



# New Zealand Gazette

OF THURSDAY, 7 SEPTEMBER 2000

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WELLINGTON: FRIDAY, 8 SEPTEMBER 2000 — ISSUE NO. 125

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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

**STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION  
SUPPLIED TO SECRETARY**

I, *Mr Bruce Clayton* of *Dannevirke*,  
being a Director of SCANPOWER LIMITED, solemnly and sincerely declare that having  
made all reasonable 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) Regulations 1999.

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

*[Signature]*  
.....

Declared at *Dannevirke* this *24<sup>th</sup>* day of *August* *19* ~~18~~ *2000*.

*[Signature]*  
.....  
Solicitor  
(*Ham Dodson*)

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

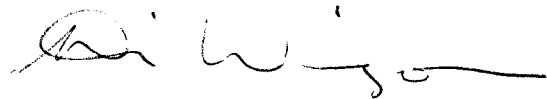
We, Michael Dodson and Di Wilkinson, Directors of SCANPOWER LIMITED, certify that, having made all reasonable enquiry, to the best of our knowledge:

- (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.

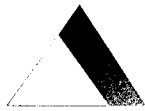
The valuations on which those financial performance measures are based are as at 31 March 1999.



Michael Dodson  
August 2000



Di Wilkinson  
August 2000



Audit New Zealand

## **REPORT OF THE AUDIT OFFICE**

### **TO THE READERS OF THE FINANCIAL STATEMENTS OF SCANPOWER LIMITED FOR THE YEAR ENDED 31 MARCH 2000**

We have audited the financial statements of ScanPower Limited on pages 1 to 4 and 7 to 15. The financial statements provide information about the past financial performance of ScanPower Limited and its financial position as at 31 March 2000. This information is stated in accordance with the accounting policies set out on pages 7 to 8.

#### **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 ScanPower Limited as at 31 March 2000, and results of operations and cash flows for the year then ended.

#### **Auditor's responsibilities**

It is the responsibility of the Audit Office to express an independent opinion on the financial statements presented by the Directors and report its opinion to you.

The Controller and 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 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 give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in ScanPower Limited.

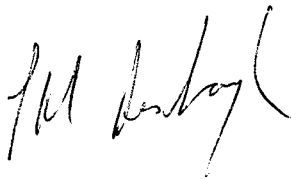
**Unqualified opinion**

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 4 and 7 to 15:
  - comply with generally accepted accounting practice *and*
  - give a true and fair view of the financial position of ScanPower Limited as at 31 March 2000 and the results of its operations and cash flows for the year ended on that date; *and*
  - comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 30 August 2000 and our unqualified opinion is expressed as at that date.



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

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

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|  | <b>Notes</b> | <b>2000</b><br>\$     | <b>1999</b><br>\$    |
|--|--------------|-----------------------|----------------------|
| Revenue                                    | 1            | 5,007,305             | 4,907,482            |
| Expense                                    | 1            | <u>(4,751,776)</u>    | <u>(4,732,338)</u>   |
| <b>Operating surplus before income tax</b> |              | 255,529               | 175,144              |
| Income tax                                 | 2            | <u>140,808</u>        | <u>95,690</u>        |
| <b>Operating surplus after income tax</b>  |              | <u><u>114,721</u></u> | <u><u>79,454</u></u> |

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

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

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|  | Notes | 2000<br>\$              | 1999<br>\$              |
|--|-------|-------------------------|-------------------------|
| <b>EQUITY AT BEGINNING OF THE YEAR</b>                     |       | 8,386,015               | 7,823,921               |
| Adjustment to equity                                       | 3,15  | (3,722,597)             | 567,265                 |
| <b>AMENDED EQUITY AT BEGINNING OF THE YEAR</b>             |       | <u>4,663,418</u>        | <u>8,391,186</u>        |
| <b>SURPLUS AND REVALUATIONS</b>                            |       |                         |                         |
| Net surplus for the year                                   |       | 114,721                 | 79,454                  |
| Revaluation of fixed assets                                | 3     | <u>0</u>                | <u>(64,625)</u>         |
| <b>Total recognised revenues and expenses for the year</b> |       | <u>114,721</u>          | <u>14,829</u>           |
| <b>OTHER MOVEMENTS</b>                                     |       |                         |                         |
| Distribution to owners                                     | 3     | <u>(45,000)</u>         | <u>(20,000)</u>         |
| <b>EQUITY AT THE END OF THE YEAR</b>                       |       | <u><u>4,733,139</u></u> | <u><u>8,386,015</u></u> |

Due to the change in methodology required by the Electricity (Information Disclosure) Regulations (1999), 100% of the equity was brought into the accounts in 1999.

An adjustment was also made through equity to account for the movements using the avoidable cost methodology.

