-	-
Total amortisation of intangibles	<u>-</u>	<u>-</u>
Corporate and administration	650	659
Human resource expenses	143	111
Marketing/advertising	53	70
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	362	239
Donations		-
Directors' fees	116	112
Auditors' fees -		
Audit fees paid to principal auditors	40	38
Audit fees paid to other auditors	-	-
Fees paid for other services provided by the principal & other auditors	35	64
Total auditors' fees	<u>75</u>	<u>102</u>
Cost of offering credit -		
Bad debts written off	41	6
Increase in estimated doubtful debts	-	42
Total cost of offering credit	<u>41</u>	<u>48</u>
Local authority rates expense	167	88
AC loss-rental rebates (distribution to retailers/customers) expense		
Customer discounts	7,056	7,162
Subvention payments	-	-
Unusual expenses	-	-
Loss on disposal of fixed assets	3	1
(Gain) on disposal of fixed assets	-	-
Other expenditure not listed	360	826
Total Operating Expenditure	<u><u>22,404</u></u>	<u><u>22,033</u></u>
Interest Expense:		
Interest expense on borrowings	-	112
Financing charges related to finance leases	-	-
Other interest expense	-	-
Total Interest Expense	<u><u>-</u></u>	<u><u>112</u></u>

4. TAXATION

	2005	2004
	\$000	\$000
Accounting profit before taxation	6,223	4,180
Prima facie taxation @ 33%	2,054	1,379
Plus/(less) taxation effect of:		
Over/(Under)estimation in prior year	215	74
Other items treated as permanent differences	(184)	(546)
Income Tax Charge/(Credit) to Net Operating Surplus	<u>2,085</u>	<u>907</u>

The taxation charge is represented by:

Current Taxation	2,085	907
Deferred Taxation	-	-
	<u>2,085</u>	<u>907</u>

The Lines Business has a potential deferred tax liability net of future tax benefits of \$15,266,000 (2004 \$15,122,000). 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 2004	3,273	3,092
Overestimation in prior year	-	(21)
Income tax payments/(benefit from operating deficit) during the period:		
Lines Business	1,988	711
Other Business	(1,058)	(361)
Imputation credits attached to dividends paid to shareholders:		
Lines Business	(123)	(148)
Other Business	-	-
Balance as at 31 March 2005	<u>4,080</u>	<u>3,273</u>

Imputation credits are recorded for both the Lines 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

	2005	2004
	\$000	\$000
Issued and Paid In Capital: 15,000,000 Ordinary Shares	<u>29,311</u>	<u>29,311</u>

6. ASSET REVALUATION RESERVE

	2005	2004
	\$000	\$000
BALANCE AT BEGINNING OF YEAR	52,356	46,138
Revaluation	-	6,218
BALANCE AT END OF YEAR	<u>52,356</u>	<u>52,356</u>

7. ACCOUNTS RECEIVABLE

	2005	2004
	\$000	\$000
Trade Debtors	2,647	2,189
Prepayments	357	206
Other Debtors	-	-
Tax Refund Due	-	-
	<u>3,004</u>	<u>2,395</u>

8. BORROWINGS

	2005	2004
	\$000	\$000
NON-CURRENT		
Multi-Option Credit Facility	2,975	6,574
	<u>2,975</u>	<u>6,574</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 \$19.0 million expiring in December 2007. The facility reduces by \$2.0 million per annum.

The weighted average interest rate on external borrowings was 6.4% (2004 5.4%). There was no loan provided by the Other Business during 2005 and therefore no interest has been charged (2004 6.0%).

9. PAYABLES AND ACCRUALS

	2005	2004
	\$000	\$000
Accounts Payable	2,493	2,400
GST Payable	94	57
Accrued Payroll	153	153
Provision For Income Tax	1,155	-
	<u>3,895</u>	<u>2,610</u>

