

# New Zealand Gazette

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## ELECTRICITY ASHBURTON LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE  
MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES  
(OTHER THAN TRANSPower)**

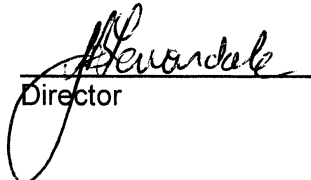
We, Edwin Glass and John Bruce Tavendale, Directors of Electricity Ashburton Limited certify that, having made all reasonable enquiry, to the best of our knowledge -

- (a) The attached audited financial statements of Electricity Ashburton Limited, prepared for the purposes of regulation 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; 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 Electricity Ashburton Limited, and having been prepared for the purposes of requirements 6, 14, 15, 16, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2007

Dated this 13<sup>th</sup> day of February 2008

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**ELECTRICITY ASHBURTON LIMITED - LINES BUSINESS  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 MARCH 2007**

	Note	2007 \$	2006 \$
<b>REVENUE</b>	<b>2</b>		
Line Charges		23,654,763	22,027,159
Other		<u>1,050,096</u>	<u>1,352,782</u>
		24,704,859	23,379,941
 <b>OPERATING EXPENDITURE</b>	 <b>3</b>		
Transmission Charges		6,163,883	5,919,780
Other		<u>11,700,940</u>	<u>9,685,004</u>
		17,864,823	15,604,784
 <b>OPERATING SURPLUS before Deferred Discount</b>		 6,840,036	 7,775,157
Customer Deferred Discount	<b>5</b>	<u>3,000,641</u>	<u>2,975,612</u>
 <b>OPERATING SURPLUS before Taxation</b>		 3,839,395	 4,799,545
Taxation	<b>4</b>	<u>2,327,054</u>	<u>2,580,918</u>
 <b>NET SURPLUS after Taxation</b>		 <u>1,512,341</u>	 <u>2,218,627</u>

**ELECTRICITY ASHBURTON LIMITED – LINES BUSINESS  
STATEMENT OF MOVEMENT IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2007**

<b>EQUITY AT START OF YEAR</b>	<b>6</b>	87,296,079	85,060,252
Operating Surplus after Taxation		<u>1,512,341</u>	<u>2,218,627</u>
Total Recognised Revenue and Expenses for the Period		1,512,341	2,218,627
<b>Other Movements</b>			
Unclaimed dividends to 2004		9,993	0
Shares issued		<u>(500)</u>	<u>17,200</u>
		88,817,913	87,296,079

The accompanying notes form part of these financial statements

**ELECTRICITY ASHBURTON LTD – LINES BUSINESS  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2007**

	Note	2007 \$	2006 \$
<b>CURRENT ASSETS</b>	<b>7</b>		
Inventory		3,594,078	2,413,109
Receivables and Prepayments		<u>2,728,496</u>	<u>2,553,134</u>
<b>Total Current Assets</b>		6,322,574	4,966,243
<b>NON CURRENT ASSETS</b>			
<b>Fixed Assets</b>	<b>9</b>		
Distribution System		121,531,842	115,932,633
Land & Buildings		2,317,305	2,114,880
Motor Vehicles		226,535	214,019
Plant, Furniture & Equipment		820,571	751,081
Work in Progress		<u>3,086,387</u>	<u>1,879,400</u>
<b>Total Non Current Assets</b>		127,982,640	120,892,013
<b>TOTAL ASSETS</b>		<u><u>\$134,305,214</u></u>	<u><u>\$125,858,256</u></u>
<b>CURRENT LIABILITIES</b>	<b>8</b>		
Bank Overdraft		4,795,823	3,393,491
Provision for Taxation		22,730	439,198
Creditors		<u>2,322,283</u>	<u>2,637,551</u>
<b>Total Current Liabilities</b>		7,140,836	6,470,240
<b>NON CURRENT LIABILITIES</b>			
Deferred Taxation	<b>4</b>	15,146,465	13,391,937
Bank Loan		<u>23,200,000</u>	<u>18,700,000</u>
<b>Total Non Current Liabilities</b>		38,346,465	32,091,937
<b>SHAREHOLDERS' FUNDS</b>	<b>6</b>		
Deferred Shares		28,750,000	28,750,000
Rebate Shares		1,250,000	1,250,000
Non Allocated Shares		(51,200)	(50,700)
Reserves		47,479,654	47,479,654
Retained Earnings		<u>11,389,459</u>	<u>9,867,125</u>
<b>Total Shareholders Funds</b>		88,817,913	87,296,079
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>\$134,305,214</u></u>	<u><u>\$125,858,256</u></u>