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

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

|   | Notes | 2000<br>\$            | 1999<br>\$              |
|---|-------|-----------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |       |                       |                         |
| <i><b>Cash was provided from:</b></i>                   |       |                       |                         |
| Receipts from customers                                 |       | 3,097,416             | 4,240,155               |
| Dividends received                                      |       | 0                     | 7,962                   |
| Interest received                                       |       | 43,435                | 117,107                 |
| Taxation refund   |       | 0                     | 67,333                  |
|   |       | <u>3,140,851</u>      | <u>4,432,557</u>        |
| <i><b>Cash was applied to:</b></i>                      |       |                       |                         |
| Payments to employees and suppliers                     |       | 2,691,223             | 3,826,552               |
| Taxation paid   |       | 0                     | 47,387                  |
| Interest paid   |       | 101                   | 769                     |
|   |       | <u>2,691,324</u>      | <u>3,874,708</u>        |
| <b>Net cash inflows from operating activities</b>       | 9     | <u>449,527</u>        | <u>557,849</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |       |                       |                         |
| <i><b>Cash was provided from:</b></i>                   |       |                       |                         |
| Disposal of energy business                             |       | 0                     | 1,050,000               |
| Proceeds from sale of fixed assets                      |       | 62                    | 8,444                   |
|   |       | <u>62</u>             | <u>1,058,444</u>        |
| <i><b>Cash was applied to:</b></i>                      |       |                       |                         |
| Purchase and construction of assets                     |       | 336,279               | 183,077                 |
| Purchase of investments                                 |       | 0                     | 1,463,943               |
|   |       | <u>336,279</u>        | <u>1,647,020</u>        |
| <b>Net cash inflows from investment activities</b>      |       | <u>(336,217)</u>      | <u>(588,576)</u>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |       |                       |                         |
| <i><b>Cash was applied to:</b></i>                      |       |                       |                         |
| Dividends paid  |       | 20,000                | 15,000                  |
| Loan repayments   |       | 0                     | 24,900                  |
|   |       | <u>20,000</u>         | <u>39,900</u>           |
| <b>Net cash outflows from financing activities</b>      |       | <u>(20,000)</u>       | <u>(39,900)</u>         |
| <b>NET INCREASE / (DECREASE) IN CASH HELD</b>           |       | 93,310                | (70,627)                |
| <b>Opening Cash Brought Forward</b>                     |       | 1,303,831             | 1,374,458               |
| <b>Less Investments transferred to "OTHER" business</b> |       | (1,283,365)           | 0                       |
| <b>CASH AT END OF THE YEAR</b>                          |       | <u><u>113,776</u></u> | <u><u>1,303,831</u></u> |
| <b>REPRESENTED BY:</b>                                  |       |                       |                         |
| Cash and bank balances                                  |       | 3,908                 | 20,466                  |
| Investments   |       | 109,868               | 1,283,365               |
|   |       | <u><u>113,776</u></u> | <u><u>1,303,831</u></u> |

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



**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH**

|                                      | Notes | 2000<br>\$       | 1999<br>\$       |
|--------------------------------------|-------|------------------|------------------|
| <b>EQUITY</b>                        |       |                  |                  |
| Share capital                        |       | 7,500,000        | 7,500,000        |
| Retained earnings                    | 3     | (2,795,042)      | 223,345          |
| Reserves                             | 3     | 28,181           | 662,670          |
| <b>Shareholders' Equity</b>          |       | <u>4,733,139</u> | <u>8,386,015</u> |
| <b>REPRESENTED BY:</b>               |       |                  |                  |
| <b>CURRENT ASSETS</b>                |       |                  |                  |
| Cash and bank balances               |       | 3,908            | 20,466           |
| Investments                          | 6     | 109,868          | 1,283,365        |
| Receivables and prepayments          | 4     | 476,936          | 358,032          |
| Inventories                          | 5     | 92,246           | 80,996           |
| <b>Total Current Assets</b>          |       | <u>682,958</u>   | <u>1,742,859</u> |
| <b>NON CURRENT ASSETS</b>            |       |                  |                  |
| Deferred taxation                    | 2     | 190,663          | 252,876          |
| Investments                          | 6     | 0                | 1,463,943        |
| Capital works in progress            |       | 68,037           | 0                |
| Fixed assets                         | 8     | 4,336,825        | 5,435,731        |
| <b>Total Non-Current Assets</b>      |       | <u>4,595,525</u> | <u>7,152,550</u> |
| <b>TOTAL ASSETS</b>                  |       | <u>5,278,483</u> | <u>8,895,409</u> |
| <b>CURRENT LIABILITIES</b>           |       |                  |                  |
| Accounts payable                     | 7     | 324,941          | 410,840          |
| Proposed dividend                    |       | 45,000           | 20,000           |
| Employee entitlements                |       | 33,481           | 37,261           |
| Tax provision                        |       | 114,010          | 13,793           |
| <b>Total Current Liabilities</b>     |       | <u>517,432</u>   | <u>481,894</u>   |
| <b>NON CURRENT LIABILITIES</b>       |       |                  |                  |
| Employee entitlements                |       | 27,912           | 27,500           |
| <b>Total Non-Current Liabilities</b> |       | <u>27,912</u>    | <u>27,500</u>    |
| <b>TOTAL LIABILITIES</b>             |       | <u>545,344</u>   | <u>509,394</u>   |
| <b>NET ASSETS</b>                    |       | <u>4,733,139</u> | <u>8,386,015</u> |

