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SCANPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF SCANPOWER LIMITED FOR THE YEAR ENDED 31 MARCH 2004

We have audited the financial statements of Scanpower Limited on pages 2 to 17. The financial statements provide information about the past financial performance of Scanpower Limited and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 5 to 7.

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 Scanpower Limited as at 31 March 2004, 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 Regulation 30 of the Electricity (Information Disclosure) Regulations 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 L H Desborough, of Audit New Zealand, 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 Scanpower Limited's circumstances, consistently applied and adequately disclosed.

We conducted our 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 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 this assignment and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Scanpower Limited.

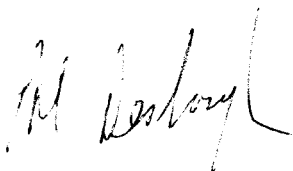
Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been kept by Scanpower Limited as far as appears from our examination of those records *and*
- ▲ the financial statements on pages 2 to 17:
 - (a) comply with generally accepted accounting practice *and*
 - (b) give a true and fair view of the financial position of Scanpower Limited as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; *and*
 - (c) comply with the Electricity (Information Disclosure) Regulations 2004.

Our audit was completed on 20 December 2004 and our unqualified opinion is expressed as at that date.



L H Desborough
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand



Audit New Zealand

**AUDITOR-GENERAL'S OPINION
ON THE PERFORMANCE MEASURES OF
SCANPOWER LIMITED
FOR THE YEAR ENDED 31 MARCH 2004**

We have examined the information on pages 18 and 22 to 24 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 Scanpower Limited and dated 31 March 2004 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.

L H Desborough
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

20 December 2004

Scanpower Limited
Statement of Financial Performance
For the Year Ended 31 March 2004

	Notes	2004 \$'000	2003 \$'000
Revenue	1	5,265	5,175
Expense	1	<u>(4,816)</u>	<u>(4,893)</u>
Surplus before income tax		449	282
Less income tax expense	2	<u>148</u>	<u>93</u>
Net surplus after income tax		<u>301</u>	<u>189</u>

Scanpower Limited
Statement of Movements in Equity
For the Year Ended 31 March 2004

	Notes	2004 \$'000	2003 \$'000
EQUITY AT BEGINNING OF THE YEAR		5,139	5,025
SURPLUS AND REVALUATIONS			
Net surplus for the year		301	189
Revaluation of property, plant and equipment		<u>13,874</u>	<u>0</u>
Total recognised revenues and expenses for the year		14,175	189
OTHER MOVEMENTS			
Distribution to owners	3	<u>15</u>	<u>75</u>
EQUITY AT THE END OF THE YEAR		<u>19,299</u>	<u>5,139</u>

The Accompanying Notes and Policies Form an Integral Part of These Financial Statements

Scanpower Limited
Statement of Financial Position
As at 31 March 2004

	Notes	2004 \$'000	2003 \$'000
EQUITY			
7,500,000 Ordinary shares of \$1 fully paid		7,500	7,500
Retained earnings	3	(2,121)	(2,407)
Reserves	3	13,920	46
Shareholders' Equity		19,299	5,139
REPRESENTED BY:			
CURRENT ASSETS			
Cash and bank balances		186	965
Short term deposits	6	929	0
Receivables and prepayments	4	447	486
Tax provision		0	244
Inventories	5	90	104
Total Current Assets		1,652	1,799
NON CURRENT ASSETS			
Capital works in progress		177	184
Property, plant and equipment	7	19,697	4,378
Total Non-Current Assets		19,874	4,562
TOTAL ASSETS		21,526	6,361
CURRENT LIABILITIES			
Accounts payable	8	484	940
Proposed dividend		0	0
Employee entitlements		19	23
Tax provision		22	0
Total Current Liabilities		525	963
NON CURRENT LIABILITIES			
Employee entitlements		0	33
Deferred taxation	2	1,702	226
Total Non - Current Liabilities		1,702	259
TOTAL LIABILITIES		2,227	1,222
NET ASSETS		19,299	5,139

For and on behalf of the Board as at 17 December 2004

DIRECTOR:

DIRECTOR:

The Accompanying Notes and Policies Form an Integral Part of These Financial Statements

