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ELECTRICITY INVERCARGILL LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

ELECTRICITY INVERCARGILL LIMITED

**FINANCIAL STATEMENTS AS REQUIRED BY
THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994**

FOR THE YEAR ENDED 31 MARCH, 1998



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 17 June 1998 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. Bruce Robertson

Audit New Zealand

on behalf of the Controller and Auditor-General

17 June 1998


Dunedin, New Zealand

LINE BUSINESS OPERATING STATEMENT FOR YEAR ENDED 31 MARCH, 1998
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	<u>1998</u>	<u>1997</u>
Revenue		
Line Charges	10,563,738	9,777,589
Interest	186,875	198,522
Other Income	<u>245,756</u>	<u>147,091</u>
Total Revenue	10,996,369	10,123,202
	=====	=====
Expenses		
Administration	513,725	573,761
Advertising	70,565	60,128
Audit Fees	31,467	37,377
Bad Debts	-	22,138
Contractors/Materials	1,243,403	1,575,335
Depreciation	151,233	153,561
Directors Fees	89,034	89,172
Motor Vehicles	17,082	16,855
Occupancy Charges	48,464	44,839
Repairs & Maintenance	25,975	-
Staff Expenses	708,923	739,515
Transmission Charges	<u>3,373,635</u>	<u>3,632,002</u>
Total Operating Expenses	6,273,506	6,944,683
	=====	=====
Earnings before Interest and Tax	4,722,863	3,178,519
Interest	<u>187,738</u>	<u>203,238</u>
Net Profit before Tax	4,535,125	2,975,281
Taxation @ 33%	<u>1,496,591</u>	<u>981,843</u>
Net Profit after Tax	3,038,534	1,993,438
Dividend	<u>1,500,000</u>	<u>1,250,000</u>
Retained Earnings	\$ 1,538,534	\$ 743,438
	=====	=====

LINE BUSINESS BALANCE SHEET AS AT 31 MARCH, 1998

	<u>1998</u>	<u>1997</u>
Current Assets		
Cash & Investments	3,766,619	2,335,039
Receivables	402,034	451,522
Inventories	<u>166,202</u>	<u>187,205</u>
Total Current Assets	4,334,855	2,973,766
Non-Current Assets		
Capital Work in Progress	996,030	632,466
Fixed Assets	<u>33,855,412</u>	<u>38,040,233</u>
Total Non-Current Assets	34,851,442	38,672,699
TOTAL ASSETS	\$ 39,186,297	\$ 41,646,465
	=====	=====
Current Liabilities		
Accounts Payable & Accruals	2,398,830	1,713,954
Provision for Dividend	<u>1,500,000</u>	<u>1,250,000</u>
Total Current Liabilities	3,898,830	2,963,954
Non-Current Liabilities		
Term Liabilities	1,500,000	1,515,210
	<u>5,398,830</u>	<u>4,479,164</u>
Owners' Equity		
Paid in Capital	13,431,917	13,351,716
Revaluation Reserve	13,822,804	17,424,521
Reserves	547,491	547,491
Retained Earnings	<u>5,985,255</u>	<u>5,843,573</u>
	33,787,467	37,167,301
TOTAL LIABILITIES AND EQUITY	\$ 39,186,297	\$ 41,646,465
	=====	=====



M A Farley (Director)

17 June, 1998



R M Wensley (Director)

CONTRACTING BUSINESS OPERATING STATEMENT FOR YEAR ENDED 31 MARCH, 1998

	<u>1998</u>	<u>1997</u>
Revenue		
Contracting	587,099	697,437
Other Income	<u>895</u>	<u>6,955</u>
Total Revenue	587,994 =====	704,392 =====
 Expenses		
Administration	6,576	15,170
Advertising	1,726	2,703
Audit Fees	498	811
Bad Debts	-	1,572
Sub-contractors/Materials	264,443	423,833
Depreciation	6,625	10,367
Directors Fees	1,441	2,190
Motor Vehicles	586	803
Occupancy Charges	1,598	2,248
Repairs & Maintenance	700	-
Staff Expenses	<u>17,591</u>	<u>21,897</u>
Total Operating Expenses	301,784 =====	481,594 =====
 Earnings before Interest and Tax	286,210	222,798
 Interest	<u>-</u>	<u>5,583</u>
 Net Profit before Tax	286,210	217,215
 Taxation @ 33%	<u>94,449</u>	<u>71,681</u>
Net Profit after Tax	\$ 191,761 =====	\$ 145,534 =====
 Retained Earnings	 <u>\$ 191,761</u> =====	 <u>\$ 145,534</u> =====