10. FIXED ASSETS

	Cost/Valuation	Accumulated	Net Book
	\$000	Depreciation	Value
		\$000	\$000
		2005	
System fixed assets:			
At cost	-	-	-
At valuation	111,490	3,691	107,799
Capital works under construction	459	-	459
Motor vehicles	451	204	247
Consumer billing & information systems	601	594	7
Office equipment	5,419	4,259	1,160
Land	1,481	-	1,481
Buildings	2,771	899	1,872
Other fixed assets	-	-	-
	<u>122,672</u>	<u>9,647</u>	<u>113,025</u>
		2004	
System fixed assets:			
At cost	-	-	-
At valuation	106,860	-	106,860
Capital works under construction	439	-	439
Motor vehicles	483	295	188
Consumer billing & information systems	601	589	12
Office equipment	5,061	3,598	1,463
Land	1,125	-	1,125
Buildings	2,728	832	1,896
Other fixed assets	-	-	-
	<u>117,297</u>	<u>5,314</u>	<u>111,983</u>

Valuation Information**Distribution System Assets**

Distribution system assets, excluding meters and relays, were revalued to \$106,860,000 at 31 March 2004. 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 Sinclair Knight Merz Limited.

Land and Buildings

The major property holding of the Company comprises the depot complex at Glasgow Road and Nelson Street, Pukekohe. Other property held mainly comprise electricity substation sites. The majority of properties were valued as at 1 July 2003 by Value and Management Services Limited as part of a General Revaluation by the Franklin District Council. Quotable Value New Zealand also completed two valuations on behalf of the Papakura District Council.

The values of these properties were:

	2005	2004
	\$000	\$000
Net Book Value		
Glasgow Road Complex	1,698	1,737
Other Land & Buildings	1,655	1,284
	<u>3,353</u>	<u>3,021</u>
Valuation		
Glasgow Road Complex	2,785	2,785
Other Land & Buildings	2,014	1,984
	<u>4,799</u>	<u>4,769</u>

11. OPERATING LEASE COMMITMENT

Counties Power Limited Lines Business had no operating lease commitments (2004 Nil).

12. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Counties Power Limited Lines Business had no Capital Commitments at 31 March 2005 (2004: \$262,000).

There were contingent liabilities of \$10,000 at 31 March 2005 (2004: Nil).

13. 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 monitoring the credit status of the major debtor, adhering to specific credit policy requirements 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 - \$2.6 million (2004 \$2.2 million)
- Debts subject to significant debt concentration risk - \$1.8 million (2004 \$1.8 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.

14. RELATED PARTY TRANSACTIONS

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

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

	2005	2004
	\$000	\$000
Construction of subtransmission assets	67	38
Construction of zone substations	-	-
Construction of distribution lines and cables	633	714
Construction of medium voltage switch gear	-	-
Construction of distribution transformers	344	388
Construction of distribution substations	38	194
Construction of low voltage reticulation	341	306
Construction of other system fixed assets	6	15
Maintenance of assets	1,379	1,331

(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 Lines 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 Lines Business, as disclosed in Note 8. As the Lines 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 Lines 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.

15. OPTIMISED DEPRIVAL VALUE VALUATION

The ODV valuation of Counties Power Limited Lines Business Distribution System assets was calculated as \$110,717,000 at 31 March 2005. This is based on comprehensive valuation undertaken by Sinclair Knight Merz Limited, at 31 March 2004, updated for additions and depreciation occurring in 2005. This valuation has been used as the basis for calculation of financial performance measures on pages 22 and 23.



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

We have examined the information on pages 22 to 23 being –

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Counties Power Limited and dated 30 June 2005 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.

A handwritten signature in black ink, appearing to read 'G. Pinfold'.

Graeme Pinfold
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand
30 June 2005

