



# New Zealand Gazette

OF THURSDAY, 23 AUGUST 2001

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## POWERCO LIMITED

### INFORMATION FOR DISCLOSURE

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



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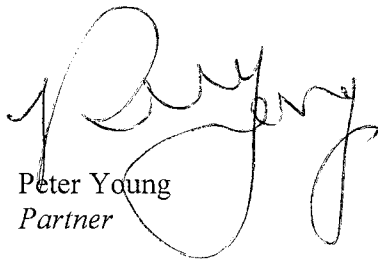
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**AUDITORS OPINION IN RELATION TO ODV VALUATION**  
**POWERCO LIMITED**

I have examined the valuation report of Powerco Limited by KPMG and dated 15 August 2001, which contains valuations of system fixed assets as at 31 March 2001.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$374,105,277 have been made in accordance with the ODV Handbook.



Peter Young  
*Partner*

15 August 2001

**POWERCO LIMITED****ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT  
REGULATIONS 2000****STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND  
INFORMATION SUPPLIED TO SECRETARY**

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 Electricity (Information Disclosure) Amendment Regulations 2000.

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 16th day of August 2001.



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

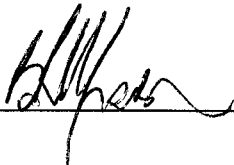
Mrs CLAIRE STEWART, J.P.  
MAYOR  
New Plymouth District Council  
Private Bag 2025  
New Plymouth  
New Zealand

**POWERCO LIMITED****ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT REGULATIONS 2000****CERTIFICATION OF VALUATION REPORT OF LINE OWNERS**

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

- (a) The attached valuation report of Powerco Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Amendment Regulations 2000, complies with the requirements of those regulations; and
- (b) The replacement cost of the line business system fixed assets of Powerco Limited is \$728,269,929; and
- (c) The depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$377,756,279; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$374,505,849; and
- (e) The optimised deprival valuation of the line business system fixed assets of Powerco Limited is \$374,105,277; and
- (f) The values in (b) through (e) have been prepared in accordance with the ODV handbook.

These valuations are as at 31 March 2001.



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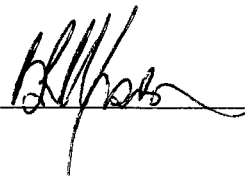

Date: 16 August 2001.

**POWERCO LIMITED****ELECTRICITY (INFORMATION DISCLOSURE) AMENDMENT  
REGULATIONS 2000****CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE  
MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER  
THAN TRANSPower**

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 Electricity (Information Disclosure) Amendment Regulations 2000 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 Powerco Limited, and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity ( Information Disclosure) Amendment Regulations 2000, comply with the requirements of those regulations.

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

16 August 2001

**Deloitte  
Touche  
Tohmatsu**

**AUDITOR'S REPORT  
TO THE READERS OF THE FINANCIAL STATEMENTS OF POWERCO LIMITED  
FOR THE SEVEN MONTHS ENDED 31 MARCH 2001**

We have audited the financial statements of Powerco Limited on pages 1 to 16. The financial statements provide information about the past financial performance of Powerco Limited and its financial position as at 31 March 2001. 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 which give a true and fair view of the financial position of Powerco Limited as at 31 March 2001, and results of operations and cash flows for the seven months then ended.

**Auditor's Responsibilities**

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

**Basis of Opinion**

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Powerco Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including 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 obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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 carry out other assignments on behalf of the company in the areas of taxation and consulting advice. Other than in these capacities we have no relationship with or interest in Powerco Limited or its subsidiaries.

**Unqualified Opinion**

We have obtained all the information that we have required.

In our opinion –

- proper accounting records have been maintained by Powerco Limited as far as appears from our examination of those records, and
- the financial statements on pages 1 to 16:
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of the financial position of Powerco Limited as at 31 March 2001 and the results of its operations and cash flows for the seven months then ended; and
  - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 16 August 2001 and our unqualified opinion is expressed as at that date.



Trevor Deed  
**Deloitte Touche Tohmatsu**  
**Hamilton**

**Deloitte  
Touche  
Tohmatsu****POWERCO LIMITED****ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999*****Auditor's Opinion of Performance Measures***

We have examined the attached information, being:

- (a) The derivation table in regulation 16; and
- (b) The annual ODV reconciliation report in regulation 16A; and
- (c) The time weighted averages calculations in regulation 33; and
- (d) The financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (e) The financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1 –

that were prepared by Powerco Limited and dated 16 August 2001 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.



