



# New Zealand Gazette

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## ELECTRICITY INVERCARGILL LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999  
(AS AMENDED)

**ELECTRICITY INVERCARGILL LIMITED**

**FINANCIAL STATEMENTS AS REQUIRED BY  
THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999  
(AS AMENDED)**

**FOR THE YEAR ENDED 31 MARCH, 2001**

**DIRECTORY****Board of Directors**

N D Boniface *Chairman*  
R M Wensley *Deputy Chairman*  
P J Mulvey  
G T Piercy

**Executive Officer**

A E Falconer

**Registered Office**

Cargill Chambers  
128 Spey Street  
Invercargill

**Auditors**

Audit New Zealand acting for  
the Office of the Controller  
and Auditor General

**Postal Address**

PO Box 88  
Invercargill

**Bankers**

WestpacTrust Limited

**Telecommunications**

Phone (03) 214-9448  
Fax (03) 214-9404  
E-mail [ei@xtra.co.nz](mailto:ei@xtra.co.nz)  
Web site [www.eil.co.nz](http://www.eil.co.nz)

**Solicitors**

Preston Russell Law



## Audit New Zealand

### AUDITOR'S REPORT TO THE READERS OF THE FINANCIAL STATEMENTS OF ELECTRICITY INVERCARGILL LIMITED

We have audited the accompanying financial statements of Electricity Invercargill Limited on pages 5 to 14. The financial statements provide information about the past financial performance of Electricity Invercargill Limited and its financial position as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 8 and 9.

#### **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 Electricity Invercargill Limited as at 31 March 2001 and the results of its 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 Bede Kearney, of Audit New Zealand, 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 and performance information. It also includes assessing:

- the significant estimates and judgements made by the Board in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Electricity Invercargill Limited 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. We obtained sufficient evidence to give 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.

Other than in our capacity as auditor, acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in Electricity Invercargill Limited.

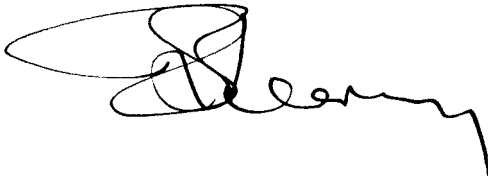
**Unqualified Opinion**

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

In our opinion:

- proper accounting records have been kept by Electricity Invercargill Limited as far as appears from our examination of those records; and
- the financial statements on pages 5 to 14;
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of the financial position of Electricity Invercargill Limited as at 31 March 2001 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 4 July 2001 and our opinion is expressed as at that date.



B F Kearney  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Christchurch, New Zealand

<b>LINE BUSINESS OPERATING STATEMENT FOR YEAR ENDED 31 MARCH, 2001</b>
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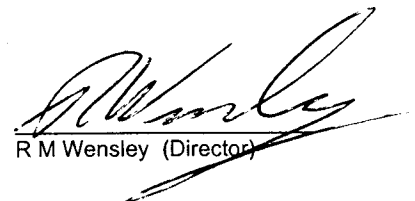
	<u>2001</u> \$	<u>2000</u> \$
<b>Revenue</b>		
Line Charges	10,976,406	10,357,933
Transpower Rebate	537,092	187,936
Interest Received	112,620	154,556
Sundry Income	<u>52,801</u>	<u>343,175</u>
<b>Total Revenue</b>	<b>11,678,919</b>	<b>11,043,600</b>
	=====	=====
<b>Expenses</b>		
Administration	167,907	180,248
Advertising	47,690	55,252
Audit Fees	23,970	31,355
Bad Debts	1,575	44
Consultants Fees	36,453	155,669
Contractors/Materials	1,162,004	891,699
Depreciation	1,374,960	1,416,700
Directors Fees	82,994	84,073
Legal Expenses	7,410	18,382
Motor Vehicles	19,493	25,269
Occupancy Charges	36,683	41,076
Repairs & Maintenance	168,602	178,105
Staff Expenses	584,974	755,415
Transmission Charges	<u>3,715,467</u>	<u>3,708,144</u>
<b>Total Operating Expenses</b>	<b>7,430,182</b>	<b>7,541,431</b>
	=====	=====
<b>Profit before Interest and Tax</b>	<b>4,248,737</b>	<b>3,502,169</b>
Interest Paid	<u>3,861</u>	<u>82</u>
<b>Net Profit before Tax</b>	<b>4,244,876</b>	<b>3,502,087</b>
<b>Taxation</b>	<b>1,408,751</b>	<b>1,176,205</b>
<b>Net Profit after Tax</b>	<b>\$ 2,836,125</b>	<b>\$ 2,325,882</b>
	=====	=====

