



New Zealand Gazette

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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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CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

Powerco Limited

I have examined the valuation of Powerco Limited and dated March 2000, which report contains valuations of system fixed assets as at 31 March 2000.

I certify that, having made all reasonable enquiry, to the best of my knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$253.264 million, have been made in accordance with the ODV Handbook.

A handwritten signature in cursive script, reading 'Ross Buckley'.

Ross Buckley
Partner

31 March, 2000

POWERCO LIMITED

ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999

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) 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.



8th
Declared at New Plymouth this 2nd day of August 2000.



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



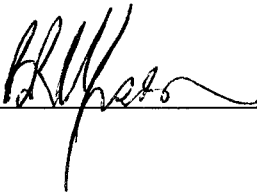
Justice of the Peace (or Solicitor
or other person authorised to take
a statutory declaration)

POWERCO LIMITED**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999****CERTIFICATION OF VALUATION REPORT OF LINE OWNERS**

We, Barry Raymond Upson, director and Steven Ronald Boulton, director, 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) Regulations 1999, complies with the requirements of those regulations; and
- (b) The replacement cost of the line business system fixed assets of Powerco Limited is \$521,699,349; and
- (c) The depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$253,264,729; and
- (d) The optimised depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$253,264,729; and
- (e) The optimised deprival valuation of the line business system fixed assets of Powerco Limited is \$253,264,729; and
- (f) The values in (b) through (e) have been prepared in accordance with the ODV handbook.

These valuations are as at 31 March 2000.





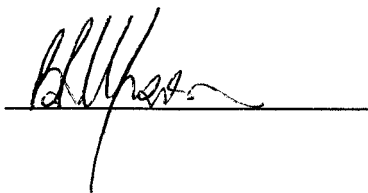
Date: 02 August 2000

POWERCO LIMITED**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999****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) 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 Powerco 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 2000.



Handwritten signature of Barry Raymond Upson, director, over a horizontal line.



Handwritten signature of Steven Ronald Boulton, principal, over a horizontal line.

02 August 2000

**Deloitte Touche
Tohmatsu**

**AUDITOR'S REPORT
TO THE READERS OF THE FINANCIAL STATEMENTS OF POWERCO LIMITED
FOR THE YEAR ENDED 31 MARCH 2000**

We have audited the financial statements of Powerco Limited on pages 1 to 15. The financial statements provide information about the past financial performance of Powerco Limited and its financial position as at 31 March 2000. 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 2000, and results of operations and cash flows for the year 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 except that our work has been limited as explained below. 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.

Qualified Opinion

The Electricity (Information Disclosure) Regulations 1999 established the mandatory application of an Avoided Cost Allocation Methodology for the current financial disclosures and in doing so does not require the comparative information to be restated for any changes in allocation basis applied in the current financial year. *FRS 2 Presentation of Financial Reports* issued by the Institute of Chartered Accountants of New Zealand requires that comparative figures be restated to correspond with the classification presented in the current period. In this respect alone we have not obtained all the information and explanations we have required.

In our opinion except for adjustments that might have been found necessary had the comparative figures been restated:

- 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 15:
 - (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 2000 and the results of its operations and cash flows for the year then ended; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 2 August 2000 and our qualified opinion is expressed as at that date.

Graham Naylor
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 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 Powerco Limited and dated 2 August 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.

A handwritten signature in black ink, appearing to read 'Graham Naylor'.

Graham Naylor
Deloitte Touche Tohmatsu
Hamilton
2 August 2000

POWERCO LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2000

	Notes	31 March 2000 Electricity Line \$000	31 March 1999 Electricity Line \$000
EQUITY			
Share capital	2	65,315	80,778
Asset Revaluation Reserves	3	81,777	75,296
Retained earnings		2,472	3,636
		<hr/> 149,564	<hr/> 159,710
NON CURRENT LIABILITIES			
Term advances facility	4		7,458
Commercial Paper	5	108,389	28,760
Current account		65,718	77,587
Deferred taxation		15,386	14,618
		<hr/> 189,493	<hr/> 128,423
CURRENT LIABILITIES			
Overdraft			9,842
Accounts payable & accruals		6,224	7,292
Provision for dividend		11,021	13,200
Provision for employee entitlements		1,597	2,570
		<hr/> 18,843	<hr/> 32,905
TOTAL EQUITY AND LIABILITIES		<hr/> \$357,900	<hr/> \$321,038
NON CURRENT ASSETS			
Fixed assets	6	306,093	300,260
		<hr/> 306,093	<hr/> 300,260
CURRENT ASSETS			
Cash		4,573	
Receivables		10,212	18,142
Tax receivable		2,303	1,505
Short term investments		33,826	
Inventories		893	1,131
		<hr/> 51,807	<hr/> 20,778
TOTAL ASSETS		<hr/> \$357,900	<hr/> \$321,038

