



New Zealand Gazette

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POWERCO LIMITED

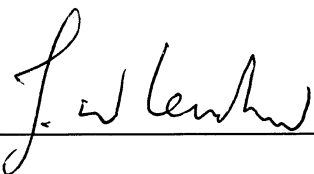
INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

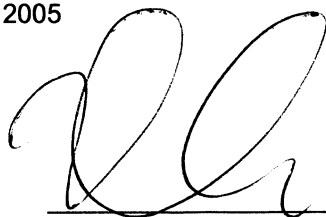
POWERCO LIMITED**GAS (INFORMATION DISCLOSURE) REGULATIONS 1997****STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION
SUPPLIED TO SECRETARY OF COMMERCE**

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

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



Declared at New Plymouth this 21st day of September 2005



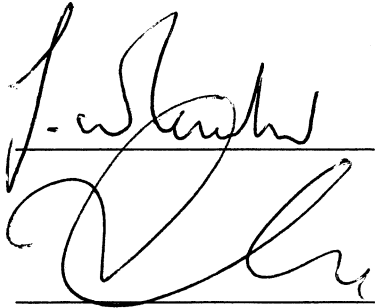
Justice of the Peace (or Solicitor or
other person authorised to take a
statutory declaration)

**Nigel Barbour
Solicitor
New Plymouth**

POWERCO LIMITED**GAS (INFORMATION DISCLOSURE) REGULATIONS 1997****CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND
STATISTICS DISCLOSED BY PIPELINE OWNERS OTHER THAN THE CORPORATION**

We, Jeffrey Wayne Kendrew, director, and Nigel Dickson Barbour, principal of Powerco Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of Powerco Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and
- (b) The attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to Powerco Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

Two handwritten signatures are shown, each on a horizontal line. The top signature is in cursive and appears to read 'J. Kendrew'. The bottom signature is also in cursive and appears to read 'N. Barbour'.

Date: 21st September 2005

Deloitte

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

Certification of Performance Measures by Auditor

We have examined the performance measures set out in Note 12 to the attached financial statements being:

- (a) Financial performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997;
- (b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that schedule;

and having been prepared by Powerco Limited and dated 21 September 2005 for the purposes of regulations 15 and 16 of those regulations.

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



Deloitte
Hamilton
21 September 2005

Deloitte

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

Certification by Auditor in Relation to Financial Statements

We have examined the attached financial statements prepared by Powerco Limited dated 21 September 2005 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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



Deloitte
Hamilton
21 September 2005

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Powerco Limited for the year ended 30 June 2005 included on Powerco Limited's web-site. Powerco Limited's Board of Directors is responsible for the maintenance and integrity of Powerco Limited's web site. We have not been engaged to report on the integrity of Powerco Limited's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 21 September 2005 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



GAS DIVISION

**Statement of Financial Performance
For the year ended 30 June 2005**

	Notes	30 June 2005 12 mths \$000	31 March 2004 12 mths \$000
Operating Revenue	11	57,068	50,404
Operating Surplus before Taxation	11	9,640	4,904
Taxation expense @ 33%		3,181	1,618
Operating Surplus Attributable to the Shareholders		6,459	3,286

The accompanying notes form part of these financial statements.



GAS DIVISION

**Statement of Movements in Equity
For the year ended 30 June 2005**

	30 June 2005 12 mths \$000	31 March 2004 12 mths \$000
Opening Equity	118,703	118,153
Operating surplus attributable to the shareholders	6,459	3,286
Total recognised revenue and expenses for the year.	6,459	3,286
Distributions to shareholders: Dividends - paid	8,068	2,736
Closing Equity	117,094	118,703

The accompanying notes form part of these financial statements.



GAS DIVISION

**Statement of Financial Position
As at 30 June 2005**

	Notes	30 June 2005 12 mths \$000	31 March 2004 12 mths \$000
Equity			
Share capital		119,080	119,080
Retained earnings		(1,986)	(377)
		<u>117,094</u>	<u>118,703</u>
Non Current Liabilities			
Current account		49,452	12,873
Redeemable bonds	2	-	43,138
Capital bonds	3	-	24,509
Subordinated bonds	4	19,695	-
Guaranteed bonds	5	49,237	61,273
US private placement	6	57,955	72,122
Commercial paper	7	29,087	28,987
Commercial bank debt	8	66,962	39,215
Funding facility	9	1,638	-
		<u>274,025</u>	<u>282,117</u>
Current Liabilities			
Accounts payable & accruals		4,724	3,867
Tax payable		171	(8)
		<u>4,895</u>	<u>3,859</u>
Total Equity and Liabilities			
		<u>396,014</u>	<u>404,679</u>
Non Current Assets			
Property, plant and equipment	10	391,488	396,244
Deferred funding costs		2,259	3,154
		<u>393,747</u>	<u>399,398</u>
Current Assets			
Bank	9	-	918
Receivables		2,267	4,363
		<u>2,267</u>	<u>5,281</u>
Total Assets			
		<u>396,014</u>	<u>404,679</u>

The accompanying notes form part of these financial statements.