<b>LINE BUSINESS BALANCE SHEET AS AT 31 MARCH, 2001</b>
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	<u>Note</u>	<u>2001</u> \$	<u>2000</u> \$
<b>Current Assets</b>			
Cash & Investments		2,143,573	3,488,323
Receivables	2	95,606	154,948
Inventories		<u>85,578</u>	<u>93,451</u>
<b>Total Current Assets</b>		<b>2,324,757</b>	<b>3,736,722</b>
<b>Non-Current Assets</b>			
Capital Work in Progress		1,056,805	2,122,856
Fixed Assets	3	<u>36,856,901</u>	<u>33,093,149</u>
<b>Total Non-Current Assets</b>		<b>37,913,706</b>	<b>35,216,005</b>
<b>TOTAL ASSETS</b>		<b>\$ 40,238,463</b> =====	<b>\$ 38,952,727</b> =====
<b>Current Liabilities</b>			
Accounts Payable & Accruals		962,942	1,770,771
Provision for Dividend		<u>2,000,000</u>	<u>1,750,000</u>
<b>Total Current Liabilities</b>		<b>2,962,942</b>	<b>3,520,771</b>
<b>TOTAL LIABILITIES</b>		<b>2,962,942</b>	<b>3,520,771</b>
<b>Owners' Equity</b>			
Paid in Capital		13,000,000	13,000,000
Reserves	4	16,512,584	15,505,144
Retained Earnings		<u>7,762,937</u>	<u>6,926,812</u>
		<b>37,275,521</b>	<b>35,431,956</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 40,238,463</b> =====	<b>\$ 38,952,727</b> =====

  
N D Boniface (Chairman)

4 July, 2001

  
R M Wensley (Director)

<b>STATEMENT OF MOVEMENTS IN EQUITY</b> <b>FOR YEAR ENDED 31 MARCH, 2001</b>
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	<u>2001</u> \$	<u>2000</u> \$
<b>Total equity at beginning of year</b>	35,431,956	35,546,228
<b>Total recognised revenues and expenses for the year</b>		
Net surplus for the year	2,836,125	2,325,882
Movement in Revaluation Reserve	<u>1,007,440</u>	<u>(258,237)</u>
	3,843,565	2,067,645
<b>Distributions to Shareholder during the year</b>		
Capital introduced from sale of energy shares	-	967,494
Repurchase of shares	-	(1,399,411)
Dividend	<u>(2,000,000)</u>	<u>(1,750,000)</u>
<b>Total equity at end of year</b>	<u>\$ 37,275,521</u>	<u>\$ 35,431,956</u>

<b>STATEMENT OF CASH FLOWS</b> <b>FOR YEAR ENDED 31 MARCH, 2001</b>
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	<u>Note</u>	<u>2001</u> \$	<u>2000</u> \$
<b>Cash Flows from Operating Activities</b>			
<i>Cash was provided from:</i> Receipts from customers		11,602,834	11,975,651
Interest received		<u>126,690</u>	<u>219,831</u>
		11,729,524	12,195,482
<i>Cash was applied to:</i> Payments to suppliers & employees		6,111,628	5,920,201
GST		(27,886)	(142,055)
Interest paid		3,861	14,875
Income Tax		<u>1,638,180</u>	<u>1,565,717</u>
		7,725,783	7,358,738
<b>Net Cash inflow/(outflow) from Operating Activities</b>	7	4,003,741	4,836,744
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from:</i> Sale of assets		<u>13,390</u>	<u>19,124</u>
		13,390	19,124
<i>Cash was applied to:</i> Purchase of fixed assets		<u>3,611,881</u>	<u>1,807,118</u>
		3,611,881	1,807,118
<b>Net Cash inflow/(outflow) from Investing Activities</b>		(3,598,491)	(1,787,994)
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from:</i> Sale of United Electricity shares			<u>967,494</u>
			967,494
<i>Cash was applied to:</i> Repayment of loans		-	500,000
Payment of dividends		1,750,000	1,750,000
Repurchase of shares		-	1,399,411
		<u>1,750,000</u>	<u>3,649,411</u>
<b>Net Cash inflow/(outflow) from Financing Activities</b>		(1,750,000)	(2,681,917)
<b>Net Increase/(decrease) in cash held</b>		<u>\$ (1,344,750)</u>	<u>\$ 366,833</u>
Cash at start of year		3,488,323	3,121,490
Cash at end of year		<u>2,143,573</u>	<u>3,488,323</u>
<b>Net increase/(decrease) in cash held</b>		<u>\$ (1,344,750)</u>	<u>\$ 366,833</u>



<p style="text-align: center;"><b>NOTES TO AND FORMING PART OF THE LINE BUSINESS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2001</b></p>
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**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 held a 13% interest) purchased the electricity retailing activities of the Company on 1 November, 1993. Pursuant to Government legislation the Company's interest in United Electricity Limited was sold on 1 October, 1998.

