



# New Zealand Gazette

OF THURSDAY, 4 SEPTEMBER 2003

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WELLINGTON: TUESDAY, 9 SEPTEMBER 2003 — ISSUE NO. 129

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## SCANPOWER LIMITED

### INFORMATION FOR DISCLOSURE

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



## Audit New Zealand

### REPORT OF THE AUDITOR-GENERAL

#### TO THE READERS OF THE FINANCIAL STATEMENTS OF SCANPOWER LIMITED FOR THE YEAR ENDED 31 MARCH 2003

We have audited the financial statements of ScanPower Limited on pages 1 to 17. The financial statements provide information about the past financial performance of ScanPower Limited and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 5 to 7.

#### Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements that give a true and fair view of the financial position of ScanPower Limited as at 31 March 2003, and results of operations and cash flows for the year ended on that date.

#### Auditor's responsibilities

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

The Auditor-General has appointed 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.

We have carried out one other assignment for ScanPower Limited in the area of tax compliance services. Other than this assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in ScanPower Limited.

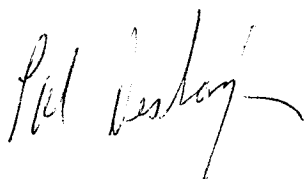
### Unqualified opinion

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 1 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 2003 and the results of its operations and cash flows for the year ended on that date; *and*
  - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 4 September 2003 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**

We have examined the information on pages 18 and 20 to 23 being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulations 16A; and
- (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 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

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

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

4 September 2003

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

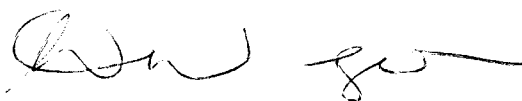
We, Peter Clayton and Di Wilkinson, Directors of Scanpower Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:

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

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



**Peter Clayton**  
29 August 2003



**Di Wilkinson**  
29 August 2003

**CERTIFICATE OF VALUATION REPORT OF LINE OWNERS**

We, Peter Clayton and Di Wilkinson, 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 regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- b) the replacement cost of the line business system fixed assets of Scanpower Limited is \$30,074,313; and
- c) the depreciated replacement cost of the line business system fixed assets of Scanpower Limited is \$15,959,923; and
- d) the optimised depreciated replacement cost of the line business system fixed assets of Scanpower Limited is \$15,870,848; and
- e) the optimised deprival value of the line business system fixed assets of Scanpower Limited is \$15,870,948; and
- f) the values in paragraphs (b) through (e) have been prepared in accordance with the ODV handbook.

These valuations are as at 31 March 2001.



**Peter Clayton**  
29 August 2003



**Di Wilkinson**  
29 August 2003



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113-119 The Terrace  
PO Box 243  
Wellington, New Zealand  
Telephone +64 4 462 7000  
Facsimile +64 4 462 7001

### Auditor's Opinion in Relation to Valuation

We have examined the valuation report of ScanPower Limited and dated 14 August 2001, which report contains valuations of system fixed assets as at 31 March 2001.

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 \$15,870,948, have been made in accordance with the ODV Handbook.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers  
Wellington  
16 August 2001

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 \$'000	2002 \$'000
Revenue	1	5,175	5,265
Expense	1	(4,893)	(4,933)
<b>Surplus before income tax</b>		<b>282</b>	<b>332</b>
Less income tax expense	2	93	236
<b>Net surplus after income tax</b>		<b>189</b>	<b>96</b>

*The accompanying notes and policies form an integral part of these financial statements*



**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 \$'000	2002 \$'000
<b>EQUITY AT BEGINNING OF THE YEAR</b>		<u>5,025</u>	<u>4,911</u>
<b>SURPLUS AND REVALUATIONS</b>			
Net surplus for the year		189	96
Revaluation of property, plant and equipment		<u>0</u>	<u>18</u>
<b>Total recognised revenues and expenses for the year</b>		<u>189</u>	<u>114</u>
<b>OTHER MOVEMENTS</b>			
Distribution to owners	3	<u>75</u>	<u>0</u>
<b>EQUITY AT THE END OF THE YEAR</b>		<u><u>5,139</u></u>	<u><u>5,025</u></u>

*The accompanying notes and policies form an integral part of these financial statements*

