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## HOROWHENUA ENERGY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999

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*All values in this report are in thousands (000's) of New Zealand dollars (rounded) and are for years ended 31 March unless otherwise stated.*

*"This year" means the year ended 31 March 2000*

*"Last year" means the year ended 31 March 1999*

*"Next year" means the year ending 31 March 2001*

# Statement of financial performance

*for the year ended 31 March 2000*

	<i>Note</i>	<b>2000 \$000</b>	<b>1999 \$000</b>
Operating revenue	2	<b>19,140</b>	20,949
Discount		<b>(7,240)</b>	(6,761)
Operating expense	2	<b>(10,591)</b>	(11,080)
Earnings Before Interest and Tax		<b>1,309</b>	3,108
Interest Expense		<b>(753)</b>	(562)
Net profit before taxation		<b>556</b>	2,546
Taxation	3	-	-
<b>Net profit after taxation</b>		<b>\$556</b>	<b>\$2,546</b>

# Statement of movements in equity

*for the year ended 31 March 2000*

	<i>Note</i>	<b>2000 \$000</b>	<b>1999 \$000</b>
Equity at beginning of the year		<b>63,416</b>	61,415
Net profit after taxation for the year		<b>556</b>	2,546
Revaluation of assets		<b>(362)</b>	5,575
Total recognised revenues and expenses		<b>194</b>	8,121
<i>Other movements</i>			
Share repurchase		<b>(12,000)</b>	-
Total dividend	4	<b>(200)</b>	(161)
Net assets transferred on the discontinuance of the energy business		-	4,158
Reallocation of funding and other current liabilities		-	(10,117)
Funds transferred from non-line business activities		<b>313</b>	-
<i>Total other movements</i>		<b>(11,887)</b>	(6,120)
<b>Equity at end of the year</b>		<b>\$51,723</b>	<b>\$63,416</b>

# Statement of financial position

as at 31 March 2000

		2000 \$000	1999 \$000
<b>Equity</b>			
Share capital	5	18,000	30,000
Reserves	6	27,947	29,076
Retained earnings		5,776	4,340
<b>Total equity</b>		<b>51,723</b>	<b>63,416</b>
<b>Non-current liabilities</b>			
Borrowings	7	12,750	3,250
<b>Current liabilities</b>			
Other provisions		86	50
Accounts payable and accruals	8	6,682	5,588
Provision for dividend	4	-	9
<b>Total current liabilities</b>		<b>6,768</b>	<b>5,647</b>
<b>Total equity and liabilities</b>		<b>\$71,241</b>	<b>\$72,313</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	64,095	63,773
<b>Current assets</b>			
Cash		4,899	5,728
Receivables and prepayments	10	2,247	2,812
<b>Total current assets</b>		<b>7,146</b>	<b>8,540</b>
<b>Total assets</b>		<b>\$71,241</b>	<b>\$72,313</b>

For and on behalf of the Board



**W R Thessman**  
Director



**P A T Hamid**  
Director

26 May 2000

# Statement of cash flows

*for the year ended 31 March 2000*

	Note	2000 \$000	1999 \$000
<b>Cash flows from operating activities</b>			
Cash was received from:			
Receipts from customers		11,821	13,457
Interest received		129	114
		11,950	13,571
Cash was disbursed to:			
Payments to suppliers and employees		(8,649)	(10,720)
Interest paid		(753)	(562)
		(9,402)	(11,282)
<b>Net cash flows from operating activities</b>	12	2,548	2,289
<b>Cash flows from / (to) investing activities</b>			
Cash was provided from:			
Proceeds from sale of energy business		-	4,041
Proceeds from sale of property, plant and equipment		225	4,893
Proceeds from non-line business activities		902	-
		1,127	8,934
Cash was applied to:			
Purchase of property, plant and equipment		(1,804)	(1,527)
		(1,804)	(1,527)
<b>Net cash from / (to) investing activities</b>		(677)	7,407
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Loans raised		13,000	3,250
		13,000	3,250
Cash was applied to:			
Repurchase shares		(12,000)	-
Repayment of loans		(3,500)	(10,000)
Payment of dividends		(200)	(152)
		(15,700)	(10,152)
<b>Net cash flows to financing activities</b>		(2,700)	(6,902)
Net increase / (decrease) in cash held		(829)	2,794
Add opening cash brought forward		5,728	2,934
<b>Ending cash carried forward</b>		\$4,899	\$5,728

# Notes to the financial statements

## 1. Statement *of accounting policies*

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### **Reporting entity**

Horowhenua Energy Limited is registered under the Companies Act 1993.

The financial statements are those of the Line Business Activities only of Horowhenua Energy Limited and have been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999 and only for that purpose.

### **Measurement base**

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed, with the exception that certain property, plant and equipment 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) Property, plant and equipment***

*The Company has five classes of property, plant and equipment:*

1. Land and buildings
2. Distribution Assets
3. Plant and Equipment
4. Vehicles
5. Capital work in progress

The Company uses Optimised Deprival Value ("ODV") methodology in valuing distribution assets. This methodology recognises the economic value of distribution assets based on the earnings of segments of the network to the Company. The ODV of distribution assets is updated every three years to reflect network extensions and the earnings derived. The ODV was updated at 1 April 1998.