**Trevor Deed**  
**Deloitte Touche Tohmatsu**  
**Hamilton**  
**16 August 2001**

**POWERCO LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2001**

		31 March 2001 Electricity Line \$000
<b>EQUITY</b>		
Share capital	2	254,378
Asset revaluation reserve		-
Retained earnings		(619)
		<hr/> 253,759
<b>NON CURRENT LIABILITIES</b>		
Bonds		104,608
Commercial Paper	4	78,957
Current account		1,138
Deferred taxation		525
		<hr/> 185,228
<b>CURRENT LIABILITIES</b>		
Accounts payable & accruals		11,296
Tax Payable		1,752
		<hr/> 13,048
<b>TOTAL EQUITY AND LIABILITIES</b>		<hr/> <hr/> \$452,035
<b>NON CURRENT ASSETS</b>		
Property, Plant and Equipment	5	412,264
<b>CURRENT ASSETS</b>		
Cash	3	27,417
Receivables		10,949
Inventories		1,405
		<hr/> 39,771
<b>TOTAL ASSETS</b>		<hr/> <hr/> \$452,035

**POWERCO LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE SEVEN MONTHS ENDING 31 MARCH 2001**

	Notes	31 March 2001 Electricity Line 7 mth \$000
OPERATING REVENUE	14	<u>70,370</u>
OPERATING SURPLUS BEFORE TAXATION	15	13,841
Taxation expense	7	<u>5,786</u>
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		<u>\$8,055</u>

**POWERCO LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE SEVEN MONTHS ENDED 31 MARCH 2001**

	Notes	31 March 2001 Electricity Line 7 mth \$000
<b>EQUITY AT 1 SEPTEMBER 2000</b>		<b>254,378</b>
<b>Operating surplus attributable to the shareholders</b>		<b>8,055</b>
<b>Total recognised revenue and expenses for the year.</b>		<b>8,055</b>
<b>Distributions to shareholders</b>		
Dividends - paid		(8,674)
- proposed		-
		<b>(8,674)</b>
<b>Share repurchase</b>		
<b>EQUITY AT 31 MARCH 2001</b>		<b>\$253,759</b>

**POWERCO LIMITED****Statement of Cash Flow****for the seven months ended 31 March 2001****31 March 2001****Electricity****Line****7 mth****\$000****CASH FLOWS FROM  
OPERATING ACTIVITIES****Cash was provided from:**

Receipts from customers	79,078
Interest received	168
Dividends received	-
	<hr/>
	79,246

**Cash was applied to:**

Payments to suppliers and employees	36,305
Interest paid	6,547
Payments of income tax	1,419
	<hr/>
	44,271

**NET CASH INFLOW/(OUTFLOW) FROM  
OPERATING ACTIVITIES**

13 34,975

**CASH FLOWS FROM  
INVESTING ACTIVITIES****Cash was applied to:**

Purchase of short term investments	-
Purchase of property, plant and equipment	8,100
	<hr/>
	8,100

**NET CASH INFLOW (OUTFLOW)  
FROM INVESTING ACTIVITIES**

(8,100)

**CASH FLOWS FROM  
FINANCING ACTIVITIES****Cash was applied to:**

Bonds	1,493
Repayment of debt	11,592
Dividends paid	8,674
	<hr/>
	21,759

**NET CASH INFLOW/(OUTFLOW) FROM  
FINANCING ACTIVITIES**

(21,759)

**NET INCREASE (DECREASE)  
IN CASH HELD**

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5,116**Opening cash brought forward**

22,301

**ENDING CASH CARRIED FORWARD**

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27,417

# POWERCO LIMITED

## Notes to the Financial Statements

### For the seven months ended 31 March 2001

#### 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 Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

##### Amalgamation Transaction

In accordance with a shareholder resolution dated 15<sup>th</sup> August 2000, the predecessor companies, Powerco Limited, CentralPower Limited and Taranaki Energy Limited amalgamated with Mergeco Limited on 1<sup>st</sup> September 2000. Mergeco Limited was incorporated on 23 March 2000 and was non-trading until the amalgamation. Immediately after the amalgamation, the continuing entity Mergeco Limited was renamed Powerco Limited.

The accounting for this transaction was completed at fair value for all assets and liabilities in accordance with Generally Accepted Accounting Principles. These values form the basis of cost to the amalgamated company, Powerco Limited.

The amalgamation has been treated as a non-qualifying amalgamation for tax purposes. The Board is very confident that this tax treatment is correct as it has received strong supporting opinions and advice from specialist tax advisers and senior legal counsel specialising in commercial tax issues. Inland Revenue is yet to advise its view on this issue.

On this basis, the financial statements presented reflect the following:

- a) The period ended 31 March 2001 relates to the seven months of trading since the date of the amalgamation.
- b) The reported proforma financial information for the combined year to date 31 March 2001 represents a consolidation of the amalgamating companies for the 12 months to 31 March 2001, as if the companies operated as a Group.

##### 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 non-trading 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.

**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 estimated realisable 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 after allowance for all the permanent differences and timing differences not expected to crystallise in the foreseeable future. This is the partial basis for the calculation of deferred taxation.