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 \$'000	2002 \$'000
<b>EQUITY</b>			
7,500,000 Ordinary shares of \$1 fully paid		7,500	7,500
Retained earnings	3	(2,407)	(2,521)
Reserves	3	46	46
<b>Shareholders' Equity</b>		<b>5,139</b>	<b>5,025</b>
<b>REPRESENTED BY:</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		965	100
Short term deposits	6	0	884
Receivables and prepayments	4	486	422
Tax provision		244	0
Inventories	5	104	92
<b>Total Current Assets</b>		<b>1,799</b>	<b>1,498</b>
<b>NON CURRENT ASSETS</b>			
Deferred taxation	2	0	59
Capital works in progress		184	95
Property, plant and equipment	7	4,378	4,353
<b>Total Non-Current Assets</b>		<b>4,562</b>	<b>4,507</b>
<b>TOTAL ASSETS</b>		<b>6,361</b>	<b>6,005</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	8	940	802
Employee entitlements		23	21
Tax provision		0	109
<b>Total Current Liabilities</b>		<b>963</b>	<b>932</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred taxation	2	226	0
Employee entitlements		33	48
<b>Total Non - Current Liabilities</b>		<b>259</b>	<b>48</b>
<b>TOTAL LIABILITIES</b>		<b>1,222</b>	<b>980</b>
<b>NET ASSETS</b>		<b>5,139</b>	<b>5,025</b>

For and on behalf of the Board

**DIRECTOR**

29 August 2003

**DIRECTOR**

29 August 2003

*the accompanying notes and policies form an integral part of these financial statements*

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	Notes	2003 \$'000	2002 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Receipts from customers		4,972	4,665
Interest received		53	88
		<u>5,025</u>	<u>4,753</u>
<i>Cash was applied to:</i>			
Payments to employees and suppliers		4,328	3,993
Taxes paid		158	50
Interest paid		0	1
		<u>4,486</u>	<u>4,044</u>
<b>Net cash inflows from operating activities</b>	9	<u>539</u>	<u>709</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<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		483	294
		<u>483</u>	<u>294</u>
<b>Net cash inflows from investment activities</b>		<u>(483)</u>	<u>(294)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from:</i>			
Proceeds from borrowings		0	0
		<u>0</u>	<u>0</u>
<i>Cash was applied to:</i>			
Loans repaid		0	0
Dividends paid		75	40
		<u>75</u>	<u>40</u>
<b>Net cash outflows from financing activities</b>		<u>(75)</u>	<u>(40)</u>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		<u>(19)</u>	<u>375</u>
<b>Opening Cash Brought Forward</b>		<u>984</u>	<u>609</u>
<b>CASH AT END OF THE YEAR</b>		<u><u>965</u></u>	<u><u>984</u></u>
<b>REPRESENTED BY:</b>			
Cash and bank balances		965	100
Short term deposits		0	884
		<u><u>965</u></u>	<u><u>984</u></u>

*The accompanying notes and policies form an integral part of these financial statements*

**SCANPOWER LIMITED - LINES BUSINESS  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 31 MARCH 2003**

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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) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001. The financial statements comprise separate Statements of Financial Position, Financial Performance, Cash Flows and Movements in Equity for the Lines Business as required by the Regulations. The business operates in and around the Southern Hawkes Bay area. The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the company, with the exception that certain assets have been revalued.

**Methodology and Separation of Businesses**

Scanpower has generally followed the guidelines in the Electricity Information Disclosure Handbook issued by the Energy Markets Policy Group of the Ministry of Economic Development.

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

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

**Operating Revenue**

Sales revenue represents revenue earned for the sale of the company's products and services net of returns, trade allowances and taxes paid. Other revenue includes interest income on investments.

**Income Tax**

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A deferred tax asset is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be utilised.

**Goods and Services Tax (GST)**

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

**Receivables**

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

**Inventories**

Inventories (comprising strategic lines spares) are valued at the lower of weighted average cost and net realisable value.

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)****Property, Plant and Equipment**

All property, plant and equipment assets are initially recorded at cost. Freehold land and buildings are subsequently revalued to fair values with regard to highest and best use by an independent valuer. Assets within their classes are revalued on a cyclical basis. The revaluations are conducted on a systematic basis so that each individual asset is revalued every three years.