CONTRACTING BUSINESS BALANCE SHEET AS AT 31 MARCH, 1998
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	<u>1998</u>	<u>1997</u>
Current Assets		
Cash & Investments	314,249	46,271
Receivables	14,131	33,202
Inventories	<u>8,343</u>	<u>13,293</u>
Total Current Assets	336,723	92,766
 Non-Current Assets		
Capital Work in Progress	25,262	23,461
Fixed Assets	<u>28,013</u>	<u>35,724</u>
Total Non-Current Assets	53,275	59,185
 TOTAL ASSETS	 <u>\$ 389,998</u>	 <u>\$ 151,951</u>
 Current Liabilities		
Accounts Payable & Accruals	149,488	71,075
Provision for Dividend	<u> </u>	<u> </u>
Total Current Liabilities	149,488	71,075
 Non-Current Liabilities		
Term Liabilities	-	-
	<u>149,488</u>	<u>71,075</u>
 Owners' Equity		
Paid in Capital	48,740	80,201
Retained Earnings	<u>191,770</u>	<u>675</u>
	240,510	80,876
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 389,998</u>	 <u>\$ 151,951</u>

<p style="text-align: center;">NOTES TO AND FORMING PART OF THE LINE BUSINESS</p> <p style="text-align: center;">FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 1998</p>

ENTITY STATEMENT: Electricity Invercargill Limited was incorporated as a Local Authority Trading Enterprise on 30 June, 1991 at which time it purchased the electricity distribution undertaking of the Invercargill City Council Municipal Electricity Department and commenced trading on 1 July, 1991. On 28 August, 1996 the Invercargill City Council sold all the shares in Electricity Invercargill Limited to a wholly owned subsidiary, Invercargill City Holdings Limited (Holdco).

United Electricity Limited (in which Electricity Invercargill Limited has a 13% 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 excluding external contracting which is reported separately, 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 13% 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 divided into line business and external contracting as per policy (b) below.

(b) Costs and Revenue

Costs and Revenue are those directly attributable to the Line Business of Electricity Invercargill Limited. The external contracting operations of PowerNet Limited have been calculated by determining direct costs and revenue where possible, with overheads being allocated on the basis of percentage of revenue.

(c) Fixed Assets

At 31 March 1998, Network Assets are recorded at the 31 March, 1998 optimised deprival value. 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.

NOTE 2. COMMITMENTS

	<u>1998</u>	<u>1997</u>
GIS Mapping System	<u>\$ 13,802</u>	<u>\$ 15,660</u>
Operating Lease Commitments at 31 March		
Less than one year	27,000	16,000
Greater than one year but not more than two years	18,000	12,000
Greater than two years but not more than three years	34,000	4,000
	<u>\$ 79,000</u>	<u>\$ 32,000</u>

NOTE 3. CONTINGENT LIABILITIES

	<u>1998</u>	<u>1997</u>
At 31 March 1998 Electricity Invercargill Limited's share of a PowerNet Limited contingent liability in respect of Use of System Agreements is	17,000	17,000
Electricity Invercargill Limited's share of guarantees given to Contractors by PowerNet Limited for amounts ranging from \$20,000 to \$164,000	446,000	452,244
	<u>\$ 463,000</u>	<u>\$ 469,244</u>

NOTE 4. 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 5. DIVIDEND

A notional Dividend of \$1,500,000 is included to reflect the anticipated position at 31 March, 1998. 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 6. LONG TERM LIABILITIES

The following is a detailed list of debt owing under the debenture to the Invercargill City Council at 31 March 1998. The facility to roll-over maturing debt has been confirmed for periods from 1 April 1998 to 1 April 2000.

Loan	Interest Rate %	Amount Payable \$	Amount Due \$	Current Maturity Date	Final Sanction Date
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		
TOTAL TERM DEBT (Secured by all assets)			<u>\$1,500,000</u>		

NOTE 7. UNITED ELECTRICITY LIMITED

Electricity Invercargill Limited's 13% interest in United Electricity Limited is \$1,538,334. Being exclusively Energy Trading, this activity is excluded from these accounts.

