

# New Zealand Gazette

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## THE POWER COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

**THE POWER COMPANY LIMITED LINE BUSINESS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2005**

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004.

**INFORMATION DISCLOSURE DISCLAIMER**

The information disclosed in this 2005 Information Disclosure package issued by The Power Company Limited has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

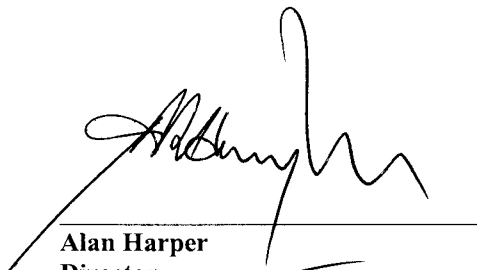
The Requirements require the information to be disclosed in the manner it is presented.

The information should not be used for any other purposes than that intended under the Requirements.

The financial information presented is for the line business as described within the Electricity Information Disclosure Requirements 2004. There are also additional activities of the Company that are not required to be reported under the Requirements.

**APPROVAL BY DIRECTORS**

The Directors have approved the Consolidated Financial Statements of The Power Company Limited Line Business for the period ended 31 March 2005 on pages 2 to 21.



Alan Harper  
Director



Cam McCulloch  
Director

For and on behalf of the  
Board of Directors

10 August 2005

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2005**

		Group		Parent	
	Note	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Operating Revenue	(2)	28,000	26,114	13,012	11,713
Operating Expenses	(3)	(25,234)	(22,135)	(10,597)	(8,244)
<b>Net Surplus Before Taxation</b>		<b>2,766</b>	<b>3,979</b>	<b>2,415</b>	<b>3,469</b>
Taxation Expense		(2,064)	(2,191)	(2,190)	(2,026)
<b>Net Surplus After Taxation</b>		<b>702</b>	<b>1,788</b>	<b>225</b>	<b>1,443</b>

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF MOVEMENT IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2005**

	Note	Group		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Total Recognised Revenues and Expenses:</b>					
Net Surplus for the Year		702	1,788	225	1,443
Movement in Revaluation Reserve		159	50,445	159	50,445
		<b>861</b>	<b>52,233</b>	<b>384</b>	<b>51,888</b>
<b>Add Contributions from Owners During the Year:</b>					
- Funds Released from Other Business		-	-	-	-
		-	-	-	-
<b>Deduct Distributions to Owners During the Year:</b>					
- Dividend		(130)	(86)	(130)	(86)
		(130)	(86)	(130)	(86)
<b>Movement in Equity for the Year</b>		<b>731</b>	<b>52,147</b>	<b>254</b>	<b>51,802</b>
<b>Equity at Beginning of Year</b>		<b>208,006</b>	<b>155,859</b>	<b>207,499</b>	<b>155,697</b>
<b>Equity at End of Year</b>	(4)	<b>208,737</b>	<b>208,006</b>	<b>207,753</b>	<b>207,499</b>

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2005**

		<b>Group</b>		<b>Parent</b>	
	<b>Note</b>	<b>2005</b> <b>\$000</b>	<b>2004</b> <b>\$000</b>	<b>2005</b> <b>\$000</b>	<b>2004</b> <b>\$000</b>
<b>Equity</b>	(4)	<b>208,737</b>	<b>208,006</b>	<b>207,753</b>	<b>207,499</b>
<b>Represented By:</b>					
<b>Current Assets</b>					
Receivables and Prepayments	(5)	2,669	2,518	606	990
Inventories		47	52	-	-
<b>Total Current Assets</b>		<b>2,716</b>	<b>2,570</b>	<b>606</b>	<b>990</b>
<b>Non Current Assets</b>					
Shareholder Advance		-	-	1,891	1,876
Property, Plant and Equipment	(6)	209,840	213,655	208,799	212,616
Capital Work in Progress		2,709	1,282	2,697	1,261
<b>Total Non Current Assets</b>		<b>212,549</b>	<b>214,937</b>	<b>213,387</b>	<b>215,753</b>
<b>Total Assets</b>		<b>215,265</b>	<b>217,507</b>	<b>213,993</b>	<b>216,743</b>
<b>Current Liabilities</b>					
Bank Overdraft		2,818	6,873	5,077	8,723
Accounts Payable and Provisions	(7)	3,580	2,390	1,033	521
Provision for Taxation		-	238	-	-
Provision for Dividend	(7)	130	-	130	-
<b>Total Current Liabilities</b>		<b>6,528</b>	<b>9,501</b>	<b>6,240</b>	<b>9,244</b>
<b>Non Current Liabilities</b>					
Term Loan		-	-	-	-
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>6,528</b>	<b>9,501</b>	<b>6,240</b>	<b>9,244</b>
<b>Net Assets</b>		<b>208,737</b>	<b>208,006</b>	<b>207,753</b>	<b>207,499</b>