PowerNet Limited (owned 50/50 with The Power Company Limited) assumed complete responsibility for the day to day management of Electricity Invercargill Limited's network on 1 March, 1994. The present Line Business is a consolidation of Electricity Invercargill Limited and its share of PowerNet Limited.

#### NOTE 1. STATEMENT OF ACCOUNTING POLICIES

##### **GENERAL ACCOUNTING POLICIES**

These Accounts are prepared for the sole purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999. The generally accepted accounting principles recognised by the Institute of Chartered Accountants of New Zealand 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 31 March balance date set down by the Electricity (Information Disclosure) Regulations has required assumptions to be made which may subsequently prove to be incorrect. These Line Business Accounts are **not comparable** with the consolidated financial statements prepared at 30 June and published with the Company's Annual Report.

##### **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**

The Company's interest in PowerNet Limited has been accounted for on a line by line consolidation of revenue and expenses with the elimination of all significant inter-company transactions. The company's share of profits and losses in PowerNet Limited are reflected in the Consolidated Operating Statement and Balance Sheet.

###### **(b) Costs and Revenue**

Costs and Revenues are those directly attributable to the Line Business of Electricity Invercargill Limited. All non Line Business activity is excluded from these accounts.

**(c) Fixed Assets**

At 31 March 2001, Network Assets are recorded at the certified optimised deprival valuation of that date. Depreciation on network assets is calculated on a straight line basis while other assets are shown at depreciated cost. A detailed analysis of the Company's network assets, including underground cable, has been undertaken since the last valuation in 1998. This has enabled an accurate assessment of cable types and ages to be made and remaining lives to be calculated

**(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 the service performance and operation of the Company.

**(e) Depreciation**

Depreciation has been written off all assets on a straight-line basis; network according to the lives prescribed by the Electricity Information Disclosure Handbook, and other assets on historical cost.

**(f) Receivables:**

Receivables are stated at their estimated realisable value.

**(g) Inventories:**

Inventories are stated at the lower of cost at weighted average cost price and net realisable value.

**(h) 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.

**(i) Work in Progress:**

Work in Progress reflects progress payments made for direct labour and materials used in putting replacement and new network assets in their present location and condition.

**(j) 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**

There have been no changes in accounting policies. All accounting policies having been consistently applied during the year.

**NOTE 2. RECEIVABLES**

	<u>2001</u>	<u>2000</u>
	\$	\$
Trade Debtors	67,321	109,748
Accruals	<u>28,285</u>	<u>45,200</u>
	<b><u>\$ 95,606</u></b>	<b><u>\$ 154,948</u></b>

**NOTE 3. FIXED ASSETS**

			<u>2001</u>	<u>2000</u>
	<u>ODV/ Cost Price</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
	\$	\$	\$	\$
System Fixed Assets	36,437,405	-	<b>36,437,405</b>	32,718,590
Motor Vehicles	30,883	17,294	<b>13,589</b>	13,564
Office Equipment, Furniture & EDP	482,676	343,655	<b>139,021</b>	118,238
Land & Buildings	216,653	57,293	<b>159,360</b>	175,797
Plant & Equipment	206,073	98,547	<b>107,526</b>	66,960
	<u>37,373,690</u>	<u>516,789</u>	<b><u>36,856,901</u></b>	<u>33,093,149</u>

**NOTE 4. RESERVES**

	<u>2001</u>	<u>2000</u>
	\$	\$
General Reserve	547,491	547,491
Revaluation Reserve	<u>15,965,093</u>	<u>14,957,653</u>
<b>TOTAL</b>	<b><u>\$16,512,584</u></b>	<b><u>\$ 15,505,144</u></b>

**NOTE 5. DIVIDEND**

A notional Dividend of \$2,000,000 is included in these accounts to reflect the anticipated position at 31 March, 2001. The Company's financial year ends on 30 June, therefore no recommendation as to dividend will be made until after the final position is known.