Counties Power Limited – Lines Business Derivation Table of Financial Performance Measures from Financial Statements Pursuant to Requirement 15 of the Electricity Information Disclosure Requirements 2004 Schedule 1 Part 7 For the Year Ended 31 March 2005					
Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	6,223				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIIT)	6,223				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIIT minus ISTI	6,223	A	6,223		6,223
Net surplus after tax from financial statements	4,138				
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	4,138	n		4,138	0
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)	3,691				
Depreciation of SFA at ODV (y)	3,190				
ODV depreciation adjustment	501	D	add 501	add 501	add 501
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	0	Q			deduct 0
Revaluations	0	R			add 0
Income tax charge	2,085	P			deduct 2,085
Numerator			OSBIIT^{ADJ} = a+g+s+d 6,724	NSAT^{ADJ} = n+g+s-s*t+d 4,639	OSBIIT^{ADJ} = a+g-q+r+s+d-p-s*t 4,639
Fixed assets at end of previous financial year (FA ₀)	111,983				
Fixed assets at end of current financial year (FA ₁)	113,025				
Adjusted net working capital at end of previous financial year (ANWC ₀)	(215)				
Adjusted net working capital at end of current financial year (ANWC ₁)	(891)				
Average total funds employed (ATFE)	111,951 (or requirement 32 time-weighted average)	C	111,951		111,951
Total equity at end of previous financial year (TE ₀)	105,353				
Total equity at end of current financial year (TE ₁)	109,241				
Average total equity	107,297 (or requirement 32 time-weighted average)	K		107,297	
WUC at end of previous financial year (WUC ₀)	439				
WUC at end of current financial year (WUC ₁)	459				
Average total works under construction	449 (or requirement 32 time-weighted average)	E	deduct 449	Deduct 449	deduct 449
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 (or requirement 32 time-weighted average)	M		add 0	
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	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	106,860				
System fixed assets at end of current financial year at book value (SFA _{bv1})	107,799				
Average value of system fixed assets at book value	107,330 (or requirement 32 time-weighted average)	F	deduct 107,330	deduct 107,330	deduct 107,330
System Fixed assets at year beginning at ODV value (SFA _{odv0})	109,276				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	110,717				
Average value of system fixed assets at ODV value	109,996 (or requirement 32 time-weighted average)	H	add 109,996	add 109,996	add 109,996
Denominator			114,168 ATFEADJ = c-e-f+h	109,514 Ave TEADJ = k-e-m+v-f+h	114,168 ATFEADJ = c-e-½r-f+h
Financial Performance Measure:			5.9 ROF = OSBIIT ^{ADJ} /ATFE ^{ADJ} x 100	4.2 ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	4.1 ROI = OSBIIT ^{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 – Lines Business
1 April 2004 to 31 March 2005

1. Financial Performance Measures

	2005	2004	2003	2002
(a) Return on funds, being operating surplus before interest and income tax (as adjusted), divided by average total funds employed (as adjusted).	5.9%	4.4%	3.7%	5.2%
(b) Return on equity, being net surplus after tax (as adjusted), divided by average total equity (as adjusted)	4.2%	3.7%	3.2%	7.5%
(c) Return on investment	4.1%	18.5%	3.2%	6.8%

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

	2005	2004	2003	2002
(a) Direct line costs per kilometre	\$1,055	\$1,080	\$1,099	\$926
(b) Indirect line cost per consumer (excluding customer discounts as an indirect cost)	\$74	\$72	\$75	\$68

3. Annual Valuation Reconciliation Report – Year Ending 31 March 2005

	\$000
System fixed assets at ODV – end of the previous financial year	109,276
Add system fixed assets acquired during the year at ODV	4,631
Less system fixed assets disposed of during the year at ODV	-
Less depreciation on system fixed assets at ODV	(3,190)
Add revaluations of system fixed assets	0
Equals system fixed assets at ODV – end of the financial year	<u>110,717</u>

	2005	2004	2003	2002
(a) Load Factor (= $[a/bc]*100/1$)	62.98%	63.50%	63.02%	55.62%
where -				
a = Kwh of electricity entering system during the financial year	470,310,314	446,959,536	441,116,412	418,091,000
b = Maximum Demand	85,260	80,128	79,902	85,808
c = Total number of hours in financial year	8,759	8,784	8,760	8,760

	2005	2004	2003	2002
(b) Loss Ratio (= $a/b*100/1$)	6.38%	6.49%	7.21%	7.19%
where -				
a = losses in electricity in kWh	30,014,262	28,987,536	31,789,933	30,062,000
b = Kwh of electricity entering system during the financial year	470,310,314	446,959,536	441,116,412	418,091,000

	2005	2004	2003	2002
(c) Capacity Utilisation (= $a/b*100/1$)	33.03%	31.97%	30.96%	36.09%
where -				
a = Maximum Demand	85,260	80,128	79,902	85,808
b = Transformer Capacity	258,060	250,657	258,069	237,730