Scanpower Limited
Statement of Cash Flows
For the Year Ended 31 March 2004

	Notes	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		5,140	4,972
Interest received		108	53
Taxes received		66	0
		<u>5,314</u>	<u>5,025</u>
<i>Cash was applied to:</i>			
Payments to employees and suppliers		4,659	4,328
Taxes paid		0	158
Interest paid		0	0
		<u>4,659</u>	<u>4,486</u>
Net cash inflows from operating activities	9	655	539
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from disposal of property, plant and equipment		0	0
		<u>0</u>	<u>0</u>
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		490	483
		<u>490</u>	<u>483</u>
Net cash inflows from investment activities		<u>(490)</u>	<u>(483)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Loans repaid		0	0
Dividends paid		15	75
		<u>15</u>	<u>75</u>
Net cash outflows from financing activities		(15)	(75)
NET INCREASE / (DECREASE) IN CASH HELD		150	(19)
Opening Cash Brought Forward		<u>965</u>	<u>984</u>
CASH AT END OF THE YEAR		<u>1,115</u>	<u>965</u>
REPRESENTED BY:			
Cash and bank balances		186	965
Short term deposits		929	0
		<u>1,115</u>	<u>965</u>

The Accompanying Notes and Policies Form an Integral Part of These Financial Statements

Scanpower Limited
Statement of Significant Accounting Policies
For the Year Ended 31 March 2004

Basis of Preparation

Scanpower Limited (Scanpower) is a public company registered under the Companies Act 1993. These financial statements have been prepared for the purposes of complying with the requirements of the Electricity Information Disclosure Requirements 2004.

The financial statements comprise separate a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, and a Statement of Cash Flows for the Scanpower electricity distribution business. This business operates in the Southern Hawkes Bay area.

For general accounting purposes, the historic cost basis has been recognised as appropriate for the measurement and reporting of earnings and financial position, with the exception that certain fixed assets have been revalued.

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

Operating Revenue

Revenue comprises amounts earned for the sale of the company's products and services net of returns, trade allowances and taxes paid. Interest income is accounted for as earned.

Taxation

The income tax expense is recognised on the operating surplus before taxation, adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the Statement of Financial Position. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at the balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain.

Goods and Services Tax

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.

Receivables

Receivables are carried at anticipated realisable value after providing for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

Inventories

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

Scanpower Limited
Statement of Significant Accounting Policies (Continued)
For the Year Ended 31 March 2004

Property, Plant and Equipment

Owned Assets

Property, Plant and Equipment is initially stated at cost and depreciated as outlined below. Initial cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. These costs include, where appropriate, site preparation costs, installation costs, borrowing costs and the cost of obtaining initial resource consents. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to the location and condition for its intended use are complete.

Leased Assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated initially at an amount equal to the future minimum lease payments, and are depreciated as described below.

Revaluations

The Network Distribution assets were revalued as at 31 March 2004 on the basis of the Commerce Commission's "Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Lines Businesses" issued 30 August 2004. The valuation was prepared by Mr J R Collins B Eng.(Elec.) MBA of Scanpower Limited and was reviewed by PricewaterhouseCoopers and Eddie Graham B.E.(Elec.) FIPENZ. The valuation is expressed on an optimised depreciated replacement cost (ODRC)/optimised deprival value (ODV) basis. Previously these assets were valued at cost less accumulated depreciation.

Land and Buildings are revalued to fair value with regard to highest and best use. Fixed assets within these classes are revalued on a cyclical basis with no asset being recognised at a valuation undertaken more than five years previously. The most recent Land and Building valuation was conducted by an independent registered valuer, Mr. I.R. Mollison ANZIV, of the firm Ian Mollison & Associates, Dannevirke, on 31 March 2002.

Depreciation

Depreciation of Property, Plant and Equipment, other than Freehold Land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives. The useful economic lives used for depreciation purposes are as follows:

Distribution Assets	
Circuit Breakers	40
Substations	40
Transformers	55
Ripple Control Equipment	20
UHF Communications Equipment	15
Overhead Distribution Lines	45 to 60
Underground Distribution Lines	45
Community Lighting Fixtures	15

Scanpower Limited
Statement of Significant Accounting Policies (Continued)
For the Year Ended 31 March 2004

Freehold Buildings and Fixtures	10 to 50
Motor Vehicles	3 to 10
Plant and Equipment	3 to 12
Computer Equipment	3 to 5

Employee Entitlements

Employee Entitlements to salaries and wages, annual leave, long service leave and other benefits are accrued on an actual entitlement basis.

Financial Instruments

Financial Instruments carried on the Statement of Financial Position include cash and bank balances, receivables, and trade creditors. These financial assets and liabilities are, generally, carried at their estimated fair values except for loans and investments, which are recorded at cost. Where appropriate, particular recognition methods adopted are disclosed in the individual policy statements associated with them.