The most recent valuation was conducted by an independent registered valuer, I R Mollison ANZIV of the firm Ian Mollison & Associates 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 these assets, or the revalued amounts, to their residual values over their useful lives as follows:

**Estimated Useful Lives (Years)**

Distribution Assets	Years
• Circuit Breakers	40
• Substations	40
• Transformers	55
• Ripple Controls	20
• UHF Links	15
• Overhead Lines	45 to 60
• Underground Lines	45
• Community Lighting	15
Freehold Buildings & Fixtures	10 to 50
Motor vehicles	6 to 10
Plant & Equipment	10
Computer Equipment	3 to 5

**Employee Entitlements**

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

**Leases**

Scanpower leases a forklift and a photocopier. Under the terms of the lease, all the risks and benefits of ownership effectively remain with the lessors. Lease payments are recognised as an expense in the periods the amounts are payable and a full disclosure of future commitments is provided in Note 11.

**Financial Instruments**

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

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

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**Statement of Cash Flows**

The following are the definitions of the terms used in the Statement of Cashflows:

- (a) Operating Activities includes 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. Investments include securities not falling within the definition of cash.
- (c) Financing Activities are those activities that result in changes in the size and composition of the capital structure. 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, net of bank overdrafts.

**Changes in Accounting Policies**

There have been no changes in accounting policies and all policies have been applied on a basis consistent with those of the previous year.

**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 1(i): Operating Revenue</b>		
Network line rentals	5,000	4,887
AC loss rental rebates	108	289
Interest income	67	89
Total Revenue	<u>5,175</u>	<u>5,265</u>

**Note 1(ii): Operating Expenses**

Audit Fees	28	27
Auditors fees for other services	4	7
Fees paid to other auditors	0	11
Bad debts written off	0	0
Depreciation:		
Distribution Assets:		
Circuit breakers	11	10
Substations	3	3
Transformers	13	11
Ripple controls	27	27
UHF links	2	2
Overhead lines	142	142
Underground lines	21	18
Community lighting	1	1
Freehold buildings and fixtures	2	1
Motor vehicles	9	9
Plant and equipment	38	39
Computer equipment	2	3
Total Depreciation	<u>271</u>	<u>266</u>
Directors remuneration and expenses	73	74
Change in provision for doubtful debts	0	0
Interest paid	0	1
Loss on sale of assets	0	0
Network discounts	1,810	1,600
Cost of sales and operating expenses	<u>2,707</u>	<u>2,947</u>
	<u>4,893</u>	<u>4,933</u>

**Note 2: Taxation**

**Taxation Reconciliation**

Accounting net operating surplus before taxation	282	332
Taxation at 33%	93	110
Plus tax effects of:		
Permanent differences	0	4
Prior year adjustment	0	0
Deferred tax adjustment	0	122
Tax expense (benefit)	<u>93</u>	<u>236</u>

**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Income tax charge for the year comprises:		
Current taxation (liability)	(192)	147
Deferred taxation	285	89
	<u>93</u>	<u>236</u>
<b>Deferred Tax Asset / (Liability):</b>		
Opening balance	59	148
Prior period adjustment		0
Undergrounding deferred tax adjustment	(146)	
Current year movement	(139)	(89)
Closing balance	<u>(226)</u>	<u>59</u>
<b>Imputation Credit Account:</b>		
Opening balance	526	495
Tax paid during the year	158	50
Tax refunds during the year	0	0
Resident withholding tax paid	0	0
Credits attached to dividends paid	(37)	(19)
Closing balance at end of the year	<u>647</u>	<u>526</u>

**Note 3: Retained Earnings and Reserves**

<b>Retained Earnings</b>		
Balance at the beginning of the year	(2,521)	(2,617)
Net surplus for the year	189	96
Dividends paid and proposed	(75)	0
<b>Balance at end of the year</b>	<u>(2,407)</u>	<u>(2,521)</u>
<b>Reserves</b>		
Asset revaluation reserves:		
Freehold land	14	14
Freehold buildings and fixtures	32	32
<b>Balance at end of the year</b>	<u>46</u>	<u>46</u>

**Note 4: Receivables and Prepayments**

Trading debtors	419	391
Estimated doubtful receivables	0	0
GST clearing account	59	23
Miscellaneous prepayments	8	7
Accruals	0	1
	<u>486</u>	<u>422</u>

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



**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

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.

	2003 \$'000	2002 \$'000
<b>NOTE 5: Inventories</b>		
Network stocks	104	92
	<u>104</u>	<u>92</u>

**NOTE 6(i): Current Investments**

Short term deposits held with registered banks	0	884
	<u>0</u>	<u>884</u>

Market fluctuations in interest rates affect the earnings on these investments but company policy of placing deposits with high credit quality financial institutions minimises its credit exposure.