**NOTE 6. COMMITMENTS**

	<u>2001</u>	<u>2000</u>
	\$	\$
GIS Mapping System	<u>\$ 2,000</u>	<u>\$ 2,082</u>
Operating Lease Commitments at 31 March		
Less than one year	34,000	36,000
Greater than one year but not more than two years	21,000	27,000
Greater than two years but not more than three years	5,000	14,000
	<u>\$ 60,000</u>	<u>\$ 77,000</u>

**NOTE 7. CASH FLOW RECONCILIATION**

	<u>2001</u> \$	<u>2000</u> \$
<b>Reconciliation with reported operating surplus</b>		
Net surplus after tax	2,836,125	2,325,882
Add/(Deduct) Non-Cash items		
Depreciation	1,374,960	1,416,700
Net (profit)/loss on disposal of Fixed Assets	<u>168,193</u>	<u>167,434</u>
	1,543,153	1,584,134
Add/(Deduct) movements in Working Capital		
(Increase)/Decrease in Receivables	59,342	1,283,690
(Increase)/Decrease in Inventories	7,873	62,794
Increase/(Decrease) in Accounts Payable & Accruals	<u>(442,752)</u>	<u>(419,756)</u>
	(375,537)	926,728
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b><u>\$ 4,003,741</u></b>	<b><u>\$ 4,836,744</u></b>

**NOTE 8. CONTINGENT LIABILITIES**

	<u>2001</u> \$	<u>2000</u> \$
Electricity Invercargill Limited's share of guarantees given to Contractors by PowerNet Limited for amounts ranging from \$20,000 to \$164,000	441,540	441,540
	<u>\$ 441,540</u>	<u>\$ 441,540</u>

**NOTE 9. 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.

**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 10. DISCLOSURE OF INFORMATION.**

Information to be disclosed in the Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999 Schedule 1 Part 2

	<b>2001</b>	<b>2000</b>
<b>1. Current Assets</b>		
(a) Cash and bank balances	1,423,573	2,488,323
(b) Short-term investments	720,000	1,000,000
(c) Inventories	85,578	93,451
(d) Accounts receivable	95,606	154,948
(e) Other current assets not listed in (a) to (d):	-	-
<b>(f) Total Current Assets</b>	<b>2,324,757</b>	<b>3,736,722</b>
<b>2. Fixed Assets</b>		
(a) System fixed assets	36,437,405	32,718,590
(b) Customer billing and information system assets	83,817	64,087
(c) Motor vehicles	13,589	13,564
(d) Office equipment	55,204	54,151
(e) Land & buildings	159,360	175,797
(f) Capital works under construction	1,056,805	2,122,856
(g) Other fixed assets not listed in (a) to (f):	107,526	66,960
<b>(h) Total Fixed Assets</b>	<b>37,913,706</b>	<b>35,216,005</b>
<b>3. Other tangible assets not listed above</b>	-	-
<b>4. Total Assets</b>	<b>40,238,463</b>	<b>35,216,005</b>
<b>5. Intangible assets</b>		
(a) Goodwill	-	-
(b) Other intangible assets not listed in (a)	-	-
<b>(c) Total Intangible Assets</b>	-	-
<b>6. Total Assets</b>	<b>\$ 40,238,463</b>	<b>\$ 38,952,727</b>

	<b>2001</b>	<b>2000</b>
<b>7. Current Liabilities</b>		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,023,898	1,602,298
(d) Provision for dividends payable	2,000,000	1,750,000
(e) Provision for income tax	(60,956)	168,473
(d) Other Current Liabilities not listed in (a) to (e)	-	-
<b>(g) Total Current Liabilities</b>	<b>2,962,942</b>	<b>3,520,771</b>
<b>8. Non-current Liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other Current Liabilities not listed in (a) to (c)	-	-
<b>(e) Total Non-current Liabilities</b>	-	-
<b>9. Equity</b>		
(a) Shareholders' equity		
(i) Share Capital	13,000,000	13,000,000
(ii) Retained earnings	7,762,937	6,926,812
(iii) Reserves	16,512,584	15,505,144
<b>Total Shareholders' equity</b>	<b>37,275,521</b>	<b>35,431,956</b>
(b) Minority interests in subsidiaries	-	-
(c) Total equity	37,275,521	35,431,956
(d) Capital notes	-	-
<b>(e) Total capital funds</b>	<b>37,275,521</b>	<b>35,431,956</b>
<b>10. Total equity and liabilities</b>	<b>\$ 40,238,463</b>	<b>\$ 38,952,727</b>

