



# New Zealand Gazette

OF THURSDAY, 17 AUGUST 2000

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## POWERCO LIMITED

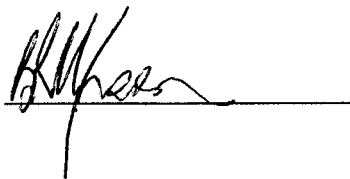
### INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION  
DISCLOSURE) REGULATIONS 1997

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

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

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



02 August 2000

## POWERCO LIMITED

## GAS (INFORMATION DISCLOSURE) REGULATIONS 1997

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

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

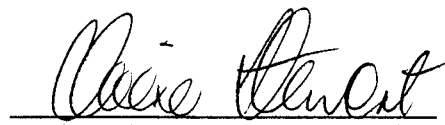
And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Oaths and Declarations Act 1957.



Declared at New Plymouth this <sup>8th</sup>~~2nd~~ day of August 2000.



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



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

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

We have examined the performance measures set out in Note 7 to the attached financial statements being:

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

and having been prepared by Powerco Limited and dated 2 August 2000 for the purposes of regulations 15 and 16 of those regulations.

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

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu".

Deloitte Touche Tohmatsu  
Hamilton  
2 August 2000

**Deloitte Touche  
Tohmatsu**

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**POWERCO LIMITED**

**GAS (INFORMATION DISCLOSURE) REGULATIONS 1997**

*Certification by Auditor in Relation to Financial Statements*

We have examined the attached financial statements prepared by Powerco Limited dated 2 August 2000 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

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

*Deloitte Touche Tohmatsu*

**Deloitte Touche Tohmatsu  
Hamilton  
2 August 2000**

**POWERCO LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2000**

		31 March 2000	31 March 1999
		Gas	Gas
	Notes	\$000	\$000
<b>EQUITY</b>			
Share capital	2	13,923	17,219
Asset Revaluation Reserves	3	14,513	10,318
Retained earnings		3,478	3,650
		<u>31,914</u>	<u>31,187</u>
<b>NON CURRENT LIABILITIES</b>			
Term advances facility	4		842
Current account		7,342	
Deferred taxation		1,804	1,722
		<u>9,146</u>	<u>2,564</u>
<b>CURRENT LIABILITIES</b>			
Overdraft			1,111
Accounts payable & accruals		545	703
Provision for dividend		1,623	76
Provision for employee entitlements		152	233
		<u>2,320</u>	<u>2,123</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>\$43,380</b></u>	<u><b>\$35,874</b></u>
<b>NON CURRENT ASSETS</b>			
Fixed assets	5	41,468	36,592
Current account			(3,038)
		<u>41,468</u>	<u>33,554</u>
<b>CURRENT ASSETS</b>			
Cash		401	
Receivables		1,257	2,048
Tax receivable		202	170
Inventories		52	102
		<u>1,912</u>	<u>2,320</u>
<b>TOTAL ASSETS</b>		<u><b>\$43,380</b></u>	<u><b>\$35,874</b></u>

**POWERCO LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2000**

		31 March 2000	31 March 1999
		Gas	Gas
	Notes	\$000	\$000
OPERATING REVENUE	6	7,393	7,811
OPERATING SURPLUS BEFORE TAXATION		3,585	4,807
Taxation expense		1,102	1,846
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		\$2,483	\$2,961

**POWERCO LIMITED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2000**

	Notes	31 March 2000 Gas \$000	31 March 1999 Gas \$000
<b>EQUITY AT 1 APRIL 1999</b>		<b>31,187</b>	<b>27,282</b>
<b>Operating surplus attributable to the shareholders</b>		<b>2,483</b>	<b>2,961</b>
<b>Revaluation of network assets</b>		<b>5,379</b>	
<b>Deferred taxation on asset revaluation</b>		<b>(1,184)</b>	
<b>Total recognised revenue and expenses for the year.</b>		<b>6,678</b>	<b>2,961</b>
<b>Allocation adjustment</b>			<b>1,056</b>
<b>Distributions to shareholders</b>			<b>1,056</b>
Share repurchase			
Dividends - paid		<b>(1,032)</b>	<b>(36)</b>
- proposed		<b>(1,623)</b>	<b>(76)</b>
		<b>(2,655)</b>	<b>(112)</b>
<b>Share repurchase</b>		<b>(3,296)</b>	
<b>EQUITY AT 31 MARCH 2000</b>		<b>\$31,914</b>	<b>\$31,187</b>



# POWERCO LIMITED

## Notes to the Financial Statements for the year ended 31 March 2000

### 1. Statement of Accounting Policies

#### Reporting Entity

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

The following activities were the principal activities undertaken by Powerco Limited during the financial year:

- 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 The Gas (Information Disclosure) Regulations 1997, Section 44 of the Energy Companies Act 1992, the Companies Act 1993, and the Financial Reporting Act 1993.

#### Measurement Basis

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Group, with the exception that certain fixed assets have been revalued.

#### 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 wholly owned subsidiary, Taranaki Energy Limited. 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) Associate Companies**

These are companies in which the group holds substantial shareholdings and exercises significant influence in commercial and financial policy decisions.