POWERCO LIMITED

Notes to the Financial Statements

For the year ended 30 June 2005

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 and the Gas (Information Disclosure) Regulations 1997.

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. The group financial statements incorporate the financial statements of the company and its subsidiaries, which have been consolidated 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) 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.

c) Property, Plant and Equipment

All items of property, plant and equipment are initially recognised at cost in the statement of financial position. Cost includes the value of consideration exchanged, or fair value in the case of donated or subsidised assets, and those costs directly attributable to bringing the item to working condition for its intended use.

Land and buildings are revalued from time to time for insurance purposes only. Valuations are obtained from an independent registered valuer. Any impairment is recognised for accounting purposes and recognised in the Statement of Financial Performance.

d) 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

e) Properties Intended for Resale

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

f) Comparative Figures

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

g) 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.

h) Income Tax

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

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

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

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%.

i) 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.

j) Investments

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

k) Impairment

Assets are assessed for impairment at each reporting date. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

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 so as to allocate a constant rate of return.

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) Foreign currency transactions

Transactions denominated in foreign currencies are translated at the New Zealand rate of exchange, using the average rate for the month in which the transactions occurred. At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these transactions are included in the Statement of Financial Performance.

p) Translation of Financial Statements of Foreign Operations

Assets and liabilities of foreign operations are translated at the closing rate. Revenue and expense items are translated at a weighted average of exchange rates over the period, as a surrogate for the spot rates at transaction dates. Exchange differences arising from translation are taken to the foreign currency translation reserve and recognised in the Statement of Movements in Equity. The foreign operations are independent trading operations by wholly owned subsidiaries.

q) Goodwill

Goodwill arising on the acquisition of subsidiaries is recognised as an asset and separately disclosed. Goodwill is amortised in the statement of financial performance on a straight line basis over the period of expected benefits. To the extent that the unamortised balance of goodwill is no longer probable of being recovered from the expected future economic benefits, it is recognised immediately as an expense.

r) Goods and Services Tax (GST)

All items in the statement of financial position are stated exclusive of GST, with the exception of receivables and payables, which include GST. All items in the statement of financial performance and statement of cash flows are stated exclusive of GST.

s) 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.

t) Revenue Recognition

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

u) 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 ended 30 June 2005



GAS DIVISION

2 Redeemable Fixed Coupon Bonds

As Powerco Limited is an integrated business, this disclosure relates to the business as a whole.
On 30 June 2005, no Redeemable Fixed Coupon Bonds were on issue:

	2005 12 mths \$000	2004 12 mths \$000
5 year fixed coupon bonds	-	98,001
7 year fixed coupon bonds	-	78,004
	-	<u>176,005</u>

The redeemable bonds issued on 1 September 2000 were due to expire on 1 September 2005 (5 year bonds) and 1 September 2007 (7 year bonds). The Redeemable Bonds were redeemed by Powerco in February 2005. \$180 million of commercial bank debt was used to refinance the redemption, and will continue to do so until September 2005, when it is intended that an issue of \$180 million in Credit Wrapped bonds will replace it.

The refinancing interest rate is based on the New Zealand 90 day BKBM plus a .20% margin. As at 30 June 2005 the applicable rates were:

September 2005 tranche (\$100m)	7.2425%
September 2007 tranche (\$80m)	7.2425%

The fair value of the bonds as at 31 March 2004 were:

5 year fixed coupon bonds	\$100,864,378 (7.97%)
7 year fixed coupon bonds	\$82,399,937 (8.15%)

3 Capital Bonds

As Powerco Limited is an integrated business, this disclosure relates to the business as a whole.
On 30 June 2005, no capital bonds were on issue:

	2005 12 mths \$000	2004 12 mths \$000
	-	<u>100,000</u>

The Capital Bonds, issued on 22 May 2002, were unsecured, subordinated debt obligations of Powerco Limited with an interest rate of 8.4% p.a. fixed until 22 May 2007. The Capital Bonds have now been replaced with an issue of Subordinated Bonds, which occurred on 15 April 2005. The Subordinated Bonds, as detailed in note 4 below, have an interest rate of 7.64% p.a. and expire on 15 April 2010.