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

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

Changes in Accounting Policies

There has been a change in the accounting policy in respect of the valuation of the Distribution Assets, from the historical cost basis to depreciated replacement cost (DRC). This change was made in order to comply with financial reporting standards (FRS 3). The effect of the change has been to increase the value of the Distribution Assets by \$15,249,829.

All other policies have been applied on a basis consistent with those used in the previous year.

Scanpower Limited
Notes to the Financial Statements
For the Year Ended 31 March 2004

Note 1. (i) Operating Revenue

	2004	2003
	\$'000	\$'000
OPERATING REVENUE		
Network line rentals	5,001	5,000
AC loss-rental rebates	156	108
Interest income	108	67
Total revenue	5,265	5,175

Note 1. (ii) Operating Expenses

Audit fees	36	28
Auditors fees for other services	5	4
Fees paid to other auditors	12	0
Bad debts written off	0	0
Depreciation:		
Distribution assets:		
Circuit breakers	16	11
Substations	3	3
Transformers	25	13
Ripple controls	20	27
UHF links	1	2
Overhead lines	200	142
Underground lines	29	21
Community lighting	0	1
Freehold buildings & fixtures	1	2
Motor vehicles	7	9
Plant and equipment	0	38
Computer equipment	2	2
Total Depreciation	304	270
Directors remuneration & expenses	84	73
Change in provision for doubtful debts	0	0
Interest paid	0	0
Loss on sale of assets	0	0
Network discounts	1,819	1,810
Cost of sales & operating expenses	2,556	2,707
	4,816	4,893

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2004

Note 2. Taxation

	2004	2003
	\$'000	\$'000
Taxation Reconciliation		
Accounting net operating surplus before taxation	449	282
Taxation at 33%	148	93
Plus tax effect of:		
Permanent differences	0	0
Prior year adjustment	0	0
Deferred tax adjustment	0	0
Tax expense / (Benefit)	<u>148</u>	<u>93</u>
Income tax charge for the year comprises:		
Current taxation (liability)	148	(192)
Deferred taxation	0	285
	<u>148</u>	<u>93</u>
Deferred Tax Asset / (Liability):		
Opening balance	(226)	59
Prior period adjustment:		
Underground deferred tax adjustment	0	(146)
Current year movement	(1,476)	(139)
Closing balance	<u>(1,702)</u>	<u>(226)</u>
Imputation Credit Account:		
Opening balance	647	526
Tax paid during the year	46	158
Tax refunds during the year	(164)	0
Resident withholding tax paid	0	0
Credits attached to dividends paid	0	(37)
Closing balance at end of the year	<u>529</u>	<u>647</u>

Note 3. Retained Earnings and Reserves

Retained Earnings		
Balance at beginning of the year	(2,407)	(2,521)
Net surplus for the year	301	189
Dividends paid and proposed	(15)	(75)
Balance at end of the year	<u>(2,121)</u>	<u>(2,407)</u>
Reserves		
Asset revaluation reserves:		
Freehold land	14	14
Freehold buildings & fixtures	32	32
Distribution assets	13,874	0
Balance at end of the year	<u>13,920</u>	<u>46</u>

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

Note 4. Receivables and Prepayments

	2004	2003
	\$'000	\$'000
Trading debtors	437	419
Estimated doubtful receivables	0	0
GST clearing account	0	59
Miscellaneous prepayments	10	8
Accruals	0	0
	<u>447</u>	<u>486</u>

The Company incurs credit risk from transactions with trade receivables and financial institutions in the normal course of business. The Company has a credit policy which restricts exposure to trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis.

Where there is a significant concentration of credit risk, the exposure is minimised by provisions in use of system agreements between the parties. Amounts owed by trade receivables are unsecured.

Note 5. Inventories

Network stocks	<u>90</u>	<u>104</u>
	<u>90</u>	<u>104</u>

Certain inventories are subject to restriction of title, including Romalpa Clauses.

Note 6. (i) Current Investments

Short term deposits held with registered banks	<u>929</u>	<u>0</u>
	<u>929</u>	<u>0</u>

Market fluctuations in interest rates affect the earnings on these investments and the company policy of placing deposits with high credit quality institutions minimises potential credit risk.

