



New Zealand Gazette

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POWERCO LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

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

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

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



Declared at New Plymouth this 22nd day of August 2002.

Peter D. Tennent
Mayor
New Plymouth District Council
Justice of the Peace for New Zealand



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

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

We, Barry Raymond Upson, director, and Steven Ronald Boulton, principal of Powerco Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

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





Date: 22nd August 2002

**Deloitte
Touche
Tohmatsu****POWERCO LIMITED****GAS (INFORMATION DISCLOSURE) REGULATIONS 1997*****Certification of Performance Measures by Auditor***

We have examined the performance measures set out in Note 9 to the attached financial statements being:

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

and having been prepared by Powerco Limited and dated 22 August 2002 for the purposes of regulations 15 and 16 of those regulations.

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



Trevor Deed
Deloitte Touche Tohmatsu
Hamilton
22 August 2002

**Deloitte
Touche
Tohmatsu**

POWERCO LIMITED

GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

Certification by Auditor in Relation to Financial Statements

We have examined the attached financial statements prepared by Powerco Limited dated 22 August 2002 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

A handwritten signature in black ink, appearing to be 'T. Deed', enclosed within a circular scribble.

**Trevor Deed
Deloitte Touche Tohmatsu
Hamilton
22 August 2002**

POWERCO LIMITED - GAS DIVISION
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2002

		31 March 2002	31 March 2001
	Notes	Gas \$000	Gas \$000
EQUITY			
Share capital		24,369	24,369
Retained earnings		(287)	(78)
	2	24,082	24,291
NON CURRENT LIABILITIES			
Redeemable Bonds	3	20,290	10,223
Current account		32,992	2,156
Commercial Paper	4	17,082	7,733
Deferred taxation		(47)	44
		70,317	20,156
CURRENT LIABILITIES			
Accounts payable & accruals		657	449
Tax payable		(103)	150
		554	599
TOTAL EQUITY AND LIABILITIES		\$94,953	\$45,046
NON CURRENT ASSETS			
Property, Plant and Equipment	7	93,836	40,880
CURRENT ASSETS			
Cash	6	(221)	3,413
Receivables		1,338	700
Inventories		-	53
		1,117	4,166
TOTAL ASSETS		\$94,953	\$45,046

POWERCO LIMITED - GAS DIVISION
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2002

		31 March 2002	31 March 2001
		Gas	Gas
		12 mths	7 mths
	Notes	\$000	\$000
OPERATING REVENUE	8	15,565	4,480
OPERATING SURPLUS BEFORE TAXATION		(312)	1,497
Taxation expense @ 33%		(103)	494
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		(\$209)	\$1,003

POWERCO LIMITED - GAS DIVISION
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2002

	31 March 2002 Gas 12 mths \$000	31 March 2002 Gas 7 mths \$000
OPENING EQUITY	24,291	24,369
Operating surplus attributable to the shareholders	(209)	1,003
Total recognised revenue and expenses for the year.	(209)	1,003
Distributions to shareholders Dividends - paid	-	(1,081)
	-	(1,081)
CLOSING EQUITY	\$24,082	\$24,291

POWERCO LIMITED

Notes to the Financial Statements

For the year ended 31 March 2002

1. Statement of Accounting Policies

Reporting Entity

Powerco Limited is a company registered under the Companies Act 1993. The group consists of Powerco Limited and its subsidiaries.

The following activities were the principal activities undertaken by Powerco Limited throughout the period:

- Distribution of electricity and value added services.
- Distribution of gas and value added services.

These financial statements have been prepared to comply with the provisions of Section 44 of the Energy Companies Act 1992, the Companies Act 1993, and the Financial Reporting Act 1993 and the Gas (Information Disclosure) Regulations 1997.

Amalgamation Transaction

In accordance with a shareholder resolution dated 15th August 2000, the predecessor companies, Powerco Limited, CentralPower Limited and Taranaki Energy Limited amalgamated with Mergeco Limited (subsequently renamed Powerco Ltd) on 1st September 2000. Consequently, the comparatives for the period ended 31 March 2001 relates to the seven months of trading since the date of amalgamation.

Measurement Basis

The Group follows the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis.

Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied:

a) Basis of Consolidation

The consolidated financial statements include those of Powerco Limited and its subsidiaries, accounted for using the purchase method. All significant inter-company transactions and balances are eliminated on consolidation. In the parent company financial statements investments in subsidiaries are stated at cost.

b) Property, Plant and Equipment

All property, plant and equipment values are stated at cost, less accumulated depreciation.

c) Depreciation of Property, Plant and Equipment

Depreciation rates based on remaining useful life, for major classes of asset are:

Land	Not Depreciated
Buildings	100 years
Furniture and Fittings	5 to 10 years
Office Equipment	3 to 10 years
Motor Vehicles	5 years
Network Systems	10 to 60 years

d) Properties intended for Resale

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

e) Receivables

Accounts receivable are valued at expected realisable value, after providing for doubtful debts. All known bad debts have been written off during the period under review.

f) Income Tax

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

The taxation charge against the surplus of the period is the estimated liability in respect of that surplus using a proforma income tax rate of 33%. This is the partial basis for the calculation of deferred taxation.

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

g) Inventory

Inventory is valued at the lower of historical cost and net realisable value. The weighted average method has been used to determine historical cost.

h) Investments

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

i) Revenue Recognition

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

j) Contributions for Subdivisions/Uneconomic Lines

Contributions received from customers and grants towards the costs of reticulating new subdivisions and contributions received in constructing uneconomic lines are recognised as revenue. Any identified impairment losses in respect of uneconomic lines are recognised in the Statement of Financial Performance and the asset component is written down to its fair value.

k) Employee Entitlements

Liabilities for amounts expected to be paid to employees for their entitlement to annual leave and other current employee entitlements are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

A liability for long service leave is accrued for the value of expected future payments to be made in respect of services already provided by employees up to the balance date. The value is determined based on current wage and salary levels and service to date.

A liability for gratuities is accrued for the employees value of current entitlements. The value is calculated based on the age of the employee, wage and salary levels and current length of service.

l) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of operating surplus before taxation in equal instalments over the lease term.

m) Finance Leases

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases and are capitalised. The finance charge is allocated to periods during the lease term.

n) Financial Instruments

The company has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest income/expense over the life of the agreement.

o) Goodwill

The excess of cost over the fair value of the net assets acquired is recognised as goodwill, and is amortised to the Statement of Financial Performance over the expected period of the benefit, currently estimated to be up to 5 years.

p) Changes in Accounting Policies

There have been no changes to accounting policies. All policies have been applied on a basis consistent with prior years.

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

2 SHAREHOLDERS' FUNDS

	Gas 2002 \$000	Gas 2001 \$000
Share Capital	24,369	24,369
Retained Earnings	(287)	(78)
	<u>24,082</u>	<u>24,291</u>

3 REDEEMABLE FIXED COUPON BONDS

As Powerco Limited is an integrated business, this disclosure relates to the business as a whole.
On 31 March 2002, Redeemable Fixed Coupon Bonds on issue were:

	Gas 2002 \$000	Gas 2001 \$000
5 Year Fixed Coupon Bonds @ 7.77% p.a. interest	98,001	98,001
7 Year Fixed Coupon Bonds @ 7.95% p.a. interest	78,004	78,004
	<u>176,005</u>	<u>176,005</u>

These bonds were issued on 1 September 2000 and expire 1 September 2005 (5 year bonds) and 1 September 2007 (7 year bonds). Bonds are carried at cost and have fixed interest rate terms.

4 COMMERCIAL PAPER FACILITY

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

The former Powerco Limited had established a Commercial Paper Facility in December 1997 to enable the Company to borrow money from the capital market. The programme is supported by a Cash Advances Facility of \$160 million with the Bank of New Zealand and the ANZ Investment Bank, which continues until December 2002. The facility is unsecured and is subject to a Negative Pledge Deed declared by Deed Poll on August 1997, which has been joined by all subsidiaries (excluding Powerco Australian Holdings Pty Limited and Powerco Management Services Limited) as guaranteeing subsidiaries. At year-end a sum of \$144 million which includes an interest portion of \$1,820,306 of 90 day bills, with varying maturity dates, had been drawn down under the Commercial Paper Programme (2001: \$135 million was drawn down under the Commercial Paper Programme which included an interest portion of \$2,153,057). An additional sum of \$6 million had been drawn on the Cash Advances Facility, which has interest in addition to the \$6 million of \$76,140 which matures in May 2002.

5 CASH ADVANCES FACILITY (COMMERCIAL BANK DEBT)

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

Powerco Limited established a Cash Advances Facility in July 2001 for short term debt. This Cash Advances Facility for \$105 million is supported by the Bank of New Zealand. This Facility continues until April 2002 when Powerco Limited has the option to extend this until July 2002. The facility is unsecured and is subject to a Negative Pledge Deed declared by Deed Poll on August 1997, which has been joined by all subsidiaries (excluding Powerco Australian Holdings Pty Limited and Powerco Management Services Limited) as guaranteeing subsidiaries. At year-end a sum of \$105 million, which has an accrued interest portion of \$932,802, had been drawn down under the Cash Advances Facility.

