

SOUTHPower LIMITED

Cost of Service

1995/96 BUDGET \$		1996/97 BUDGET \$
	Revenue:	
(225,839,000)	Sales of Electricity/Delivery	(244,470,000)
(19,956,000)	Other Revenue	(19,576,000)

(245,795,000)	Total Revenue	(264,046,000)
	Expenditure:	
150,257,000	Cost of Electricity and Transmission	158,495,000
33,504,000	Maintenance and Operating Costs	30,269,000
14,896,000	Interest Expense	15,706,000
6,101,000	Interest on Mandatory Convertible Notes	6,101,000
13,100,000	Depreciation	15,453,000

217,858,000	Total Expenditure	226,024,000

(27,937,000)	Net Profit Before Taxation	(38,022,000)
10,244,000	Taxation	14,462,000

(17,693,000)	Net Profit After Taxation	(23,560,000)
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Net Profit After Taxation

Projected Net Profit After Taxation for 1997/98 (24,373,000)
 Projected Net Profit After Taxation for 1998/99 (27,936,000)

Capital Expenditure

Projected Capital Expenditure, 1996/97	20,372,000
Projected Capital Expenditure, 1997/98	21,242,000
Projected Capital Expenditure, 1998/99	22,657,000

Planned Services

Southpower's core business is the purchase and supply of (at present) a peak load of 540 megawatts of electricity to 153,000 customer connections. It achieves this by providing and maintaining a reticulation system currently comprising 5,000km of overhead line, 3,000 km of underground cable and 9,000 distribution substations and pole mounted transformers.

It also provides consultancy services and the electrical design, construction and supply of facilities and other equipment to businesses, undertakes electrical and communications contracting, retails LPG gas and retails gas and electrical appliances. Southpower is run as a commercial business, meeting and developing market-led demand for energy and related services. Southpower also owns 69% of the listed North Island energy company Enerco NZ Ltd. It undertakes investments which yield a commercial rate of return and increase the commercial value of Southpower.

Collectively these activities contribute towards achievement of Southpower's mission and thereby maintain and enhance the social and economic well-being of the Canterbury community.

Relationship to the Council

Southpower was established as an energy company on 30 April 1993, as required by the Energy Companies Act 1992.

The shareholders are as follows: 87.6%, Christchurch City Holdings Ltd; 10.7%, Selwyn Council Trading Enterprises Ltd; 1.7%, Banks Peninsula District Council.

The shareholders hold the above proportions in the

following securities: 80 million \$1.00 Ordinary Shares issued at a 50 cent premium (\$120 million) and 76 million \$1.00 Mandatory Convertible Notes (\$76 million).

The shareholders exercise influence on the company through the negotiation of the annual Statement of Corporate Intent. The Council's interest in the company is in accordance with its Strategic Objectives: C7 and D8 (see pp 19-23).

Overall Service Objective

1. To be the preferred supplier of energy and related services in New Zealand by:
 - operating as a successful business;
 - having due regard to ensuring the efficient use of energy;
 - being experts in the area of responsible and cost-effective energy use;
 - continually improving all aspects of its business for the benefit of customers, staff and the owners;
 - earning profits which are commercial and sustainable in the long term;
 - being the leading innovator in the energy industry;
 - delivering high quality customer services;
 - adopting competitive pricing policies.

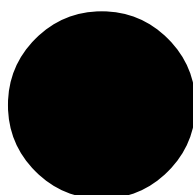
Objectives For 1996/97

2. Complete the budgeted programme of capital works.
- 3.1 Achieve projected overall financial performance.

Performance Indicators

- 2.1 Programmed \$20.3 million of net capital expenditure completed within budget by 31 March 1997.
- 3.1 Net after tax profit to average owners' equity, at least 8.7% (based on revalued average ordinary owners' equity of \$273.1 million) for the year ending 31 March 1997.
- 3.2 Dividend payments on the ordinary shares of \$11.7m for year ending 31 March 1997.
(Christchurch City Holdings Ltd 87.6% share is \$10.3 million)

Sources of Funding Performance Indicators



■	User Charges & Corporate Finance
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100%