Statistics	Nominal Voltage	2005	2004	2003	2002
(a) System Length (Total) (kms)					
	110kV	17.60	17.60	17.29	17.00
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	154.12	150.20	158.11	151.24
	22kV	221.44	212.70	227.55	190.57
	11kV	1,644.87	1,681.40	1,620.62	1,618.15
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	1,195.01	1,184.10	1,282.94	1,408.5
	Other		0	0	0
	Total	3,233.04	3,246.00	3,306.51	3,385.46
(b) Circuit Length (Overhead) (kms)					
	110kV	17.60	17.60	17.29	17.00
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	152.35	148.70	156.64	150.50
	22kV	215.59	205.50	171.45	140.63
	11kV	1,528.45	1,542.90	1,562.33	1,559.80
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	864.99	887.00	991.42	1,117.00
	Other	0	0	0	0
	Total	2,778.98	2,801.70	2,899.13	2,984.93
(c) Circuit Length (Underground) (kms)					
	110kV	0	0	0	0
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	1.77	1.50	1.47	0.74
	22kV	5.85	7.20	56.10	49.95
	11kV	116.42	138.50	58.29	58.35
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	330.02	297.10	291.52	291.50
	Other	0	0	0	0
	Total	454.06	444.30	407.38	400.54
(d) Transformer Capacity (kVA)		258,060	250,657	258,069	237,730
(e) Maximum Demand (kWh)		85,260	80,128	79,902	85,808
(f) Total Electricity Entering the System (before losses of electricity) in kilowatt hours		470,310,314	446,959,536	441,116,412	418,297,000

Statistics		Name of retailer/ generator	2005	2004	2003	2002
(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	302,550,268	299,662,441	300,384,317	297,017,000
		Retailer B	19,273,156	14,319,594	16,263,280	20,080,000
		Retailer C	41,287,792	30,712,143	21,967,606	0
		Retailer D	14,873,867	17,629,477	18,752,772	42,408,000
		Retailer E	16,682,472	12,892,876	13,824,325	17,118,000
		Retailer F	1,386,660	1,440,000	1,440,000	0
		Retailer G	10,413,204	8,158,740	6,827,215	11,406,000
		Retailer H	33,828,632	33,156,729	29,866,964	0
		Other				
	TOTAL		440,296,051	417,972,000	409,326,479	388,029,000
(h)	Total number of consumers	Number	33,931	32,781	31,214	30,817

DISCLOSURE OF RELIABILITY PERFORMANCE MEASURES PURSUANT TO REQUIREMENT 21 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004 SCHEDULE 1 PART 5

Interruptions	Class	Average Interruption Targets	Interruption Targets	Actual Interruptions			
		2006/10	2006	2005	2004	2003	2002
1 to 3							
Planned Interruptions Unplanned Interruptions	Class A						
	Class B	32	35	43	33	48	72
	Class C	100	110	136	162	132	98
	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
	Total			179	195	180	170
4 Proportion of Total Class C Interruptions not restored: (= a/b*100/1) where - a = No. of interruptions not restored within b = Total number of Class C interruptions Proportion expressed as a percentage				Within 3 Hours	Within 24 Hours		
				22	0		
				136	136		
				16.18%	0%		

5	Faults	Average	Faults	Actual number of faults			
		Faults Targets 2006/10	Faults Targets 2006	2005	2004	2003	2002
Faults per 100 circuit kilometres of prescribed voltage electric line							
	Input faults for each nominal voltage	Nominal Voltage					
		110kV	0	0	0	0	0
		66kV	0	0	0	0	0
		50kV	0	0	0	0	0
		33kV	6.0	6.5	5.8	8.7	7.0
		22kV	6.5	6.5	6.8	8.9	4.0
		11kV	7.2	7.2	6.8	7.7	7.2
		6.6kV	0	0	0	0	0
		3.3kV	0	0	0	0	0
		230/400 V	0	0	0	0	0
		Other	0	0	0	0	0
		Other	0	0	0	0	0
		Other	0	0	0	0	0
		Total	7.0	7.0	6.7	7.9	6.8
Actual number of faults							
6				2005	2004	2003	2002
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		0	0	2.7	2
		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		0	0	1.4	2
Actual number of faults							
7				2005	2004	2003	2002
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		5.9	8.7	7.0	11
		22kV		7.0	9.3	5.2	2
		11kV		7.3	8.4	7.3	6
		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		7.1	8.5	7.0	6