	<u>2001</u>	<u>2000</u>
<b>11. Revenue</b>		
(a) Revenue from Line/Access Charges	10,976,406	10,357,933
(b) Revenue from "Other" business (transfer payment)	-	-
(c) Income from interest on short-term investments	112,620	154,556
(d) AC loss-rental rebates	537,092	187,936
(e) Other Revenue not listed in (a) to (d)	52,801	343,175
<b>Total revenue</b>	<b>11,678,919</b>	<b>11,043,600</b>
<b>12 Expenditure</b>		
(a) Transmission Charges	3,715,467	3,708,144
(b) Transfer payments to "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges for own generation	-	-
(vii) Other goods and services not listed in (i) to (vi)	-	-
(viii) <b>Total transfer payment to "Other" business</b>	-	-
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	1,330,606	1,069,804
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) <b>Total of specified expenses to non-related parties</b>	<b>1,330,606</b>	<b>1,069,804</b>
(d) Employee salaries and redundancies	543,835	698,099
(e) Consumer billing and information system expense	47,581	42,766
(f) Depreciation on:		
(i) System fixed assets	1,265,579	1,325,359
(ii) Other assets not listed in (i)	109,381	91,341
(iii) <b>Total depreciation</b>	<b>1,374,960</b>	<b>1,416,700</b>
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
(iii) <b>Total amortisation of intangibles</b>	-	-
(h) Corporate and administration	173,900	197,252
(i) Human resource expenses	41,139	57,316
(j) Marketing/advertising	47,690	55,252
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy and legal expenses	43,863	174,051
(o) Donations	-	-
(p) Directors' fees	82,994	84,073
(q) Auditors fees		
(i) Audit fees paid to principal auditors	23,970	31,355
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) <b>Total auditors' fees</b>	<b>23,970</b>	<b>31,355</b>
(r) Costs of offering credit:		
(i) Bad debts	1,575	44
(ii) Increase in estimated doubtful debts	-	-
(iii) <b>Total cost of offering credit</b>	<b>1,575</b>	<b>44</b>
(s) Local authority rates expense	2,602	6,575
(t) AC loss rentals (distribution to retailer/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)	-	-
<b>13. Total operating expenditure</b>	<b>7,430,182</b>	<b>7,541,431</b>
<b>14. Operating surplus before interest and tax</b>	<b>4,248,737</b>	<b>3,502,169</b>
<b>15. Interest expense</b>		
(a) Interest expense on borrowings	3,861	82
(b) Financial charges related to finance leases	-	-
(c) Other interest expense	-	-
(d) <b>Total interest expense</b>	<b>3,861</b>	<b>82</b>
<b>16. Operating surplus before income tax</b>	<b>4,244,876</b>	<b>3,502,087</b>
<b>17. Income tax</b>	<b>1,408,751</b>	<b>1,176,205</b>
<b>18. Net surplus after tax</b>	<b>\$ 2,836,125</b>	<b>\$ 2,325,882</b>

**NOTE 11. RECONCILIATION OF ODV VALUATION**

	<u>2001</u>	<u>2000</u>
	\$	\$
ODV Valuation at 1 April	32,718,590	32,538,453
Additions for year	4,599,498	1,793,793
Disposals for year	(622,544)	(288,297)
Annual Depreciation	(1,265,579)	(1,325,359)
Revaluation	1,007,440	
ODV Valuation at 31 March	<u>36,437,405</u>	<u>32,718,590</u>

**NOTE 12. ELECTRICITY CONVEYED FOR RETAILERS**

	<u>2001</u>	<u>2000</u>
	kWh	kWh
Contact Energy	218,814,311	204,318,635
Genesis	511,267	43,120
Meridian	5,794,007	709,785
Mighty River	5,303,671	3,881,691
The Power Company OCB46	5,946,641	-
TransAlta NZ	14,200,626	11,395,852
TrustPower	11,083,277	4,878,544
<b>Total</b>	<u>261,653,800</u>	<u>225,227,627</u>

**NOTE 13. TRANSACTIONS WITH RELATED PARTIES**

During the year the Company purchased construction and maintenance services from its joint venture company, PowerNet Limited, to an amount of \$3,661,749 (2000 - \$3,084,668). The amount owed to PowerNet Limited at year end is \$82,177 (2000 - \$455,867). No related party debts have been written off or forgiven during this, or last year.