Land and buildings, other than those included as part of the distribution assets, are stated at market valuation (refer note 9).

Property, plant and equipment, excluding land and buildings and distribution assets, are recorded at cost less accumulated depreciation.

#### ***b) Infrastructure assets***

Distribution assets consist of the individual asset components which form the Company's electricity network.

The Company uses infrastructure accounting methods for its distribution assets other than zone substations. This method of accounting recognises that well planned maintenance of the network assets preserves the service potential of the infrastructure asset for the foreseeable future. Accordingly no depreciation is charged on the infrastructure assets, except for zone substations.

The level of maintenance required to preserve the service potential of the infrastructure asset is determined by a detailed asset management plan.

**c) Depreciation**

Depreciation is provided on either a diminishing value (DV), or straight line (SL) basis on all property, plant and equipment other than those accounted for in the infrastructure accounting method above, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

*Main depreciation rates are:*

Substation assets	4% straight line
Buildings	1% - 2.5% straight line
Plant and equipment	10% - 25% diminishing value
Computer equipment	25% straight line
Motor vehicles	20% - 25% diminishing value

**d) Receivables**

Receivables are stated at their estimated realisable value.

**e) Income tax**

The tax expense charged against the surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences plus any adjustments arising from prior years.

Horowhenua Energy Limited follows the liability method of accounting for deferred tax applied on a partial basis.

The partial basis considers the cumulative income tax effect of all timing differences. The income tax effect of timing differences is only recognised as deferred tax for those timing differences that can be expected to reverse in the foreseeable future.

Future tax benefits attributable to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised.

**f) Leases**

Operating lease payments, where the lessors retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal installments over the lease term.

**g) Statement of cash flows**

The following are the definitions of the terms used in the Statement of Cash Flows:

- 1) Cash is considered to be cash on hand, short term deposits and current accounts in the bank, net of bank overdrafts.
- 2) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- 3) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. 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.
- 4) Operating activities include all transactions and other events that are not investing or financing activities.

**h) Changes in accounting policies**

There were no changes in accounting policy during the year.

## **2. Earnings *before interest and taxation***

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### **Revenue**

	<b>2000 \$000</b>	<b>1999 \$000</b>
Invoiced to consumers by electricity retailers	<b>18,340</b>	4,043
Invoiced to consumers direct	-	16,067
Line/access charges	<b>18,340</b>	20,110
AC loss-rental	<b>308</b>	301
Interest	<b>129</b>	114
Other	<b>363</b>	424
	<b>\$19,140</b>	<b>\$20,949</b>

### **After charging**

Audit fees	<b>28</b>	39
Bad debts	<b>42</b>	91
Change in provision for doubtful debts	-	(70)
Depreciation	<b>821</b>	917
Directors fees	<b>130</b>	102
Interest fixed and other	<b>753</b>	562
Loss on sale of property, plant & equipment	<b>37</b>	-
Rental and Lease costs	<b>42</b>	36

### **Customer sales discount**

A total of \$7.24 million plus GST was credited to customers during the year to 31 March 2000 (1999 \$6.76 million plus GST during the year to 31 March 1999).



### 3. Taxation

	2000 \$000	1999 \$000
Profit before taxation	556	2,546
Prime facie taxation at 33%	183	840
Plus / (less)		
Timing differences not recognised	(339)	(619)
Benefit of tax losses	156	(221)
Taxation expense (benefit)	\$-	\$-

The company has a potential deferred tax liability net of future tax benefits of \$5,460,673 (1999 - \$4,084,139) which is not recorded in the financial statements. This balance is made up of a deferred tax liability of \$8,656,890 (1999 - \$7,107,979) which arises mainly from the revaluation of assets for accounting purposes, and a future tax benefit of \$3,196,217 (1999 - \$3,023,840). These balances are not expected to crystallise and therefore have not been recorded in the financial statements.

The future tax benefit above comprises the benefit of tax losses available to carry forward of \$3,150,518 (1999 - 2,937,990) and the benefit of other timing differences of \$45,699 (1999 - \$85,850).

The carrying forward of tax losses is subject to continuing to meet shareholder continuity requirements under the Income Tax Act 1994.

The company has no imputation credits to carry forward as at 31 March 2000 (1999 - Nil).

### 4. Dividend

	2000 \$000	1999 \$000
Proposed dividend on ordinary shares	-	9
Interim dividend paid	200	152
Total dividend	\$200	\$161

An interim dividend of \$200,000 was paid in March 2000 and there is no proposed final dividend (1999, - \$8,764).

## 5. Share capital

	2000 \$000	1999 \$000
24,464,922 ordinary shares issued and fully paid (1999 - 30,000,000 shares)	\$18,000	\$30,000

In May 1999 the Company repurchased 5,535,078 shares from the shareholders of the Company for \$12,000,000.

## 6. Reserves

	2000 \$000	1999 \$000
Asset revaluation reserve	27,947	25,772
General reserves	-	3,304
	<b>\$27,947</b>	<b>\$29,076</b>

The Asset Revaluation Reserve increased as a result of movements between reserves and a revaluation, dated 31 March 2000, of non distribution land and buildings.