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

	Notes	31 March 2000 Electricity Line \$000	31 March 1999 Electricity Line \$000
OPERATING REVENUE	14	83,109	69,172
OPERATING SURPLUS BEFORE TAXATION	15	24,350	21,271
Taxation expense	7	7,486	8,169
OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS		\$16,864	\$13,102

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

	Notes	31 March 2000 Electricity Line \$000	31 March 1999 Electricity Line \$000
EQUITY AT 1 APRIL 1999		159,710	166,247
Operating surplus attributable to the shareholders		16,864	13,102
Revaluation of network assets		8,771	
Deferred taxation on asset revaluation		(2,290)	
Total recognised revenue and expenses for the year.		23,345	13,102
Opening equity adjustment			(196)
Distributions to shareholders			(196)
Share repurchase			
Dividends - paid		(7,007)	(6,243)
- proposed		(11,021)	(13,200)
		(18,028)	(19,443)
Share repurchase		(15,463)	
EQUITY AT 31 MARCH 2000		\$149,564	\$159,710

POWERCO LIMITED
Statement of Cash Flow
for the year ended 31 March 2000

	31 March 2000	31 March 1999
	Electricity	Electricity
	Line	Line
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	89,135	61,424
Interest received	1,199	113
Dividends received	704	20
	<hr/> 91,038	<hr/> 61,557
Cash was applied to:		
Payments to suppliers and employees	38,707	31,142
Interest paid	7,469	2,358
GST paid	354	
Payments of income tax	7,517	10,886
	<hr/> 54,047	<hr/> 44,386
OPERATING ACTIVITIES	12	36,991
		17,171
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was applied to:		
Purchase of short term investments	33,826	
Purchase of fixed assets	13,383	95,967
	<hr/> 47,209	<hr/> 95,967
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES	(47,209)	(95,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from other business		147,505
Proceeds from debt	79,630	
	<hr/> 79,630	<hr/> 147,505
Cash was applied to:		
Wholesale term advances repaid	7,458	12,039
Repurchase of shares	15,463	
Repayment to other business	11,869	
Refinancing of debt		57,565
Dividends paid	20,207	8,654
	<hr/> 54,997	<hr/> 78,258
NET CASH INFLOW FROM FINANCING ACTIVITIES	24,633	69,247
NET INCREASE (DECREASE) IN CASH HELD	14,416	(9,549)
Opening cash brought forward	(9,842)	(293)
ENDING CASH CARRIED FORWARD	4,574	(9,842)

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 Electricity (Information Disclosure) Amendment Regulations 2000, 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.

m) Comparative Figures

In accordance with the Electricity (Information Disclosure) Amendment Regulations 2000, various allocation basis have been changed from those applied and reported for the year ended 31 March 1999.

No restatement of the prior year comparatives disclosed has been made.

Changes in Accounting Policies

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

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 2000

2 SHARE CAPITAL

	2000 \$000	1999 \$000
Opening issued and paid up capital as at 31 March 1999	\$80,778	80,778
Shares repurchased during the year	\$15,463	
Closing issued and paid up capital as at 31 March 2000	<u>\$65,315</u>	<u>\$80,778</u>

Total number of ordinary shares issued as of 31 March 2000 amounted to 32,182,762.

3 ASSET REVALUATION RESERVE

	2000 \$000	1999 \$000
Balance as at 31 March 1999	75,296	75,492
Network asset revaluation	6,481	
Prior year adjustment		(196)
Balance as at 31 March 2000	<u>\$81,777</u>	<u>\$75,296</u>

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 COMMERCIAL PAPER FACILITY

As Powerco is an integrated business, this disclosure relates to the business as a whole. The company 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 \$120 million with the Bank of New Zealand and ANZ Investment Bank which continues in force 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 Taranaki Energy Limited as a Guaranteeing Subsidiary. At year end a sum of \$108,389,485 (1999: \$98,859,560) 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 Year Ended 31 March 2000

6 FIXED ASSETS

Fixed Assets as at 31 March 2000

Land

Capital value

Line 2000 \$000	Line 1999 \$000
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2,709	2,751
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Buildings