For and on behalf of the Board

  
**CHAIRMAN**

  
**GENERAL MANAGER**

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

| Regulation  |   | 2000       | 1999       | 1998       | 1997       | 1996       |
|-------------|---|------------|------------|------------|------------|------------|
| <b>15</b>   | <b>FINANCIAL PERFORMANCE MEASURES</b>   |            |            |            |            |            |
|             | Accounting Return on Total Assets   | -na-       | -na-       | -0.45%     | -0.12%     | -1.44%     |
|             | Accounting Return on Equity   | -na-       | -na-       | -0.66%     | -0.71%     | -1.55%     |
|             | Accounting Rate of Profit   | -na-       | -na-       | -0.61%     | -0.70%     | -1.54%     |
| 15 a        | Return on Funds   | -1.49%     | -1.25%     | -na-       | -na-       | -na-       |
| 15 b        | Return on Equity  | -1.57%     | -1.00%     | -na-       | -na-       | -na-       |
| 15 c        | Return on Investment  | -2.36%     | -1.37%     | -na-       | -na-       | -na-       |
| <b>15</b>   | <b>EFFICIENCY PERFORMANCE INDICATORS</b>  |            |            |            |            |            |
| 15 a        | Direct Line Costs per Kilometre   | \$849      | \$1,091    | \$959      | \$899      | \$866      |
| 15 b        | Indirect Line Costs per Customer  | \$66       | \$67       | \$63       | \$68       | \$57       |
|             | As in previous years, the network discount (1999/00 - \$1,547,978, 1998-99 - \$1,209,373) has been excluded from both numerators of these indicators. |            |            |            |            |            |
| <b>20</b>   | <b>OPTIMISED DEPRIVAL VALUATION</b>   |            |            |            |            |            |
|             | The Optimised Deprival Valuation of the Lines Business Assets as at 31 March 1998 was \$16,013,157.   |            |            |            |            |            |
| <b>21.1</b> | <b>ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES</b>  |            |            |            |            |            |
| 21 a        | Load Factor   | 67.40%     | 67.00%     | 62.00%     | 66.50%     | 66.55%     |
| 21 b        | Loss Ratio  | 8.10%      | 8.80%      | 7.28%      | 7.34%      | 7.95%      |
| 21 c        | Capacity Utilisation  | 26.40%     | 25.28%     | 27.55%     | 26.32%     | 26.04%     |
| <b>21.2</b> | <b>STATISTICS</b>   |            |            |            |            |            |
| 21 a        | System Length   |            |            |            |            |            |
|             | 11 KV   | 764        | 763        | 766        | 765        | 765        |
|             | 400 V   | <u>231</u> | <u>231</u> | <u>231</u> | <u>230</u> | <u>229</u> |
|             | Total   | 995        | 994        | 997        | 995        | 994        |
| 21 b        | Circuit Length of Overhead System   |            |            |            |            |            |
|             | 11 KV   | 764        | 763        | 766        | 765        | 765        |
|             | 400 V   | <u>194</u> | <u>195</u> | <u>196</u> | <u>197</u> | <u>197</u> |
|             | Total   | 958        | 958        | 962        | 962        | 962        |
| 21 c        | Circuit Length of Underground System  |            |            |            |            |            |
|             | 400 V   | <u>37</u>  | <u>36</u>  | <u>35</u>  | <u>33</u>  | <u>32</u>  |
|             | Total   | 37         | 36         | 35         | 33         | 32         |
| 21 d        | Transformer Capacity  | 54,597     | 54,507     | 54,317     | 53,157     | 54,425     |
| 21 e        | Maximum Demand KW   | 14,406     | 13,778     | 14,967     | 13,971     | 14,176     |
| 21 f        | Total Electricity Supplied from Systems (Sales) Kwhr  | 79,097,162 | 74,980,152 | 75,285,058 | 75,584,065 | 76,281,299 |
| 21 g        | Electricity on behalf of other entities   |            |            |            |            |            |
|             | Meridian  | 78,633,123 | -          | -          | -          | -          |
|             | Transalta   | 267,903    | -          | -          | -          | -          |
|             | Trustpower  | 196,136    | 41,778     | -          | -          | -          |
| 21 h        | Total Customers (average for year)  | 6,675      | 6,626      | 6,700      | 6,700      | 6,700      |
| <b>22</b>   | <b>Number of Faults per 100 circuit kilometre overhead</b>  |            |            |            |            |            |
| 7 & 5a      | 11 KV   | 6.28       | 13         | 10         | 15         | 9          |
| 7 & 5a      | Total   | 6.28       | 13         | 10         | 15         | 9          |
| 4a          | Number of Faults greater than or equal to 3 hours   | 8 (17%)    | 19 (19.4%) |            |            |            |
| 4b          | Number of Faults greater than or equal to 24 hours  | 0 (0%)     | 1 (1%)     |            |            |            |

**SCANPOWER LIMITED**  
**PERFORMANCE INDICATORS (contd.)**  
**FOR THE YEARS ENDED 31 MARCH**

**Regulation****22****Total Interruptions 2000**

|         | CLASS         | A      | B      | C     | D    | E    | F    | G    | TOTAL  |
|---------|---------------|--------|--------|-------|------|------|------|------|--------|
| 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 |

**Regulation****22****Total Interruptions 1999**

|         | CLASS         | A    | B      | C     | D     | E    | F    | G    | TOTAL  |
|---------|---------------|------|--------|-------|-------|------|------|------|--------|
| 8 & 11  | SAIDI         | 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 |

**22****Total Interruptions 1998**

|         | CLASS         | A      | B      | C      | D     | E    | F    | G    | TOTAL  |
|---------|---------------|--------|--------|--------|-------|------|------|------|--------|
| 8 & 11  | SAIDI         | 49.00  | 44.37  | 64.80  | 78.00 | 0.00 | 0.00 | 0.00 | 236.17 |
| 12 & 15 | SAIFI         | 0.23   | 0.28   | 0.63   | 0.80  | 0.00 | 0.00 | 0.00 | 1.94   |
| 16 & 19 | CAIDI         | 209.00 | 160.00 | 103.00 | 97.50 | 0.00 | 0.00 | 0.00 | 121.64 |
| 1       | INTERRUPTIONS | 1.00   | 106.00 | 74.00  | 2.00  | 0.00 | 0.00 | 0.00 | 183.00 |

**22****Total Interruptions 1997**

|         | CLASS         | A      | B      | C      | D     | E    | F    | G    | TOTAL  |
|---------|---------------|--------|--------|--------|-------|------|------|------|--------|
| 8 & 11  | SAIDI         | 28.00  | 74.68  | 50.58  | 18.55 | 0.00 | 0.00 | 0.00 | 171.81 |
| 12 & 15 | SAIFI         | 0.23   | 0.60   | 0.55   | 0.32  | 0.00 | 0.00 | 0.00 | 1.70   |
| 16 & 19 | CAIDI         | 121.74 | 124.99 | 91.70  | 57.25 | 0.00 | 0.00 | 0.00 | 100.87 |
| 1       | INTERRUPTIONS | 1.00   | 99.00  | 113.00 | 2.00  | 0.00 | 0.00 | 0.00 | 215.00 |

**22****Total Interruptions 1996**

|         | CLASS         | A      | B      | C     | D    | E    | F    | G    | TOTAL  |
|---------|---------------|--------|--------|-------|------|------|------|------|--------|
| 8 & 11  | SAIDI         | 49.15  | 41.66  | 32.63 | 0.00 | 0.00 | 0.00 | 0.00 | 123.44 |
| 12 & 15 | SAIFI         | 0.23   | 0.32   | 0.58  | 0.00 | 0.00 | 0.00 | 0.00 | 1.13   |
| 16 & 19 | CAIDI         | 214.00 | 129.00 | 56.00 | 0.00 | 0.00 | 0.00 | 0.00 | 109.10 |
| 1       | INTERRUPTIONS | 1.00   | 127.00 | 68.00 | 0.00 | 0.00 | 0.00 | 0.00 | 196.00 |