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

		Group		Parent	
	Note	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was Provided From:</b>					
Receipts from Customers		26,185	23,172	12,091	9,936
Sundry Income		1,748	989	1,071	915
Interest Received		9	20	191	150
		27,942	24,181	13,353	11,001
<b>Cash was Applied To:</b>					
Payments to Suppliers		13,030	12,959	416	1,772
Payments to Employees		1,132	1,144	-	-
Taxes Paid		2,302	1,908	2,190	2,263
Interest Paid		22	68	-	42
		16,486	16,079	2,606	4,077
<b>Net Cash From Operating Activities</b>	(8)	<b>11,456</b>	<b>8,102</b>	<b>10,747</b>	<b>6,924</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was Provided From:</b>					
Sale of Property, Plant and Equipment		1	149	-	-
		1	149	-	-
<b>Cash was Applied To:</b>					
Purchase of Property, Plant and Equipment		7,402	6,972	7,086	6,340
Intercompany Advance		-	-	15	189
		7,402	6,972	7,101	6,529
<b>Net Cash Used in Investing Activities</b>		<b>(7,401)</b>	<b>(6,823)</b>	<b>(7,101)</b>	<b>(6,529)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was Provided From:</b>					
Term Loan		-	-	-	-
		-	-	-	-
<b>Cash was Applied To:</b>					
Payment of Dividends		-	86	-	86
Repayment of Term Loan		-	1,200	-	1,200
		-	1,286	-	1,286
<b>Net Cash Used in Financing Activities</b>		<b>-</b>	<b>(1,286)</b>	<b>-</b>	<b>(1,286)</b>
Net Increase/(Decrease) In Cash Held		4,055	(7)	3,646	(891)
Add Opening Cash Brought Forward		(6,873)	(6,866)	(8,723)	(7,832)
<b>Closing Cash Carried Forward</b>		<b>(2,818)</b>	<b>(6,873)</b>	<b>(5,077)</b>	<b>(8,723)</b>

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

**THE POWER COMPANY LIMITED LINE BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2005**

**1. STATEMENT OF ACCOUNTING POLICIES**

**Reporting Entity**

The Power Company Limited is wholly owned by a Consumer Trust and is registered under the Companies Act 1993.

The Parent Entity consists of the network assets of The Power Company Limited.

The Group consists of the Line Business network assets of The Power Company Limited, along with the joint venture interests in PowerNet Limited, held by The Power Company Limited's wholly owned subsidiary Last Tango Limited.

**Purpose of the Financial Statements**

These financial statements have been prepared for the purpose of complying with the Electricity Information Disclosure Requirements 2004 and relate to the Group's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Requirement 6 of the Requirements.

The activities of the Parent have been separately disclosed in these Financial Statements as that is a requirement of generally accepted accounting practice. The Parent activities are not required under the Requirements.

**Measurement Base**

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis with the exception of certain items for which specific accounting policies are identified.

**Specific Accounting Policies**

*a) Principles of Consolidation*

The interest in PowerNet Limited has been accounted for at the Group level on a line by line consolidation of revenue and expenses after the elimination of all significant inter-company transactions.

*b) Revenue*

*Network Charges*

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

*Investment Income*

Interest and dividend income are accounted for as earned.

*Customer Contributions*

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which they are received.

*c) Avoidable Cost Allocation Methodology*

The Avoidable Cost Allocation Methodology as described in the Electricity Information Disclosure Handbook has been used to separate "Other" activities from The Power Company Limited and PowerNet Limited. Other activities or non Line Business activity has been excluded from these accounts.

**d) Receivables**

Receivables are stated in their estimated realisable value. All known losses are written off in the period in which it becomes apparent the debts are not collectable.

**e) Inventories**

Inventories are stated at the lower of cost of weighted average cost price and net realisable value.

**f) Property, Plant and Equipment**

All property, plant and equipment is initially recorded at cost less accumulated depreciation. The cost of purchased property, plant and equipment is the fair 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.

**Revaluation**

The network system assets were revalued as at 31 March 2004 to Depreciated Replacement Cost (DRC) as assessed by independent valuers MWH New Zealand Limited. Previously these assets were recorded at cost less accumulated depreciation.

Network assets are revalued on a cyclical basis to fair value using a Depreciated Replacement Cost methodology with no asset being recognised at a valuation undertaken more than five years previously.

Revaluation increments are transferred to the Asset Revaluation Reserve.

All other assets are recorded at cost less accumulated depreciation.

**g) Depreciation**

Property, Plant and Equipment is depreciated on the basis of valuation cost price less estimated residual value over the period of their estimated useful life.

Rates used are:

Buildings	2.50% – 15.00%	Straight Line/Diminishing Value
Office Equipment & EDP Equipment	9.00% – 60.00%	Diminishing Value
Motor Vehicles	26.00% – 31.20%	Diminishing Value
Network Assets	1.82% – 16.67%	Straight Line/Diminishing Value

**h) Asset Impairment**

Where the estimated recoverable amount of an asset is less than its carrying value, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Financial Performance.