	<u>2001</u>
	\$
Asset Construction:	
Subtransmission	595,060
Zone Substation	620,825
Distribution Lines & Cables	1,661,640
Distribution Switchgear	128,000
Distribution Transformers	39,900
Distribution Substations	10,000
LV Reticulation	308,405
Other System Fixed Assets	294,979
Customer Connections	2,940
	<u>\$ 3,661,749</u>

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	4,248,737				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	4,248,737				
Interest on cash, bank balances, and short-term investments (ISTI)	112,620				
OSBIT minus ISTI	4,136,117	a	4,136,117		4,136,117
Net surplus after tax from financial statements (NSAT)	2,836,125	n		2,836,125	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	0	s	add	add	add
Depreciation of SFA at BV (x)	1,374,960	d	add	add	add
Depreciation of SFA at ODV (y)	1,374,960	s†	deduct	deduct	deduct
ODV depreciation adjustment	0	q			1,274
Subvention payment tax adjustment	1,274	r			1,007,440
Interest tax shield	1,007,440	p			1,408,751
Revaluations	1,408,751				
Income tax					
<b>Numerator</b>			OSBIT <sup>ROF</sup> = a + g + s + d	NSAT <sup>ROE</sup> = n + g + s - s† + d	OSBIT <sup>ROI</sup> = a + g - q + r + s + d - p - s†
Fixed assets at end of previous financial year (FA <sub>0</sub> )	35,216,005				
Fixed assets at end of current financial year (FA <sub>1</sub> )	37,913,706				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-353,899				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-842,714				
Average total funds employed (ATFE)	35,966,549 (or regulation 33 time-weighted average)	c	35,966,549		35,966,549
Total equity at end of previous financial year (TE <sub>0</sub> )	35,431,956				
Total equity at end of current financial year (TE <sub>1</sub> )	37,275,521				
Average total equity	36,353,739 (or regulation 33 time-weighted average)	k		36,353,739	
WUC at end of previous financial year (WUC <sub>0</sub> )	2,122,856				
WUC at end of current financial year (WUC <sub>1</sub> )	1,056,805				
Average total works under construction	1,589,831 (or regulation 33 time-weighted average)	e	1,589,831	1,589,831	1,589,831
Revaluations	1,007,440	r			



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
Half of revaluations	503,720	r/2			503,720
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
Average total intangible asset (or regulation 33 time-weighted average)	0	m		add	0
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	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 <sub>book</sub> )	32,718,590				
System fixed assets at end of current financial year at book value (SFA <sub>book</sub> )	36,437,405				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	34,577,998	f	deduct	deduct	34,577,998
System Fixed assets at year beginning at ODV value (SFA <sub>odv</sub> )	32,718,590				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv</sub> )	36,437,405				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	34,577,998	h	add	add	34,577,998
<b>Denominator</b>					
<b>Financial Performance Measure:</b>					
			ROF = $\frac{\text{OSBIT}^{\text{adj}}}{\text{ATFE}^{\text{adj}}} \times 100$	ROE = $\frac{\text{NSA}^{\text{adj}}}{\text{ATE}^{\text{adj}}} \times 100$	ROI = $\frac{\text{OSBIT}^{\text{adj}}}{\text{ATFE}^{\text{adj}}} \times 100$
			34,376,719	34,763,908	33,872,999
			ATFE <sup>adj</sup> = c - e - f + h	Ave TE <sup>adj</sup> = k - e - m + v - f + h	ATFE <sup>adj</sup> = c - e - 1/2r - f + h
			12.03	8.16	11.02

t = maximum statutory income tax rate applying to corporate entities  
 subscript '1' = end of the current financial year      ROF = return on funds  
 bv = book value      ave = average  
 odv = optimised deprival valuation      ROE = return on equity  
 subscript '0' = end of the previous financial year      ROI = return on investment

<b>PERFORMANCE MEASURES AND OTHER INFORMATION FOR YEAR ENDED 31 MARCH 2001</b>
--

<b>1. Financial Performance Measures</b>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Return on Funds	12.03%	9.98%	10.60%	12.94%	7.67%
Return on Equity	8.16%	6.93%	6.88%	8.56%	5.50%
Return on Investment	11.02%	5.68%	7.62%	-4.11%	6.66%
<b>2. Efficiency Performance Measures</b>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Direct Line Costs per Kilometre	\$2,041	\$1,745	\$1,578	\$2,238	\$2,767
Indirect Expenditure per Customer	\$56	\$62	\$70	\$82	\$87
<b>3. Energy Delivery Performance Measures</b>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Load Factor	51.6%	54.9%	53.1%	53.8%	51.6%
Loss Ratio	4.5%	4.0%	3.7%	3.9%	5.9%
Capacity Utilisation	41.5%	38.5%	41.7%	43.0%	44.2%