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

**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 cost of reticulating new subdivisions are set-off against capital expenditure while contributions received, by way of "line rental in advance", for the construction of uneconomic lines are included in the determination of operating surplus before taxation.

**k) 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.

**l) 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.

**m) 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.

**Notes to and Forming Part of the Financial Statements**  
For the Seven Months Ending 31 March 2001

**2 SHARE CAPITAL**

Line  
2001  
\$000

Opening share capital as at 1 September 2000

254,378

Closing share capital as at 31 March 2001

254,378

Total number of ordinary shares issued as at 31 March 2001 amounted to 134,625,320, calculated on the number of shares issued by the company of 222,436,775.

**3 WORKING CAPITAL ADVANCES FACILITY**

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

The company adopted the established Wholesale Capital Advances Facility with the Bank of New Zealand of up to \$15 million that the former Powerco had operated before the amalgamation. As at 31 March 2001, no funds were drawn down on the Facility and \$2.65 million was invested in Call Funds. The facility is based on a revolving credit arrangement and as such does not have set repayment dates. The facility expires on 31 July 2001 but it is subject to automatic renewal for a further period. The facility also has the benefit of the Negative Pledge Deed and the Group Cross-Guarantee referred to in (4) below.

**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 has the benefit of a Negative Pledge Deed declared by Deed poll on August 1997, which has been joined by all subsidiaries as Guaranteeing Subsidiaries. At year-end a sum of \$135,000,000, which has an accrued interest portion of \$2,153,057, of 90 day bills, with varying maturity dates, had been drawn down under the Commercial Paper Programme.

**Notes to and Forming Part of the Financial Statements**  
For the Seven Months Ending 31 March 2001

**5 PROPERTY, PLANT AND EQUIPMENT**

	Line 2001 \$000
<b>Property, Plant and Equipment as at 31 March 2001</b>	
<b>Land</b>	
Capital value	2,565
<b>Buildings</b>	
Capital value	7,908
less Accumulated depreciation	183
	7,725
<b>Information Systems</b>	
Capital value	472
less Accumulated depreciation	47
	425
<b>Office Equipment</b>	
Capital value	9,482
less Accumulated depreciation	1,026
	8,456
<b>Motor Vehicles</b>	
Capital value	2,505
less Accumulated depreciation	653
	1,852
<b>Network Systems</b>	
Capital value	393,278
less Accumulated depreciation	8,300
	384,978
<b>Work in Progress</b>	6,263
<b>Total Property, Plant and Equipment</b>	\$412,264
<b>Annual Valuation Reconciliation Report</b>	
Opening System Property, Plant and Equipment at ODV	\$388,514
Add system fixed assets acquired	\$4,765
Less depreciation	(\$8,300)
Add revaluations	(\$10,874)
<b>Closing System Property, Plant and Equipment at ODV</b>	\$374,105

**Notes to and Forming Part of the Financial Statements**  
For the Seven Months Ending 31 March 2001

**6 Proforma Combined Net Profit After Tax**

	Line 2001 12 mths \$000
for the 12 months ended 31 March 2001	
Net operating revenue	123,803
Direct Operating Costs	44,959
Indirect Operating Costs (including non-recurring costs of \$7.980 million)	18,873
Total operating expenses	63,832
Operating surplus before interest, depreciation and taxation	59,971
Depreciation	17,460
Interest	9,523
Operating surplus before taxation	32,988
Income tax	11,911
Net profit after tax	21,077

**7 TAXATION**

Taxation for the year ended 31 March 2001	Line 2001 7 mths \$000
Operating surplus before taxation	13,841
Prima facie taxation @ 33%	4,568
Plus/(less) tax effect of permanent timing differences:	1,218
Taxation expense	\$5,786

**8 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO  
REGULATION 15(2) AND PART III OF THE FIRST SCHEDULE OF THE  
ELECTRICITY (INFORMATION DISCLOSURE ) REGULATIONS 2000**

Financial Performance Measures	Line 2001	Line 2000	Line 1999	Line 1998
( i ) Return on Funds	10.43%	10.77%	9.92%	10.83%
( ii ) Return on Equity	8.58%	14.65%	8.28%	7.85%
( iii ) Return on Investment including revaluation	4.04%	10.66%	6.21%	21.50%
( iv ) Return on Investment excluding revaluation	6.70%	7.64%	6.21%	8.39%
<b>Efficiency Performance Measures</b>				
( v ) Direct Line Cost per Kilometre	\$1,152.23	\$1,049.72	\$752.98	\$873.26
( vi ) Indirect Line Cost per Electricity Customer (including non-recurring costs)	\$120.12	\$61.98	\$71.71	\$92.02
(vii) Indirect Line Cost per Electricity Customer (excluding non-recurring costs)	\$69.34	-	-	-

**Notes to and Forming Part of the Financial Statements**  
For the Seven Months Ending 31 March 2001

**9 CALCULATION OF RATIOS**

The calculation of the ratios disclosed in note 8 is based on the 12 month actual results of the amalgamated companies Powerco Limited and Centralpower Limited as disclosed in the proforma results in note 6. The balance sheet denominator used in the calculation is based on the weighted average of the balance sheet since the amalgamation on 1 September 2000.