### *Reconciliation of reserve movements*

	2000 \$000	1999 \$000
<b>General Reserves</b>		
Opening balance	3,304	3,304
Less:		
transfer to Asset Revaluation Reserves	(2,537)	-
transfer to Retained Earnings	(767)	-
General Reserve closing balance	<b>\$-</b>	<b>\$3,304</b>
<b>Asset Revaluation Reserve</b>		
Opening balance	25,772	20,197
Add:		
transfer from General Reserves	2,537	-
revaluation of assets	-	5,575
Less:		
devaluation of assets	(362)	-
Closing balance	<b>\$27,947</b>	<b>\$25,772</b>

## 7. Non-current liabilities

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	2000 \$000	1999 \$000
<b>Borrowings</b>		
Bank borrowings	12,750	3,250
Non current liabilities	<b>\$12,750</b>	<b>\$3,250</b>

Repayable as follows:

Within two years	1,500	-
Beyond two years	11,250	3,250
	<b>\$12,750</b>	<b>\$3,250</b>

All borrowings are unsecured. Interest rates payable on bank facilities are based on the 90 day bank bill rate plus 0.5%.

## 8. Accounts payable and accruals

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	2000 \$000	1999 \$000
<b>Creditors</b>		
Trade	1,325	960
Other	4,930	4,396
<b>Accruals</b>	<b>340</b>	<b>115</b>
Accrued employee entitlements	87	117
	<b>\$6,682</b>	<b>\$5,588</b>

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## 9. Property, Plant and Equipment

	2000 \$000	1999 \$000
<i><b>Distribution assets</b></i>		
Land	334	395
Buildings	787	775
Substations	9,268	9,515
Lines	33,174	32,632
Switchgear	5,065	5,065
Transformers	11,769	11,745
Centralised load control equipment	1,247	602
Work in progress	-	240
<i><b>Total distribution assets</b></i>	<b>61,644</b>	<b>60,969</b>
<i><b>Non-distribution assets</b></i>		
Land	125	78
Buildings	281	446
Accumulated depreciation	(43)	(38)
	<b>238</b>	<b>408</b>
Plant and equipment	3,825	4,593
Accumulated depreciation	(1,798)	(2,411)
	<b>2,027</b>	<b>2,182</b>
Vehicles	122	204
Accumulated depreciation	(61)	(95)
	<b>61</b>	<b>109</b>
Other work in progress	-	27
<b>Total property, plant and equipment</b>	<b>\$64,095</b>	<b>\$63,773</b>

### Valuation

Land and Buildings, other than those referred to above as being part of distribution assets, are stated at market valuation, as at 31 March 2000 by Darroch and Co (Registered Valuers). The valuations are carried out on a 3 yearly basis.

The Optimised Deprival Value (ODV) at which Distribution Assets are stated was independently assessed by KPMG Peat Marwick as at 1 April 1998. Their report placed an ODV on Distribution Assets of \$60,444,000. This value is reflected in Distribution Assets which also includes additions since, at cost of \$1,200,000.

## 10. Receivables and prepayments

	2000 \$000	1999 \$000
Trade debtors	1,744	2,410
GST refund due	527	426
Prepayments	6	6
	2,277	2,842
Less provision for doubtful debts	30	30
	<b>\$2,247</b>	<b>\$2,812</b>

## 11. Financial instruments

### Credit risk

Financial assets which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable.

The Company manages its principle credit risk by having Use of System Agreements with its major customers to maintain a minimum credit rating of BBB or better.

Bank balances and investments in short term deposits are made with registered banks with satisfactory credit ratings. Exposure with any one financial institution is restricted in accordance with company policy.

No collateral is held on the above amounts.

Maximum exposures to credit risk as at balance date are:

	2000 \$000	1999 \$000
Bank balances	4,899	5,728
Receivables	2,247	2,812

The above maximum exposures are net of any recognised provision for losses on these financial assets.

### Concentrations of credit risk

The Company has exposures to concentrations of credit risk by having only eight line customers. This is managed as mentioned above through the Use of System Agreements.

### Currency risk

The Company has no material exposure to foreign exchange risk.

### Interest rate risk

Interest rate risk exposure is limited to bank borrowings. The interest rates on these borrowings are adjusted every 90 days. The company has no interest risk hedge contracts.

### Fair values

There were no differences between the fair value and carrying amounts of financial instruments as at 31 March 2000 (1999 - no difference).

## 12. Reconciliation

*of net profit after tax with cash inflow from operating activities*

	2000 \$000	1999 \$000
Profit after taxation	556	2,546
Add / (less) non-cash items		
Depreciation	821	917
Add item classified as investing activity		
Capital Loss (gain) on sale of fixed assets	37	(2)
Movements in working capital		
Increase / (decrease) in accounts payable	1,121	(388)
(Increase) / decrease in receivables	13	(784)
Net cash inflow from operating activities	\$2,548	\$2,289

## 13. Contingent liabilities

	2000 \$000	1999 \$000
a) Guarantee of bank facilities for a subsidiary to a limit of	700	700
At balance date the amount of the bank facilities so guaranteed was	-	-

b) At any point in time the Company will be investigating complaints or queries about various aspects of the service it provides to customers, or end-customers. In a number of these, action may be taken against the Company. At 31 March 2000 and 1999 there was legal action being taken against the Company that remains unresolved. The directors have been advised that the Company has good defence against the action being taken against it. No provision for any loss is made in the financial statements, in respect of this action.