**i) Income Tax**

The income tax expense charged against the profit for the year is the estimated liability calculated at 33 cents in the dollar in respect of that profit.

**j) Capital Work In Progress**

Capital Work In Progress is stated at cost and is not depreciated.

**k) Goods And Services Tax**

These accounts have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are GST inclusive.



*l) Financial Instruments*

The Line Business is party to financial instrument arrangements as part of its everyday operations. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance on an accrual basis.

The Line Business has no off-balance sheet exposures. The Line Business values all financial instruments at fair value in the Statement of Financial Position.

*m) Operating Leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

*n) Foreign Currency*

Transactions covered by short-term forward exchange contracts are translated at the exchange rates specified in those contracts. Other foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions. There are no assets or liabilities in foreign currencies at balance date.

*o) Employee Entitlements*

Provision is made in respect of the Company's liability for annual and long service leave. Leave has been calculated on an actual entitlement basis at current rates of pay.

**Changes in Accounting Policies**

There have been no changes in accounting policies during the year ended 31 March 2005.

<p style="text-align: center;"><b>THE POWER COMPANY LIMITED LINE BUSINESS</b></p> <p style="text-align: center;"><b>NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS</b></p> <p style="text-align: center;"><b>FOR THE YEAR ENDED 31 MARCH 2005</b></p>
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**2. Operating Revenue**

	<b>Group</b>		<b>Parent</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<i>Operating Revenue Comprises:</i>				
Network Charges	26,242	24,119	11,750	10,648
AC Loss Rental Rebates	553	986	-	-
Interest on Investments	9	20	191	150
Other Revenue	1,196	989	1,071	915
<b>Total Operating Revenue</b>	<b>28,000</b>	<b>26,114</b>	<b>13,012</b>	<b>11,713</b>

**3. Operating Expenses***Operating Expenses Include:**Auditors Remuneration:*

- Statutory Audit	28	33	20	25
- Other	17	19	17	19
Bad Debts Written Off	4	8	-	-
<i>Depreciation:</i>				
- Office Equipment	202	357	9	1
- Network	9,379	7,176	9,379	7,176
- Buildings	16	22	-	-
- Plant & Equipment	110	118	-	-
Directors' Fees	112	107	70	71
Interest Expense	22	68	-	-
Lease Costs	-	-	-	-
Loss on Disposal of Fixed Assets	242	259	238	258

**4. Equity**

Capital Reserve	28,847	28,847	28,847	28,847
Asset Revaluation Reserve (see below)	161,093	160,934	161,093	160,934
Retained Earnings	18,797	18,225	17,813	17,718
<b>Total Equity</b>	<b>208,737</b>	<b>208,006</b>	<b>207,753</b>	<b>207,499</b>

*Asset Revaluation Reserve*

Opening Balance	160,934	110,489	160,934	110,489
Revaluation in the Year	159	50,445	159	50,445
<b>Closing Balance</b>	<b>161,093</b>	<b>160,934</b>	<b>161,093</b>	<b>160,934</b>

**5. Receivables and Prepayments**

Trade Debtors	2,529	2,471	563	988
Prepayments	140	47	43	2
<b>Total Receivables and Prepayments</b>	<b>2,669</b>	<b>2,518</b>	<b>606</b>	<b>990</b>

**6. Property, Plant and Equipment**

	<b>Group</b>		<b>Parent</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Land	49	85	-	-
Buildings (At Cost)	333	344	-	-
Accumulated Depreciation	(173)	(176)	-	-
	160	168	-	-
Customer Billing & Information System Assets (At Cost)	2,757	2,757	2,757	2,757
Accumulated Depreciation	(2,757)	(2,748)	(2,757)	(2,748)
	-	9	-	9
Motor Vehicles (At Cost)	-	4	-	-
Accumulated Depreciation	-	(3)	-	-
	-	1	-	-
Plant and Equipment (At Cost)	1,039	862	8	8
Accumulated Depreciation	(766)	(582)	(4)	(4)
	273	280	4	4
Office Equipment (At Cost)	1,879	1,966	16	16
Accumulated Depreciation	(1,313)	(1,454)	(13)	(13)
	566	512	3	3
Network Assets (At Valuation)	218,145	231,839	218,145	231,839
Accumulated Depreciation	(9,353)	(19,239)	(9,353)	(19,239)
	208,792	212,600	208,792	212,600
<b>Total Property, Plant &amp; Equipment</b>	<b>209,840</b>	<b>213,655</b>	<b>208,799</b>	<b>212,616</b>

Directors consider book value to be an indication of the fair value of Land and Buildings.