**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. Kiwi Cogeneration Limited has applied to the Court to be substituted as a Plaintiff in place of Kiwi Co-Operative Dairies Limited. The Plaintiffs allege various breaches of the Commerce Act 1986 and claim various declarations and injunctions together with damages totalling \$19.9 million. 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 \$16,000.

**11 FINANCIAL INSTRUMENTS**

**(i) Credit Risk**

As Powerco is an integrated business, this disclosure relates to the business as a whole. Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. The five largest accounts receivable balances as at 31 March 2001 comprise 73.76% of total accounts receivable. These accounts are subject to a Board Prudential Supervision Policy. 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. Long-term debt is funded by the Fixed Coupon bonds and Powerco's Commercial Paper program based on 90 day Bank bills.

Powerco has entered into interest rate swap agreements to reduce the impact of the changes in interest rates on its Commercial Paper program and has converted the fixed interest rates on Bonds into floating by a reverse swap agreement, and re-fixed interest rates via additional swap agreements. As at 31 March 2001 the Company had interest rate swap agreements with registered banks. The last of these agreements maturing within 10 years. The weighted average of these swap agreements produce an interest rate of 7.408% p.a.

**(iii) Fair Value**

All assets and liabilities are considered to be at their fair value with the exception of the following items;

	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	282,038	-	(6,471)
Forward rate swaps	-	222,901	(4,267)
Swaps (Fixed to floating for Bonds)	(161,944)	-	6,783
Total Bonds Debt (Fixed payments to Bond Holders)	160,129	-	-
			<u>(3,955)</u>

**Notes to and Forming Part of the Financial Statements**  
For the Seven Months Ending 31 March 2001

**12 RELATED PARTY TRANSACTIONS**

Powerco paid consulting fees amounting to \$36,392 to Upson Associates Ltd, a company in which Mr B R Upson, a director has an interest, for work done on behalf of the predecessor companies for the amalgamation. This amount was paid in September 2000.

Powerco is also deemed to have a related party relationship with New Plymouth District Council. The New Plymouth District Council holds a 47.61% material interest in Powerco Limited. Powerco paid \$99,168 rent to the New Plymouth District Council at market rates. Rates have been paid to New Plymouth District Council to the value of \$16,470. Other arms length transactions with the New Plymouth District Council amounted to \$16,888.

<b>Asset construction undertaken as part of the integrated business:</b>	<b>Line</b>
	<b>2001</b>
	<b>7 mth</b>
	<b>\$000</b>
Subtransmission	46
Zone substations	1,409
Distribution lines & cables	1,988
Medium voltage switchgear	760
Distribution transformers	208
Distribution substations	1,507
Low voltage reticulation	825
Other assets	385
<b>Total asset construction</b>	<b>\$7,128</b>

**13 RECONCILIATION OF OPERATING SURPLUS AFTER TAXATION  
WITH CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>Line</b>
	<b>2001</b>
	<b>7 mth</b>
	<b>\$000</b>
<b>Operating surplus after taxation</b>	<b>8,055</b>
<b>Add (less) non cash items</b>	
Depreciation	9,770
Loss on Sale	222
Provision for Doubtful Debts	264
	<b>10,256</b>
<b>Movements in working capital</b>	
Accounts receivable	8,499
Change in Prepayments	4,014
Movements in deferred taxation	1,100
Tax refund due	3,266
Inventories	(527)
Accounts payable	312
	<b>16,664</b>
<b>Net cashflow from operating activities</b>	<b>\$34,975</b>

**14 INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS PURSUANT TO REGULATION 6 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE ) AMENDMENT REGULATIONS 2000**

para

		2001 7 mth \$'000
11	<b>11 Operating revenue</b>	
(a)	(a) Revenue from line/access charges:	70,370
(b)	(b) Revenue from "Other" business for services carried out by the line business (transfer payment):	
(c)	(c) Interest on cash, bank balances and short term investments:	168
(e)	(d) AC loss-rental rebates:	3,341
(f)	(e) Other revenue not listed in (a) to (d):	
(g)	<b>Total operating revenue</b>	<b>73,879</b>