## 14. Commitments

### Capital commitments

At balance date, there was \$11,956 expenditure contracted for and approved by the Company (1999 - \$657,175).

### Operating lease commitments

Lease commitment under non-cancellable operating leases

	2000 \$000	1999 \$000
Not later than one year	87	161
Later than one year and not later than two years	-	87
Later than two years and not later than five years	-	-
	<b>\$87</b>	<b>\$248</b>

## 15. Transactions with related parties

During the year the Company purchased construction and maintenance services from its wholly owned subsidiary, Linework Limited, to an amount of \$2.65 million (1999 - \$3.03 million). The amount owed to Linework at year end is \$459,156 (1999 - \$333,252)

	2000 \$000	1999 \$000
(a.) Construction of subtransmission assets	207	236
(b.) Construction of zone substations	-	-
(c.) Construction of distribution lines and cables	188	135
(d.) Construction of medium voltage switchgear	20	4
(e.) Construction of distribution transformers	-	-
(f.) Construction of distribution substations	-	-
(g.) Construction of low voltage reticulation	2	60
(h.) Construction of other system fixed assets	-	78
(i.) Maintenance of assets	1,987	2,294
(j.) Consumer connections and disconnections	-	-

During the year, and in the normal course of business, Horowhenua Energy Limited engaged services from Kerslake and Partners, a firm where director Mr W R Thessman is a partner. These purchases account for 0.27% (1999 - 0.06%) of total purchases. There was no amount outstanding at year end (1999 - \$1,096).

No related party debts have been written off or forgiven during this, or last year.

## 16. Further Information

The following information is required to be disclosed in the financial statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999

	2000 \$000	1999 \$000
<b>1 Current assets</b>		
(a.) Bank, cash, short term investments	4,899	5,728
(b.) Trade debtors	1,744	2,410
(c.) Other debtors	527	426
(d.) Prepayments	6	6
(e.) Electricity hedges	-	-
(f.) Other current assets not listed above	-	-
Less provision for doubtful debts	30	30
(g.) Total current assets	7,146	8,540
<b>2 Fixed Assets</b>		
(a.) System fixed assets	60,397	60,127
(b.) Centralised load control equipment	1,247	602
(c.) Customer billing and information assets	-	-
(d.) Motor vehicles	61	109
(e.) Office equipment	2,027	2,182
(f.) Land and buildings	363	486
(g.) Capital works under construction		
i. Subtransmission assets (transfer payment)	-	-
ii. Zone substations (transfer payment)	-	-
iii. Distribution lines and cables (transfer payment)	-	-
iv. Medium voltage switchgear (transfer payment)	-	-
v. Distribution transformers (transfer payment)	-	-
vi. Distribution substations (transfer payment)	-	-
vii. Low voltage lines and cables (transfer payment)	-	-
viii. Other system fixed assets (transfer payment)	-	-
(h.) Other fixed assets not listed in (a) to (g)	-	267
(i.) Total fixed assets	64,095	63,773
(j.) Other tangible assets not listed above	-	-
<b>3 Total intangible assets</b>		
(a.) Goodwill	-	-
(b.) Other intangibles not listed in (a)	-	-
(c.) Total intangibles	-	-
<b>4 Total assets</b>	<b>71,241</b>	<b>72,313</b>
<b>5 Current liabilities</b>		
(a.) Accounts Payable	1,325	960
(b.) Accrued Payroll	87	117
(c.) Other accruals	5,270	4,511
(d.) Dividend provision	-	9
(e.) Electricity hedges	-	-
(f.) Other current liabilities not listed in (a) to (e)	86	50
(g.) Total current liabilities	6,768	5,647



	2000 \$000	1999 \$000
<b>6 Funding</b>		
(a.) Long-term debt	12,750	3,250
(b.) Equity	51,723	63,416
(c.) Other funding not listed in (a) or (b)	-	-
(d.) Total funding	64,473	66,666
<b>7 Total equity and liabilities (total assets)</b>	<b>71,241</b>	<b>72,313</b>
<b>8 Revenue</b>		
(a.) Revenue from line/access charges		
i. Revenue invoiced to consumers by electricity retailers	18,340	4,043
ii. Revenue invoiced to consumers by line owner	-	16,067
(b.) Revenue from "Other" business (transfer payment)	-	-
(c.) Income from interest on short term investments	129	114
(d.) AC loss-rental rebates	308	301
(e.) Electricity hedges	-	-
(f.) Other revenue not listed in (a) to (e)	363	424
(g.) Total revenue	19,140	20,949
<b>9 Expenditure</b>		
(a.) Transmission charges	5,013	4,779
<i>Expenses for services by "Other" business</i>		
(b.) Asset maintenance	1,987	2,294
(c.) Consumer disconnections/reconnections	-	-
(d.) Meter data	-	-
(e.) Consumer-based load control	-	-
(f.) Avoided transmission charges for own generation	-	-
(g.) Other goods and services	-	-
<i>Expenses for services by non-related entities</i>		
(h.) Asset maintenance	638	587
(i.) Consumer disconnections/reconnections	-	-
(j.) Meter data	-	-
(k.) Consumer-based load control	-	-
<i>Other expenses</i>		
(l.) Employee salaries and redundancies	556	1,209
(m.) Consumer billing and information system	-	114
(n.) Depreciation on system fixed assets	307	368
(o.) Depreciation on capital works under construction	-	-
(p.) Total depreciation	821	917
(q.) Corporate & administration	547	455
(r.) Total other human resource	35	182
(s.) Marketing and advertising	278	109
(t.) Merger and acquisition	-	-
(u.) Takeover defence	-	-
(v.) Research and development	-	-
(w.) Consultancy and legal	265	218
(x.) Electricity hedges	-	-
(y.) Amortised goodwill	-	-
(z.) Subvention expenses	-	-
(za.) Other expense	451	216
(zb.) Total Expenses	<b>\$10,591</b>	<b>\$11,080</b>