**NOTE 6(ii): Interest Rates**

The range of interest rates on investments were:

Short term deposits held with registered banks	<u>3.10% - 5.83%</u>	<u>2.75% - 5.75%</u>
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**Note 7: Fixed Assets (Property, Plant and Equipment)**

**Distribution assets**

At cost	9,452	9,185
Accumulated depreciation	(5,357)	(5,138)
Total carrying amount of distribution assets	<u>4,095</u>	<u>4,047</u>

**Freehold land**

At valuation 31 March 2002	26	26
Total carrying amount of freehold land	<u>26</u>	<u>26</u>

**Freehold buildings and fixtures**

At valuation 31 March 2002	63	63
At cost	0	0
Accumulated depreciation	(2)	0
Total carrying amount of freehold buildings	<u>61</u>	<u>63</u>

**Motor vehicles**

At cost	59	59
Accumulated depreciation	(38)	(29)
Total carrying amount of motor vehicles	<u>21</u>	<u>30</u>

**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Plant and equipment</b>		
At cost	527	500
Accumulated depreciation	(356)	(317)
Total carrying amount of plant and equipment	<u>171</u>	<u>183</u>
<b>Computer equipment</b>		
At cost	43	42
Accumulated depreciation	(39)	(38)
Total carrying amount of computer equipment	<u>4</u>	<u>4</u>
<b>Total property, plant and equipment</b>		
At valuation 31 March 2002	89	89
At cost	10,081	9,786
Accumulated depreciation	(5,792)	(5,522)
Total carrying amount of property, plant and equipment	<u><u>4,378</u></u>	<u><u>4,353</u></u>

**Note 8: Accounts Payable**

GST Clearing Account	0	0
Trade Creditors	728	569
Other Creditors and accruals	212	233
	<u>940</u>	<u>802</u>

**Note 9: Reconciliation of Cashflow with Operating Surplus**

<b>Reported surplus after taxation</b>	189	96
<b>Add non cash items</b>		
Depreciation	271	266
Change in deferred tax position	285	89
<b>Changes in working capital</b>		
Increase / (decrease) in accounts payable and accruals	138	354
(Increase) / decrease in accounts receivable	(64)	(174)
(Increase) / decrease in inventories	(12)	9
Increase / (decrease) in employee entitlements	(13)	12
Increase / (decrease) in provision for taxation	(255)	97
Increase / (decrease) in provision for dividend	0	(40)
<b>Items classified as investing activities</b>		
Net (surplus)/loss on disposal of property, plant & equipment	0	0
<b>Net cashflow from operating activities</b>	<u>539</u>	<u>709</u>

**Note 10: Wind Generation Project**

At balance date Scanpower Limited had a 10% interest in The Woodville Windfarm Limited which holds a resource consent to erect and operate wind turbines near Woodville.

**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

**Note 11: Analysis of Non-Cancellable Operating Lease Commitments**

	2003 \$'000	2002 \$'000
Payable not later than one year	10	10
Payable later than one year, not later than two years	9	10
Payable later than two years, not later than five years	9	18
Payable later than five years	0	0
	28	38

**Note 12: Environmental Policy**

Scanpower endeavours to adhere to a sustainable use policy with a minimum of environmental disturbance and desecration. To date, Scanpower is unaware of any of its projects or operations that would not meet the above policy nor any environmental regulations currently in existence in New Zealand.

**Note 13: Capital Commitments and Contingent Liabilities**

As at 31 March 2003 the company did not have any capital commitments or contingent liabilities (2002 also Nil).

**Note 14: Segment Information**

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

**Note 15: 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 the normal terms and conditions of supply and sale available to members of staff. No discounts were given during the year. All transactions with related parties are also made under normal terms and conditions of sale and supply. 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 18.12b below.

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)	289	355
Low voltage lines and cables (construction)	267	266
Other sytem fixed assets	0	0

**SCANPOWER LIMITED - LINES BUSINESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

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An imputed rental of \$16,436 is included in Note 18.12b (vii) as being paid to the "Other" business.

**Note 16: 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 value 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 Systems 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(ii).

**Note 17: Significant Events After Balance Date**

Scanpower sold its 10% interest in The Woodville Windfarm Limited on 30 April 2003. The company is not aware of any other post balance sheet date events which would have a significant effect on the business activities of the company.