Note 6. (ii) Interest Rates

The range of interest rates obtained on investments was as follows:

Short term bank investments	<u>5.0 - 5.78%</u>	<u>3.10 - 5.83%</u>
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Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

Note 7. Property, Plant and Equipment

	2004	2003
	\$'000	\$'000
Distribution assets		
At Valuation – 31 March 2004	19,541	
At cost		9,452
Accumulated depreciation	0	(5,357)
Total carrying amount of distribution assets	<u>19,541</u>	<u>4,095</u>
Freehold land		
At valuation - 31 March 2002	26	26
Total carrying amount of freehold land	<u>26</u>	<u>26</u>
Freehold buildings & fixtures		
At valuation - 31 March 2002	64	63
At cost	0	0
Accumulated depreciation	(3)	(2)
Total carrying amount of freehold buildings	<u>61</u>	<u>61</u>
Motor vehicles		
At cost	69	59
Accumulated depreciation	(7)	(38)
Total carrying amount of motor vehicles	<u>62</u>	<u>21</u>
Plant and equipment		
At cost	0	527
Accumulated depreciation	0	(356)
Total carrying amount of plant and equipment	<u>0</u>	<u>171</u>
Computer equipment		
At cost	12	43
Accumulated depreciation	(5)	(39)
Total carrying amount of computer equipment	<u>7</u>	<u>4</u>
Total property, plant and equipment		
At valuation	19,631	89
At cost	81	10,081
Accumulated depreciation	(15)	(5,791)
Total carrying amount of property, plant and equipment	<u><u>19,697</u></u>	<u><u>4,379</u></u>

Note 8. Accounts Payable

GST clearing account	21	0
Trade creditors	320	728
Other creditors & accruals	143	212
	<u>484</u>	<u>940</u>

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

Note 9. Reconciliation of Cash Flow with Operating Surplus

	2004	2003
	\$'000	\$'000
Reported surplus after taxation	301	189
Add Non Cash Items		
Depreciation	304	271
Change in deferred tax provision	100	285
Changes in Working Capital		
Increase/(decrease) in accounts payable & accruals	(331)	138
(Increase)/decrease in accounts receivable	38	(64)
(Increase)/decrease in inventories	14	(12)
Increase/(decrease) in employee entitlements	(37)	(13)
Increase/(decrease) in provision for taxation	266	(255)
Increase/(decrease) in provision for dividend	0	0
Items Classified as Investing Activities		
Net (surplus)/loss on disposal of property, plant & equipment	0	0
Net Cashflow from Operating Activities	<u>655</u>	<u>539</u>

Note 10. Analysis of Non-Cancelable Operating Lease Commitments

Payable not later than one year	5	10
Payable later than one year, not later than two years	4	9
Payable later than two years, not later than five years	0	9
Payable later than five years	0	0
	<u>9</u>	<u>28</u>

Note 11. Environmental Policy

Scanpower endeavours to adhere to a sustainable usage policy with a minimum of environmental disturbance. To date, Scanpower is unaware of any of its projects or operations that would not meet company policy or environmental regulations currently in existence in New Zealand.

Note 12. Capital Commitments and Contingent Liabilities

As at 31 March 2004 the company did not have any capital commitments or contingent liabilities (2003 also nil).

Note 13. Segment Information

Scanpower sold its energy retailing business on 30 November 1998 and now operates in one industry which is the ownership and management of an electricity distribution network and is entirely within New Zealand.

Note 14. Related Party Information

Scanpower Limited Customer Trust owns, through its nominees, all of the issued capital of Scanpower Limited.

Directors' transactions with the company were made under normal terms and conditions of supply and sale available to members of staff.

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

The legal firm, Lloyd Dodson & Pringle, in which M.Dodson was previously involved, provided services to Scanpower to the value of \$7,082. The amount outstanding at balance date was \$0 (2003 also Nil).

All transactions with other related parties were also made under normal terms and conditions of supply and sale. No related party debts were forgiven or written off during the year.

Contestable contracting services in asset construction and maintenance were provided by Scanpower's contracting division at cost, including overheads, and as detailed respectively here and in Note 16 12(b)(i) below.

	2004	2003
	\$'000	\$'000
Subtransmission assets	0	0
Zone substations	0	0
Distribution lines and cables	0	0
Medium voltage switchgear	0	0
Distribution transformers	0	0
Distribution substations	0	0
Low voltage lines and cables (maintenance)	518	289
Low voltage lines and cables (construction)	490	267
Other system fixed assets	0	0

An imputed rental of \$16,436 (2003 - \$16,436) is included in Note 16 12(b)(vii) as being paid to the "other" business.

Note 15. Financial Instruments

Scanpower has no off balance sheet financing, other than those disclosed in these notes, nor any foreign exchange exposure. The fair value of financial instruments is approximated by the carrying amount disclosed in the Statement of Financial Position.