# Financial and efficiency performance measures for the Line Business

## Introduction

The Electricity (Information Disclosure) Regulations 1999 forms part of the regulatory regime introduced following deregulation of the Electricity Industry.

The Regulations require Electricity Companies that operate a Line Business to publicly disclose in the Gazette and have available on request a variety of information. Included in this disclosure are Financial, Reliability and Efficiency Performance Measures and Statistics.

In order to consistently define these measures to allow comparison between Electricity Companies, the Regulations require a number of adjustments to be made to the Financial Statements. For this reason, the Financial Statements disclosed are not necessarily the basis of information used for calculations in Performance Measures and Statistics.

This information has been prepared solely for the purpose of complying with regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999 and is not intended for any other purpose.

## Financial performance measures

Rates of return for the Line Business are as follows:

	2000	1999	1998	1997
Return on funds	1.84%	4.57%	1.35%	0.40%
Return on equity	0.84%	4.09%	1.35%	0.40%
Return on investment	0.96%	2.30%	14.08%	3.50%

## Efficiency performance measures

	2000	1999	1998	1997
Direct line costs per kilometre	\$1,332	\$1,367	\$1,317	\$1,519
In-direct line costs per electricity customer	\$58	\$74	\$92	\$95

## Energy delivery performance measures

	2000	1999	1998	1997
Load factor	52.47%	55.04%	55.61%	54.83%
Loss ratio	6.86%	6.55%	6.78%	6.94%
Capacity utilisation	29.79%	27.71%	27.80%	27.82%

## Statistics

	2000	1999	1998	1997
System Lengths (km's) (overhead)				
33kV	156	156	156	156
11kV	815	814	811	808
400v	506	505	504	503
<b>Total</b>	<b>1,477</b>	<b>1,475</b>	<b>1,471</b>	<b>1,467</b>

System Lengths (km's) (underground)				
33kV	14	14	14	10
11kV	151	149	147	145
400v	328	321	311	302
<b>Total</b>	<b>493</b>	<b>484</b>	<b>472</b>	<b>457</b>

<b>Total Overhead and Underground</b>	<b>1,970</b>	<b>1,959</b>	<b>1,943</b>	<b>1,924</b>
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	2000	1999	1998	1997
Transformer capacity kVA	267,067	266,158	262,352	261,478
Maximum demand kW	79,550	73,760	72,944	72,750
Total electricity supplied from system kWh	340,575,612	332,329,690	331,261,170	325,191,360
Electricity on behalf of other entities				
A	321,039,625	106,605,846	-	-
B	1,668,433	1,945,974	-	-
C	4,482,922	579,939	-	-
D	3,962	-	-	-
E	7,742,821	-	-	-
F	5,233,170	1,185,490	-	-
G	404,679	-	-	-
H	-	1,567,045	4,513,864	5,931,780
<b>Total Customers</b>	<b>36,651</b>	<b>36,338</b>	<b>35,713</b>	<b>35,288</b>

**Total interruptions**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Class A	-	-	-	-
Class B	<b>82</b>	111	141	147
Class C	<b>87</b>	120	82	165
Class D	-	2	2	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
<b>Total</b>	<b>169</b>	233	225	312

**SAIDI**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Class A	-	-	-	-
Class B	<b>23.9</b>	19.4	34.2	39.0
Class C	<b>75.6</b>	46.9	59.6	76.5
Class D	-	14.1	4.4	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
<b>Total</b>	<b>99.5</b>	80.4	98.2	115.5

**SAIFI**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Class A	-	-	-	-
Class B	<b>0.21</b>	0.15	0.33	0.3
Class C	<b>1.85</b>	1.37	1.97	3.17
Class D	-	0.81	0.40	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
<b>Total</b>	<b>2.06</b>	2.33	2.70	3.47

**CAIDI**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Class A	-	-	-	-
Class B	<b>113.8</b>	133.0	103.6	130.0
Class C	<b>40.9</b>	34.3	0.2	24.1
Class D	-	17.3	11	-
Class E	-	-	-	-
Class F	-	-	-	-
Class G	-	-	-	-
Class H	-	-	-	-
Class I	-	-	-	-
<b>Total</b>	<b>48.3</b>	34.5	36.4	33.3