Capital value

10,879	10,607
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less Accumulated depreciation

1,729	1,435
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9,150	9,172
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Information Systems

Capital value

9,935	
-------	--

less Accumulated depreciation

5,786	
-------	--

4,149	
-------	--

Office Equipment

Capital value

10,921	18,456
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less Accumulated depreciation

7,405	11,708
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3,516	6,748
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Motor Vehicles

Capital value

3,660	3,898
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less Accumulated depreciation

2,658	2,417
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1,002	1,481
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Network Systems

Capital value

453,038	441,391
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less Accumulated depreciation

199,773	193,469
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253,265	247,922
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Work in Progress

1,793	610
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Intangible Assets

Capital value

31,897	31,897
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less Accumulated depreciation

1,389	321
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30,508	31,576
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Total Fixed Assets

\$306,093	\$300,260
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Annual Valuation Reconciliation Report

System fixed assets at ODV - previous year

\$300,260

Add system fixed assets acquired

\$11,313

Less system fixed assets disposed

(\$220)

Less depreciation

(\$14,031)

Add revaluations

\$8,771

System fixed assets at ODV - year end

\$306,093

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 2000

7 TAXATION

Taxation for the year ended 31 March 2000	Line 2000 \$000	Line 1999 \$000
Operating surplus before taxation	24,350	21,271
Prima facie taxation @ 33%	8,035	7,019
Plus/(less) tax effect of permanent timing differences:	177	1,721
Deferred taxation	(727)	(572)
Taxation expense	\$7,486	\$8,169

**8 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO
REGULATION 15 AND PART III OF THE FIRST SCHEDULE OF THE
ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999**

Financial Performance Measures	2000	1999	1998	1997
(i) Return on Funds	10.77%	9.92%	10.83%	11.58%
(ii) Return on Equity	14.65%	8.28%	7.85%	9.08%
(iii) Return on Investment including revaluation	10.66%	6.21%	21.50%	8.08%
(iv) Return on Investment excluding revaluation	7.64%	6.21%	8.39%	8.08%
Efficiency Performance Measures				
(iv) Direct Line Cost per Kilometre	\$1,049.72	\$752.98	\$873.26	\$1,038.34
(v) Indirect Line Cost per Electricity Customer	\$61.98	\$71.71	\$92.02	\$62.80

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2000

9 CONTINGENT LIABILITIES AND COMMITMENTS**Contingencies**

The company has been named as a second defendant in a claim issue by Todd Energy Limited and Kiwi Co-Operative Dairies Limited against Transpower. 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. There is an insurance indemnity available for the company in respect of costs associated with the claim. No provision for the claim has been included in the financial statements.

Capital Commitments

The Directors have approved expenditure totalling \$3.3 million over the next years in respect of the AMFM asset management system. At balance date \$78,304 of this has been contractually committed.

10 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%.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2000

11 RELATED PARTY TRANSACTIONS

As Powerco is an integrated business, the disclosures in this note relate to the business as a whole.

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.

The rates are disclosed as part of the transfer payment for asset maintenance , therefore are not disclosed separately in the body of note 15.

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.

Powerco operates as an intergrated business, therefore no competitive tendering was undertaken during the year. Allocations of construction and maintenance were completed on a cost basis.

	Line
Asset construction undertaken as part of the integrated business:	2000
	\$000
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
Total asset construction	\$7,128

Notes to and Forming Part of the Financial Statements
For the Year Ended 31 March 2000

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

	Line 2000 \$000	Line 1999 \$000
Operating surplus after taxation	16,864	13,102
Add (less) non cash items		
Depreciation	14,031	13,075
Movements in deferred taxation	768	(1,646)
	<u>14,799</u>	<u>11,429</u>
Movements in working capital		
Accounts receivable	7,930	(8,239)
GST payable	(354)	
Tax refund due	(798)	(1,071)
Inventories	239	(118)
Accounts payable	(1,689)	2,068
	<u>5,328</u>	<u>(7,360)</u>
Net cashflow from operating activities	<u>\$36,991</u>	<u>\$17,171</u>

13 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.

