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ELECTRICITY INVERCARGILL LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

ELECTRICITY INVERCARGILL LIMITED**LINE BUSINESS****STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH, 1996****CONTENTS**

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DIRECTORY**Board of Directors**

M A Farley *Chairman*
R M Wensley *Deputy Chairman*
N D Boniface
J M Fenton
V J Petrie

Executive Officer

A E Falconer

Company Secretary

A E Falconer

Registered Office

Cargill Chambers
128 Spey Street
Invercargill

Auditors

Audit New Zealand

Postal Address

PO Box 88
Invercargill

Bankers

Trust Bank Southland Limited

Telecommunications

Phone (03) 214-9448
Fax (03) 214-9404

Solicitors

Preston Russell

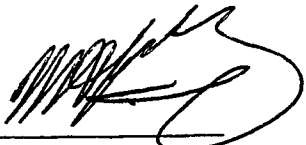
LINE BUSINESS OPERATING STATEMENT
FOR YEAR ENDED 31 MARCH, 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
Revenue			
Use/Transmission Charges		5,655,271	6,440,950
Contracting		337,472	312,724
Interest		238,022	161,209
Other Income		<u>57,644</u>	<u>65,655</u>
		6,288,409	6,980,538
Expenses			
Administration		445,385	676,822
Advertising		80,830	75,098
Audit Fees		27,091	32,950
Bad Debts		625	5,427
Contractors		1,419,858	864,917
Depreciation		123,329	-
Directors Fees		93,050	93,197
Materials Used		-	69,154
Motor Vehicles		5,865	6,150
Occupancy Charges		68,960	113,868
Repairs & Maintenance		15,199	13,619
Staff Expenses		<u>608,766</u>	<u>1,094,930</u>
		2,888,958	3,046,132
Earnings before Interest and Tax		3,399,451	3,934,406
Interest		<u>427,233</u>	<u>556,766</u>
Net Profit before Tax		2,972,218	3,377,640
Taxation @ 33%	2	<u>980,832</u>	<u>1,114,621</u>
Net Profit after Tax		1,991,386	2,263,019
Dividend	11	<u>1,000,000</u>	<u>900,000</u>
Retained Earnings		\$ 991,386	\$ 1,363,019

LINE BUSINESS BALANCE SHEET

AS AT 31 MARCH, 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
Current Assets			
Cash & Investments	6	3,338,308	2,841,149
Receivables		431,804	323,734
Inventories		<u>208,975</u>	<u>248,317</u>
Total Current Assets		3,979,087	3,413,200
Non-Current Assets			
Capital Work in Progress		588,221	640,987
Fixed Assets	5	<u>36,821,999</u>	<u>36,704,320</u>
Total Non-Current Assets		37,410,220	37,345,307
TOTAL ASSETS		\$ 41,389,307	\$ 40,758,507
Current Liabilities			
Accounts Payable & Accruals	7	1,622,590	1,947,425
Provision for Dividend	11	<u>1,000,000</u>	<u>900,000</u>
Total Current Liabilities		2,622,590	2,847,425
Non-Current Liabilities			
Term Liabilities	12	3,341,094	5,243,290
TOTAL LIABILITIES		5,963,684	8,090,715
Owners' Equity			
Paid in Capital	3	13,431,917	13,431,917
Revaluation Reserve	4	17,460,454	17,469,190
Reserves	4	518,653	518,653
Retained Earnings		<u>4,014,599</u>	<u>1,248,032</u>
Total Owners' Equity		35,425,623	32,667,792
TOTAL LIABILITIES AND EQUITY		\$ 41,389,307	\$ 40,758,507



M.A. Farley (Director)

27 June, 1996



R.M. Wensley (Director)

**NOTES TO AND FORMING PART OF THE LINE BUSINESS
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 1996**

ENTITY STATEMENT: Incorporated on 30 June, 1991, Electricity Invercargill Limited as a Local Authority Trading Enterprise, purchased the electricity distribution undertaking of the Invercargill City Council and commenced trading on 1 July, 1991. United Electricity Limited (in which Electricity Invercargill Limited has a 25% interest) purchased the electricity retailing activities on 1 November, 1993. PowerNet Limited, owned 50/50 with The Power Company, assumed complete responsibility for the day to day management of the Electricity Invercargill Limited network on 1 March, 1994. The Line Business is the consolidation of Electricity Invercargill Limited's share in PowerNet Limited, and Electricity Invercargill Limited.

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a modified historical cost basis are followed by the Company in the preparation of this report. The reporting requirements set down in the Electricity (Information Disclosure) Regulations 1994 have been complied with. Accrual accounting is used to match expenses and revenues and reliance is placed on the fact that the Company is a going concern.

PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies which materially affect the measurement of profit and the financial position have been applied:

(a) Basis of Consolidation

Electricity Invercargill Limited's 25% interest in United Electricity Limited has been excluded from these accounts. The interest in PowerNet Limited has been accounted for with a line by line consolidation of revenue and expenses and the elimination of all significant inter-company transactions. The company's share of profits and losses in PowerNet Limited is reflected in the Consolidated Operating Statement and Balance Sheet.

(b) Costs and Revenue

Costs and Revenue are those directly attributable to the Line Business of Electricity Invercargill Limited.

(c) Fixed Assets

At 31 March 1996, Network Assets are recorded at the 31 March, 1995 optimised deprival value plus additions at cost less disposals at ody; Other Assets are shown at depreciated cost.

(d) Distinction Between Capital and Revenue Expenditure.

Capital expenditure is defined as all expenditure on the creation of a new asset and any expenditure which results in a significant improvement to the original function of an existing asset.

Revenue expenditure is defined as expenditure which maintains an asset in working condition, and expenditure incurred in maintaining asset service performance, and the operation of the Company.

(e) Depreciation

In accordance with Sec 14.(5)(b) of the Electricity (Information Disclosure) Regulations 1994, no depreciation has been written off Network Assets, these having been accounted for on a Renewal Accounting basis. Other Assets have been depreciated on a straight line basis.

(f) Receivables:

Receivables are stated at their estimated realisable value.

(g) Income Tax:

The income tax expense charged against the profit for the year is the estimated liability calculated at 33 cents in the dollar in respect of that profit.

(h) Work in Progress:

The cost of work in progress includes the cost of direct material and direct labour used in putting replacement and new systems in their present location and condition.

(i) Goods and Services Tax

These Accounts have been prepared on a GST exclusive basis with the exception of Sundry Debtors and Creditors which are GST inclusive.

CHANGES IN ACCOUNTING POLICIES

These Accounts are prepared using modified Renewal Accounting methodology and are for the sole purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994. As a consequence these accounts are **not comparable** with the Company's published consolidated financial statements.

	<u>1996</u>	<u>1995</u>
NOTE 2. TAXATION		
Net Profit before taxation	\$ 2,972,218	\$ 3,377,640
Prima facie tax at 33%	\$ 980,832	\$ 1,114,621

The potential tax effect of unrecognised timing differences is a deferred tax asset of \$2,885,332. This has not been recognised as it is not expected to crystallise in the foreseeable future.

NOTE 3. SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
Authorised Capital		
Ordinary Shares at \$1.00 each	13,431,917	13,431,917
Fully paid up Share Capital	<u>\$ 13,431,917</u>	<u>\$ 13,431,917</u>

NOTE 4. PROVISIONS & RESERVES

	<u>1996</u>	<u>1995</u>
Adverse Event Reserve		
Balance at 31 March	\$ 500,000	\$ 500,000
Capital Reserve		
Balance at 31 March	\$ 18,653	\$ 18,653
Asset Revaluation Reserve		
Balance at 31 March	\$ 17,460,454	\$ 17,469,190

NOTE 5. FIXED ASSETS

Network Fixed Assets are recorded at the 31 March, 1995 Optimised Depival Value plus additions less disposals. All Other Assets are shown at depreciated cost. PowerNet Limited contracted out all field-work from 1 July, 1995, this has reduced Other Assets at 31 March, 1996.

	<u>1996</u>	<u>1995</u>
Network Assets	36,226,430	35,529,127
Other Assets	<u>595,569</u>	<u>1,175,193</u>
	<u>\$ 36,821,999</u>	<u>\$ 36,704,320</u>

NOTE 6. CASH & INVESTMENTS

	<u>1996</u>	<u>1995</u>
Cash Imprests	100	100
Cash at Bank	518,208	181,049
Short Term Deposits	<u>2,820,000</u>	<u>2,660,000</u>
	<u>\$ 3,338,308</u>	<u>\$ 2,841,149</u>

NOTE 7. ACCOUNTS PAYABLE AND ACCRUALS

	<u>1996</u>	<u>1995</u>
Sundry Creditors and Accruals	1,132,213	1,262,667
Goods and Services Tax	(53,072)	40,228
Provision for Taxation	490,997	523,527
Provision for Accrued Leave	<u>52,452</u>	<u>121,003</u>
	\$ 1,622,590	\$ 1,947,425
	=====	=====

NOTE 8. COMMITMENTS

At 31 March 1996, Electricity Invercargill Limited's share of commitments contracted by PowerNet Limited is estimated at \$435,000, being:

GIS Mapping System	\$435,000
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NOTE 9. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 1996.

NOTE 10. FINANCIAL INSTRUMENTS

Credit Risk: Financial instruments which potentially subject the Company to a credit risk consist principally of bank deposits and receivables. Bank deposits are placed with high credit quality financial institutions. Concentrations of credit risk with respect to Receivables relate to PowerNet Limited but are subject to normal terms of trade. Regular monitoring of receivables is undertaken.