***Number of Faults per 100 Circuit Kilometre***

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Overhead				
33kV	<b>5.1</b>	3.2	3.2	7.0
11kV	<b>7.6</b>	12.8	9.0	17.7
<i>Total Overhead</i>	<b>7.2</b>	11.2	12.2	24.7
Underground				
33kV	-	-	-	-
11kV	<b>10.6</b>	10.7	4.1	13.5
<i>Total Underground</i>	<b>9.7</b>	9.8	4.1	14.5
<b>Total</b>	<b>7.6</b>	11.1	7.4	17.2

## Reliability Performance Measure Targets

### Total number of interruptions in class

Class	2000/01	2001/02	2002/0	2003/04	2004/05
A	-	-	-	-	-
B	80	77	75	72	70
C	90	97	95	92	80
D	-	-	-	-	-
E	-	-	-	-	-
F	-	-	-	-	-
G	-	-	-	-	-
H	-	-	-	-	-
<b>Total</b>	<b>170</b>	<b>174</b>	<b>170</b>	<b>164</b>	<b>150</b>

### Proportion of the total Class C interruptions not restored within:

- a) 3 hours - 0%  
b) 24 hours - 0%

### Number of Faults

	2000/01	2001/02	2002/0	2003/04	2004/05
Overhead					
33kV	5	5	4	4	3
11kV	86	82	78	75	70
<b>Total Overhead</b>	<b>91</b>	<b>87</b>	<b>82</b>	<b>79</b>	<b>73</b>
Underground					
33kV	-	-	-	-	-
11kV	12	12	10	10	9
<b>Total Underground</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>10</b>	<b>9</b>
<b>Total</b>	<b>103</b>	<b>99</b>	<b>92</b>	<b>89</b>	<b>82</b>

### Number of Faults per 100 Circuit Kilometres

	2000/01	2001/02	2002/0	2003/04	2004/05
Overhead					
33kV	3.2	3.2	2.6	2.6	1.9
11kV	10.6	10.0	9.6	9.2	8.6
<b>Total Overhead</b>	<b>9.4</b>	<b>9.0</b>	<b>8.5</b>	<b>8.1</b>	<b>7.5</b>
Underground					
33kV	-	-	-	-	-
11kV	8.0	8.0	6.7	6.7	6.0
<b>Total Underground</b>	<b>7.4</b>	<b>7.4</b>	<b>6.1</b>	<b>6.1</b>	<b>5.5</b>
<b>Total</b>	<b>9.09</b>	<b>8.7</b>	<b>8.1</b>	<b>7.9</b>	<b>7.2</b>

### SAIDI

	2000/01	2001/02	2002/0	2003/04	2004/05
B	22.5	22	20	18	17
C	77.5	76	75	74	73
<b>Total SAIDI</b>	<b>100</b>	<b>98</b>	<b>95</b>	<b>92</b>	<b>90</b>

**SAIFI**

	2000/01	2001/02	2002/0	2003/04	2004/05
B	0.20	0.18	0.13	0.10	0.09
C	1.80	1.62	1.47	1.30	1.11
<b>Total SAIFI</b>	<b>2.00</b>	<b>1.80</b>	<b>1.60</b>	<b>1.40</b>	<b>1.20</b>

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**CAIDI**

	2000/01	2001/02	2002/0	2003/04	2004/05
B	112.5	122.2	153.8	180	188.9
C	55.6	46.9	51.0	56.9	65.8
<b>Total CAIDI</b>	<b>61.3</b>	<b>54.4</b>	<b>59.4</b>	<b>65.7</b>	<b>75.0</b>

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# Derivation of financial and efficiency measures from financial statements

	Symbol in formula	Calculations	ROF	ROE	ROI
Earnings before interest and tax (EBIT)	a		1,309,000	N/A	1,309,000
Net profit after tax (NPAT)	n		N/A	556,000	N/A
Amortised Goodwill	g		Add	Add	Add
Subvention Payment	s		Add	Add	Add
Depreciation of SFA at BV	d		Add	Add	Add
Depreciation of SFA at ODV	b		Deduct	Deduct	Deduct
ODV depreciation tax adjustment				Deduct	Deduct
Subvention Payment tax adjustment				Deduct	Deduct
Interest tax shield	q	$=s*t$	N/A	N/A	N/A
Revaluations	r		N/A	N/A	N/A
Income tax	p		N/A	N/A	N/A
Numerator (as adjusted)			$=a+g+s+d$ EBIT ADJ	$=n+g+s*s+t+d-b$ NPAT ADJ	$=a+g-q+t+s+d-p-s*t-b$ EBIT ADJ
			1,202,470	484,625	627,135
Fixed Assets at year beginning (FA <sub>0</sub> )			63,773,000	N/A	63,773,000
Fixed Assets at year end (FA <sub>1</sub> )			Add	Add	Add
Net working capital at year beginning (NWC <sub>0</sub> )			Add	Add	Add
Net working capital at year end (NWC <sub>1</sub> )			Add	Add	Add
Average total funds employed (ATFE)	c	$=(FA_0 + FA_1 + NWC_0 + NWC_1)/2$	Divide by 2	Divide by 2	Divide by 2
			65,569,500	N/A	65,569,500
Total equity at year beginning (TE <sub>0</sub> )			N/A	63,415,597	N/A
Total equity at year end (TE <sub>1</sub> )			N/A	51,722,597	N/A
Average total equity	k	$=(TE_0 + TE_1)/2$	N/A	Divide by 2	Add
Works under construction at year beginning (WUC <sub>0</sub> )			239,809	239,809	239,809
Works under construction at year end (WUC <sub>1</sub> )			Add	Add	Add
Average total works under Construction	e	$=(WUC_0 + WUC_1)/2$	Divide by 2	Divide by 2	Divide by 2
Revaluations	r		119,905	119,905	119,905
Goodwill asset at year beginning (GW <sub>0</sub> )			N/A	N/A	(362,000)
Goodwill asset at year end (GW <sub>1</sub> )			N/A	N/A	N/A
Average goodwill asset	m	$=(GW_0 + GW_1)/2$	N/A	Divide by 2	N/A
Subvention payment for previous year (S <sub>0</sub> )			N/A	N/A	N/A
Subvention payment this year (S <sub>1</sub> )			N/A	N/A	N/A
Subvention payment tax adjustment for previous year		$=S_0*t$	N/A	Add	N/A
Subvention payment tax adjustment this year		$=S_1*t$	N/A	Deduct	N/A