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

		2000	1999
		\$'000	\$'000
11	11 Operating revenue		
(a)	(a) Revenue from line/access charges:	79,486	67,666
(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:	1,199	113
(e)	(d) AC loss-rental rebates:	1,720	1,393
(f)	(e) Other revenue not listed in (a) to (d):	704	
(g)	Total operating revenue	83,109	69,172

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

		2000	1999
		\$'000	\$'000
	12 Operating expenditure		
(a)	Payment for transmission charges	19,257	16,599
(b)	Transfer payments to the "Other" business for:		
(i)	Asset maintenance:	11,399	8,386
(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)	Total transfer payment to the "Other" business	11,399	8,386
(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	796	367
(f)	Depreciation on:		
(i)	System fixed assets:	12,963	13,075
(ii)	Other assets not listed in (i)		
(iii)	Total depreciation	12,963	13,075
(g)	Amortisation of:		
(i)	Goodwill:		
(ii)	Other intangibles:	1,068	321
(iii)	Total amortisation of intangibles	1,068	321
(h)	Corporate and administration:	4,374	4,645
(i)	Human resource expenses:	163	202
(j)	Marketing/advertising:	93	501

(k)	Merger and acquisition expenses:	643	136
(l)	Takeover defence expenses:		
(m)	Research and development expenses:		
(n)	Consultancy and legal expenses:	285	427
(o)	Donations:		
(p)	Directors' fees:	187	
(q)	Auditors' fees:		
(i)	Audit fees paid to principal auditors:	65	
(ii)	Audit fees paid to other auditors:	255	
(iii)	Fees paid for other services provided by principal and other auditors:		
(iv)	Total auditors' fees:	320	
(r)	Costs of offering credit:		
(i)	Bad debts written off:	10	886
(ii)	Increase in estimated doubtful debts:	(269)	
(iii)	Total cost of offering credit:	(258)	886
(s)	Local authority rates expense:		
(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	Total operating expenditure	51,290	45,544
14	Operating surplus before interest and income tax	31,819	23,628
15	Interest expense		
(a)	Interest expense on borrowings	7,469	2,357
(b)	Financing charges related to finance leases		
(c)	Other interest expense		
(d)	Total interest expense	7,469	2,357
16	Operating surplus before income tax	24,350	21,271
17	Income tax	7,486	8,169
18	Net surplus after tax	16,864	13,102
Note 1	Employee salaries, wages and redundancies This expense is an integral part of the disclosures above.	3,512	6,881

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	31,818,907				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	31,818,907				
Interest on cash, bank balances, and short-term investments (ISTI)	1,199,048				
OSBIT minus ISTI	30,619,859	a	30,619,859		30,619,859
Net surplus after tax from financial statements	16,863,699				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	16,863,699	n		16,863,699	
Amortisation of goodwill and amortisation of other intangibles	1,068,393	g	add 1,068,393	add 1,068,393	add 1,068,393
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	13,172,196				
Depreciation of SFA at ODV (y)	13,172,196				
ODV depreciation adjustment	0	d	add 0	add 0	add 0
Subvention payment tax adjustment	0	s*	deduct 0	deduct 0	deduct 0
Interest tax shield	2,069,142	q			2,069,142
Revaluations	8,771,038	r			8,771,038
Income tax	7,486,032	p			7,486,032
Numerator			31,688,252	17,932,092	30,904,116
Fixed assets at end of previous financial year (FA ₀)	269,752,011				
Fixed assets at end of current financial year (FA ₁)	274,516,522				
Adjusted net working capital at end of previous financial year (ANWC ₀)	9,410,700				
Adjusted net working capital at end of current financial year (ANWC ₁)	37,109,093				
Average total funds employed (ATFE)	295,394,163 (or regulation 33 time-weighted average)	c	295,394,163		295,394,163
Total equity at end of previous financial year (TE ₀)	159,710,000				
Total equity at end of current financial year (TE ₁)	149,563,662				
Average total equity	154,636,831 (or regulation 33 time-weighted average)	k		154,636,831	

WUC at end of previous financial year (WUC _p)	610,000					
WUC at end of current financial year (WUC _c)	1,793,000					
Average total works under construction	1,201,500 (or regulation 33 time-weighted average)	e	deduct	1,201,500	deduct	1,201,500
Revaluations	8,771,038	r				
Half of revaluations	4,385,519	r/2			deduct	4,385,519
Intangible assets at end of previous financial year (IA _p)	30,507,989					
Intangible assets at end of current financial year (IA _c)	31,576,382					
Average total intangible asset	31,042,186 (or regulation 33 time-weighted average)	m	add	31,042,186		
Subvention payment at end of previous financial year (S _p)	0					
Subvention payment at end of current financial year (S _c)	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,p})	269,752,011					
System fixed assets at end of current financial year at book value (SFA _{b,c})	274,516,522					
Average value of system fixed assets at book value	272,134,267 (or regulation 33 time-weighted average)	f	deduct	272,134,267	deduct	272,134,267
System Fixed assets at year beginning at ODV value (SFA _{odv})	269,752,011					
System Fixed assets at end of current financial year at ODV value (SFA _{odv,c})	274,516,522					
Average value of system fixed assets at ODV value	272,134,267 (or regulation 33 time-weighted average)	h	add	272,134,267	add	272,134,267
Denominator				294,192,663		289,807,144
Financial Performance Measure:				10.8	14.7	10.7