**22**

| CLASS     | TARGET                   | AVERAGE   | TARGET | AVERAGE   |
|-----------|--------------------------|-----------|--------|-----------|
| YEAR      | 2001                     | 2001-2005 | 2000   | 2000-2004 |
| 9a & 10a  | 75                       | 75        | 75     | 75        |
| 9b & 10b  | 75                       | 75        | 75     | 75        |
| 13a & 14b | 0.8                      | 0.8       | 0.8    | 0.8       |
| 13b & 14b | 1                        | 1         | 1      | 1         |
| 17a & 18a | 160                      | 160       | 160    | 160       |
| 17b & 18b | 110                      | 110       | 110    | 110       |
| 2a & 3a   | No. of Interruptions B   | 150       | 150    | 150       |
| 2b & 3b   | No. of Interruptions C   | 150       | 150    | 150       |
| 5b-d      | No. of faults/100km 11Kv | 12        | 12     | 12        |

6

N/A No 11kv U/G

**SCANPOWER LIMITED - LINES BUSINESS**  
**STATEMENT OF ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 MARCH 2000**

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. The financial statements comprise separate Statements of Financial Position, Financial Performance, Cash Flows and Movements in Equity for the Line and Other Businesses as required by the Regulations. These businesses operate 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 fixed 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 basis of historical cost with the exception of certain items for which specific accounting policies are identified.

**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.

**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 and dividends received.

**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 debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

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

**Employee Entitlements**

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages, annual leave and long service leave as a result of services rendered by employees up to balance date.

**STATEMENT OF ACCOUNTING POLICIES (Continued)****Fixed Assets**

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently revalued to net current value by an independent valuer. Fixed assets within these 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.

**Depreciation**

Depreciation of fixed assets, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives.

Major depreciation periods are:

|                     |                  |
|---------------------|------------------|
| Buildings           | - 50 years       |
| Computer Equipment  | - 3 to 5 years   |
| Distribution System | - 33 to 35 years |
| Motor Vehicles      | - 6 to 10 years  |
| Plant and Equipment | - 10 years       |

**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 value and, where appropriate, particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The company does not normally require deposits from customers except where there has previously been non-payment of outstanding accounts. No other form of security or collateral is required to support financial instruments with credit risk.

**Statement of Cash Flows**

The following are the definitions of the terms used in the statement of cash flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. 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. All policies have been applied on bases consistent with those used in the prior year.

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

|  | 2000<br>\$         | 1999<br>\$       |
|--|--------------------|------------------|
| <b>Note 1: (I) OPERATING REVENUE</b>                 |                    |                  |
| Network line rentals                                 | 4,746,635          | 4,534,964        |
| AC loss-rental rebates                               | 157,646            | 248,850          |
| Interest income                                      | 103,024            | 111,783          |
| Dividend income                                      | 0                  | 11,885           |
| <b>Total revenue</b>                                 | <u>5,007,305</u>   | <u>4,907,482</u> |
| <br><b>(II) OPERATING EXPENSES</b>                   |                    |                  |
| Audit fees   | 26,500             | 24,600           |
| Auditors fees for other services                     | 4,000              | 2,750            |
| Fees to other auditors                               | 1,030              | 6,123            |
| Bad debts written off                                | 0                  | 8,405            |
| Depreciation   | 307,528            | 368,872          |
| Directors remuneration & expenses                    | 72,000             | 78,102           |
| Interest paid  | 101                | 768              |
| Loss/ (gain) on sale of assets                       | 4,171              | 70,690           |
| Network holiday credits (1999 including discounts)   | 1,547,978          | 1,209,373        |
| Cost of sales & operating expenses                   | <u>2,788,468</u>   | <u>2,962,655</u> |
|  | <u>4,751,776</u>   | <u>4,732,338</u> |
| <br><b>Note 2: Taxation Reconciliation</b>           |                    |                  |
| Accounting net operating surplus before taxation     | 255,529            | 175,144          |
| <br>Taxation at 33%                                  | 84,325             | 57,798           |
| Plus tax effect of:                                  |                    |                  |
| Non deductible expenditure                           | 0                  | 0                |
| Permanent differences                                | 8,313              | 9,096            |
| Prior year adjustment                                | 48,170             | 28,796           |
| <b>Income tax charge for the year</b>                | <u>140,808</u>     | <u>95,690</u>    |
| <br><b>Income tax charge for the year comprises:</b> |                    |                  |
| Current taxation                                     | 0                  | 7,135            |
| Deferred taxation                                    | 140,808            | 88,555           |
|  | <u>140,808</u>     | <u>95,690</u>    |
| <br><b>Deferred Tax Asset / (Liability):</b>         |                    |                  |
| Opening balance                                      | 252,876            | (45,850)         |
| Prior period adjustment                              | 237,209            | (28,847)         |
| Current year movement                                | (11,353)           | 29,522           |
| Tax losses   | (288,069)          | 298,051          |
| Closing balance                                      | <u>190,663</u>     | <u>252,876</u>   |
| <br><b>Note 3: Retained Earnings &amp; Reserves</b>  |                    |                  |
| <b>Retained Earnings</b>                             |                    |                  |
| Balance at beginning of the year                     | 223,345            | 231,690          |
| Net surplus for the year                             | 114,721            | 79,454           |
| Adjustment to equity                                 | (3,722,597)        | (67,799)         |
| Transfer from revaluation reserves                   | 449,464            | 0                |
| Share premium reserve account closed                 | 185,025            | 0                |
| Dividends paid and proposed                          | (45,000)           | (20,000)         |
| <b>Balance at end of the year</b>                    | <u>(2,795,042)</u> | <u>223,345</u>   |

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2000<br>\$    | 1999<br>\$     |
|---|---------------|----------------|
| <b>Note 3: Retained Earnings &amp; Reserves (continued)</b> |               |                |
| <b>Reserves</b>   |               |                |
| Share premium reserve                                       | 0             | 185,025        |
| Asset revaluation reserve                                   | 28,181        | 477,645        |
| <b>Balance at end of the year</b>                           | <u>28,181</u> | <u>662,670</u> |

Due to the change in methodology required by the Electricity (Information Disclosure) Regulations (1999), 100% of the equity was brought into the accounts in 1999.