**7. Accounts Payable and Provisions**

Accounts Payable and Accruals	3,395	2,233	1,033	521
Provision for Employee Entitlements	185	157	-	-
Provision for Dividend	130	-	130	-
<b>Total Accounts Payable and Provisions</b>	<b>3,710</b>	<b>2,390</b>	<b>1,163</b>	<b>521</b>

**8. Reconciliation of Net Surplus After Taxation with Cashflow from Operating Activities**

	<b>Group</b>		<b>Parent</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Net Surplus After Tax	702	1,788	225	1,443
<b>Add Non Cash Items</b>				
Depreciation	9,706	7,672	9,379	7,177
Loss on Sale	242	260	238	258
	<b>10,650</b>	<b>9,720</b>	<b>9,842</b>	<b>8,878</b>
<b>Plus/(Less) Movement in Working Capital Items:</b>				
(Increase)/Decrease in Accounts Receivable	(58)	(946)	425	(769)
(Increase)/Decrease in Prepayments	(93)	55	(41)	57
(Increase)/Decrease in Stock	5	20	-	-
Increase/(Decrease) in Provision for Tax	(238)	283	-	(238)
Increase/(Decrease) in Accounts Payable and Provisions	1,190	(1,030)	521	(1,004)
<b>Net Cash From Operating Activities</b>	<b>11,456</b>	<b>8,102</b>	<b>10,747</b>	<b>6,924</b>

**9. Commitments****Operating Lease Commitments:**

Operating Lease Commitments are payable as follows:

➤ Not Later than one year	43	100	-	-
➤ Later than one year and not later than two years	26	49	-	-
➤ Later than two years and no later than five years	25	65	-	-
➤ Later than five years	-	-	-	-

**10. Financial Instruments****Off Balance Sheet Financial Instruments**

The Line Business does not have any off balance sheet financial instruments.

**Credit Risk**

Financial instruments which potentially subject the Line Business to credit use principally consist of bank balances and accounts receivable. Bank deposits are placed with high credit - quality financial institutions. The Line Business performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk at balance date are:

Receivables	2,529	2,471	563	988
	<b>2,529</b>	<b>2,471</b>	<b>563</b>	<b>988</b>

The above exposures are net of any recognised provision for losses on these financial instruments.

No collateral is held on the above amounts.

#### **Concentrations of Credit Risk**

The Line Business is exposed to a Concentration of Credit Risk by one significant energy retailer. This entity is considered to be a high credit quality entity.

#### **Foreign Exchange Risk**

The Line Business is not exposed to any foreign exchange risk.

#### **Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changed in market interest rates. The Line Business is exposed to normal fluctuations in market interest rates.

#### **Fair Values**

The estimated fair value of the Line Business' financial instruments are represented by the carrying values.

### **11. Related Parties**

The Power Company Limited "Line Business" consists of line activities conducted in The Power Company Limited and its joint venture company PowerNet Limited. The Power Company Limited "Other Business" consists of other or non-line activities conducted in The Power Company Limited and its joint venture company PowerNet Limited.

All related party transactions between The Power Company Limited Line Business and PowerNet Limited Line Business have been eliminated in the preparation of the financial statements.

During the year related party transactions took place between The Power Company Limited Line Business and The Power Company Limited Other Business. All related party transactions have been conducted on a commercial and arms length basis.

The Line Business purchased goods and services at cost, including overheads where applicable, from the Other Business. The value of the transactions, parties involved, and description of goods or services purchased were as follows:

#### **The Power Company Limited Line Business purchased from PowerNet Limited Other Business:**

	<b>31 March 2005</b>	<b>31 March 2004</b>
	<b>\$000</b>	<b>\$000</b>
Construction of:		
➤ Subtransmission assets	205	1,676
➤ Zone substations	1,481	2,633
➤ Distribution lines and cables	2,256	700
➤ Medium voltage switchgear	175	543
➤ Distribution transformers	1,119	1,172
➤ Distribution substations	942	618
➤ Low voltage lines and cables	91	540
➤ Other system fixed assets	-	-

The above amounts represent the capital works programme undertaken by PowerNet Limited on behalf of The Power Company Limited.

Maintenance of assets	-	-
Consumer connections and disconnections	-	-

#### **PowerNet Limited's Line Business purchased from The Power Company Limited Other Business:**

Rent	19	20
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**The value of transactions owing at balance date were as follows:**

The Power Company Limited Line Business owes PowerNet Limited Other Business \$2,170,000 (2004: \$2,256,000).

PowerNet Limited's Line Business owes The Power Company Limited Other Business \$2,000 (2004: \$2,000).

The Southland Electric Power Supply Consumer Trust, which owns 100% of the shares in The Power Company Limited, is a related party. During the year expenses are paid out on behalf of the Trust, at 31 March 2005 these totalled \$130,000 (2004: \$86,000). The Trust has an outstanding debt to The Power Company Limited at balance date of \$130,000 (2004: Nil) for which a dividend has been provided for in the current year by The Power Company Limited.