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

	<u>OVERHEAD</u>					<u>UNDERGROUND</u>					<u>TOTAL</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
33kV	.3	.3	.3	.3	.3	20	17	16	16	16	20	17	16	16	16
11kV	49	56	60	61	63	131	125	122	119	117	180	181	182	180	180
400V	87	133	175	178	180	399	364	328	319	313	486	497	503	497	493
<b>Total</b>	<b>136</b>	<b>189</b>	<b>235</b>	<b>239</b>	<b>243</b>	<b>550</b>	<b>506</b>	<b>466</b>	<b>454</b>	<b>446</b>	<b>686</b>	<b>695</b>	<b>701</b>	<b>693</b>	<b>689</b>

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Average Number of Transformers	432	431	430	430	430
Average Transformer Capacity kVA	139,483	138,480	137,880	139,353	140,839
Maximum Demand kW	57,871	53,380	57,472	59,228	62,306
Total Electricity Supplied kWh	249,898,517	231,010,555	257,563,546	268,129,794	264,937,491
Electricity Conveyed for Retailers kWh	261,653,800	225,227,627	245,208,373	7,479,984	2,481,653
Total Customers	16,701	16,733	16,856	16,852	16,839
Network ODV at 31 March	\$36,437,405	\$32,718,590	\$32,538,453	\$33,279,630	\$ 35,529,127

<b>PERFORMANCE MEASURES AND OTHER INFORMATION FOR YEAR ENDED 31 MARCH 2001</b>
--

**5. Reliability Performance Measures****Total number of Interruptions:**

	<u>Target Average</u>	<u>Target 2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Class B	13	14	11	18	16	16	17
Class C	23	24	29	22	36	32	25
Class D	-	-	-	-	1	-	-
Class G	-	-	-	-	1	-	-
Total Other	-	-	-	-	-	-	-
<u>Total</u>	<b>36</b>	<b>38</b>	<b>40</b>	<b>40</b>	<b>54</b>	<b>48</b>	<b>42</b>

Class C Interruptions not restored in	3 Hours	Nil
	24 Hours	Nil

**Faults per 100 circuit Km:**

	<u>Target Average</u>	<u>Target 2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>Overhead 33kV</b>	-	-	-	-	-	-	370.4
<b>Overhead 11kV</b>	-	-	<b>38.8</b>	17.9	48.9	42.4	26.3
<b>Overhead Total</b>	-	-	<b>38.6</b>	17.9	48.7	42.2	27.3
<b>Underground 33kV</b>	-	-	-	-	-	-	17.6
<b>Underground 11kV</b>	-	-	<b>5.4</b>	4.8	2.5	3.4	6.9
<b>Underground Total</b>	-	-	<b>4.7</b>	4.2	2.2	3.0	8.2
<b>Total 33kV</b>	-	-	-	-	-	-	23.4
<b>Total 11kV</b>	12.3	12.8	<b>14.5</b>	8.8	17.6	16.6	13.7
<b>Total Total</b>	11.0	11.5	<b>13.0</b>	8.1	16.2	15.3	14.5

**Interruptions by Class:**

	<b>SAIDI</b>				<b>SAIFI</b>				<b>CAIDI</b>			
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Class B	4.0	4.7	7.7	10.5	.05	0.11	0.07	0.10	80.4	42.5	110.3	110.3
Class C	31.0	29.0	43.4	95.1	1.07	0.53	1.27	1.23	28.9	54.8	34.1	77.1
Class D	-	-	51.6	-	-	-	1.01	-	-	-	51.0	-
Class G	-	-	1.3	-	-	-	0.06	-	-	-	22.0	-
<b>Total</b>	<b>35.0</b>	<b>33.7</b>	<b>104.1</b>	<b>105.6</b>	<b>1.12</b>	<b>0.64</b>	<b>2.41</b>	<b>1.33</b>	<b>31.2</b>	<b>52.7</b>	<b>43.1</b>	<b>79.4</b>

**Interruptions by Class: Targets 2002 & Beyond**

	<b>SAIDI</b>			<b>SAIFI</b>			<b>CAIDI</b>		
	<u>Average</u>	<u>2002</u>	<u>2001</u>	<u>Average</u>	<u>2002</u>	<u>2001</u>	<u>Average</u>	<u>2002</u>	<u>2001</u>
Class B	5.0	5.5	4.0	.07	.07	.05	71.0	78.0	80.4
Class C	28.1	29.3	31.0	.74	.77	1.07	38.0	38.0	28.9
Class D	-	-	-	-	-	-	-	-	-
Class G	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>33.1</b>	<b>34.8</b>	<b>35.0</b>	<b>.81</b>	<b>.84</b>	<b>1.12</b>	<b>41.2</b>	<b>41.3</b>	<b>31.2</b>