An adjustment was also made through equity to account for the movements using the avoidable cost methodology.

|  |                |                |
|--|----------------|----------------|
| <b>Note 4: Receivables and prepayments</b> |                |                |
| Trading debtors                            | 442,692        | 328,795        |
| Estimated doubtful receivables             | 0              | 0              |
| GST clearing account                       | 15,854         | 0              |
| Miscellaneous prepayments                  | 18,390         | 29,237         |
| Accruals                                   | 0              | 0              |
|  | <u>476,936</u> | <u>358,032</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 significant concentration of credit risk, the exposure is minimised by provisions in use of systems agreements between the parties. Amounts owed by trade receivables are unsecured.

|                                |               |               |
|--------------------------------|---------------|---------------|
| <b>Note 5: Inventories</b>     |               |               |
| Network and contracting stocks | 92,246        | 80,996        |
|                                | <u>92,246</u> | <u>80,996</u> |

|  |                |                  |
|--|----------------|------------------|
| <b>Note 6: Investments</b>                     |                |                  |
| <b>(I) CURRENT</b>                             |                |                  |
| Short term deposits held with registered banks | 109,868        | 1,283,365        |
|  | <u>109,868</u> | <u>1,283,365</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.

|                         |          |                  |
|-------------------------|----------|------------------|
| <b>(II) NON CURRENT</b> |          |                  |
| Unlisted securities     | 0        | 0                |
| Listed securities       | 0        | 1,463,943        |
|                         | <u>0</u> | <u>1,463,943</u> |

|  |   |           |
|--|---|-----------|
| <b>(III) FAIR AND MARKET VALUE INFORMATION</b> |   |           |
| Listed securities                              | 0 | 1,438,146 |

The market value is based on prices quoted on the stock exchange at balance date.

The fair values of the other investments are not materially different from their carrying amounts.

**(III) INTEREST RATES**

The range of interest rates on investments were:

|                             |              |              |
|-----------------------------|--------------|--------------|
| Short term bank investments | 0.50 - 5.45% | 2.85 - 9.10% |
|-----------------------------|--------------|--------------|

|                                 |                |                |
|---------------------------------|----------------|----------------|
| <b>Note 7: Accounts Payable</b> |                |                |
| GST clearing account            | 0              | 19,158         |
| Trade creditors                 | 287,868        | 327,830        |
| Other creditors & accruals      | 37,073         | 63,852         |
|                                 | <u>324,941</u> | <u>410,840</u> |

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2000<br>\$              | 1999<br>\$              |
|---|-------------------------|-------------------------|
| <b>Note 8: Fixed Assets</b>                               |                         |                         |
| <b>Distribution assets</b>                                |                         |                         |
| At cost   | 8,686,662               | 8,405,763               |
| Accumulated depreciation                                  | (4,669,679)             | (4,413,475)             |
| Total carrying amount of distribution assets              | <u>4,016,983</u>        | <u>3,992,288</u>        |
| <b>Freehold land</b>                                      |                         |                         |
| At valuation - 31 March 1999                              | 0                       | 84,000                  |
| Total carrying amount of freehold land                    | <u>0</u>                | <u>84,000</u>           |
| <b>Freehold buildings</b>                                 |                         |                         |
| At valuation - 31 March 1999                              | 60,300                  | 946,300                 |
| At cost   | 0                       | 0                       |
| Accumulated depreciation                                  | (1,206)                 | 0                       |
| Total carrying amount of freehold buildings               | <u>59,094</u>           | <u>946,300</u>          |
| <b>Motor vehicles</b>                                     |                         |                         |
| At cost   | 64,340                  | 64,340                  |
| Accumulated depreciation                                  | (40,070)                | (30,419)                |
| Total carrying amount of motor vehicles                   | <u>24,270</u>           | <u>33,921</u>           |
| <b>Plant and equipment</b>                                |                         |                         |
| At cost   | 486,451                 | 516,141                 |
| Accumulated depreciation                                  | (256,490)               | (234,849)               |
| Total carrying amount of plant and equipment              | <u>229,961</u>          | <u>281,292</u>          |
| <b>Consumer billing and information systems equipment</b> |                         |                         |
| At cost   | 37,282                  | 363,131                 |
| Accumulated depreciation                                  | (30,765)                | (265,201)               |
| Total carrying amount of computer equipment               | <u>6,517</u>            | <u>97,930</u>           |
| <b>Total Fixed Assets</b>                                 | <u><b>4,336,825</b></u> | <u><b>5,435,731</b></u> |

The fair value of the land and buildings is not materially different from their carrying amounts.

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

|  |                |                |
|--|----------------|----------------|
| <b>Reported surplus after taxation</b>             | 114,721        | 79,454         |
| <b>Add Non Cash Items</b>                          |                |                |
| Depreciation                                       | 307,528        | 368,273        |
| Change in deferred tax provision                   | 62,213         | (298,726)      |
| <b>Changes in Working Capital</b>                  |                |                |
| Increase/(decrease) in accounts payable & accruals | (85,899)       | 229,667        |
| (Increase)/decrease in accounts receivable         | (118,904)      | (156,345)      |
| (Increase)/decrease in inventory                   | (11,250)       | 24,150         |
| Increase/(decrease) in employee entitlements       | (3,367)        | (150,510)      |
| Increase/(decrease) in provision for taxation      | 100,217        | 21,526         |
| Increase/(decrease) in provision for dividend      | 25,000         |                |
| <b>Other</b>                                       |                |                |
| Net movements in other business *                  | 55,097         | 369,670        |
| <b>Items Classified as Investing Activities</b>    |                |                |
| Net (surplus)/loss on disposal of fixed assets     | 4,171          | 70,690         |
| <b>Net Cashflow from Operating Activities</b>      | <u>449,527</u> | <u>557,849</u> |

\* Relates to other business items utilising the avoidable cost methodology



**NOTES TO THE FINANCIAL STATEMENTS**

|  | 2000 | 1999 |
|--|------|------|
|  | \$   | \$   |

**Note 10: Wind Generation Project**

SCANPOWER Limited has a 10% interest in The Wind Farm Company which holds a resource management consent to erect and operate wind turbines near Woodville.