Interest Rate Risk: The Company's term liabilities are held by debenture with the Invercargill City Council under a pre-arranged instrument, interest rate risk is managed by funding over a range of maturities. Through agreement and renewable loans, interest expense is being minimised.

Foreign Exchange and Currency Risk: The company is not exposed to foreign exchange or currency risk.

Off-Balance Sheet Financial Instruments: The company does not have any off-balance sheet financial instruments.

Fair Values: The fair value of the on-balance sheet financial instruments are represented by the carrying values.

NOTE 11. DIVIDEND

A notional Dividend of \$1,000,000 is included to reflect the anticipated position at 31 March, 1996. As the Company's financial year ends on 30 June no decision will be made on the payment of a dividend until after the final position is known.

NOTE 12. LONG TERM LIABILITIES

The following is a detailed list of debt owing under the debenture to the Invercargill City Council at 31 March 1996. The facility to roll-over maturing debt has been confirmed for periods from 1 April 1996 to 1 April 2000.

Loan	Interest Rate %	Amount Payable \$	Amount Due \$	Current Maturity Date	Final Sanction Date
Invercargill City Council	9.60	1,000,000		30/06/1996	30/06/1996
Renewal 101	7.05	250,000		15/07/1996	15/07/2011
Renewal 125	9.65	270,911		06/09/1996	15/10/2000
Renewal 126	9.65	47,253		06/09/1996	15/10/2000
Renewal 127	9.65	181,836		06/09/1996	15/10/2000
Renewal 1	14.00	73,349		15/03/1997	04/11/1998
Total due for year to 31/03/1997			1,823,349		
Renewal 109	5.80	400,000		01/04/1998	01/04/1998
Renewal 111	5.80	100,000		01/04/1998	01/04/1998
Renewal 114	9.41	450,542		15/07/1998	01/05/2000
Renewal 115	9.41	39,749		15/07/1998	01/05/2000
Renewal 116	9.41	9,709		15/07/1998	01/05/2000
Total due for year to 31/03/1999			1,000,000		
Renewal 109	5.95	500,000		01/04/1999	01/04/1999
Total due for year to 31/03/2000			500,000		
Electricity 1976	10.50	17,745		01/04/2003	01/04/2003
Total due for year to 31/03/2004			17,745		
TOTAL TERM DEBT (Secured by all assets)		<u>\$3,341,094</u>	<u>\$3,341,094</u>		

NOTE 13. UNITED ELECTRICITY LIMITED

Electricity Invercargill Limited's 25% interest in United Electricity Limited is \$ 243,817.00. Being exclusively Energy Trading this activity is excluded from these accounts.

PERFORMANCE MEASURES AND OTHER INFORMATION FOR YEAR ENDED 31 MARCH 1996
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1. Financial Performance Measures

Accounting return on total assets	8.35%
Accounting return on equity	5.93%
Accounting rate of profit	6.34%

2. Efficiency Performance Measures

Direct Line Costs per Kilometre	\$2,438.00
Indirect Expenditure per Customer	\$72.58

3. Energy Delivery Efficiency Performance Measures

Load Factor	54%
Loss Ratio	4.0%
Capacity Utilisation	43%

4. Statistics

	<u>33kV</u>	<u>11kV</u>	<u>400V</u>	<u>Total</u>
Length of Overhead Electric Lines in km	0.27	63.42	181.81	245.50km
Length of Underground Electric Lines in km	15.97	115.59	310.65	442.21km
System Length	<u>16.24</u>	<u>179.01</u>	<u>492.46</u>	<u>687.71km</u>

Transformer Capacity 140,851 kVA

No of Transformers 431

Maximum Demand 60,030 kW

Total Electricity Supplied 270,339,295 kWh

The Total Amount of Electricity Conveyed to Parties
not in a Prescribed Business Relationship 23,479,295 kWh

Total Customers 16,706

Network ODV at 31 March, 1995 \$ 35,529,127

5. Reliability Performance Measures

	<u>33kV</u>	<u>11kV</u>	<u>Total</u>
Total faults per 100 Circuit Kilometres	-	-	4.1
Faults per 100 Circuit Kilometres - Underground	6.3	4.3	4.6
Faults per 100 Circuit Kilometres - Overhead	0	50.4	50.2

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>Total</u>
Interruptions	0	12	28	0	0	0	0	40
SAIDI Number Of Interruptions by class	0	4.4	52.6	0	0	0	0	57.1
SAIFI Number Of Interruptions by class	0	.042	.935	0	0	0	0	.978
CAIDI Number Of Interruptions by class	0	105	56	0	0	0	0	58