SAIDI	Class	Average SAIDI Targets	SAIDI Targets	Actual SAIDI			
		2006/10	2006	2005	2004	2003	2002
SAIDI for total number of interruptions (= a/b) where - a = sum of interruption duration factors for all interruptions b = Total consumers				59.60	96.45	92.03	61.69
SAIDI Targets (=a/b)							
Planned Interruptions	Class B	8	9				
Unplanned Interruptions	Class C	66	67				
where- Planned Interruptions (pi) a ^{pi} = sum of interruption duration factors for all interruptions							
	Class B	306,200	321,930				
Unplanned Interruptions (ui) a ^{ui} = sum of interruption duration factors for all interruptions							
	Class C	2,526,150	2,396,590				
b = Projected total consumers		38,275	35,770				
SAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A	0	0	0	0	0	0
	Class B	4.40	3.39	12.59	13.46		
	Class C	55.20	93.06	79.44	48.23		
	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			59.60	96.45	92.03	61.69
where - a = sum of interruption duration factors for all interruptions within the particular interruption class							
	Class A	0	0	0	0		
	Class B	149,296	111,128	392,984	414,797		
	Class C	1,872,991	3,050,600	2,479,640	1,486,304		
	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				33,931	32,781	31,214	30,817

SAIFI	Class	Average SAIFI Targets		Actual SAIFI			
		2006/10	2006	2005	2004	2003	2002
SAIFI for total number of interruptions (= a/b)				2.13	2.72	2.64	2.20
Where -							
a = sum of electricity consumers affected by each of those interruptions							
b = Total consumers							
SAIFI Targets (=a/b)							
Planned Interruptions	Class B	0.06	0.06				
Unplanned Interruptions	Class C	2.17	2.19				
Where-							
Planned Interruptions (pi) Class B							
a ^{pi} = projected number of electricity consumers affected by each of those interruptions							
		2,295	2,145				
Unplanned Interruptions (ui) Class C							
a ^{ui} = projected number of electricity consumers affected by each of those interruptions							
		83,055	78,335				
b = Projected total consumers							
		38,275	35,770				
SAIFI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			0.04	0.03	0.09	0.10
	Class C			2.09	2.69	2.55	2.10
	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			2.13	2.72	2.64	2.20
where -							
a = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			0	0	0	0
	Class B			1,357	983	2,809	3,081
	Class C			70,916	88,181	79,596	64,715
	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	3	3
b = Total consumers							
				33,931	32,781	31,214	30,817

CAIDI	Class	Average CAIDI Targets	CAIDI Targets	Actual CAIDI			
		2006/10	2006	2005	2004	2003	2002
CAIDI for total number of interruptions (= a/b)				27.98	35.46	34.86	28
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	133	150				
Unplanned							
Interruptions	Class C	30	31				
where-							
Planned							
Interruptions (pi)	Class B						
a = sum of interruption duration factors for all interruptions		306,200	321,930				
b = projected number of electricity consumers affected by each of those interruptions		2,295	2,145				
Unplanned							
Interruptions (ui)	Class C						
a = sum of interruption duration factors for all interruptions		2,526,150	2,396,590				
b = projected number of electricity consumers affected by each of those interruptions		83,055	78,335				

CAIDI	Class	Average	CAIDI	Actual CAIDI			
		CAIDI	CAIDI	2005	2004	2003	2002
		Targets	Targets				
		2006/10	2006				
CAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			110.02	113.00	139.89	135
	Class C			26.41	34.59	31.15	23
	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			27.98	35.46	34.86	28
Where -							
a = sum of interruption duration factors for all interruptions							
	Class A			0	0	0	0
	Class B			149,296	111,128	392,984	414,797
	Class C			1,872,991	3,050,600	2,479,640	1,486,304
	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
	Total			2,022,287	3,161,728	2,872,624	1,901,101
b = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			0	0	0	0
	Class B			1,357	983	2,809	3,081
	Class C			70,916	88,181	79,596	64,715
	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
	Total			72,273	89,164	82,405	67,796