**15 INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS PURSUANT TO REGULATION 6 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE ) AMENDMENT REGULATIONS 2000**

para

		2001 7 mth \$'000
	<b>12 Operating expenditure</b>	
(a)	Payment for transmission charges	18,317
(b)	Transfer payments to the "Other" business for:	
(i)	Asset maintenance:	10,356
(ii)	Consumer disconnection/reconnection services:	
(iii)	Meter data:	
(iv)	Consumer-based load control services:	
(v)	Royalty and patent expenses:	
(vi)	Avoided transmission charges on account of own generation	
(vii)	Other goods and services not listed in (i) to (vi) above	
(viii)	<b>Total transfer payment to the "Other" business</b>	<b>10,356</b>
(c)	Expense to entities that are not related parties for:	
(i)	Asset maintenance:	
(ii)	Consumer disconnection/reconnection services	
(iii)	Meter data	
(iv)	Consumer-based load control services	
(v)	Royalty and patent expenses	
(vi)	Total of specified expenses to non-related parties (sum of (i) to (v))	
(d)	Employee salaries, wages and redundancies (1)	
(e)	Consumer billing and information system expense	
(f)	Depreciation on:	
(i)	System fixed assets:	9,770
(ii)	Other assets not listed in (i)	
(iii)	<b>Total depreciation</b>	<b>9,770</b>
(g)	Amortisation of:	
(i)	Goodwill:	
(ii)	Other intangibles:	
(iii)	<b>Total amortisation of intangibles</b>	
(h)	Corporate and administration:	4,992
(i)	Human resource expenses:	540
(j)	Marketing/advertising:	192
(k)	Merger and acquisition expenses:	7,373
(l)	Takeover defence expenses:	

(m)	Research and development expenses:	
(n)	Consultancy and legal expenses:	144
(o)	Donations:	
(p)	Directors' fees:	408
(q)	Auditors' fees:	
(i)	Audit fees paid to principal auditors:	43
(ii)	Audit fees paid to other auditors:	282
(iii)	Fees paid for other services provided by principal and other auditors:	
(iv)	<b>Total auditors' fees:</b>	325
(r)	Costs of offering credit:	
(i)	Bad debts written off:	322
(ii)	Increase in estimated doubtful debts:	(264)
(iii)	<b>Total cost of offering credit:</b>	58
(s)	Local authority rates expense:	16
(t)	AC loss-rentals (distribution to retailers/customers) expense:	
(u)	Rebates to consumers due to ownership interest:	
(v)	Subvention payments:	
(w)	Unusual expenses:	
(x)	Other expenditure not listed in (a) to (w)	
13	<b>Total operating expenditure</b>	<b>52,491</b>
14	<b>Operating surplus before interest and income tax</b>	<b>21,388</b>
15	<b>Interest expense</b>	
(a)	Interest expense on borrowings	7,547
(b)	Financing charges related to finance leases	
(c)	Other interest expense	
(d)	<b>Total interest expense</b>	7,547
16	<b>Operating surplus before income tax</b>	<b>13,841</b>
17	<b>Income tax</b>	5,786
18	<b>Net surplus after tax</b>	<b>8,055</b>
Note 1	Employee salaries, wages and redundancies	6,659
	This expense is an integral part of the disclosures above.	

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

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	43,982,357				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	43,982,357				
Interest on cash, bank balances, and short-term investments (ISTI)	1,472,139				
OSBIT minus ISTI	42,510,219	a	42,510,219		42,510,219
Net surplus after tax from financial statements	21,076,423				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	21,076,423	n		21,076,423	
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)	13,979,899				
Depreciation of SFA at ODV (y)	13,782,207				
ODV depreciation adjustment	197,692	d	add	add	add
Subvention payment tax adjustment	0	s*		deduct	deduct
Interest tax shield	3,142,637	q			deduct
Revaluations	-10,874,159	r			add
Income tax	11,910,654	p			deduct
<b>Numerator</b>			42,707,911	21,274,115	16,780,461
Fixed assets at end of previous financial year (FA <sub>0</sub> )	414,154,537				
Fixed assets at end of current financial year (FA <sub>1</sub> )	412,263,758				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	11,066,185				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	1,057,153				
Average total funds employed (ATFE)	415,619,258 (or regulation 33 time-weighted average)	c	415,619,258		415,619,258
Total equity at end of previous financial year (TE <sub>0</sub> )	254,378,196				
Total equity at end of current financial year (TE <sub>1</sub> )	253,759,142				
Average total equity	254,068,669 (or regulation 33 time-weighted average)	k		254,068,669	