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

ODV as per latest valuation

\$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	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
(a) Load Factor	63.26%	64.72%	67.66%	58.03%
(b) Loss Ratio (Refer note 1)	26.58%	6.80%	6.15%	5.99%
(c) Capacity Utilisation	29.80%	29.80%	30.49%	31.19%

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.

17.2 (a) System Length

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Nominal Voltage	Total System Length (km)	Total System Length (km)	Total System Length (km)	Total System Length (km)
110kV	0	23		
33kV	747.30	759.71	568.02	417.09
22kV	113.50	113.43	113.34	113.26
11kV	6403.44	6490.71	4905.68	3870.98
6.6kV	834.44	846.51	837.27	857.03
230/400V	2760.21	2903.27	2231.14	2075.76
Total	10858.89	11136.63	8655.45	7334.12

(b) Overhead Line Length

	2000 Powerco	1999 Powerco	1998 Powerco	1997 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		
33kV	731.14	744.28	554.28	407.41
22kV	113.23	113.17	113.15	113.07
11kV	6179.87	6274.93	4736.15	3707.30
6.6kV	828.52	834.67	825.43	839.67
230/400V	2300.18	2413.85	1823.60	1707.08
Total	10152.94	10403.90	8052.61	6774.53

(c) Underground Line Length

	2000 Powerco	1999 Powerco	1998 Powerco	1997 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	16.16	15.43	13.74	9.68
22kV	0.27	0.23	0.19	0.19
11kV	223.57	215.78	169.53	163.68
6.6kV	5.92	11.84	11.84	17.36
230/400V	460.03	489.42	407.54	368.68
Total	705.95	732.69	602.84	559.59

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
(d) Transformer Capacity (kVA)	831,041	831,536	639,581	568,319
(e) Maximum Demand (kW)	243,335	234,050	196,000	177,311
(f) Total Electricity Supplied From System (kWh)	1,348,358,790	1,377,340,529	1,019,475,673	849,103,244
(g) Total Electricity Conveyed Through System On Behalf Of Other Electricity Retailers (kWh)	1,348,358,790	77,456,468	2,492,834	17,821,943

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.

(h) Total Customers	106,525	104,370	84,373	71,730
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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

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Interruption Class	Number of Interruptions	Number of Interruptions	Number of Interruptions	Number of Interruptions
Class A - Transpower Planned	2.00	4.00	3.00	3.00
Class B - Distributor Planned	279.00	400.00	374.00	406.00
Class C - Distributor Unplanned	842.00	691.00	627.00	499.00
Class D - Transpower Unplanned	6.00	4.00	7.00	5.00
Class E - ECNZ Unplanned	0.00	0.00	0.00	0.00
Class F - Other Generator Unplanned	0.00	0.00	0.00	2.00
Class G - Other Line Owner (Not in A to F)	0.00	0.00	0.00	0.00
Class H - Other Line Owner (Not in A to G)	0.00	0.00	0.00	0.00
Class I - Other Owner	0.00	0.00	0.00	0.00
Total	1129.00	1099.00	1011.00	915.00

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

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

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

	2001-2004 Powerco	2000 Powerco
Class B - Principal Line Owner Planned	279	428
Class C - Principal Line Owner Unplanned	845	859

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

	Period	Period	2000 Powerco	1999 Powerco
Class B - Principal Line Owner Planned	3 Hours	3 Hours	11.7	8.2
Class C - Principal Line Owner Unplanned	24 Hours	24 Hours	0.2	0.9

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

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
110kV	0.00	0.00		
33kV	3.48	4.48		
22kV	8.81	9.70		
11kV	12.54	9.88		
6.6kV	0.72	0.59		
Total	10.43	8.39	9.73	9.49