	Symbol in formula	Calculations	ROF	ROE	ROI
Average subvention payment and related tax adjustment	v	$= \frac{(s_0 + s_1)(1-t)/2}{(s_0 + s_1 - s_0 * t - s_1 * t)/2}$	N/A	Divide by 2	N/A
System fixed assets at year beginning at book value (SFA <sub>bv0</sub> )			60,969,000	60,969,000	60,969,000
System fixed assets at year end at book value (SFA <sub>bv1</sub> )			Add	Add	Add
Average value of system fixed assets at book value	f	$= (SFA_{bv0} + SFA_{bv1})/2$	Divide by 2	Divide by 2	Divide by 2
System Fixed assets at year beginning at ODV value (SFA <sub>odv0</sub> )			60,969,000	60,969,000	60,969,000
Systems fixed assets at year end at ODV value (SFA <sub>odv1</sub> )			Add	Add	Add
Average value of system fixed assets at ODV value	h	$= (SFA_{odv0} + SFA_{odv1})/2$	Divide by 2	Divide by 2	Divide by 2
Denominator (as adjusted)			61,306,500	61,306,500	61,306,500
Financial Performance Measures			$= \frac{\text{EBIT ADJ/ATE ADJ} \times 100/1}{\text{EBIT ADJ/ATE ADJ} \times 100/1} =$	$= \frac{\text{NPAT ADJ/ATE ADJ} \times 100/1}{\text{NPAT ADJ/ATE ADJ} \times 100/1} =$	$= \frac{\text{EBIT ADJ/ATE ADJ} \times 100/1}{\text{EBIT ADJ/ATE ADJ} \times 100/1} =$
			<b>1.84%</b>	<b>0.84%</b>	<b>0.96%</b>

## Key

t = standard entity tax rate

Bv = book value

Ave = average

ADJ = as adjusted

Odv = optimised deprival valuation

Subscript '0' = beginning of the financial year

Subscript '1' = end of the financial year

ROF = return on funds

ROE = return on equity

ROI = return on investment



**PricewaterhouseCoopers**  
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Palmerston North, New Zealand  
Telephone +64 6 358 4033  
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**REPORT OF THE AUDIT OFFICE  
TO THE READERS OF THE FINANCIAL STATEMENTS OF HOROWHENUA ENERGY LIMITED  
FOR THE YEAR ENDED 31 MARCH 2000**

We have audited the financial statements of Horowhenua Energy Limited on pages 2 to 16. The financial statements provide information about the past financial performance of Horowhenua Energy 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 and 6.

**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 Horowhenua Energy 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 Ivan Booth of PricewaterhouseCoopers 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 Horowhenua Energy Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards, including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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 and in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Horowhenua Energy Limited.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion –

- proper accounting records have been maintained by Horowhenua Energy Limited as far as appears from our examination of those records; and
- the financial statements on pages 2 to 16 –
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of the financial position of Horowhenua Energy 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 26 May 2000 and our unqualified opinion is expressed as at that date.

**I R Booth**

PricewaterhouseCoopers

On behalf of the Controller and Auditor-General

Palmerston North, New Zealand



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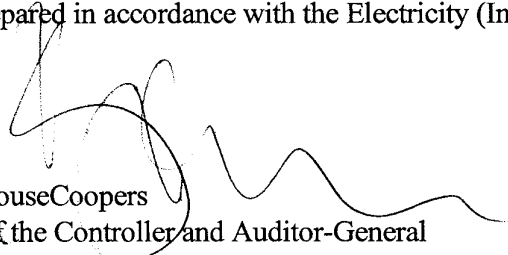
**CERTIFICATION OF THE AUDIT OFFICE ON THE PERFORMANCE MEASURES OF  
HOROWHENUA ENERGY LIMITED**

We have examined the information on pages 17, 23 and 24, being –

- (a) The derivation table specified in regulation 16; and
- (b) Financial performance measures specified in clause 1 of Part 3 of Schedule 1 of the Electricity (Information Disclosure) Regulations 1999; and
- (c) Financial components of the efficiency performance measures specified in clause 2 of Part 3 of that schedule, –

having been prepared by Horowhenua Energy Limited and dated 26 May 2000 for the purposes of regulation 15 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 Electricity (Information Disclosure) Regulations 1999.