## REGULATORY NOTES TO THE FINANCIAL STATEMENTS

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**Note 18: Electricity (Information Disclosure) Regulations 1999 (Schedule 1 Part 2) Requirements**

		2003 \$'000	2002 \$'000
<b>1</b>	<b>Current Assets</b>		
a	Cash and bank balances	965	100
b	Short-term investments	0	884
c	Inventories	104	92
d	Accounts receivable	419	391
e	Other current assets not listed in (a) to (d)	311	31
f	<b>Total current assets</b>	<b>1,799</b>	<b>1,498</b>
<b>2</b>	<b>Fixed Assets</b>		
a	System fixed assets	4,095	4,047
b	Consumer billing and information system assets	4	4
c	Motor vehicles	21	30
d	Office equipment	26	32
e	Land and buildings	87	89
f	Capital works under construction	184	95
g	Other fixed assets not listed in (a) to (f)	145	210
h	<b>Total fixed assets</b>	<b>4,562</b>	<b>4,507</b>
<b>3</b>	<b>Other tangible assets not listed above</b>	<b>0</b>	<b>0</b>
<b>4</b>	<b>Total tangible assets</b>	<b>6,361</b>	<b>6,005</b>
<b>5</b>	<b>Intangibles</b>		
a	Goodwill	0	0
b	Other intangibles not listed in (a) above	0	0
c	<b>Total intangibles</b>	<b>0</b>	<b>0</b>
<b>6</b>	<b>Total assets</b>	<b>6,361</b>	<b>6,005</b>
<b>7</b>	<b>Current liabilities</b>		
a	Bank overdraft	0	0
b	Short-term borrowings	0	0
c	Payables and accruals	940	802
d	Provision for dividends payable	0	0
e	Provision for income tax	0	109

## REGULATORY NOTES TO THE FINANCIAL STATEMENTS

		2003 \$'000	2002 \$'000
f	Other current liabilities not listed in (a) to (e) above	23	21
g	<b>Total current liabilities</b>	<b>963</b>	<b>932</b>
8	<b>Non-current liabilities</b>		
a	Payables and accruals	0	0
b	Borrowings	0	0
c	Deferred tax	226	0
d	Other non-current liabilities not listed in (a) to (c) above	33	48
e	<b>Total non-current liabilities</b>	<b>259</b>	<b>48</b>
9	<b>Equity</b>		
a	Shareholders' equity		
(i)	Share capital	7500	7,500
(ii)	Retained earnings	(2,407)	(2,521)
(iii)	Reserves	46	46
(iv)	<b>Total shareholders' equity</b>	<b>5,139</b>	<b>5,025</b>
b	Minority interests in subsidiaries	0	0
c	<b>Total equity</b>	<b>5,139</b>	<b>5,025</b>
d	Capital notes	0	0
e	<b>Total capital funds</b>	<b>5,139</b>	<b>5,025</b>
10	<b>Total equity and liabilities</b>	<b>6,361</b>	<b>6,005</b>
11	<b>Operating revenue</b>		
a	Revenue from line/access charges	5,000	4,887
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:	67	89
d	AC loss-rental rebates	108	289
e	Other revenue not listed in (a) to (d)	0	0
f	<b>Total operating revenue</b>	<b>5,175</b>	<b>5,265</b>
12	<b>Operating expenditure</b>		
a	Payment for transmission charges	1,577	1,715
b	Transfer payments to the "Other" business for:		
(i)	Asset maintenance	289	355

## REGULATORY NOTES TO THE FINANCIAL STATEMENTS

		2003 \$'000	2002 \$'000
	(ii) Consumer disconnection/reconnection services	0	0
	(iii) Meter data	0	0
	(iv) Consumer-based load control services	6	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) <b>Total transfer payment to the "Other" business</b>	<b>311</b>	<b>377</b>
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	14
	(iv) Consumer-based load control services	0	59
	(v) Royalty and patent expenses	0	0
	(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	<b>7</b>	<b>73</b>
d	Employee salaries, wages and redundancies	332	299
e	Consumer billing and information system expense	13	13
f	Depreciation on:		
	(i) System fixed assets	220	214
	(ii) Other assets not listed in (i)	51	52
	(iii) <b>Total depreciation</b>	<b>271</b>	<b>266</b>
g	Amortisation of:		
	(i) Goodwill	0	0
	(ii) Other intangibles	0	0
	(iii) <b>Total amortisation of intangibles</b>	<b>0</b>	<b>0</b>
h	Corporate and administration	406	417
i	Human resource expenses	20	16
j	Marketing/advertising	37	31
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	73	74
q	Auditors' fees		
	(i) Audit fees paid to principal auditors	28	27
	(ii) Audit fees paid to other auditors	0	11