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

	2001 Powerco	2000 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km
110kV	0.00	0.00
33kV	3.48	3.88
22kV	8.81	9.70
11kV	12.54	9.99
6.6kV	0.72	0.59
3.3kV	0.00	0.00
Total	10.43	8.58

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

	2001-2004 Powerco	2000 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km
110kV	0.00	0.00
33kV	3.48	3.90
22kV	8.81	9.70
11kV	12.54	10.00
6.6kV	0.72	0.60
3.3kV	0.00	0.00
Total	10.43	8.60

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

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
33kV	0.00	0.00	0.00	0.00
22kV	0.00	0.00	0.00	0.00
11kV	4.92	2.78	2.95	1.22
6.6kV	0.00	0.00	0.00	0.00
Total	4.47	2.47	2.56	1.05

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

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Nominal Voltage	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km	Number of Faults/100km
110kV				
33kV	0.00	0.00	5.77	5.65
22kV	8.83	9.72	7.07	8.84
11kV	12.82	10.12	11.99	10.84
6.6kV	0.72	0.60	1.70	7.38
Total	10.62	8.57	9.95	9.81

18.8 SAIDI

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Interruption Class	SAIDI	SAIDI	SAIDI	SAIDI
Class A - Transpower Planned	6.53	10.46	13.11	22.81
Class B - Distributor Planned	13.23	23.79	34.95	74.91
Class C - Distributor Unplanned	88.73	100.80	106.29	94.50
Class D - Transpower Unplanned	1.05	3.22	23.50	4.98
Class E - ECNZ Unplanned	0.00	0.00	0.00	0.00
Class F - Other Generator Unplanned	0.00	0.00	0.00	0.16
Class G - Other (Not in A to F)	0.00	0.00	0.00	0.00
Class H - Other Owner	0.00	0.00		
Class I - Other Owner (Not in A - I)	0.00	0.00		
Total	109.53	138.27	177.86	197.36

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

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

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

	2001-2004 Powerco	2000 Powerco
Interruption Class	SAIDI	SAIDI
Class B - Distributor Planned	13.23	23.26
Class C - Distributor Unplanned	88.73	98.77

18.12 SAIFI

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Interruption Class	SAIFI	SAIFI	SAIFI	SAIFI
Class A - Transpower Planned	0.027	0.048	0.057	0.098
Class B - Distributor Planned	0.095	0.149	0.234	0.396
Class C - Distributor Unplanned	1.731	1.974	1.846	1.798
Class D - Transpower Unplanned	0.185	0.270	0.385	0.011
Class E - ECNZ Unplanned	0.000	0.000	0.000	0.000
Class F - Other Generator Unplanned	0.000	0.000	0.000	0.003
Class G - Other (Not in A to F)	0.000	0.000	0.000	0.000
Class H - Other Line Owner	0.000	0.000		
Class I - Other Owner	0.000	0.000		
Total	2.038	2.441	2.523	2.404

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

	2001 Powerco	2000 Powerco
Interruption Class	SAIDI	SAIDI
Class B - Distributor Planned	0.095	0.143
Class C - Distributor Unplanned	1.731	1.763

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

	2001-2004 Powerco	2000 Powerco
Interruption Class	SAIDI	SAIDI
Class B - Distributor Planned	0.095	0.143
Class C - Distributor Unplanned	1.731	1.763

18.16 CAIDI

	2000 Powerco	1999 Powerco	1998 Powerco	1997 Powerco
Interruption Class	CAIDI	CAIDI	CAIDI	CAIDI
Class A - Transpower Planned	240.00	218.29	230.83	233.08
Class B - Distributor Planned	139.84	160.19	149.17	189.06
Class C - Distributor Unplanned	51.26	51.07	57.58	52.57
Class D - Transpower Unplanned	5.67	11.91	60.99	45.85
Class E - ECNZ Unplanned	0.00	0.00	0.00	0.00
Class F - Other Generator Unplanned	0.00	0.00	0.00	0.00
Class G - Other (Not in A to F)	0.00	0.00	0.00	0.00
Class H - Other Line Owner	0.00	0.00		
Total	53.76	56.56	70.51	82.11

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

	2001 Powerco	2000 Powerco
Interruption Class	SAIDI	SAIDI
Class B - Distributor Planned	139.835	163.094
Class C - Distributor Unplanned	51.257	56.015

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

	2001-2004 Powerco	2000 Powerco
Interruption Class	SAIDI	SAIDI
Class B - Distributor Planned	139.835	1633.094
Class C - Distributor Unplanned	51.257	56.015