**Note 11: 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 12: Capital Commitments and Contingent Liabilities**

As at 31 March 2000, the company had no contingent liabilities (1998/9 also Nil).

SCANPOWER has not entered into any contracts to purchase or install equipment of a capital nature (1998/9-Nil)

**Note 13: Related Party Information**

Directors' transactions with the company were made under normal terms and conditions of supply and sale available to members of staff. No discounts were given 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 17.12b 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  | 165,353 | 42,651 |
| Other system fixed assets     | 0       | 0      |

An imputed rental of \$16,436 is included in Note 17.12b (vii) as being paid to the "Other" business.

As at 31 March 2000, there were no outstanding balances for related parties other than those disclosed (1998/9 also Nil).

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

**Note 14: Financial Instruments**

SCANPOWER has no off balance sheet financing (other than those disclosed in these notes), nor any foreign exchange exposure. All instruments are carried at fair value and take into account the company's maximum exposure to credit risk.

Concentrations of credit risk with respect to receivables are limited due to a large customer base to whom the company supplies services.

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

**Note 15: Restatement of Comparative figures**

Employee entitlements that are expected to be paid out beyond one year have been included under non-current liabilities, the corresponding amount for 1999 has also been similarly re-stated.

Note 1 above has also been re-stated for 1999 to separately disclose AC Loss Rental Rebates for that year.

The 1999 adjustment made through equity for the avoidable cost methodology has been restated as an adjustment to equity at the beginning of the year.

**Note 16: Significant Events after Balance Date**

The company is not aware of any post balance date events which would have a significant effect on the business activities of SCANPOWER.

## NOTES TO THE FINANCIAL STATEMENTS

## Note 17: Electricity (Information Disclosure) Regulations 1999 (Schedule 1 Part 2) requirements:

|           |  | 2000             | 1999             |
|-----------|--|------------------|------------------|
|           |  | \$               | \$               |
| <b>1</b>  | <b>Current Assets</b>  |                  |                  |
| a         | Cash and bank balances                                       | 3,908            | 20,466           |
| b         | Short-term investments                                       | 109,868          | 1,283,365        |
| c         | Inventories  | 92,246           | 80,996           |
| d         | Accounts receivable  | 442,692          | 328,795          |
| e         | Other current assets not listed in (a) to (d)                | 34,244           | 29,237           |
|           | <b>Total current assets</b>                                  | <b>682,958</b>   | <b>1,742,859</b> |
| <b>2</b>  | <b>Fixed Assets</b>  |                  |                  |
| a         | System fixed assets  | 4,016,983        | 3,992,288        |
| b         | Consumer billing and information system assets               | 6,517            | 97,930           |
| c         | Motor vehicles   | 24,270           | 33,921           |
| d         | Office equipment   | 57,315           | 67,990           |
| e         | Land and buildings   | 59,094           | 1,030,300        |
| f         | Capital works under construction                             | 68,037           | 0                |
| g         | Other fixed assets not listed in (a) to (f)                  | 172,647          | 213,302          |
| h         | <b>Total fixed assets</b>                                    | <b>4,404,863</b> | <b>5,435,731</b> |
| <b>3</b>  | <b>Other tangible assets not listed above</b>                | <b>190,662</b>   | <b>1,716,819</b> |
| <b>4</b>  | <b>Total tangible assets</b>                                 | <b>5,278,483</b> | <b>8,895,409</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>5,278,483</b> | <b>8,895,409</b> |
| <b>7</b>  | <b>Current liabilities</b>                                   |                  |                  |
| a         | Bank overdraft   | 0                | 0                |
| b         | Short-term borrowings  | 0                | 0                |
| c         | Payables and accruals  | 324,941          | 410,840          |
| d         | Provision for dividends payable                              | 45,000           | 20,000           |
| e         | Provision for income tax                                     | 114,010          | 13,794           |
| f         | Other current liabilities not listed in (a) to (e) above     | 33,481           | 37,260           |
| g         | <b>Total current liabilities</b>                             | <b>517,432</b>   | <b>481,894</b>   |
| <b>8</b>  | <b>Non-current liabilities</b>                               |                  |                  |
| a         | Payables and accruals  | 0                | 0                |
| b         | Borrowings   | 0                | 0                |
| c         | Deferred tax   | 0                | 0                |
| d         | Other non-current liabilities not listed in (a) to (c) above | 27,912           | 27,500           |
| e         | <b>Total non-current liabilities</b>                         | <b>27,912</b>    | <b>27,500</b>    |
| <b>9</b>  | <b>Equity</b>  |                  |                  |
| a         | Shareholders' equity   |                  |                  |
| (i)       | Share capital  | 7,500,000        | 7,500,000        |
| (ii)      | Retained earnings  | (2,795,042)      | 223,345          |
| (iii)     | Reserves   | 28,181           | 662,670          |
| (iv)      | <b>Total shareholders' equity</b>                            | <b>4,733,139</b> | <b>8,386,015</b> |
| b         | Minority interests in subsidiaries                           | 0                | 0                |
| c         | <b>Total equity</b>  | <b>4,733,139</b> | <b>8,386,015</b> |
| d         | Capital notes  | 0                | 0                |
| e         | <b>Total capital funds</b>                                   | <b>4,733,139</b> | <b>8,386,015</b> |
| <b>10</b> | <b>Total equity and liabilities</b>                          | <b>5,278,483</b> | <b>8,895,409</b> |