## REGULATORY NOTES TO THE FINANCIAL STATEMENTS

		2003 \$'000	2002 \$'000
	(iii) Fees paid for other services provided by principal and other auditors	4	7
	(iv) <b>Total auditors' fees</b>	<b>32</b>	<b>45</b>
r	Costs of offering credit		
	(i) Bad debts written off	0	0
	(ii) Increase in estimated doubtful debts	0	0
	(iii) <b>Total cost of offering credit</b>	<b>0</b>	<b>0</b>
s	Local authority rates expense	4	6
t	AC loss-rentals (distribution to retailers/customers) expense	0	0
u	Rebates to consumers due to ownership interest	1,810	1,600
v	Subvention payments	0	0
w	Unusual expenses	0	0
x	Other expenditure not listed in (a) to (w)	0	0
13	<b>Total operating expenditure</b>	<b>4,893</b>	<b>4,932</b>
14	<b>Operating surplus before interest and income tax</b>	<b>282</b>	<b>333</b>
15	<b>Interest expense</b>		
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	1
d	<b>Total interest expense</b>	<b>0</b>	<b>1</b>
16	<b>Operating surplus before income tax</b>	<b>282</b>	<b>332</b>
17	<b>Income tax</b>	<b>93</b>	<b>236</b>
18	<b>Net surplus after tax</b>	<b>189</b>	<b>96</b>



**SCANPOWER LIMITED - LINES BUSINESS**  
**PERFORMANCE INDICATORS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

Regulation		2003	2002	2001	2000	1999
15	<b>FINANCIAL PERFORMANCE MEASURES</b>					
a	Return on funds	-1.10%	-0.60%	0.01%	-1.49%	-1.25%
b	Return on equity	-1.20%	-1.46%	-0.07%	-1.57%	-1.00%
c	Return on investments	-1.56%	-1.79%	-0.54%	-2.36%	-1.37%
15	<b>EFFICIENCY PERFORMANCE INDICATORS</b>					
a	Direct line costs per kilometre	\$938	\$1,057	\$884	\$849	\$1,091
b	Indirect line costs per customer	\$75	\$65	\$80	\$66	\$67
20	<b>OPTIMISED DEPRIVAL VALUE (ODV)</b>					
	The ODV of the lines business fixed assets as at 31 March 2001 was \$15,870,948.					
21.1	<b>ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES</b>					
a	Load factor	70.43%	67.80%	67.95%	67.40%	67.00%
b	Loss ratio	6.96%	6.80%	7.58%	7.25%	7.26%
c	Capacity utilisation	26.65%	26.80%	28.00%	26.40%	25.28%
21.2	<b>STATISTICS</b>					
a	System length					
	11KV	758	758	764	764	763
	400KV	115	114	232	231	231
	Total	873	872	996	995	994
b	Circuit length of overhead system					
	11KV	755	758	764	764	763
	400KV	73	74	192	194	195
	Total	828	832	956	958	958
c	Circuit length of underground system					
	11KV	3	0	0	0	0
	400KV	42	40	40	37	36
	Total	45	40	40	37	36
d	Transformer capacity	56,632	55,627	52,560	54,597	54,507
e	Maximum demand KW	15,092	14,902	14,740	14,406	13,778
f	Total electricity supplied into systems (before losses) kWh	93,107,850	88,472,013	87,730,406	85,279,959	80,851,099
g	Electricity on behalf of other entities (after losses) kWh					
	Retailer 1	63,646,375	67,938,098	75,762,872	78,633,123	74,938,374
	Retailer 2	16,386,678	7,889,162	2,770,651	267,903	-
	Retailer 3	6,037,242	4,156,761	800,056	196,136	41,778
	Retailer 4	474,096	1,964,022	359,700	-	-
	Retailer 5	80,859	418,294	43,225	-	-
	Retailer 6	-	90,095	237	-	-
	Retailer 7	-	-	1,346,470	-	-
	Total	86,625,250	82,456,432	81,083,211	79,097,162	74,980,152
h	Total customers (average for year)	6,638	6,615	6,707	6,675	6,626
22	<b>Number of faults per 100 circuit kilometres overhead</b>					
7&5a	11 KV	5.59	8.58	9.42	6.28	13
7&5a	Total	5.59	8.58	9.42	6.28	13
4a	Number of faults greater than or equal to 3 hours	12 (18.46%)	3 (4.6%)	15 (21%)	8 (17%)	19 (19.4%)
4b	Number of faults greater than or equal to 24 hours	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (1%)

**SCANPOWER LIMITED - LINES BUSINESS**  
**PERFORMANCE INDICATORS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2003**