WUC at end of previous financial year ( $WUC_0$ )	5,435,300					
WUC at end of current financial year ( $WUC_1$ )	6,791,821					
Average total works under construction	6,113,561 (or regulation 33 time-weighted average)	deduct	6,113,561	deduct	6,113,561	6,113,561
Revaluations	-10,874,159					
Half of revaluations	-5,437,079					-5,437,079
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 (or regulation 33 time-weighted average)			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			add	0	
System fixed assets at end of previous financial year at book value ( $SFA_{bvo}$ )	388,513,819					
System fixed assets at end of current financial year at book value ( $SFA_{bvt}$ )	384,979,436					
Average value of system fixed assets at book value	384,655,251 (or regulation 33 time-weighted average)	deduct	384,655,251	deduct	384,655,251	384,655,251
System Fixed assets at year beginning at ODV value ( $SFA_{odvo}$ )	388,513,819					
System Fixed assets at end of current financial year at ODV value ( $SFA_{odvt}$ )	\$374,105,277					
Average value of system fixed assets at ODV value	384,655,251 (or regulation 33 time-weighted average)	add	384,655,251	add	384,655,251	384,655,251
<b>Denominator</b>			409,505,698		247,955,108	414,942,777
<b>Financial Performance Measure:</b>			10.43		8.58	4.0440

16 **DISCLOSURE OF OPTIMAL DEPRIVAL VALUE (ODV) PURSUANT TO REGULATION 20 OF THE ELECTRICITY (INFORMATION DISCLOSURE ) REGULATIONS 1999**

	2001	2000
ODV as per latest valuation	374,105,277	\$253,264,729

17 **DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 21 AND PART IV OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION DISCLOSURE ) REGULATIONS 1999**

17.1	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
(a) Load Factor	60%	63.26%	64.72%	67.66%
(b) Loss Ratio (Refer note 1)	6.80%	26.58%	6.80%	6.15%
(c) Capacity Utilisation	28.19%	29.80%	29.80%	30.49%

Note 1. The information for this disclosure is provided by the retail companies. Some of the companies, at the time of publication of these accounts had not provided the information required. Therefore a Loss Ratio based on incomplete data would be grossly inaccurate (as was presented in 2000). For the purpose of this disclosure the Loss Ratio has been taken as the 1999 figure. In our opinion the Loss Ratio should not be materially different from the previous years.

17.2 (a) System Length

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Nominal Voltage	Total System Length (km)	Total System Length (km)	Total System Length (km)	Total System Length (km)
110kV	-	-	23.00	
33kV	1030.533	747.30	759.71	568.02
22kV	113.308	113.50	113.43	113.34
11kV	9501.667	6,403.44	6,490.71	4,905.68
6.6kV	430.75	834.44	846.51	837.27
230/400V	4236.341	2,760.21	2,903.27	2,231.14
Total	15,312.60	10,858.89	11,136.63	8,655.45

(b) Overhead Line Length

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Nominal Voltage	O/H Line Length (km)	O/H Line Length (km)	O/H Line Length (km)	O/H Line Length (km)
110kV	-	-	23.00	
33kV	975.512	731.14	744.28	554.28
22kV	113.073	113.23	113.17	113.15
11kV	9012.634	6,179.87	6,274.93	4,736.15
6.6kV	430.75	828.52	834.67	825.43
230/400V	3077.06	2,300.18	2,413.85	1,823.60
Total	13,609.03	10,152.94	10,403.90	8,052.61

(c) Underground Line Length

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Nominal Voltage	U/G Line Length (km)	U/G Line Length (km)	U/G Line Length (km)	U/G Line Length (km)
110 kV				
33kV	55.021	16.16	15.43	13.74
22kV	0.235	0.27	0.23	0.19
11kV	485.759	223.57	215.78	169.53
6.6kV	3.274	5.92	11.84	11.84
230/400V	1159.281	460.03	489.42	407.54
Total	1,703.57	705.95	732.69	602.84

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
(d) Transformer Capacity (kVA)	1,320,123	831,041	831,536	639,581
(e) Maximum Demand (kW)	372,086	243,335	234,050	196,000
(f) Total Electricity Supplied From System (kWh) (refer Note 2)	1,941,496,969	1,348,358,790	1,377,340,529	1,019,475,673
(g) Total Electricity Conveyed Through System On Behalf of Other Electricity Retailers (kWh)	2,083,151,254	1,348,358,790	77,456,468	2,492,834

Note 2: Powerco is unable to provide an accurate breakdown of the purchases by retailer as this information has either not been provided by retailers or there is doubt over the accuracy of that information. Without the ability to have complete data from retailers, Powerco is unable to reconcile this information and therefore assure the accuracy of this disclosure. A disclosure of this information will be made when it becomes available to Powerco. The number provided has been calculated using the assumed 6.8% loss factor.