4 Subordinated Bonds

As Powerco Limited is an integrated business, this disclosure relates to the business as a whole.
On 30 June 2005, subordinated bonds on issue were:

	2005 12 mths \$000	2004 12 mths \$000
	<u>100,000</u>	-

The Subordinated Bonds were issued on 15 April 2005 and are unsecured, subordinated debt obligations of Powerco Limited. They were issued in order to replace the \$100m Capital Bonds, and have a tenure of 5 years. They have an interest rate of 7.64% p.a. fixed until expiry on 15 April 2010. The fair value of the subordinated bonds as at 30 June 2005 is \$102,755,042 (Capital Bonds Value, 31 March 2004: \$104,685,000).

5 Guaranteed Bonds

As Powerco Limited is an integrated business, this disclosure relates to the business as a whole.
On 30 June 2005, guaranteed bonds on issue were:

	2005 12 mths \$000	2004 12 mths \$000
7 year guaranteed bonds	100,000	100,000
9 year guaranteed bonds	100,000	100,000
11 1/4 year guaranteed bonds	50,000	50,000
	<u>250,000</u>	<u>250,000</u>

The Guaranteed Bonds were issued on 29 March 2004 and are unsecured debt obligations of Powerco Limited. The scheduled payments by the Company of interest and principal are guaranteed on an unsecured basis by US-based XL Capital Assurance Inc, a specialist financial guaranty organisation. The bonds expire on 29 March 2011 (7 year bonds), 29 March 2013 (9 year bonds) and 29 June 2015 (11 year bonds). As at 30 June 2005, the interest rates on the guaranteed bonds are:

7 year guaranteed bonds	6.22%
9 year guaranteed bonds	6.39%
11 year guaranteed bonds	6.53%

The Guaranteed Bonds have the benefit of the Security Trust Deed as a Senior Secured Facility.

The fair values of the Guaranteed Bonds as at 30 June 2005 was

7 year guaranteed bonds	\$98,399,704
9 year guaranteed bonds	\$98,751,530
11 year guaranteed bonds	\$49,393,056

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2005



GAS DIVISION

6 US Dollar Private Placement Notes

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

2005	2004
12 mths	12 mths
\$000	\$000

On 30 June 2005, US dollar private placement notes on issue were:

294,266	294,266
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The USD Private Placement note issue took place on 25 November 2003 to private US investors. The coupon payments are semi-annual and the note issue expires 25 November 2014 (11 year), 25 November 2015 (12 year), and 25 November 2016 (13 year).

As at 30 June 2005, the interest rates on the notes were:

11 year USD private placement notes	5.47%
12 year USD private placement notes	5.57%
13 year USD private placement notes	5.67%

The USD Private Placement notes have the benefit of the Security Trust Deed as a Senior Secured Facility.

7 Commercial Paper Facility

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

The Company has established a commercial paper facility to enable the Company to borrow money from the capital market. The programme is supported by a cash advance facility of \$200 million with a syndicate of banks made up of the Commonwealth Bank of Australia, Westpac Banking Corporation and ANZ National Bank, which continues until 3 August 2007. The facility has the benefit of the Security Trust Deed dated 10 March 2005 entered into by the Company, and is a Senior Secured Debt Facility for the purposes of the Security Trust Deed. At year-end a sum of \$150,000,000, which includes an interest portion of \$2,310,162 of 90 day bills, with varying maturity dates, had been drawn down under the commercial paper programme (2004: \$120,000,000 was drawn down under the commercial paper programme which included an interest portion of \$1,729,029).

8 Commercial Bank Debt

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

As at 30 June 2005 the balance of Commercial Bank Debt is \$359,687,000. This includes a \$160 million Term Loan Facility agreed and drawn in August 2004, expiring August 2009, which was used to refinance the remaining tranche of the Asset Purchase Facility used to fund the acquisition of United Networks Limited (UNL) assets. The Term Loan Facility is jointly provided through Commonwealth Bank of Australia, Westpac Banking Corporation and ANZ National Bank, each with an equal share. The Term Loan Facility has the benefit of the Security Trust Deed, for the purposes of which it is designated as a Senior Secured Debt Facility. The \$180 million refinance of the redeemable bonds is also included in this amount, as detailed in note 2 above.