Concentrations of credit risk with respect to receivables in the Company's core activity are managed by adequate safeguards in the use of system agreements entered into with energy retailers. The large customer base of the other activities ensures little concentration of risk. No other form of security or collateral is required to support financial instruments with credit risk.

The interest rates on the company's deposits are presented in Note 6.

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

Note 16. Electricity Information Disclosure Requirements 2004 (Part 2, Requirements 5 and 6)

	2004	2003
	\$'000	\$'000
1 Current Assets		
a Cash and bank balances	186	965
b Short-term investments	929	0
c Inventories	90	104
d Accounts receivable	437	419
e Other current assets not listed in (a) to (d)	10	311
f Total current assets	1,652	1,799
2 Fixed Assets		
a System fixed assets	19,541	4,095
b Consumer billing and information system assets	7	4
c Motor vehicles	62	21
d Office equipment	0	26
e Land and buildings	87	87
f Capital works under construction	177	184
g Other fixed assets not listed in (a) to (f)	0	145
h Total fixed assets	19,874	4,562
3 Other tangible assets not listed above	0	0
4 Total tangible assets	21,526	6,361
5 Intangibles		
a Goodwill	0	0
b Other intangibles not listed in (a) above	0	0
c Total intangibles	0	0
6 Total assets	21,526	6,361
7 Current liabilities		
a Bank overdraft	0	0
b Short-term borrowings	0	0
c Payables and accruals	484	940
d Provision for dividends payable	0	0
e Provision for income tax	22	0
f Other current liabilities not listed in (a) to (e) above	19	23
g Total current liabilities	525	963
8 Non-current liabilities		
a Payables and accruals	0	0
b Borrowings	0	0
c Deferred tax	1,702	226
d Other non-current liabilities not listed in (a) to (c) above	0	33
e Total non-current liabilities	1,702	259

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

	2004	2003
	\$'000	\$'000
9 Equity		
a Shareholders' equity		
(i) Share capital	7,500	7,500
(ii) Retained earnings	(2,121)	(2,407)
(iii) Reserves	13,920	46
(iv) Total shareholders' equity	19,299	5,139
b Minority interests in subsidiaries	0	0
c Total equity	19,299	5,139
d Capital notes	0	0
e Total capital funds	19,299	5,139
10 Total equity and liabilities	21,526	6,361
11 Operating revenue		
a Revenue from line/access charges	5,001	5,000
b Revenue from "Other" business for services carried out by the line business (transfer payment)	0	0
c Interest on cash, bank balances and short term investments:	108	67
d AC loss-rental rebates	156	108
e Other revenue not listed in (a) to (d)	0	0
f Total operating revenue	5,265	5,175
12 Operating expenditure		
a Payment for transmission charges	1,613	1577
b Transfer payments to the "Other" business for:		
(i) Asset maintenance	518	289
(ii) Consumer disconnection/reconnection services	0	0
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	6
(v) Royalty and patent expenses	0	0
(vi) Avoided transmission charges on account of own generation	0	0
(vii) Other goods and services not listed in (i) to (vi) above	16	16
(viii) Total transfer payment to the "Other" business	534	311
c Expense to entities that are not related parties for		
(i) Asset maintenance	0	0
(ii) Consumer disconnection/reconnection services	0	0
(iii) Meter data	7	7
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

	2004	2003
	\$'000	\$'000
(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	<u>7</u>	<u>7</u>
d Employee salaries, wages and redundancies	215	332
e Consumer billing and information system expense	7	13
f Depreciation on:		
(i) System fixed assets	294	220
(ii) Other assets not listed in (i)	<u>11</u>	<u>51</u>
(iii) Total depreciation	304	271
g Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	<u>0</u>	<u>0</u>
(iii) Total amortisation of intangibles	0	0
h Corporate and administration	85	406
i Human resource expenses	42	20
j Marketing/advertising	46	37
k Merger and acquisition expenses	0	0
l Takeover defence expenses	0	0
m Research and development expenses	0	0
n Consultancy and legal expenses	0	0
o Donations	0	0
p Directors' fees	84	73
q Auditors' fees		
(i) Audit fees paid to principal auditors	36	28
(ii) Audit fees paid to other auditors	12	0
(iii) Fees paid for other services provided by principal and other auditors	<u>5</u>	<u>4</u>
(iv) Total auditors' fees	53	32
r Costs of offering credit		
(i) Bad debts written off	0	0
(ii) Increase in estimated doubtful debts	<u>0</u>	<u>0</u>
(iii) Total cost of offering credit	0	0
s Local authority rates expense	6	4
t AC loss-rentals (distribution to retailers/customers) expense	156	108
u Rebates to consumers due to ownership interest	1,663	1,702
v Subvention payments	0	0
w Unusual expenses	0	0
x Other expenditure not listed in (a) to (w)	<u>0</u>	<u>0</u>
13 Total operating expenditure	4,816	4,893