**Total Interruptions 2003**

Regulation	Class	A	B	C	D	E	F	G	TOTAL
22	8/11 SAIDI	28.44	24.80	57.23	0.00	0.00	0.00	0.00	110.47
	12/15 SAIFI	0.240	0.180	0.560	0.00	0.00	0.00	0.00	0.98
	16/19 CAIDI	118.50	137.77	102.20	0.00	0.00	0.00	0.00	112.72
	1 Interruptions	1.00	82.00	65.00	0.00	0.00	0.00	0.00	148.00

**Total Interruptions 2002**

Regulation	Class	A	B	C	D	E	F	G	TOTAL
22	8/11 SAIDI	56.12	60.03	32.21	17.00	0.00	0.00	0.00	165.36
	12/15 SAIFI	0.234	0.458	0.669	0.570	0.00	0.00	0.00	1.931
	16/19 CAIDI	239.83	131.07	48.15	29.82	0.00	0.00	0.00	85.63
	1 Interruptions	1.00	102.00	65.00	1.00	0.00	0.00	0.00	169.00

**Total Interruptions 2001**

Regulation	Class	A	B	C	D	E	F	G	TOTAL
22	8/11 SAIDI	0.00	40.87	29.34	0.00	0.00	0.00	0.00	70.21
	12/15 SAIFI	0.00	0.31	0.55	0.00	0.00	0.00	0.00	0.86
	16/19 CAIDI	0.00	133.13	53.14	0.00	0.00	0.00	0.00	81.73
	1 Interruptions	0.00	116.00	72.00	0.00	0.00	0.00	0.00	188.00

**Total Interruptions 2000**

Regulation	Class	A	B	C	D	E	F	G	TOTAL
22	8/11 SAIDI	56.38	47.50	18.64	0.00	0.00	0.00	0.00	122.52
	12/15 SAIFI	0.24	0.35	0.32	0.00	0.00	0.00	0.00	0.90
	16/19 CAIDI	239.91	137.68	58.43	0.00	0.00	0.00	0.00	136.28
	1 Interruptions	1.00	105.00	48.00	0.00	0.00	0.00	0.00	154.00

**Total Interruptions 1999**

Regulation	Class	A	B	C	D	E	F	G	TOTAL
22	8/11 SAID	0.00	62.12	42.70	11.20	0.00	0.00	0.00	116.02
	12/15 SAIFI	0.00	0.49	0.76	0.18	0.00	0.00	0.00	1.43
	16/19 CAIDI	0.00	126.80	56.00	62.20	0.00	0.00	0.00	81.13
	1 Interruptions	0.00	151.00	98.00	1.00	0.00	0.00	0.00	250.00

Regulation		Class	Target	Average	Target	Average
		Year	2004	2004-08	2003	2003-2007
22	9a/10a	SAIDI B	62.32	62.32	75	75
	9b/10b	SAIDI C	20.77	20.77	75	75
	13a/14b	SAIFI B	0.7	0.7	0.8	0.8
	13b/14b	SAIFI C	0.23	0.23	1	1
	17a/18a	CAIDI B	89.03	89.03	93.75	93.75
	17b/18b	CAIDI C	90.3	90.3	75	75
	2a/3a	No. of Interruptions B	90	90	100	100
	2b/3b	No. of Interruptions C	70	70	100	100
	5b-d	No. of faults/100km 11Kv	9	9	10	10
	6	No. of faults/100km 11Kv (UG)	na	na	na	na

**SCANPOWER LIMITED - LINES BUSINESS**  
**FINANCIAL PERFORMANCE MEASURES - DERIVATION TABLE (PART 7)**  
**FOR THE YEAR ENDED 31 MARCH 2003**