No related party debts have been written off or forgiven during 2005 or 2004.

**12. Annual Valuation Reconciliation Report**

	<b>31 March 2005 \$000</b>	<b>31 March 2004 \$000</b>
System fixed assets at ODV – end of the previous financial year	217,278	152,433
<i>Less</i> recalibration of system fixed assets	-	-
Revised system fixed assets – end of the previous financial year	217,278	152,433
<i>Add</i> system fixed assets acquired during the year at ODV	6,264	9,498
<i>Less</i> system fixed assets disposed of during the year at ODV	(224)	(441)
<i>Less</i> depreciation on system fixed assets at ODV	(9,538)	(7,176)
<i>Add</i> 11kv Servicemains returned to Lines Business ownership	-	13,955
<i>Add</i> revaluations of system fixed assets	-	49,009
<b>System fixed assets at ODV – end of the financial year</b>	<b>213,780</b>	<b>217,278</b>

## THE POWER COMPANY LIMITED LINE BUSINESS

### DISCLOSURE OF INFORMATION

Pursuant to Requirement 6(2) of the Electricity Information Disclosure Requirements 2004, Schedule 1 Part 2.

	31 March 2005 \$000	31 March 2004 \$000
<b>Current Assets</b>		
(a) Cash and bank balances	-	-
(b) Short-term investments	-	-
(c) Inventories	47	52
(d) Accounts receivable	2,529	2,471
(e) Other current assets not listed in (a) to (d)	140	47
<b>Total Current Assets</b>	<b>2,716</b>	<b>2,570</b>
<b>Fixed Assets</b>		
(a) System fixed assets	208,792	212,600
(b) Consumer billing and information system assets	-	9
(c) Motor vehicles	-	1
(d) Office equipment	566	512
(e) Land and buildings	209	253
(f) Capital works under construction	2,709	1,282
(g) Other fixed assets not listed in (a) to (g)	273	280
<b>Total Fixed Assets</b>	<b>212,549</b>	<b>214,937</b>
<b>Other tangible assets not listed above</b>		-
<b>Total Tangible Assets</b>	<b>215,265</b>	<b>217,507</b>
<b>Intangible Assets</b>		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a) above	-	-
<b>Total Intangible Assets</b>	-	-
<b>TOTAL ASSETS</b>	<b>215,265</b>	<b>217,507</b>
<b>Current Liabilities</b>		
(a) Bank overdraft	2,818	6,873
(b) Short-term borrowings	-	-
(c) Payables and accruals	3,580	2,390
(d) Provision for dividends payable	130	-
(e) Provision for income tax	-	238
(f) Other current liabilities not listed in (a) to (e) above	-	-
<b>Total Current Liabilities</b>	<b>6,528</b>	<b>9,501</b>
<b>Non-Current Liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
<b>Total Non-Current Liabilities</b>	-	-
<b>Equity</b>		
(a) Shareholders' equity:		
(i) Share capital	28,847	28,847
(ii) Retained earnings	18,797	18,225
(iii) Reserves	161,093	160,934
Total Shareholders' equity	208,737	208,006
(b) Minority interests in subsidiaries	-	-
<b>Total Equity</b>	<b>208,737</b>	<b>208,006</b>
(c) Capital notes	-	-
<b>Total Capital Funds</b>	<b>208,737</b>	<b>208,006</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>215,265</b>	<b>217,507</b>

	31 March 2005 \$000	31 March 2004 \$000
<b>Operating Revenue</b>		
(a) Revenue from line/access charges	26,242	26,206
(b) Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
(c) Interest on cash, bank balances and short-term investments	9	20
(d) AC loss-rental rebates	553	986
(e) Other revenue not listed in (a) to (d)	1,196	989
(f) Line charge discount to consumers	-	(2,087)
<b>Total Operating Revenue</b>	<b>28,000</b>	<b>26,114</b>
<b>Operating Expenditure</b>		
(a) Payment for transmission charges	7,423	6,578
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges on account of own generation	-	-
(vii) Other goods and services not listed in (i) to (vi) above	19	20
<b>Total transfer payment to the "Other" business</b>	<b>19</b>	<b>20</b>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	4,092	3,795
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
<b>Total of specified expenses to non-related parties (sum of (i) to (v))</b>	<b>4,092</b>	<b>3,795</b>
(d) Employee salaries, wages and redundancies	1,132	1,144
(e) Consumer billing and information system expense	140	165
(f) Depreciation on:		
(i) System fixed assets	9,379	7,176
(ii) Other assets not listed in (i)	327	496
<b>Total depreciation</b>	<b>9,706</b>	<b>7,672</b>
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
<b>Total Amortisation of intangibles</b>	<b>-</b>	<b>-</b>
(h) Corporate and administration	1,042	567
(i) Human resource expenses	97	116
(j) Marketing/advertising	78	70
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-