Scanpower Limited
Notes to the Financial Statements Continued
For the Year Ended 31 March 2004

	2004	2003
	\$'000	\$'000
14 Operating surplus before interest and income tax	449	282
15 Interest expense		
a Interest expense on borrowings	0	0
b Financing charges related to finance leases	0	0
c Other interest expense not listed in (a) or (b)	0	0
d Total interest expense	0	0
16 Operating surplus before income tax	449	282
17 Income tax	148	93
18 Net surplus after tax	301	189

Scanpower Limited
Performance Measures
For the Year Ended 31 March 2004

Part 3. Requirement 14 (Financial and Efficiency Performance Measures)

Ref	Description	2004	2003	2002	2001	2000
1	a	Return on Funds	0.12%	-1.10%	-0.60%	0.01%
	b	Return on Equity	-0.10%	-1.20%	-1.46%	-0.07%
	c	Return on Investments	21.63%	-1.56%	-1.79%	0.54%
2	a	Direct Line Cost per Kilometre	\$887	\$938	\$1,057	\$884
	b	Indirect Line Cost per Consumer	\$47	\$75	\$65	\$80
			\$66			

Part 4. Requirement 20 (Energy Efficiency Performance Measures and Statistics)

Ref	Description	2004	2003	2002	2001	2000
1	a	Load Factor	69.80%	70.43%	67.80%	67.95%
1	b	Loss Ratio	7.14%	6.96%	6.80%	7.58%
1	c	Capacity Utilisation	26.00%	26.65%	26.80%	28.00%
2	a	System Length				
		11KV	747	758	758	764
		400V	114	115	114	232
		Total	861	873	872	996
2	b	Circuit Length of Overhead System				
		11KV	743	755	758	764
		400V	71	73	74	192
		Total	814	828	832	956
2	c	Circuit Length of Underground System				
		11KV	4	3	0	0
		400V	43	42	40	40
		Total	47	45	40	37
2	d	Transformer Capacity	58,553	56,632	55,627	52,560
2	e	Maximum Demand (kW)	15,226	15,092	14,902	14,740
2	f	Total Electricity Supplied Into Systems (Before Losses) kWh	93,351,418	93,107,850	88,472,013	87,730,406
2	g	Electricity Carried on Behalf of Other Entities (After Losses) kWh				
		Retailer 1	62,018,549	63,646,375	67,938,098	75,762,872
		Retailer 2	15,723,792	16,386,678	7,889,162	2,770,651
		Retailer 3	6,130,911	6,037,242	4,156,761	800,056
		Retailer 4	2,448,434	474,096	1,964,022	359,700
		Retailer 5	364,441	80,859	418,294	43,225

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2004

Ref	Description	2004	2003	2002	2001	2000
	Retailer 6	0	0	90,095	237	0
	Retailer 7	0	0	0	1,346,470	0
	Total	86,686,126	86,625,250	82,456,432	81,083,211	79,097,162
2	h Total Consumers (Average for the Year)	6,719	6,638	6,615	6,707	6,675

Part 5. Requirement 21 (Reliability Performance Measures)

Sub Requirement 1. Total Number of Interruptions by Class

Year	A	B	C	D	E	F	G	TOTAL
Total Interruptions 2004	0.00	97.00	129.00	0.00	0.00	0.00	0.00	226.00
Total Interruptions 2003	1.00	82.00	65.00	0.00	0.00	0.00	0.00	148.00
Total Interruptions 2002	1.00	102.00	65.00	1.00	0.00	0.00	0.00	169.00
Total Interruptions 2001	0.00	116.00	72.00	0.00	0.00	0.00	0.00	188.00
Total Interruptions 2000	1.00	105.00	48.00	0.00	0.00	0.00	0.00	154.00

Sub Requirement 2. (a) & (b) Interruption Targets for the Following Year

Target Description	2005	2004	2003	2002	2001
Planned Interruption Target (Class B)	100	90	100	150	150
Unplanned Interruption Target (Class C)	62	70	100	150	150

Sub Requirement 3. Average Interruption Targets for Following and Subsequent 4 years