Powerco Tasmania, a wholly-owned subsidiary, operates a working capital facility for up to AUD\$30 million with Westpac Banking Corporation. The facility expires in August 2007. As at 30 June 2005, Powerco Tasmania had drawn down NZD\$19.7 million (AUD\$18 million) on this facility.

9 Working Capital Advances Facility

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

Powerco Limited operates a wholesale capital advance facility with the Commonwealth Bank of Australia for up to \$30 million. The facility, dated 22 March 2005, replaced a similar facility held with Bank of New Zealand for up to \$15 million. As at 30 June 2005, funds to the amount of \$26.2 million were drawn down on the facility (2004: investment of \$9.388 million), offset by unrealised deposits of \$410,894. The facility is based on a revolving credit arrangement and as such does not have set repayment dates. The facility expires on 22 March 2008 but is subject to automatic renewal for a further period. The facility has the benefit of the Security Trust Deed, as a Senior Secured Debt Facility.

As at 30 June 2005, Energy Brokers New Zealand Limited had cash and deposits of \$115,734 (31 March 2004: \$111,115).

As at 30 June 2005, Powerco Tasmania, a wholly-owned subsidiary, had deposits on call of NZD\$2.171 million (AUD\$1.985 million) with Westpac Banking Corporation (31 March 2004 NZD\$2.332 million (AUD \$2.033 million)) and cash and deposits of NZD\$120,763 (AUD\$110,417).

10 Property, Plant & Equipment

Property, Plant and Equipment as at 30 June 2005

	2005	2004
	\$000	\$000
	12 mths	12 mths
Network Systems		
Capital value	419,687	414,986
less Accumulated depreciation	32,893	20,498
	386,794	394,488
Work in Progress	4,694	1,756
Total Property, Plant and Equipment	\$391,488	\$396,244

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2005



GAS DIVISION

11 Operating Revenue and Expenditure

Operating Revenue for the fifteen months ended 30 June 2005	2005 12 mths \$000	2004 12 mths \$000
Comprises:		
Line charge revenue	56,994	50,019
Interest revenue	74	385
	57,068	50,404
 Expenditure		
	2005 12 mths \$000	2004 12 mths \$000
 Operating Surplus Before Taxation for the fifteen months ended 30 June 2005	 9,640	 4,904
 Specific disclosures		
Repairs and maintenance costs	7,035	6,826
Human resource costs	200	212
Depreciation on system assets	9,079	9,802
Bad debts	38	-
Interest expense	21,536	20,828
Corporate & administration	3,182	3,256
Marketing & advertising	129	195
Consulting & legal expenses	975	212
 Total expenditure	 47,428	 45,500

12 Disclosure of Performance Measures pursuant to Regulation 15 and Part II of the First Schedule of the Gas (Information Disclosure) Regulations 1997

Financial Performance Measures	2005	2004	2003	2002
(i) Accounting Return on Total Assets	7.92%	6.38%	5.31%	8.27%
(ii) Accounting Return on Equity	5.54%	2.81%	-4.43%	-0.88%
(iii) Accounting Rate of Profit including revaluation	5.30%	4.28%	3.56%	5.69%
(iv) Accounting Rate of Profit excluding revaluation	5.30%	4.28%	3.56%	5.69%
 Efficiency Performance Measures				
(v) Direct Line Cost per Kilometre	\$1,299.10	\$1,268.10	\$1,445.52	\$1,634.20
(vi) Indirect Line Cost per Gas Customer	\$93.84	\$74.96	\$73.27	\$64.45

13 Contingent Liabilities and Commitments

As Powerco Limited 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 against Transpower Limited. The Plaintiffs allege various breaches of the Commerce Act 1986 and claim various declarations and injunctions together with damages. The damages amount is presently unquantified. 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.

Commitments	2005 12 mths \$000	2004 12 mths \$000
Commitments for future capital expenditure resulting from contracts entered into:		
Tasmanian gas network	4,947	12,620
	60,854	-
	65,801	12,620

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2005



GAS DIVISION

14 Financial Instruments

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

(i) Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. The five largest accounts receivable balances as at 30 June 2005 comprise 65.9% (2004: 62.2%) 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 fixed coupon bonds and Powerco's commercial paper program based on 90 day Bank Bills.