	31 March 2005 \$000	31 March 2004 \$000
(n) Consultancy and legal expenses	178	168
(o) Donations	-	-
(p) Directors' fees	112	107
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors	28	33
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by principal and other auditors	17	19
<b>Total Auditors' fees</b>	<b>45</b>	<b>52</b>
(r) Costs of offering credit:		
(i) Bad debts written off	4	8
(ii) Increase in estimated doubtful debts	-	-
<b>Total cost of offering credit</b>	<b>4</b>	<b>8</b>
(s) Local authority rates expense	146	165
(t) AC loss-rentals (distribution to retailers/customers) expense	553	986
(u) Rebates to consumers due to ownership interest	-	-
(v) Subvention payments	19	9
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	426	445
<b>Total operating expenditure</b>	<b>25,212</b>	<b>22,067</b>
<b>Operating surplus before interest and income tax</b>	<b>2,788</b>	<b>4,047</b>
<b>Interest expense</b>		
(a) Interest expense on borrowings	22	68
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
<b>Total interest expense</b>	<b>22</b>	<b>68</b>
<b>Operating surplus before income tax</b>	<b>2,766</b>	<b>3,979</b>
<b>Income tax</b>	<b>(2,064)</b>	<b>2,191</b>
<b>Net surplus after tax</b>	<b>702</b>	<b>1,788</b>

**THE POWER COMPANY LIMITED LINE BUSINESS  
FINANCIAL AND EFFICIENCY  
PERFORMANCE MEASURES**

**PURSUANT TO REQUIREMENT 14 OF THE ELECTRICITY INFORMATION  
DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 3**

**FINANCIAL PERFORMANCE MEASURES**

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Return on Funds	1.22%	3.75%	1.32%	1.64%
Return on Funds (excluding discount)		4.88%	3.19%	2.89%
Return on Equity	0.26%	2.65%	0.34%	0.78%
Return on Equity (excluding discount)		3.44%	1.66%	1.69%
Return on Investment	0.33%	34.52%	0.58%	(12.42%)
Return on Investment (excluding revaluation and discount)		3.32%	1.83%	2.25%

**EFFICIENCY PERFORMANCE MEASURES**

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Direct Line Costs per Kilometre	\$682	\$638	\$763	\$644
Indirect Line Costs per Electricity Customer	\$54	\$44	\$34	\$33

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

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	2,787,991				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIIT)	2,787,991				
Interest on cash, bank balances, and short-term investments (ISTI)	8,679				
OSBIIT minus ISTI	2,779,312	a	2,779,312		2,779,312
Net surplus after tax from financial statements	701,347				
Net surplus after tax adjusted pursuant to Requirement 18 (NSAT)	701,347	n		701,347	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	0
Subvention payment	18,570	s	add	18,570	18,570
Depreciation of SFA at BV (x)	9,378,782				
Depreciation of SFA at ODV (y)	9,538,000				
ODV depreciation adjustment	-159,218	d	add	-159,218	-159,218
Subvention payment tax adjustment	6,128	s*t	deduct	6,128	6,128
Interest tax shield	4,427	q			4,427
Revaluations	159,405	r			159,405
Income tax	2,054,461	p			2,054,461
<b>Numerator</b>			OSBIIT <sup>ADJ</sup> = a + g + s + d	NSAT <sup>ADJ</sup> = n + g + s + t + d	OSBIIT <sup>ADJ</sup> = a + g + q + t + s + d - p - s * t
			2,638,664	554,661	723,053
Fixed assets at end of previous financial year (FA <sub>0</sub> )	214,936,390				
Fixed assets at end of current financial year (FA <sub>1</sub> )	212,548,508				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	180,622				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-863,763				
Average total funds employed (ATFE)	213,400,878 (or requirement 32 time-weighted average)	c	213,400,878		213,400,878
Total equity at end of previous financial year (TE <sub>0</sub> )	208,005,906				
Total equity at end of current financial year (TE <sub>1</sub> )	208,737,112				
Average total equity	208,371,509 (or requirement 32 time-weighted average)	k		208,371,509	
WUC at end of previous financial year (WUC <sub>0</sub> )	1,281,549				
WUC at end of current financial year (WUC <sub>1</sub> )	2,708,617				
Average total works under construction	1,995,083 (or requirement 32 time-weighted average)	e	deduct 1,995,083	deduct 1,995,083	deduct 1,995,083
Revaluations	159,405	r			
Half of revaluations	79,703	r/2			deduct 79,703