Associate companies have been reflected in the consolidated financial statements on an equity accounting basis which shows the group's share of profits in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets, in the consolidated statement of financial position.

**c) Fixed Assets**

The capital value of fixed assets is the value at either Optimised Depreciated Replacement Cost (ODRC), economic value or cost.

Valuations of the company electricity and gas network assets were completed by KPMG Independent Consultants. These ODRC valuations are recorded in the financial statements at the date of valuation being 31 March 2000.

**d) Depreciation of Fixed Assets**

Depreciation rates for major classes of asset are:

Land	Not Depreciated
Buildings	1% SL
Furniture and Fittings	10% to 20% DV
Office Equipment	10% to 33% DV
Motor Vehicles	20% DV
Network Systems	1.8% to 2% SL and 5% to 14.4% DV

**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 income tax expense charged to the Statement of Financial Performance includes both the current years expense and the income tax effect of timing differences using the liability method on a comprehensive basis.

**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 energy and value added services is recognised when invoices are issued plus an accrual is made for sales at balance date.

**j) 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 the market rates may change subsequent to acquisition.

Financial instruments purchased with the intention of being held for the long term or until maturity are recorded at cost which is adjusted for the amortisation of premiums and accretion of discounts to maturity.

**k) Goodwill**

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired at the time of acquisition of a business or shares in a subsidiary or an associate company.

Goodwill is amortised on a systematic basis over the period benefits are expected to arise, which will generally be twenty years or less.

**l) Identifiable Intangible Asset**

The identifiable intangible asset recognises the purchase price of the network system assets acquired above the certified ODV valuation.

The identifiable intangible asset is amortised over the estimated remaining life of the network system assets which range between 25 and 55 years, on a straight line basis.

**Changes in Accounting Policies**

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

**2 SHARE CAPITAL**

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>Opening issued and paid up capital as at 31 March 1999</b>	<b>17,219</b>	<b>17,219</b>
<b>Shares repurchased during the year</b>	<b>3,296</b>	
<b>Closing issued and paid up capital as at 31 March 2000</b>	<b>\$13,923</b>	<b>\$17,219</b>

Total number of ordinary shares issued as of 31 March 2000 amounted to 6,860,212.

**3 ASSET REVALUATION RESERVE**

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>Balance as at 31 March 1999</b>	<b>10,318</b>	<b>9,262</b>
<b>Network asset revaluation</b>	<b>4,195</b>	
<b>Adjustment arising from business divestment</b>		<b>1,056</b>
<b>Balance as at 31 March 2000</b>	<b>\$14,513</b>	<b>\$10,318</b>

**4 WORKING CAPITAL ADVANCES FACILITY**

As Powerco is an integrated business, this disclosure relates to the business as a whole. The company has established a Wholesale Capital Advances Facility with the Bank of New Zealand of up to \$15 million. As at 31 March 2000 \$5.75 million was invested in Call Funds on the Working Capital Facility (1999: draw down of \$8.3 million). Interest is calculated to the company according to the daily wholesale rate. The facility is based on a revolving credit and as such does not have set repayment dates. This facility also has the benefit of the Negative Pledge Deed and Group Cross Guarantees referred to in Note 5.

**5 FIXED ASSETS****Fixed Assets as at 31 March 2000**

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
<b>Land</b>		
Capital value	<u>70</u>	<u>29</u>
<b>Buildings</b>		
Capital value	<b>186</b>	
less Accumulated depreciation	<u>58</u>	
	<b>128</b>	
<b>Information Systems</b>		
Capital value	<b>1,199</b>	
less Accumulated depreciation	<u>722</u>	
	<b>477</b>	
<b>Office Equipment</b>		
Capital value	<b>1,386</b>	2,209
less Accumulated depreciation	<u>954</u>	<u>1,429</u>
	<b>432</b>	<b>780</b>
<b>Motor Vehicles</b>		
Capital value	<b>82</b>	82
less Accumulated depreciation	<u>44</u>	<u>33</u>
	<b>38</b>	<b>49</b>
<b>Network Systems</b>		
Capital value	<b>53,002</b>	47,118
less Accumulated depreciation	<u>14,223</u>	<u>13,200</u>
	<b>38,779</b>	<b>33,918</b>
<b>Work in Progress</b>		244
<b>Intangible Assets</b>		
Capital value	<b>1,578</b>	1,578
less Accumulated depreciation	<u>33</u>	<u>5</u>
	<b>1,544</b>	<b>31,576</b>
<b>Total Fixed Assets</b>	<u><b>\$41,468</b></u>	<u><b>\$36,592</b></u>

**6 OPERATING REVENUE & EXPENDITURE****Operating Revenue for the year ended  
31 March 2000**

	<b>2000</b>	1999
	<b>\$000</b>	\$000
<b>Comprises:</b>		
Line charge revenue	7,177	7,798
AC loss-rental rebates		
Interest revenue	216	13
Other revenue		
	<b>7,393</b>	<b>7,811</b>