Powerco has entered into interest rate swap agreements to reduce the impact of the changes in interest rates on its borrowings. As at 30 June 2005 the Company had interest rate swap agreements with registered banks. The maturities of these agreements are shown in Note 14 (iv). The weighted average of the interest rate swap agreements (excluding the reverse swap agreements) produce an interest rate of 6.6% p.a.

(iii) Foreign Exchange Risk

The Company has exposure to foreign exchange risk as a result of the independent foreign subsidiary trading in their local currency and the issue of USD private placement notes. There is currently no hedging against the risk of foreign currency exchange variations in relation to the independent foreign subsidiaries. The Company has put in place a cross-currency swap to hedge against the cost of the USD private placement interest costs.

(iv) Fair Value

As at 30 June 2005

Financial assets and liabilities (excluding Bonds referred to in Note 2, 3, 4 and 5 above) are considered to be at their fair value with the exception of the following items;

		Notional Values Current 30 June 2005 \$000	Notional Values Forward rate 30 June 2005 \$000	Mark to Market Valuation 30 June 2005 \$000
	Maturities			
Interest rate swaps (Powerco pays fixed / receives floating)	2005 - 2015	870,000	-	(10,822)
Forward rate swaps (Powerco pays fixed / receives floating)	2005 - 2009	-	100,000	(2,472)
Swaps (Fixed to floating for Bonds) (Powerco receives fixed/ pays floating plus margin)	2006 - 2015	822,266	-	(46,520)
				<u>(59,814)</u>

As at 31 March 2004

Financial assets and liabilities (excluding Bonds and Investments referred to in Note 2,3,4 & 5 above) are considered to be at their fair value with the exception of the following items;

		Notional Values Current 31 March 2004 \$000	Notional Values Forward start 31 March 2004 \$000	Mark to Market Valuation 31 March 2004 \$000
	Maturities			
Interest rate swaps (Powerco pays fixed / receives floating)	2003-2012	878,000		(25,618)
Forward rate swaps (Powerco pays fixed / receives floating)	2006-2010		340,000	(4,964)
Swaps (Fixed to floating for bonds) (Powerco receives fixed / pays flo. plus margin)	2004-2012	822,266		(13,134)
				<u>(43,716)</u>

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2005



GAS DIVISION

15 Related Party Transactions

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

Powerco is deemed to have a related party relationship with New Plymouth District Council. The New Plymouth District Council held a 38.16% material interest in Powerco Limited until 31 October 2004. Powerco paid \$190,294 (2004: \$143,122) rent to the New Plymouth District Council at market rates. Rates have been paid to New Plymouth District Council to the value of \$12,962 (2004:\$29,395). Utility Rates have been paid to the New Plymouth District Council to the value of \$44,871 (2004: \$21,143). Other arms length transactions with the New Plymouth District Council amounted to \$15,682 (2004: \$30,837).

In the previous year ended 31 March 2004, Powerco paid consulting fees amounting to \$36,992 to Upson Consulting Ltd, a company in which Mr B R Upson, a Director, has an interest. The nature of the work performed was in the area of corporate development, finance and regulatory advice.

Powerco Network Management Limited, Powerco Energy Services Limited and Powerco Energy Services Eastern Limited are wholly owned subsidiaries of Powerco. These companies charge Powerco market rates for services provided, which includes the following areas:

- Asset management
- Electrical and gas contracting
- Information systems
- Buildings and insurance
- Operational finance



GAS DIVISION

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

	2005	2004	2003	2002
16.1 Energy delivery efficiency measures				
(a) Load Factor	66.34%	68.96	75.05%	63.14%
(b) Un-accounted for Gas Ratio	2.50%	2.50%	2.50%	2.50%
16.2 Statistics				
(a) System Length	5,415 km	5383 km	3820 km	2,726 km
(b) Maximum monthly amount entering the system	1,242,515	1,188,378	630,043GJ	445,406GJ
(c) Total amount of gas conveyed	9,891,000	9,836,591	5,650,470GJ	3,374,934GJ
(d) Total amount of gas conveyed on behalf of other persons	9,891,000	9,836,591	5,650,470GJ	3,374,934GJ
(e) Total customers	104,203	107,300	74,212	49,381

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

17.1 Un-planned interruptions in transmission systems	0	0	0	0
17.2 Un-planned interruptions in distribution systems				
(a) Un-planned interruptions other than those directly resulting from un-planned interruptions of a transmission system.	0.0043	0.0022	0.026	0.0027
(b) Un-planned interruptions directly resulting from un-planned interruptions of a transmission system.	0	0.143	0	0.53