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
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		deduct	0
	(or requirement 32 time-weighted average)				
Subvention payment at end of previous financial year ( $S_0$ )	9,223				
Subvention payment at end of current financial year ( $S_1$ )	18,570				
Subvention payment tax adjustment at end of previous financial year	3,044				
Subvention payment tax adjustment at end of current financial year	6,128				
Average subvention payment and related tax adjustment	9,311	v		add	9,311
System fixed assets at end of previous financial year at BV ( $SFA_{bvo}$ )	212,559,403				
System fixed assets at end of current financial year at BV ( $SFA_{bvt}$ )	208,792,364				
Average value of system fixed assets at BV	210,695,884	f	deduct	210,695,884	deduct
	(or requirement 32 time-weighted average)				
System Fixed assets at year beginning at ODV value ( $SFA_{odv0}$ )	217,278,000				
System Fixed assets at end of current financial year at ODV value ( $SFA_{odvt}$ )	213,780,000				
Average value of system fixed assets at ODV value	215,529,000	h	add	215,529,000	add
	(or requirement 32 time-weighted average)				
Denominator			$ATFE^{Adj} = c-e-f+h$	$Ave TE^{Adj} = k-e-m+v-f+h$	$ATFE^{Adj} = c-e-1/2r-f+h$
Financial Performance Measure			$ROF = OSBIT^{Adj} / ATFE^{Adj} \times 100$	$ROE = NSAT^{Adj} / ATE^{Adj} \times 100$	$ROI = OSBIT^{Adj} / ATFE^{Adj} \times 100$
			1.22	0.26	0.33

t = maximum statutory income tax rate applying to corporate entities  
 subscript '0' = end of the previous financial year  
 ROI = return on investment

BV = book value  
 subscript '1' = end of the current financial year

ave = average

ROF = return on funds

odv = optimised deprival valuation  
 ROE = return on equity

## THE POWER COMPANY LIMITED LINE BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

### PURSUANT TO REQUIREMENT 20 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 4

#### ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES YEARS ENDING 31 MARCH 2002, 2003, 2004 AND 2005

	2005	2004	2003	2002
Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	68.3%	67.9%	68.2%	60.7%
Loss Ratio (Transmission losses over energy entering the system)	8.3%	8.4%	9.1%	10.1%
Capacity Utilisation (Maximum demand over total transformer capacity)	33.7%	34.5%	35.9%	38.4%

The loss ratio is derived from electricity supplied information provided by other parties. The Power Company Limited is unable to audit this information and is not confident with its accuracy and considers the figure is overstated.

#### STATISTICS

		66kV	33kV	11kV	400V	Total
System Length (km's)	2001/02	342	499	5,714	985	7,540
	2002/03	349	489	5,724	1,005	7,567
	2003/04	357	476	6,654	985	8,472
	2004/05	357	462	6,688	991	8,498
Overhead Lines (km's)	2001/02	342	497	5,661	879	7,379
	2002/03	349	486	5,669	876	7,379
	2003/04	357	472	6,569	865	8,263
	2004/05	357	459	6,598	864	8,278
Underground Cables (km's)	2001/02	-	2	53	106	161
	2002/03	-	3	55	129	187
	2003/04	-	4	85	120	209
	2004/05	-	3	90	127	220

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
2001/02	298,004	114,322	608,062,700	546,387,820	31,800
2002/03	308,761	110,963	662,476,687	602,095,219	31,944
2003/04	320,740	110,520	657,269,620	601,929,800	31,875
2004/05	332,875	112,173	671,083,840	615,162,069	31,967

Retailer	kWh (2004/05)	kWh (2003/04)	kWh (2002/03)	kWh (2001/02)
Retailer A	-	-	-	8,861,505
Retailer B	14,749,281	12,742,402	21,740,841	25,163,920
Retailer C	390,352,970	341,002,613	337,448,503	311,274,343
Retailer D	146,791,042	188,904,810	166,448,292	77,128,323
Retailer E	15,463,788	13,139,523	24,589,531	75,935,636
Retailer F	24,100,091	21,482,377	26,999,250	24,739,800
Electricity Invercargill Limited	23,704,897	24,658,075	24,868,802	23,284,293
<b>Total</b>	<b>615,162,069</b>	<b>601,929,800</b>	<b>602,095,219</b>	<b>546,387,820</b>

The Electricity Conveyed details are provided by other parties. The Power Company Limited is unable to audit this information and is not confident with its accuracy.