## NOTES TO THE FINANCIAL STATEMENTS

|        |  | 2000<br>\$       | 1999<br>\$       |
|--------|--|------------------|------------------|
| 11     | <b>Operating revenue</b>   |                  |                  |
| a      | Revenue from line/access charges   | 4,746,635        | 4,534,964        |
| 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:                                    | 103,024          | 111,783          |
| d      | AC loss-rental rebates   | 157,646          | 248,850          |
| e      | Other revenue not listed in (a) to (d)   | 0                | 11,885           |
| f      | <b>Total operating revenue</b>   | <b>5,007,305</b> | <b>4,907,482</b> |
| 12     | <b>Operating expenditure</b>   |                  |                  |
| a      | Payment for transmission charges   | 1,607,629        | 1,576,129        |
| b      | Transfer payments to the "Other" business for:   |                  |                  |
| (i)    | Asset maintenance  | 569,691          | 881,687          |
| (ii)   | Consumer disconnection/reconnection services   | 0                | 0                |
| (iii)  | Meter data   | 5,245            | 0                |
| (iv)   | Consumer-based load control services   | 6,000            | 0                |
| (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                                       | 16,440           | 115,851          |
| (viii) | <b>Total transfer payment to the "Other" business</b>  | <b>597,376</b>   | <b>997,538</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   | 3,600            | 0                |
| (iv)   | Consumer-based load control services   | 0                | 0                |
| (v)    | Royalty and patent expenses  | 0                | 0                |
| (vi)   | Total of specified expenses to non-related parties (sum of (i) to (v))                         | 3,600            | 0                |
| d      | Employee salaries, wages and redundancies  | 216,555          | 258,153          |
| e      | Consumer billing and information system expense  | 17,112           | 261,989          |
| f      | Depreciation on:   |                  |                  |
| (i)    | System fixed assets  | 253,022          | 228,111          |
| (ii)   | Other assets not listed in (i)   | 54,506           | 140,761          |
| (iii)  | <b>Total depreciation</b>  | <b>307,528</b>   | <b>368,872</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   | 315,730          | 178,708          |
| i      | Human resource expenses  | 10,682           | 10,682           |
| j      | Marketing/advertising  | 16,111           | 12,196           |
| 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   | 774              | 37,889           |
| o      | Donations  | 0                | 0                |
| p      | Directors' fees  | 72,000           | 0                |
| q      | Auditors' fees   |                  |                  |
| (i)    | Audit fees paid to principal auditors  | 26,500           | 0                |
| (ii)   | Audit fees paid to other auditors  | 1,030            | 0                |
| (iii)  | Fees paid for other services provided by principal and other auditors                          | 4,000            | 0                |
| (iv)   | <b>Total auditors' fees</b>  | <b>31,530</b>    | <b>0</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  | 7,070            | 0                |
| t      | AC loss-rentals (distribution to retailers/customers) expense                                  | 0                | 0                |

**NOTES TO THE FINANCIAL STATEMENTS**

|           |   | <b>2000</b>      | <b>1999</b>      |
|-----------|---|------------------|------------------|
|           |   | <b>\$</b>        | <b>\$</b>        |
| u         | Rebates to consumers due to ownership interest          | 1,547,978        | 0                |
| v         | Subvention payments                                     | 0                | 0                |
| w         | Unusual expenses  | 0                | 0                |
| x         | Other expenditure not listed in (a) to (w)              | 0                | 1,029,414        |
| <b>13</b> | <b>Total operating expenditure</b>                      | <b>4,751,675</b> | <b>4,731,570</b> |
| <b>14</b> | <b>Operating surplus before interest and income tax</b> | <b>255,630</b>   | <b>175,912</b>   |
| <b>15</b> | <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)         | 101              | 768              |
| <b>d</b>  | <b>Total interest expense</b>                           | <b>101</b>       | <b>768</b>       |
| <b>16</b> | <b>Operating surplus before income tax</b>              | <b>255,529</b>   | <b>175,144</b>   |
| <b>17</b> | <b>Income tax</b>                                       | <b>140,808</b>   | <b>95,690</b>    |
| <b>18</b> | <b>Net surplus after tax</b>                            | <b>114,721</b>   | <b>79,454</b>    |

**SCANPOWER LIMITED - LINES BUSINESS**  
**FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)**  
**FOR THE YEAR ENDED 31 MARCH 2000**

|   | Input and Calculations | Symbol in formula | ROF    |   | ROE    |  | ROI    |  |
|---|------------------------|-------------------|--------|---|--------|--|--------|--|
|   |                        |                   |        |   |        |  |        |  |
| Operating surplus before interest and income tax from financial statements                  | 255,630                |                   |        |   |        |  |        |  |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT) | 255,630                |                   |        |   |        |  |        |  |
| Interest on cash, bank balances, and short-term investments (ISTI)                          | 103,024                |                   |        |   |        |  |        |  |
| OSBIT minus ISTI  | 152,606                | a                 |        | 152,606   |        |  |        | 152,606  |
| Net surplus after tax from financial statements   | 114,721                |                   |        |   |        |  |        |  |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT)                             | 114,721                | n                 |        |   |        | 114,721  |        |  |
| Amortisation of goodwill and amortisation of other intangibles                              | 0                      | g                 | add    | 0   | add    | 0  | add    | 0  |
| Subvention payment  | 0                      | s                 | add    | 0   | add    | 0  | add    | 0  |
| Depreciation of SFA at BV (x)   | 253,022                |                   |        |   |        |  |        |  |
| Depreciation of SFA at ODV (y)  | 644,548                |                   |        |   |        |  |        |  |
| ODV depreciation adjustment   | (391,526)              | d                 | add    | (391,526)   | add    | (391,526)  | add    | (391,526)  |
| Subvention payment tax adjustment   | 0                      | s <sup>t</sup>    | deduct |   | deduct | 0  | deduct | 0  |
| Interest tax shield   | 33                     | q                 |        |   |        |  | deduct | 33   |
| Revaluations  | 0                      | r                 |        |   |        |  | add    | 0  |
| Income tax  | 140,808                | p                 |        |   |        |  | deduct | 140,808  |
| <b>Numerator</b>  |                        |                   |        | (238,920)<br>OSBIT <sup>(a)</sup> = a + g + s + d |        | (276,805)<br>NSAT <sup>(n)</sup> = n + g + s + d + d |        | (379,761)<br>OSBIT <sup>(a)</sup> = a + g + s + d + p + s <sup>t</sup> |
| Fixed assets at end of previous financial year (FA <sub>0</sub> )                           | 5,435,731              |                   |        |   |        |  |        |  |
| Fixed assets at end of current financial year (FA <sub>1</sub> )                            | 4,336,825              |                   |        |   |        |  |        |  |
| Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )         | (9,073)                |                   |        |   |        |  |        |  |
| Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )          | 210,761                |                   |        |   |        |  |        |  |
| Average total funds employed (ATFE)   | 4,987,122              | c                 |        | 4,987,122   |        |  |        | 4,987,122  |
| Total equity at end of previous financial year (TE <sub>0</sub> )                           | 8,386,015              |                   |        |   |        |  |        |  |
| Total equity at end of current financial year (TE <sub>1</sub> )                            | 4,733,139              |                   |        |   |        |  |        |  |
| Average total equity  | 6,559,577              | k                 |        |   |        | 6,559,577  |        |  |