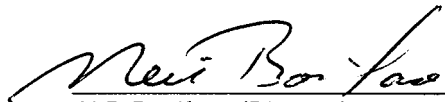
**CERTIFICATION OF FINANCIAL STATEMENTS,  
PERFORMANCE MEASURES, AND STATISTICS**

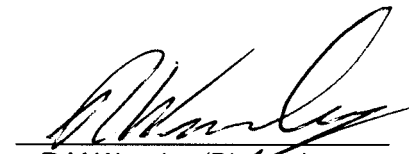
We, Neil Douglas Boniface and Ross McGregor Wensley, Directors of Electricity Invercargill Ltd certify that, having made all reasonable enquiry, to the best of our knowledge, -

(a) The attached audited financial statements of Electricity Invercargill Ltd, prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999, 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 1999, comply with the requirements of the Electricity (Information Disclosure) Regulations 1999.

The valuations on which those financial performance measures are based are as at 31 March, 2001.

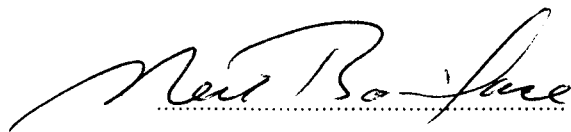
  
 N D Boniface (Director)  
 4/7/2001  
 Date

  
 R M Wensley (Director)  
 4 July 2001  
 Date

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

I, Neil Douglas Boniface, of 502 Queens Drive, 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 1999.

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 fourth day of July, 2001.

  
 Solicitor



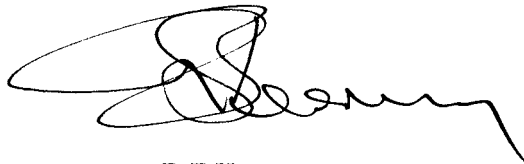
**AUDIT OFFICE OPINION ON THE PERFORMANCE MEASURES  
OF ELECTRICITY INVERCARGILL LIMITED**

We have examined the attached information on pages 15 to 18, being -

- (a) the derivation table specified 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 Electricity Invercargill Limited and dated 31 March, 2001 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



B F Kearney  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Christchurch, New Zealand

4 July 2001

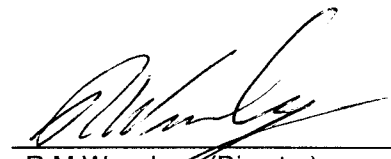
**CERTIFICATION OF VALUATION REPORT OF  
LINE OWNERS**

We, Neil Douglas Boniface and Ross McGregor Wensley, Directors of Electricity Invercargill Limited certify that, having made all reasonable enquiry, to the best of our knowledge -

- (a) the attached valuation report of Electricity Invercargill Limited, prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) the replacement cost of the line business system fixed assets of Electricity Invercargill Limited is \$65,735,781; and
- (c) the depreciated replacement cost of the line business system fixed assets of Electricity Invercargill Limited is \$36,506,275; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Electricity Invercargill Limited is \$36,437,405; and
- (e) the optimised deprival valuation of the line business system fixed assets of Electricity Invercargill Limited is \$36,437,405; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March, 2001.

  
N D Boniface (Director)  
4/7/2001  
Date

  
R M Wensley (Director)  
4 July 2001  
Date



Office address  
Clarendon Tower  
78 Worcester Street  
Christchurch  
New Zealand

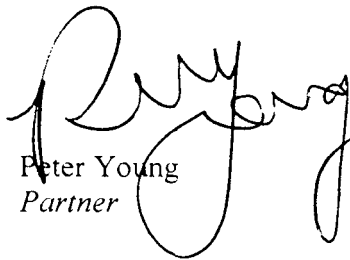
Mail address  
PO. Box 274  
Christchurch  
New Zealand

Telephone (03) 363-5764  
Fax (03) 363-5765

**AUDITORS OPINION IN RELATION TO ODV VALUATION**  
**ELECTRICITY INVERCARGILL LIMITED**

I have examined the valuation report of Electricity Invercargill Limited prepared by KPMG and dated 26 June 2001, which contains valuations of system fixed assets as at 31 March 2001.

In my opinion, having made all reasonable enquiry, to the best of my knowledge, the ODV valuations contained in the report, including the total valuation of system fixed assets of \$36,437,405 have been made in accordance with the ODV Handbook.



Peter Young  
*Partner*

27 June 2001