**Ivan Booth**  
PricewaterhouseCoopers  
On behalf of the Controller and Auditor-General  
Palmerston North, New Zealand

26 May 2000

# ODV valuation

The Optimised Deprival Value (ODV) of the network was assessed by KPMG Peat Marwick as at 1 April 1998.



Office address  
KPMG Centre  
135 Victoria Street  
Wellington  
New Zealand

Mail address  
P.O. Box 996  
Wellington  
New Zealand  
Telephone: (04) 382-8800

Fax: (All Depts)	(04) 802-1224
Fax: Assurance	(04) 802-1233
Fax: BAS	(04) 802-1238
Fax: Tax	(04) 802-1263
Fax: Consulting	(04) 802-1225
Fax: FAS	(04) 802-1710

## CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

### Horowhenua Energy Limited (trading as *Electralines*)

We have examined the Optimised Deprival Valuation report of Electralines prepared 31 March 1998 and updated as at June 1999. Having made all reasonable enquiry, to the best of our knowledge -

- a) The attached disclosure of Electralines complies with the Electricity (Information Disclosure) Regulations 1999; and
- b) The Optimised Depreciated Replacement Cost of the lines business system fixed assets of Electralines is \$60,444,416; and
- c) The Optimised Deprival Valuation of the lines business system fixed assets of Electralines is \$60,444,416; and
- j) The values of (b) and (c) have been prepared in accordance with the ODV Handbook.

*KPMG*

KPMG

25 February 1999



#### Offices at:

Auckland  
Rotorua  
Christchurch  
Hamilton  
Tauranga  
Wellington

#### Associate Firms at:

Dunedin  
Milton  
Gisborne  
Napier  
New Plymouth  
Palmerston North

Invercargill  
Gore  
Otago  
Queenstown  
Winton

# Director's certificates

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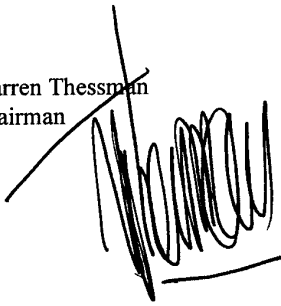
## ***CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS BY DISCLOSED BY LINE OWNERS OTHER THAN TRANSPower***

We, Warren Thessman, Chairman, and Piers Hamid, Director, of Horowhenua Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- a) The attached audited financial statements of Horowhenua Energy 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 Horowhenua Energy 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 the those regulations.

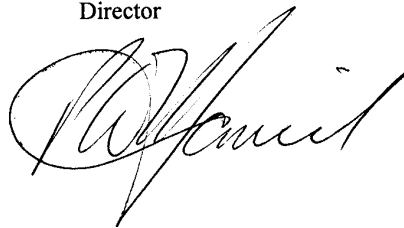
The valuation on which those financial performance measures are based are as at 1 April 1998.

Warren Thessman  
Chairman



Dated this 26<sup>th</sup> day of May 2000

Piers Hamid  
Director



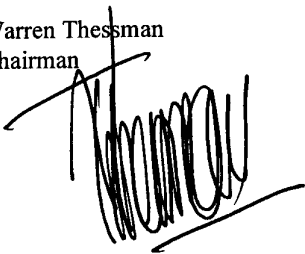
***CERTIFICATION OF VALUATION REPORT OF LINE OWNERS***

We, Warren Thessman, Chairman, and Piers Hamid, Director, of Horowhenua Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a.) The attached valuation report of Horowhenua Energy Limited, prepared for the purposes of the Electricity (Information Disclosure) Regulation 1999, complies with the requirements of those regulations; and
- (b.) The Optimised Depreciated Replacement Cost of the line business system fixed assets of Horowhenua Energy Limited is \$60,444,000; and
- (c.) The Optimised Deprival Valuation of the line business system fixed assets of Horowhenua Energy Limited is \$60,444,000; and
- (d.) The valuation of the line business assets of Horowhenua Energy Limited including system and non-system fixed assets and net working capital is \$64,473,000; and
- (e.) The values in (b) and (c) have been prepared in accordance with the ODV Handbook

These valuations are as at 1 April 1998

Warren Thessman  
Chairman



Dated this 26<sup>th</sup> day of May 2000

Piers Hamid  
Director



# Directory

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## Directors

W R Thessman (Chairperson)  
A T Colbert  
P A T Hamid  
P F McKelvey  
M H Devlin

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## Executives

R English (General Manager)  
D Fleet (Co Secretary)

---

## Registered office

Horowhenua Energy Limited  
Cnr Salisbury and Durham Streets  
LEVIN

---

## Postal address

P O Box 244  
LEVIN

Telephone 06 367 7724  
Fax 06 367 7729

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## Auditor

PricewaterhouseCoopers  
Palmerston North  
On behalf of the Controller and Auditor General

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## Bankers

Bank of New Zealand

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## Solicitors

Bell Gully Buddle Weir, Wellington

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