**SCANPOWER LIMITED - LINES BUSINESS**  
**FINANCIAL PERFORMANCE MEASURES - Derivation Table (Part 7)**  
**FOR THE YEAR ENDED 31 MARCH 2000**

|   | Input and Calculations | Symbol in formula | ROF    |  | ROE    |  | ROI    |   |
|---|------------------------|-------------------|--------|--|--------|--|--------|---|
|   |                        |                   |        |  |        |  |        |   |
| WUC at end of previous financial year ( $WUC_0$ )                                   | 0                      |                   |        |  |        |  |        |   |
| WUC at end of current financial year ( $WUC_1$ )                                    | 68,037                 |                   |        |  |        |  |        |   |
| Average total works under construction  | 34,019                 | e                 | deduct | 34,019                                       | deduct | 34,019                                   | deduct | 34,019                                      |
| Revaluations  | 0                      | r                 |        |  |        |  | deduct | 0   |
| Half of revaluations  | 0                      | r/2               |        |  |        |  |        |   |
| Intangible assets at end of previous financial year ( $IA_0$ )                      | 0                      |                   |        |  |        |  |        |   |
| Intangible assets at end of current financial year ( $IA_1$ )                       | 0                      |                   |        |  |        |  |        |   |
| Average total intangible asset  | 0                      | m                 |        |  | add    | 0  |        |   |
| Subvention payment at end of previous financial year ( $S_0$ )                      | 0                      |                   |        |  |        |  |        |   |
| Subvention payment at end of current financial year ( $S_1$ )                       | 0                      |                   |        |  |        |  |        |   |
| Subvention payment tax adjustment at end of previous financial year                 | 0                      |                   |        |  |        |  |        |   |
| Subvention payment tax adjustment at end of current financial year                  | 0                      |                   |        |  |        |  |        |   |
| Average subvention payment & related tax adjustment                                 | 0                      | v                 |        |  | add    | 0  |        |   |
| System fixed assets at end of previous financial year at book value ( $SFA_{b,0}$ ) | 3,992,288              |                   |        |  |        |  |        |   |
| System fixed assets at end of current financial year at book value ( $SFA_{b,1}$ )  | 4,016,983              |                   |        |  |        |  |        |   |
| Average value of system fixed assets at book value                                  | 4,004,636              | f                 | deduct | 4,004,636                                    | deduct | 4,004,636                                | deduct | 4,004,636                                   |
| System Fixed assets at year beginning at ODV value ( $SFA_{od,0}$ )                 | 15,117,823             |                   |        |  |        |  |        |   |
| System Fixed assets at end of current financial year at ODV value ( $SFA_{od,1}$ )  | 15,154,249             |                   |        |  |        |  |        |   |
| Average value of system fixed assets at ODV value                                   | 15,136,036             | h                 | add    | 15,136,036                                   | add    | 15,136,036                               | add    | 15,136,036                                  |
| Denominator   |                        |                   |        | 16,084,503                                   |        | 17,656,958                               |        | 16,084,503                                  |
|   |                        |                   |        | $ATFE^{(0)} = e - e - f + h$                 |        | $Ave TE^{(0)} = k - e - m + v - f + h$   |        | $ATFE^{(0)} = e - e - f + h$                |
| Financial Performance Measure:  |                        |                   |        | (1.49)                                       |        | (1.57)                                   |        | (2.36)                                      |
|   |                        |                   |        | $ROF = OSSBIT^{(0)} / ATFE^{(0)} \times 100$ |        | $ROE = NSA^{(0)} / ATE^{(0)} \times 100$ |        | $ROI = OSSBIT^{(0)} / ATE^{(0)} \times 100$ |

t = maximum statutory income tax rate applying to corporate entities      bv = book value      ave = average      odv = optimised deprival valuation      subscript '0' = end of the previous financial year  
subscript '1' = end of the current financial year      ROF = return on funds      ROE = return on equity      ROI = return on investment

**SCANPOWER LIMITED - LINES BUSINESS**  
**ANNUAL VALUATION RECONCILIATION REPORT - (Part 8)**  
**FOR THE YEAR ENDED 31 MARCH 2000**

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|  | 2000<br>\$               |
|--|--------------------------|
| <b>System fixed assets at ODV at end of previous financial year</b>        | 15,117,823               |
| <b>ADD system fixed assets acquired during the year at ODV<sup>1</sup></b> | 204,860                  |
| <b>LESS system fixed assets disposed of during the year at ODV</b>         | 19,432                   |
| <b>LESS depreciation on system fixed assets at ODV</b>                     | 644,548                  |
| <b>ADD revaluation of system fixed assets</b>                              | 495,546                  |
| <b>System fixed assets at ODV at end of the financial year</b>             | <u><u>15,154,249</u></u> |

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



Audit New Zealand

**AUDIT OFFICE OPINION  
ON THE PERFORMANCE MEASURES OF  
SCANPOWER LIMITED**

We have examined the information on pages 5 and 16 to 18, being –

- (a) the derivation table in regulation 16; and
- (b) the annual ODV reconciliation report in regulation 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 2000 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 Controller and Auditor-General  
Palmerston North, New Zealand

30 August 2000





■ Chartered Accountants

**CERTIFICATION BY AUDITOR IN RELATION TO VALUATION**

We have examined the valuation report of SCANPOWER Limited and dated 6 August 1998, which report contains valuations of system fixed assets as at 31 March 1998.

We certify that, 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 \$16,013,157, have been made in accordance with the ODV Handbook.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young  
Auckland

19 January 2000