Target Description	2005/2009	2004/2008	2003/2007	2002/2006	2001/2005
Planned Interruption Target (Class B)	100	90	100	150	150
Unplanned Interruption Target (Class C)	62	70	100	150	150

Sub Requirement 4. (a) & (b) Percentage Proportion of Total Number of Class C Interruptions by Time

Restoration Time	2004	2003	2002	2001	2000
3 Hours	32.6%	18.5%	4.6%	21.0%	17.0%
24 Hours	3.9%	0.0%	0.0%	0.0%	0.0%

Sub Requirement 5. (a) (b) (c) & (d) Faults per 100 Circuit Kilometres (Actual and Target)

Line Voltage	2004	2003	2002	2001	2000
11kV	17.27	8.58	8.58	9.42	6.29

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2004

Line Voltage / Target	2005	2005/2009
11kV	13.39	8.23

Sub Requirement 6. Faults per 100 Circuit Kilometres (Underground)

Line Voltage	2004	2003	2002	2001	2000
11kV Underground	0	0	0	0	0

Sub Requirement 7. Faults per 100 Circuit Kilometres (Overhead)

Line Voltage	2004	2003	2002	2001	2000
11kV Overhead	17.27	5.59	8.58	9.42	6.29

Sub Requirement 8. 9. 10. 11. SAIDI Results by Class and Targets

Class	A	B	C	D	E	F	G	TOTAL
2004 SAIDI	0.00	33.96	151.24	0.00	0.00	0.00	0.00	185.20
2003 SAIDI	28.44	24.80	57.23	0.00	0.00	0.00	0.00	110.47
2002 SAIDI	56.12	60.03	32.21	17.00	0.00	0.00	0.00	165.36
2001 SAIDI	0.00	40.87	29.34	0.00	0.00	0.00	0.00	70.21
2000 SAIDI	56.38	47.50	18.64	0.00	0.00	0.00	0.00	122.52

Class / Target	2005	2005/2009
SAIDI Class B	62.32	58.58
SAIDI Class C	20.77	19.52

Sub Requirement 12. 13. 14. 15. SAIFI Results by Class and Targets

Class	A	B	C	D	E	F	G	TOTAL
2004 SAIFI	0.00	0.26	1.41	0.00	0.00	0.00	0.00	1.67
2003 SAIFI	0.24	0.18	0.56	0.00	0.00	0.00	0.00	0.98
2002 SAIFI	0.23	0.46	0.67	0.57	0.00	0.00	0.00	1.93
2001 SAIFI	0.00	0.31	0.55	0.00	0.00	0.00	0.00	0.86
2000 SAIFI	0.24	0.35	0.32	0.00	0.00	0.00	0.00	0.91

Class / Target	2005	2005/2009
SAIFI Class B	0.70	0.67
SAIFI Class C	0.23	0.22

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2004

Sub Requirement 16. 17. 18.19. CAIDI Results by Class and Targets

Class	A	B	C	D	E	F	G	TOTAL
2004 CAIDI	0.00	130.62	107.26	0.00	0.00	0.00	0.00	110.90
2003 CAIDI	118.50	137.77	102.20	0.00	0.00	0.00	0.00	112.72
2002 CAIDI	239.83	131.07	48.15	29.82	0.00	0.00	0.00	85.63
2001 CAIDI	0.00	133.13	53.14	0.00	0.00	0.00	0.00	81.64
2000 CAIDI	239.91	137.68	58.43	0.00	0.00	0.00	0.00	436.02

Class / Target	2005	2005/2009
CAIDI Class B	89.03	88.09
CAIDI Class C	90.30	89.35

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2004

Part 7. Requirement 15 (Form for the Derivation of Financial Performance Measures)

Description	Input	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	449				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	449				
Interest on cash, bank balances, and short-term investments (ISTI)	108				
OSBIT minus ISTI	341	a	341		341
Net surplus after tax from financial statements	301				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	301	n		301	
Amortisation of goodwill and amortisation of other intangibles	0	g	Add	add	add
Subvention payment	0	s	Add	add	add
Depreciation of SFA at BV (x)	294				
Depreciation of SFA at ODV (y)	613				
ODV depreciation adjustment	(319)	d	Add	add	add
Subvention payment tax adjustment	0	s*t		deduct	deduct
Interest tax shield	(36)	q			deduct
Revaluations	3,517	r			add
Income tax	148	p			deduct
Numerator			22	(18)	3,425
			$\text{OSBIT}^{(12)} = a + g + s + d$ $\text{NSAT}^{(12)} = n + g + s + s^*t + d$ $\text{OSBIT}^{(12)} = a + g - q + r + s + d - p - s^*t$		
Fixed assets at end of previous financial year (FA ₀)	4,378				
Fixed assets at end of current financial year (FA ₁)	19,697				
Adjusted net working capital at end of previous financial year (ANWC ₀)	(373)				
Adjusted net working capital at end of current financial year (ANWC ₁)	35				