PERFORMANCE MEASURES AND OTHER INFORMATION FOR YEAR ENDED 31 MARCH 1995
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1. Financial Performance Measures

Accounting return on total assets	9.65%
Accounting return on equity	6.74%
Accounting rate of profit	7.91%

2. Efficiency Performance Measures

Direct Line Costs per Kilometre	\$2,878
Indirect Expenditure per Customer	\$71.19

3. Energy Delivery Efficiency Performance Measures

Load Factor	50%
Loss Ratio	5.8%
Capacity Utilisation	43%

4. Statistics

	<u>33kV</u>	<u>11kV</u>	<u>400V</u>	<u>Total</u>
Length of Overhead Electric Lines in km	0.27	91.38	102.37	194.02km
Length of Underground Electric Lines in km	17.07	116.38	308.49	441.94km
System Length	<u>17.34</u>	<u>207.76</u>	<u>410.86</u>	<u>635.96km</u>
Transformer Capacity				140,451kVA
No of Transformers				428
Maximum Demand				60,128kW
Total Electricity Supplied				274,081,921kWh
The Total Amount of Electricity Conveyed to Parties not in a Prescribed Business Relationship				115,613kWh
Total Customers				17,077
Network ODV at 31 March, 1995				\$ 35,529,127

5. Reliability Performance Measures

	<u>33kV</u>	<u>11kV</u>	<u>Total</u>
Total faults per 100 Circuit Kilometres	-	=	3.8
Faults per 100 Circuit Kilometres Underground	0	4.3	3.7
Faults per 100 Circuit Kilometres Overhead	0	14.2	14.2

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>Total</u>
Interruptions	0	13	24	0	0	0	0	37
SAIDI Number Of Interruptions by class	0	12.90	58.40	0	0	0	0	71.30
SAIFI Number Of Interruptions by class	0	.083	1.05	0	0	0	0	1.133
CAIDI Number Of Interruptions by class	0	155	56	0	0	0	0	63

**CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS**

We, Murray Ayling Farley and Ross McGregor Wensley, Directors of Electricity Invercargill Ltd certify that, having made all reasonable enquiry, to the best of our knowledge, -

(a) The attached audited financial statements of Electricity Invercargill Ltd, prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994, give a true and fair view of the matters to which they relate and comply with the requirements of those regulations ; and

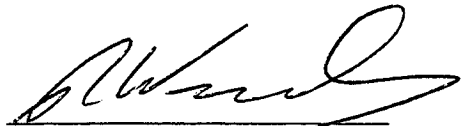
(b) The attached information being financial performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Electricity Invercargill Ltd and having been prepared for the purpose of regulations 13, 14, 15 and 16 of the Electricity (Information Disclosure) Regulations 1994, comply with the requirements of the Electricity (Information Disclosure) Regulations 1994.

The valuations on which those financial performance measures are based are as at 31 March, 1996.



M.A. Farley (Director)

2 July 1996
Date



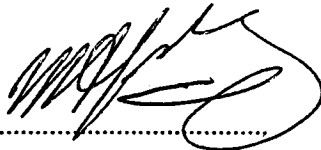
R.M. Wensley (Director)

2 July 1996
Date

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

I, Murray Ayling Farley, of 28 Elm Crescent, Invercargill, being a Director of Electricity Invercargill Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public pursuant to the Electricity (Information Disclosure) Regulations 1994.

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



Declared at Invercargill this twenty seventh day of June, 1996.



Solicitor
WA CAMBRIDGE.



Audit New Zealand

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

I have examined the attached financial statements prepared by Electricity Invercargill Limited and dated 8 July 1996 for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

I hereby certify that, having made all reasonable enquiry, to the best of my knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.


R B Robertson

Audit New Zealand

on behalf of the Controller and Auditor-General

8 July 1996

Dunedin, New Zealand



Audit New Zealand

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

I have examined the attached information, being -

- (a) Financial performance measures specified in clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and
- (b) Financial components of the efficiency performance measures specified in clause 2 of Part II of that Schedule, -

and having been prepared by Electricity Invercargill Limited and dated 8 July 1996 for the purposes of regulation 13 of those regulations.

I certify that, having made all reasonable enquiry, to the best of my knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulation 1994.


R Bruce Robertson

Audit New Zealand

on behalf of the Controller and Auditor-General

8 July 1996

Dunedin, New Zealand




Audit New Zealand

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

I have examined the valuation report prepared by Ernst and Young and dated 20 July 1995 which report contains valuations as at 31 March 1995.

I hereby certify that, having made all reasonable enquiry, to the best of my knowledge, the valuations contained in the report have been made in accordance with the ODV Handbook.


R B Robertson
Audit New Zealand
on behalf of the Controller and Auditor-General
4 August 1995
Dunedin, New Zealand