6 WORKING CAPITAL ADVANCES FACILITY

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

Powerco Limited operates a Wholesale Capital Advances Facility with the Bank of New Zealand of up to \$15 million. As at 31 March 2002, no funds were drawn down on the Facility and \$5,035 million was invested in Call Funds (2002: investment of \$2.65 million). The Facility is based on a revolving credit arrangement and as such does not have set repayment dates. The Facility expires on 31 July 2002 but is subject to automatic renewal for a further period. The Facility is unsecured and is subject to a Negative Pledge Deed and the guaranteeing subsidiaries referred to in Note 4 above.

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

7 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment as at 31 March 2002

	Gas 2002 \$000	Gas 2001 \$000
Land		
Capital value	-	254
Buildings		
Capital value	-	785
less Accumulated depreciation	-	18
	-	767
Information Systems		
Capital value	1,451	47
less Accumulated depreciation	78	5
	1,373	42
Office Equipment		
Capital value	-	940
less Accumulated depreciation	-	102
	-	838
Motor Vehicles		
Capital value	-	248
less Accumulated depreciation	-	65
	-	183
Network Systems		
Capital value	95,353	38,647
less Accumulated depreciation	3,249	472
	92,104	38,175
Work in Progress	359	621
Total Property, Plant and Equipment	\$93,836	\$40,880

Network assets with an optimised deprival value of \$52,130,829 were purchased on 31 July 2001 from AGL Ltd.

8 OPERATING REVENUE & EXPENDITURE

Operating Revenue for the year ended 31 March 2002

	Gas 2002 12 mths \$000	Gas 2001 7 mths \$000
Comprises:		
Line charge revenue	15,463	4,459
Interest revenue	102	21
Other revenue	-	-
	15,565	4,480

Expenditure

	Gas 2002 12 mths \$000	Gas 2001 7 mths \$000
Operating Surplus Before Taxation for the year ended 31 March 2002	(312)	1,497
Specific disclosures		
Repairs and maintenance costs	3,723	693
Human resource costs	178	71
Depreciation on system assets	2,878	619
Bad debts	1	8
Interest expense	6,721	822
Corporate & administration	1,142	581
Marketing & advertising	96	25
Consulting & legal expenses	60	19
Total expenditure	15,878	2,983

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

**9 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO
REGULATION 15 AND PART II OF THE FIRST SCHEDULE OF THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997**

Financial Performance Measures	Gas 2002	2001	2000	1999
(i) Accounting Return on Total Assets	8.27%	8.28%	9.74%	13.56%
(ii) Accounting Return on Equity	-0.88%	7.17%	7.87%	13.41%
(iii) Accounting Rate of Profit including revaluation	5.69%	5.40%	21.65%	8.95%
(iv) Accounting Rate of Profit excluding revaluation	5.69%	5.40%	7.21%	8.95%
Efficiency Performance Measures				
(v) Direct Line Cost per Kilometre	\$1,634.20	\$1,632.68	\$1,159.84	\$2,153.56
(vi) Indirect Line Cost per Gas Customer	\$64.45	\$72.26	\$56.54	\$9.44

10 CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

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

The company has been named as a Second Defendant in a claim issued by Todd Energy Limited and Kiwi Co-operative Dairies Limited against Transpower Limited. The plaintiffs allege various breaches of the Commerce Act 1986 and claim various declarations and injunctions together with damages totalling \$19.9 million. However, on 25 October 2001, Kiwi Co-operatives Dairies Limited discontinued its proceedings against Powerco. This leaves Todd Energy Limited as the only plaintiff in the proceedings. The claim is being defended by Powerco, which contends that it is not in breach of any of its obligations. No provision for the claim has been included in the financial statements.

Capital Commitments

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

Commitments for future capital expenditure resulting from contracts entered into amounts to \$840,000 (2001: \$16,000).

11 FINANCIAL INSTRUMENTS

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

(i) Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. There are no significant concentrations of credit risk. The five largest accounts receivable balances as at 31 March 2002 comprise 11.49% (2001: 73.76%) of total accounts receivable. These accounts are subject to a Board Prudential Supervision Policy which is used to manage the exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. Cash deposits are only made with registered banks.

(ii) Interest Rate Risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The Company's short term borrowings are on a floating daily interest rate. Non-current debt is funded by the Redeemable Fixed Coupon Bonds and Powerco's Commercial Paper programme based on 90 day Bank Bills.