Description	Input	Symbol	ROF	ROE	ROI
Average total funds employed (ATFE)	11,869	c	11,869		11,869
Total equity at end of previous financial year (TE_0)	5,139				
Total equity at end of current financial year (TE_1)	19,299				
Average total equity	12,219	k		12,219	
WUC at end of previous financial year (WUC_0)	184				
WUC at end of current financial year (WUC_1)	177				
Average total works under construction	180	e	Deduct 180	deduct 180	deduct 180
Revaluations	3,517	r			
Half of revaluations	1,759	r/2			deduct 1,759
Intangible assets at end of previous financial year (IA_0)	0				
Intangible assets at end of current financial year (IA_1)	0				
Average total intangible asset	0	m		add 0	
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 ($SFA_{b(0)}$)	4,095				
System fixed assets at end of current financial year at book value ($SFA_{b(1)}$)	19,541				
Average value of system fixed assets at book value	11,818	f	Deduct 11,818	deduct 11,818	deduct 11,818
System Fixed assets at year beginning at ODV value ($SFA_{od(0)}$)	15,900				
System Fixed assets at end of current financial year at ODV value ($SFA_{od(1)}$)	19,541				
Average value of system fixed assets at ODV value	17,721	h	Add 17,721	add 17,721	add 17,721
Denominator			17,591	17,941	15,832
Financial Performance Measure:					
			ROF = $OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	Ave $TE^{ADJ} = k - e - m + v - f + h$	ATFE ^{ADJ} = $c - e - \frac{1}{2}r - f + h$
			0.12	-0.10	21.63
			ROE = $NSAT^{ADJ}/ATFE^{ADJ} \times 100$		ROI = $OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2004

Part 8. Requirement 16 (Annual Valuation Reconciliation Report)

	2004	2003
	\$000	\$000
System fixed assets at ODV at end of previous financial year	15,900	15,806
ADD system fixed assets acquired during the year at ODV ¹	737	734
LESS system fixed assets disposed of during the year at ODV	0	31
LESS depreciation on system fixed assets at ODV	613	609
ADD revaluation of system fixed assets	3,517	0
EQUALS system fixed assets at ODV at end of the financial year	19,541	15,900

Note 1: The value of system fixed assets acquired during the year includes capitalised expenditure on replacement and refurbishment of system fixed assets.



PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Level 22 Reception
Level 8 Mail Centre
Private Bag 92162
Auckland
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Scanpower Limited and dated 2 December 2004, which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$19,540,725, have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'. Below the signature is a long, horizontal, slightly curved line.

PricewaterhouseCoopers
Chartered Accountants
Auckland
2 December 2004

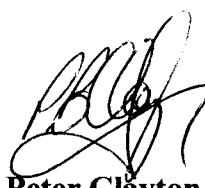
**CERTIFICATION OF VALUATION REPORT OF
SCANPOWER LIMITED**

We, Allan Benbow and Peter Clayton, Directors of Scanpower Limited certify that, having made all reasonable enquiry, to the best of our knowledge-

- (a) the attached valuation report of Scanpower Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those Requirements; and
- (b) the replacement cost of the line business system fixed assets of Scanpower Limited is **\$40,581,674**; and
- (c) the depreciated replacement cost of the line business system fixed assets of Scanpower Limited is **\$19,557,084**; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Scanpower Limited is **\$19,540,725**; and
- (e) the optimised deprival valuation of the line business system fixed assets of Scanpower Limited is **\$19,540,725**; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.



Allan Benbow
17 December 2004



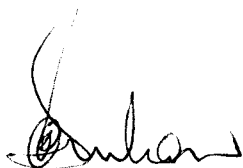
Peter Clayton
17 December 2004

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE
MEASURES, AND STATISTICS DISCLOSED BY
SCANPOWER LIMITED**

We, Allan Benbow and Peter Clayton, Directors of Scanpower Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

- (a) The attached audited financial statements of Scanpower Limited prepared for 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 Scanpower 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 31 March 2004.



Allan Benbow
17 December 2004



Peter Clayton
17 December 2004