## THE POWER COMPANY LIMITED LINE BUSINESS

### RELIABILITY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 21 OF THE ELECTRICITY INFORMATION  
DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 5

#### RELIABILITY STATISTICS FOR YEARS ENDING 31 MARCH 2002, 2003, 2004 AND 2005

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2001/02	-	194	375	-	-	1	-	-	-	570
	2002/03	-	149	388	-	-	3	-	-	-	540
	2003/04	-	85	391	3	-	-	-	-	-	479
	2004/05	-	63	354	-	-	-	-	-	-	417
Predicted 2005/2006			206	406							
5-Year Average Target			214	355							
SAIDI	2001/02	-	20.0	117.8	-	-	1.3	-	-	-	139.0
	2002/03	-	18.9	147.8	-	-	0.3	-	-	-	167.0
	2003/04	-	11.1	140.8	5.4	-	-	-	-	-	157.3
	2004/05	-	7.7	117.8	-	-	-	-	-	-	125.5
Predicted 2005/2006			16.3	160.5							
5-Year Average Target			17.7	154.2							
SAIFI	2001/02	-	0.14	2.73	-	-	0.01	-	-	-	2.88
	2002/03	-	0.11	3.22	-	-	0.01	-	-	-	3.33
	2003/04	-	0.10	3.42	0.61	-	-	-	-	-	4.13
	2004/05	-	0.04	2.96	-	-	-	-	-	-	3.00
Predicted 2005/2006			0.12	3.52							
5-Year Average Target			0.12	3.45							
CAIDI	2001/02	-	146.8	43.1	-	-	161.0	-	-	-	48.3
	2002/03	-	174.4	45.9	-	-	40.3	-	-	-	50.1
	2003/04	-	111.3	41.2	8.9	-	-	-	-	-	38.1
	2004/05	-	188.3	39.8	-	-	-	-	-	-	41.9
Predicted 2005/2006			137.5	45.5							
5-Year Average Target			143.1	44.6							

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2001/02	2.31	1.15	6.27	5.68
	2002/03	1.14	2.27	6.65	6.03
	2003/04	1.68	3.37	6.03	5.62
	2004/05	1.40	2.18	5.06	4.71
UG per 100km	2001/02	-	-	1.93	1.86
	2002/03	-	-	3.65	3.47
	2003/04	-	-	-	-
	2004/05	-	29.07	2.22	3.20
Total per 100km	2001/02	2.31	1.14	6.24	5.65
	2002/03	1.14	2.25	6.62	6.00
	2003/04	1.68	3.34	5.96	5.56
	2004/05	1.40	2.38	5.02	4.69
Predicted 2005/2006		1.58	3.17	5.77	5.41
5-Year Average Target		1.55	3.10	5.65	5.30

Class C Interruptions Not Restored in	3 hours	2.82%
Class C Interruptions Not Restored in	24 hours	0%

**THE POWER COMPANY LIMITED**  
**CERTIFICATION OF FINANCIAL STATEMENTS**  
**PERFORMANCE MEASURES AND STATISTICS**  
**DISCLOSED BY DISCLOSING ENTITIES**  
**(OTHER THAN TRANSPower)**

We, Alan Bertram Harper and Cameron Andrew McCulloch, Directors of The Power Company Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The attached audited financial statements of The Power Company Limited, 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 The Power Company Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

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

Signed:

.....  
[Director]

.....  
[Director]

Dated:

10 August 2005

10 August 2005



**PricewaterhouseCoopers**  
Forsyth Barr House, The Octagon  
PO Box 5848  
Dunedin, New Zealand  
Telephone +64 3 477 8784  
Facsimile +64 3 477 1186

## **Auditors' Report**

To the readers of the financial statements of  
The Power Company Limited - Lines Business

We have audited the accompanying financial statements of The Power Company Limited - Lines Business. The financial statements provide information about the past financial performance and cash flows of The Power Company Limited – Lines Business and Group, and their financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

## **Directors' Responsibilities**

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 requires the Directors to prepare financial statements which give a true and fair view of the financial position of The Power Company Limited - Lines Business and Group as at 31 March 2005, and the results of their operations and cash flows for the year then ended.

## **Auditors' Responsibilities**

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

## **Basis of Opinion**

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements
- whether the accounting policies are appropriate to The Power Company Limited - Lines Business and Groups' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give 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 capacities as auditors and providers of other professional services we have no relationship with or interests in The Power Company Limited.





## **Auditors' Report**

The Power Company Limited - Lines Business

### **Unqualified Opinion**

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

In our opinion:

- (a) proper accounting records have been maintained by The Power Company Limited as far as appears from our examination of those records; and
- (b) the financial statements referred to above:
  - (i) comply with generally accepted accounting practice
  - (ii) give a true and fair view of the financial position of The Power Company Limited - Lines Business and Group as at 31 March 2005 and the results of their operations and cash flows for the year then ended; and
  - (iii) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 10 August 2005 and our unqualified opinion is expressed as at that date.

A handwritten signature in dark ink, appearing to read 'P. Waterhouse', is written over the company name 'Price Waterhouse Coopers'.

Chartered Accountants

Dunedin



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## **Auditors' Opinion of Performance Measures**

The Power Company Limited - Lines Business

We have examined the attached information, being:-

- (a) a derivation table; and
- (b) an annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures

that were prepared by The Power Company Limited - Lines Business and Group, dated 10 August 2005, for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

A handwritten signature in cursive script, likely representing a member of the PricewaterhouseCoopers audit team.

PricewaterhouseCoopers  
10 August 2005

Dunedin