(h) Total Customers	157,120	106,525	104,370	84,373
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**18 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO REGULATION 22  
AND PART VI OF THE FIRST SCHEDULE OF THE ELECTRICITY (INFORMATION  
DISCLOSURE ) REGULATIONS 1999**

**18.1 Total Number Of Interruptions**

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Interruption Class	Number of Interruptions	Number of Interruptions	Number of Interruptions	Number of Interruptions
Class A - Transpower Planned	4	2	4	3
Class B - Distributor Planned	447	279	400	374
Class C - Distributor Unplanned	718	842	691	627
Class D - Transpower Unplanned	9	6	4	7
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	-
Class G - Other Line Owner ( Not in A to F)	-	-	-	-
Class H - Other Line Owner ( Not in A to G)	-	-	-	-
Class I - Other Owner	-	-	-	-
Total	1,178	1,129	1,099	1,011

**18.2 Interruption Targets for the Following  
Financial Year**

	2002 Powerco	2001 Powerco	2000 Powerco
Class B - Principal Line Owner Planned	650	279	428
Class C - Principal Line Owner Unplanned	989	845	859

**18.3 Average Interruption Targets for the  
Following Financial Year and Subsequent  
4 Financial Years**

	2002 Powerco	2003-2006 Powerco
Class B - Principal Line Owner Planned	650	650
Class C - Principal Line Owner Unplanned	989	979

**18.4 Proportion of the Total Number of  
Faults Not Restored Within:-**

	Period	2001 Powerco	2000 Powerco	1999 Powerco
Class C - Principal Line Owner Unplanned	3 Hours	8.64	11.7	8.2
Class C - Principal Line Owner Unplanned	24 Hours	0.14	0.2	0.9

**18.5a Total Number Of Faults Per 100km  
Of Prescribed Voltage Line**

	<b>2001 Powerco</b>	<b>2000 Powerco</b>	<b>1999 Powerco</b>	<b>1998 Powerco</b>
<b>Nominal Voltage</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>
110kV	0.00	0.00	0.00	
33kV	3.40	3.48	4.48	
22kV	13.24	8.81	9.70	
11kV	11.23	12.54	9.88	
6.6kV	5.34	0.72	0.59	
<b>Total</b>	<b>10.29</b>	<b>10.43</b>	<b>8.39</b>	<b>9.73</b>

**18.5b Total Number Of Faults Per 100km  
Of Prescribed Voltage Line  
(Targeted for the Following Financial Year)**

	<b>2002 Powerco</b>		<b>2001 Powerco</b>	<b>2000 Powerco</b>
<b>Nominal Voltage</b>	<b>Number of Faults/100km</b>		<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>
110kV			0.00	0.00
33kV	6.0		3.48	3.88
22kV	9.5		8.81	9.70
11kV	9.4		12.54	9.99
6.6kV	9.7		0.72	0.59
3.3kV			0.00	0.00
<b>Total (Weighted Average)</b>	<b>9.1</b>		<b>10.43</b>	<b>8.58</b>

**18.5c Total Number Of Faults Per 100km  
Of Prescribed Voltage Line  
(Targeted for the Following Financial Year  
and Subsequent 4 Financial Years)**

	<b>2002 Powerco</b>	<b>2003-2006 Powerco</b>
<b>Nominal Voltage</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>
110kV		
33kV	6.0	5.8
22kV	9.5	9.4
11kV	9.4	9.3
6.6kV	9.7	9.6
3.3kV		
<b>Total (Weighted Average)</b>	<b>9.1</b>	<b>9.0</b>

**18.6 Total Number Of Faults Per 100km Of  
Prescribed Voltage Underground Line**

	<b>2001 Powerco</b>	<b>2000 Powerco</b>	<b>1999 Powerco</b>	<b>1998 Powerco</b>
<b>Nominal Voltage</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>	<b>Number of Faults/100km</b>
33kV	0.00	0.00	0.00	0.00
22kV	0.00	0.00	0.00	0.00
11kV	3.29	4.92	2.78	2.95
6.6kV	0.00	0.00	0.00	0.00
<b>Total</b>	<b>2.94</b>	<b>4.47</b>	<b>2.47</b>	<b>2.56</b>

**18.7 Total Number Of Faults Per 100km Of Prescribed Voltage Overhead Line**

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
110kV				
33kV	3.59	0.00	0.00	5.77
22kV	13.27	8.83	9.72	7.07
11kV	11.66	12.82	10.12	11.99
6.6kV	5.34	0.72	0.60	1.70
<b>Total</b>	<b>10.67</b>	<b>10.62</b>	<b>8.57</b>	<b>9.95</b>

**18.8 SAIDI**

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Interruption Class	SAIDI	SAIDI	SAIDI	SAIDI
Class A - Transpower Planned	7.51	6.53	10.46	13.11
Class B - Distributor Planned	23.59	13.23	23.79	34.95
Class C - Distributor Unplanned	60.84	88.73	100.80	106.29
Class D - Transpower Unplanned	3.75	1.05	3.22	23.50
Class E - ECNZ Unplanned	0	0.00	0.00	0.00
Class F - Other Generator Unplanned	0	0.00	0.00	0.00
Class G - Other ( Not in A to F)	0	0.00	0.00	0.00
Class H - Other Owner	0	0.00	0.00	
Class I - Other Owner ( Not in A - I)	0	0.00	0.00	
<b>Total</b>	<b>95.69</b>	<b>109.53</b>	<b>138.27</b>	<b>177.86</b>