Input and calculations		Symbol in formula	ROF	ROE		ROI
Operating surplus before interest and income tax from financial statements	282					
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	282					
Interest on cash, bank balances, and short-term investments (ISTI)	67					
OSBIT minus ISTI	215	<i>a</i>	215			215
Net surplus after tax from financial statements	189					
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	189	<i>n</i>			189	
Amortisation of goodwill and amortisation of other intangibles	0	<i>g</i>	<i>add</i>	<i>add</i>	0	0
Subvention payment	0	<i>s</i>	<i>add</i>	<i>add</i>	0	0
Depreciation of SFA at BV (x)	220					
Depreciation of SFA at ODV (y)	609					
ODV depreciation adjustment	(389)	<i>d</i>	<i>add</i>	<i>add</i>	(389)	(389)
Subvention payment tax adjustment	0	<i>s*t</i>		<i>deduct</i>	0	0
Interest tax shield	(22)	<i>q</i>		<i>deduct</i>	(22)	(22)
Revaluations	0	<i>r</i>		<i>add</i>	0	0
Income tax	93	<i>p</i>		<i>deduct</i>	93	93
<b>Numerator</b>			<b>(174)</b>		<b>(200)</b>	<b>(246)</b>
			OSBIT <sup>ADJ</sup> = a + g + s + d		NSAT <sup>ADJ</sup> = n + g + s + s*t + d	
					OSBIT <sup>ADJ</sup> = a + g + q + r + s + d + p - s*t	
Fixed assets at end of previous financial year (FA <sub>0</sub> )	4,448					
Fixed assets at end of current financial year (FA <sub>1</sub> )	4,562					
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	(310)					

SCANPOWER LIMITED - LINES BUSINESS  
 FINANCIAL PERFORMANCE MEASURES - DERIVATION TABLE (PART 7)  
 FOR THE YEAR ENDED 31 MARCH 2003

Input and calculations		Symbol in formula	ROF		ROE		ROI	
Adjusted net working capital at end of current financial year (ANWC <sub>t</sub> )	(373)	c						
Average total funds employed (ATFE)	4,164							
Total equity at end of previous financial year (TE <sub>0</sub> )	5,025	k						
Total equity at end of current financial year (TE <sub>1</sub> )	5,139							
Average total equity	5,082							
		e						
WUC at end of previous financial year (WUC <sub>0</sub> )	95							
WUC at end of current financial year (WUC <sub>1</sub> )	184							
Average total works under construction	140	r/2	deduct		deduct		deduct	
Revaluations	0							
Half of revaluations	0	m						
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0							
Intangible assets at end of current financial year (IA <sub>1</sub> )	0	m						
Average total intangible asset	0							
Subvention payment at end of previous financial year (S <sub>0</sub> )	0							
Subvention payment at end of current financial year (S <sub>1</sub> )	0	m						
Subvention payment tax adjustment at end of previous financial year	0							
Subvention payment tax adjustment at end of current financial year	0							

**SCANPOWER LIMITED - LINES BUSINESS**  
**FINANCIAL PERFORMANCE MEASURES - DERIVATION TABLE (PART 7)**  
**FOR THE YEAR ENDED 31 MARCH 2003**

Input and calculations		Symbol in formula	ROF	ROE	ROI
Average subvention payment & related tax adjustment	0	v		add	0
System fixed assets at end of previous financial year at book value ( $SFA_{bvo}$ )	4,047				
System fixed assets at end of current financial year at book value ( $SFA_{bvr}$ )	4,095				
Average value of system fixed assets at book value	4,071	f	deduct	deduct	deduct
					4,071
System Fixed assets at year beginning at ODV value ( $SFA_{odvo}$ )	15,806				
System Fixed assets at end of current financial year at ODV value ( $SFA_{odvr}$ )	15,900				
Average value of system fixed assets at ODV value	15,853	h	add	add	add
					15,853
Denominator					15,807
			$ATFE^{adj} = c \cdot e \cdot f + h$	$Ave TE^{adj} = k \cdot e \cdot m + v \cdot f + h$	$ATFE^{adj} = c \cdot e \cdot \frac{1}{2}r \cdot f + h$
Financial Performance Measure:			-1.10	-1.20	-1.56
			$ROF = OSBIT^{adj} / ATFE^{adj} \times 100$	$ROE = NSAT^{adj} / ATE^{adj} \times 100$	$ROI = OSBIT^{adj} / ATFE^{adj} \times 100$

**SCANPOWER LIMITED - LINES BUSINESS**  
**ANNUAL VALUATION RECONCILIATION REPORT - (PART 8)**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>
<b>System fixed assets at ODV at end of previous financial year</b>	15,806	15,871
<b>ADD system fixed assets acquired during the year at ODV <sup>1</sup></b>	734	506
<b>LESS system fixed assets disposed of during the year at ODV</b>	31	18
<b>LESS depreciation on system fixed assets at ODV</b>	609	553
<b>ADD revaluation of system fixed assets</b>	0	0
<b>EQUALS system fixed assets at ODV at end of the financial year</b>	<b>15,900</b>	<b>15,806</b>

<sup>1</sup> The value of system fixed assets acquired during the year includes capitalised expenditure on replacement and refurbishment of system fixed assets.