Powerco has entered into interest rate swap agreements to reduce the impact of the changes in interest rates on its borrowings. As at 31 March 2002 the Company had interest rate swap agreements with registered banks. The maturities of these agreements are shown in Note 10 (iv). The weighted average of the interest rate swap agreements (excluding the reverse swap agreements) produce an interest rate of 7.13% p.a.

Notes to and Forming Part of the Financial Statements
For the Year Ending 31 March 2002

(iii) Fair Value as at 31 March 2002

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

	Maturities	Notional Values Current 31 March 2002 \$000	Notional Values Forward rate 31 March 2002 \$000	Mark to Market Adjustment 31 March 2002 \$000
Interest rate swaps (Powerco pays fixed/receives floating)	2002-2010	420,000	-	(1,943)
Forward rate swaps (Powerco pays fixed/receives floating)	2005-2011	-	305,000	182
Swaps (Fixed to floating for Bonds) (Powerco receives fixed/pays floating margin)	2006-2008	178,000	-	1,614
				<u>(147)</u>

(iv) Fair Value as at 31 March 2001

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

	Maturities	Notional Values Current 31 March 2001 \$000	Notional Values Forward rate 31 March 2001 \$000	Mark to Market Adjustment 31 March 2001 \$000
Interest rate swaps (Powerco pays fixed/receives floating)	2002-2010	310,000	-	(7,113)
Forward rate swaps (Powerco pays fixed/receives floating)	2005-2011	-	245,000	(4,690)
Swaps (Fixed to floating for Bonds) (Powerco receives fixed/pays floating margin)	2006-2008	178,000	-	7,456
				<u>(4,347)</u>

12 RELATED PARTY TRANSACTIONS

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

Powerco paid consulting fees amounting to \$56,200 (2001: \$48,000) to Upson Associates Ltd, a company in which Mr B R Upson, a Director, has an interest, for work performed in the area of corporate development.

Powerco paid legal fees amounting to \$609,089 (2001: \$585,055) to Horsley Christie, a firm in which Mr D H Brown, Alternate Director, is a partner.

Powerco paid consulting fees and brokerage amounting to \$1,663,016 (2001: \$2,284,206) to companies in the Macquarie New Zealand group, companies in which Mr J H Ogden is a Director. Mr J H Ogden was appointed a Director of Powerco on 1 October 2001.

Powerco is also deemed to have a related party relationship with the New Plymouth District Council. The New Plymouth District Council holds a 47.61% material interest in Powerco Limited. Powerco paid \$62,304 (2001: \$109,000) rent to the New Plymouth District Council at market rates. Rates have been paid to the New Plymouth District Council to the value of \$21,060 (2001: \$18,103). Other arms-length transactions with the New Plymouth District Council amounted to \$131,628 (2001: \$18,562).

In the financial year under review, all operating activities were transferred to a subsidiary company, Powerco Management Services Limited. PMS Ltd charges Powerco market rates for all services provided, including electricity network management and maintenance. The following amounts were paid to PMS Ltd for services provided:

Network Maintenance	\$1,085,529
Asset Management	\$ 447,949
Operations and Dispatch	\$ (19,929)
Group Services	\$ 877,898
Corporate Services	\$1,484,500

These transactions are completed upon normal commercial terms. No amounts have been forgiven or written off in the year.

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

	2002	2001	2000	1999
13.1 Energy delivery efficiency measures				
(a) Load Factor	63.14%	79.13%	78.14%	76.00%
(b) Un-accounted for Gas Ratio	2.50%	3.20%	13.41%	1.60%

13.2 Statistics

(a) System Length	2,726.00 km	729.00 km	726.00 km	523.60 km
(b) Maximum monthly amount entering the system	445,406GJ	177,800GJ	202,631GJ	153,720GJ
(c) Total amount of gas conveyed	3,374,934GJ	1,688,477GJ	1,660,443GJ	1,509,120GJ
(d) Total amount of gas conveyed on behalf of other persons 1	3,374,934GJ	1,688,477GJ	1,660,443 GJ	0GJ
(e) Total customers	49,381	20,516	20,330	20,306

Note 1: The information for this disclosure is provided by the retail companies. At the time of publication of these accounts some companies had not provided the information required or the accuracy of the information provided was clearly incorrect. On this basis the "total amount of gas conveyed on behalf of other persons" has been made equal to the "total of gas conveyed".

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

14.1 Un-planned interruptions in transmission systems	0	0	0	0
14.2 Un-planned interruptions in distribution systems				
(a) Un-planned interruptions other than those directly resulting from un-planned interruptions of a transmission system.	0.0027	0.0021	0.0023	0.0094
(b) Un-planned interruptions directly resulting from un-planned interruptions of a transmission system.	0.53	0	0	0