**18.9 SAIDI - Targeted for the Following Financial Year**

	2002 Powerco	2001 Powerco	2000 Powerco
Interruption Class	SAIDI	SAIDI	SAIDI
Class B - Distributor Planned	25	13.23	23.26
Class C - Distributor Unplanned	75	88.73	98.77

**18.10 - 18.11 SAIDI Targeted for the Following Financial Year and Subsequent 4 Financial Years**

	2002 Powerco	2003-2006 Powerco	2000 Powerco	2001-2004 Powerco
Interruption Class	SAIDI	SAIDI	SAIDI	SAIDI
Class B - Distributor Planned	25	25	23.26	13.23
Class C - Distributor Unplanned	75	75	98.77	88.73

**18.12 SAIFI**

	2001 Powerco	2000 Powerco	1999 Powerco	1998 Powerco
Interruption Class	SAIFI	SAIFI	SAIFI	SAIFI
Class A - Transpower Planned	0.03	0.027	0.048	0.057
Class B - Distributor Planned	0.15	0.095	0.149	0.234
Class C - Distributor Unplanned	1.42	1.731	1.974	1.846
Class D - Transpower Unplanned	0.23	0.185	0.270	0.385
Class E - ECNZ Unplanned	0	0.000	0.000	0.000
Class F - Other Generator Unplanned	0	0.000	0.000	0.000
Class G - Other ( Not in A to F)	0	0.000	0.000	0.000
Class H - Other Line Owner	0	0.000	0.000	
Class I - Other Owner	0	0.000	0.000	
<b>Total</b>	<b>1.84</b>	<b>2.038</b>	<b>2.441</b>	<b>2.523</b>

**18.13 SAIFI -****Targeted for the Following Financial Year**

	<b>2002 Powerco</b>
<b>Interruption Class</b>	<b>SAIFI</b>
Class B - Distributor Planned	0.16
Class C - Distributor Unplanned	1.74

<b>2001 Powerco</b>	<b>2000 Powerco</b>
<b>SAIFI</b>	<b>SAIFI</b>
0.095	0.143
1.731	1.763

**18.14 -18.15 SAIFI****Targeted for the Following Financial Year and  
Subsequent 4 Financial Years**

	<b>2002 Powerco</b>	<b>2003-2006 Powerco</b>
<b>Interruption Class</b>	<b>SAIFI</b>	<b>SAIFI</b>
Class B - Distributor Planned	0.16	0.16
Class C - Distributor Unplanned	1.74	1.74

<b>2000 Powerco</b>	<b>2001-2004 Powerco</b>
<b>SAIFI</b>	<b>SAIFI</b>
0.143	0.095
1.763	1.731

**18.16 CAIDI**

	<b>2001 Powerco</b>	<b>2000 Powerco</b>	<b>1999 Powerco</b>	<b>1998 Powerco</b>
<b>Interruption Class</b>	<b>CAIDI</b>	<b>CAIDI</b>	<b>CAIDI</b>	<b>CAIDI</b>
Class A - Transpower Planned	224.57	240.00	218.29	230.83
Class B - Distributor Planned	153.9	139.84	160.19	149.17
Class C - Distributor Unplanned	42.87	51.26	51.07	57.58
Class D - Transpower Unplanned	16.36	5.67	11.91	60.99
Class E - ECNZ Unplanned	0	0.00	0.00	0.00
Class F - Other Generator Unplanned	0	0.00	0.00	0.00
Class G - Other ( Not in A to F)	0	0.00	0.00	0.00
Class H - Other Line Owner	0	0.00	0.00	
Class I - Other Owner	0	0.00	0.00	
<b>Total</b>	<b>52.14</b>	<b>53.76</b>	<b>56.56</b>	<b>70.51</b>

**18.17 CAIDI****Targeted for the Following Financial Year**

	<b>2002 Powerco</b>
<b>Interruption Class</b>	<b>CAIDI</b>
Class B - Distributor Planned	153.0
Class C - Distributor Unplanned	43.1

<b>2001 Powerco</b>	<b>2000 Powerco</b>
<b>CAIDI</b>	<b>CAIDI</b>
139.835	163.094
51.257	56.015

**18.18 CAIDI****Targeted for the Following Financial Year and  
Subsequent 4 Financial Years**

	<b>2002 Powerco</b>	<b>2003-2006 Powerco</b>
<b>Interruption Class</b>	<b>CAIDI</b>	<b>CAIDI</b>
Class B - Distributor Planned	153.0	153.0
Class C - Distributor Unplanned	43.1	43.1