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PERFORMANCE MEASURES AND OTHER INFORMATION FOR YEAR ENDED 31 MARCH 1998
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1. Financial Performance Measures

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Accounting return on total assets	12.94%	7.67%	8.09%	9.65%
Accounting return on equity	8.56%	5.50%	5.70%	6.74%
Accounting rate of profit	-4.11%	6.66%	6.10%	7.91%

2. Efficiency Performance Measures

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Direct Line Costs per Kilometre	\$2,238.56	\$2,767.90	\$2,134.28	\$2,878.00
Indirect Expenditure per Customer	\$82.19	\$87.17	\$69.95	\$71.19

3. Energy Delivery Efficiency Performance Measures

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Load Factor	53.8%	51.6%	53.6%	52.0%
Loss Ratio	5.4%	5.9%	4.0%	5.8%
Capacity Utilisation	43.0%	44.2%	42.6%	42.8%

4. Statistics**Overhead & Underground System Lengths in Kilometres**

	<u>OVERHEAD</u>				<u>UNDERGROUND</u>				<u>TOTAL</u>			
	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
33kV	0.3	0.3	0.3	0.3	16.0	16.0	16.0	17.1	16.2	16.2	16.2	17.3
11kV	61.3	63.2	63.4	91.8	118.9	116.5	115.5	115.7	180.2	179.8	178.9	207.5
400V	177.5	180.0	183.3	102.8	319.5	313.3	309.6	306.1	497.0	493.3	492.9	408.8
Total	239.1	243.5	247.0	194.9	454.4	445.8	441.1	438.9	693.4	689.3	688.0	633.6

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Average Number of Transformers	430	430	430	425
Average Transformer Capacity kVA	139,353	140,839	140,651	139,619
Maximum Demand kW	59,228	62,306	60,030	60,128
Total Electricity Supplied kWh	263,949,257	264,937,491	270,339,295	258,225,728
Total Electricity Conveyed for Other Parties kWh	7,479,984	2,481,653	378,650	115,613
Total Customers	16,852	16,839	16,970	17,077
Network ODV at 31 March	\$33,279,630	\$ 35,529,127	\$ 35,529,127	\$ 35,529,127

PERFORMANCE MEASURES AND OTHER INFORMATION FOR YEAR ENDED 31 MARCH 1998
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5. Reliability Performance Measures

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
① Total number of Interruptions:				
Class B	16	17	12	13
Class C	32	25	28	24
Total Other	-	-	-	-
<u>Total</u>	48	42	40	37

② Faults per 100 circuit Km:

	<u>1998</u>			<u>1997</u>			<u>1996</u>			<u>1995</u>		
	<u>33kV</u>	<u>11kV</u>	<u>Total</u>	<u>33kV</u>	<u>11kV</u>	<u>Total</u>	<u>33kV</u>	<u>11kV</u>	<u>Total</u>	<u>33kV</u>	<u>11kV</u>	<u>Total</u>
Overhead	-	42.4	42.2	370.4	26.3	27.3	-	50.4	50.2	-	14.2	14.1
Underground	-	3.4	3.0	17.6	6.9	8.2	6.3	4.3	4.6	-	4.3	3.8
Total number	-	-	15.3	-	-	12.8	-	-	14.4	-	-	10.7

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
③ SAIDI number of Interruptions by class:				
Class B	10.5	10.2	4.4	12.9
Class C	95.1	67.9	52.6	58.4
Total Other	-	-	-	-
<u>Total</u>	105.6	78.1	57.0	71.3

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
④ SAIFI number of Interruptions by class:				
Class B	.10	.07	.04	.08
Class C	1.23	2.15	.94	1.05
Total Other	-	-	-	-
<u>Total</u>	1.33	2.22	.98	1.13

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
⑤ CAIDI number of Interruptions by class:				
Class B	110.3	143.0	105.0	1.6
Class C	77.1	31.6	56.0	56.0
Total Other	-	-	-	-
<u>Total</u>	79.4	35.2	58.0	63.0

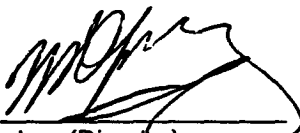
**CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS**

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

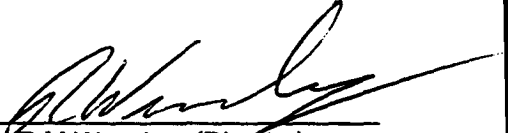
(b) The attached information being financial performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Electricity Invercargill Ltd and having been prepared for the purpose of regulations 13, 14, 15 and 16 of the Electricity (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, 1998.



 M.A. Farley (Director)
 17 June 1998

 Date



 R.M. Wensley (Director)
 17 June 1998

 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 seventeenth day of June, 1998.



Solicitor



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 17 June 1998 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

17 June 1998

Dunedin, New Zealand



CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

I have examined the valuation report prepared by Ernst and Young and dated June 1998 which report contains valuations as at 31 March 1998.

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 Bruce Robertson

Audit New Zealand

on behalf of the Controller and Auditor-General

17 June 1998

Dunedin, New Zealand