**Expenditure**

	<b>2000</b>	1999
	<b>\$000</b>	\$000
<b>Operating Surplus Before Taxation for the year ended 31 March 2000</b>	<b>3,585</b>	<b>4,807</b>
<b>Specific disclosures</b>		
Energy purchases and transmission		917
Repairs and maintenance costs	640	
Personnel costs		521
Human resource costs	42	21
Consumer billing & information system expense	144	4
Depreciation on system assets	1,304	914
Bad debts	(46)	21
Interest expense	521	
Corporate & administration	1,135	590
Marketing & advertising	17	8
Consulting & legal expenses	51	8
<b>Total expenditure</b>	<b>3,808</b>	<b>3,004</b>

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

<b>Financial Performance Measures</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
( i ) Accounting Return on Total Assets	9.74%	13.56	15.18	8.21
( ii ) Accounting Return on Equity	7.87%	13.41%	10.40%	6.33%
( iii ) Accounting Rate of Profit including revaluation	21.65%	8.95%	11.63%	8.17%
( iv ) Accounting Rate of Profit excluding revaluation	7.21%	8.95%	11.63%	8.17%
<b>Efficiency Performance Measures</b>				
( iv ) Direct Line Cost per Kilometre	\$1,159.84	\$2,153.56	\$1,742.75	2118.03
( v ) Indirect Line Cost per Gas Customer	\$56.54	\$9.44	\$32.45	94.64

**8 CONTINGENT LIABILITIES AND COMMITMENTS**

**Contingencies**

Nil

**Capital Commitments**

Nil

## 9 FINANCIAL INSTRUMENTS

### ( i ) Credit Risk

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 2000 comprise 81.46% 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 via 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. At 31 March 2000 the company had interest rate swap agreements outstanding with commercial banks. The total notional principal amount of these arrangements totalled \$61 million with the last of these agreements maturing within 5 years. The weighted average of these swap agreements produce an interest rate of 7.22%.

## 10 RELATED PARTY TRANSACTIONS

A total sum of \$ 462,266 was paid to Horsley Christie, Solicitors, of Wanganui as legal fees where Mr. Brown is a Partner. Legal fees paid were mainly in respect of merger and acquisition strategies undertaken by the Company during the year under review.

A sum of \$ 29,150 was paid to Upson Associates Limited for consulting services provided, where Mr Upson is a director and a further sum of \$ 101,400 was also paid to the said company for services provided by Mr. Upson as Acting Chief Executive of Powerco for an approximate period of six months.

A sum of \$ 10,846 was paid to Auld Brewer Mazengarb & McEwen, Solicitors, of New Plymouth for consulting services provided where Mr Auld is a partner.

Powerco is also deemed to have a related party relationship with New Plymouth District Council. The New Plymouth District Council holds a material interest in Pukeariki Holdings Limited, who hold a 50.41% shareholding in Powerco Limited.

Powerco paid \$337,252 rent to the New Plymouth District Council at market rates.

Powerco also supplied energy to the New Plymouth District Council under normal terms and conditions, sales being 0.51% of total sales. Rates have been paid to New Plymouth District Council to the value of \$36,752. Other arms length transactions with the New Plymouth District Council amounted to \$87,614.

Powerco has a current account arrangement with Taranaki Energy Limited, a wholly owned subsidiary. Powerco pays interest and other costs on behalf of Taranaki Energy Limited and on-charges these through the current account.



**11 SUBSEQUENT EVENTS**

Early this year, it was announced that formal negotiations over a possible merger with CentralPower had commenced. The two major shareholders of both companies, Palmerston North City Council and New Plymouth District Council, had indicated their support towards the establishment of a regional energy distribution business. The Boards of both companies expect to make an announcement shortly in relation to the merger discussions.

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

	2000	1999	1998	1997
<b>12.1 Energy delivery efficiency measures</b>				
( a ) Load Factor	68.29%	76.00%	70.00%	63.60%
( b ) Un-accounted for Gas Ratio	1 13.41%	1.60%	2.06%	0.79%

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 this figure is incomplete. The accuracy of the information provided has also been questioned. In our opinion the loss ratio should not be materially different from the previous year.

**12.2 Statistics**

( a ) System Length	726.00 km	523.60 km	457.30 km	454.93 km
( b ) Maximum monthly amount entering the system	202,631 GJ	153,720 GJ	198,050 GJ	278,367 GJ
( c ) Total amount of gas conveyed	1,660,443 GJ	1,509,120 GJ	1,721,733 GJ	2,089,567 GJ
( d ) Total amount of gas conveyed on behalf of other persons	1,660,443 GJ	0GJ	0 GJ	0 GJ
( e ) Total customers	20,176	20,306	16,405	16,286

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

<b>13.1 Un-planned interruptions in transmission systems</b>	0	0	0	0
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**13.2 Un-planned interruptions in distribution systems**

( a ) Un-planned interruptions other than those directly resulting from un-planned interruptions of a transmission system.	9	2	0	0
( b ) Un-planned interruptions directly resulting from un-planned interruptions of a transmission system.	0	0	0	0