For and on behalf of the Board

13<sup>th</sup> February 2008

Date:

DIRECTOR

*Erwin Glass*

DIRECTOR

*J. Mavendale*

The accompanying notes form part of these financial statements

**ELECTRICITY ASHBURTON LIMITED – LINES BUSINESS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2007**

	Note	2007 \$	2006 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Cash was Provided from:</b>			
Receipts from Customers		24,502,808	23,127,693
Interest		<u>27,881</u>	<u>24,366</u>
		24,530,689	23,152,059
<b>Cash was Disbursed for:</b>			
Payment to Suppliers & Employees		(16,571,383)	(12,830,364)
Interest Paid		(1,483,662)	(1,265,115)
Net G S T Movement		(58,618)	38,972
Taxation Expenses		<u>(988,994)</u>	<u>(992,122)</u>
		(19,102,657)	(15,048,629)
<b>Net Cash Flows from Operating Activities</b>	<b>15</b>	5,428,032	8,103,430
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
<b>Cash was Provided from:</b>			
Sale of Investment		0	300,000
Sale of Fixed Assets		<u>14,435</u>	<u>23,768</u>
		14,435	323,768
<b>Cash was Applied to:</b>			
Distribution System Improvements		(10,570,259)	(10,174,762)
Other Fixed Asset Additions		<u>(774,040)</u>	<u>(447,403)</u>
		(11,344,299)	(10,622,165)
<b>Net Cash Flows Used in Investing Activities</b>		(11,329,864)	(10,298,397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
<b>Cash was Provided from:</b>			
Contribution from Owners		(500)	17,200
Loan Received		<u>4,500,000</u>	<u>2,100,000</u>
		4,499,500	2,117,200
<b>Cash was Applied to:</b>			
Industry & Loan Repayments		0	0
Dividend		<u>0</u>	<u>0</u>
		0	0
<b>Net Cash Flows From Financing Activities</b>		4,499,500	2,117,200
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		(1,402,332)	(77,767)
Opening Cash Brought Forward		<u>(\$3,393,491)</u>	<u>(\$3,315,724)</u>
Ending Cash Carried Forward		<u><u>(\$4,795,823)</u></u>	<u><u>(\$3,393,491)</u></u>
<b>REPRESENTED BY:</b>			
Bank Account		<u><u>(\$4,795,823)</u></u>	<u><u>(\$3,393,491)</u></u>

The accompanying notes form part of these financial statements

**ELECTRICITY ASHBURTON LIMITED - LINES BUSINESS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

**1 STATEMENT OF ACCOUNTING POLICIES**

**Statutory Base**

Electricity Ashburton Limited is a Co-operative company registered under the Co-operative Companies Act 1996.

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity Information Disclosure Requirements 2004 from the financial statements of Electricity Ashburton Limited as at 31 March 2007

**Measurement Base**

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a modified historic cost basis have been followed.

**Accounting Policies**

**a) Revenue**

Line revenue is recognised as actual amounts invoiced during the period.  
Capital contributions are recognised as revenue in the year of receipt.

**b) Transmission Charges**

Transmission charges are recognised as a direct cost to the line business activity.

**c) Depreciation**

Depreciation has been provided on all tangible fixed assets other than freehold land on the following basis and at the following rates which amortise the cost of the asset over their economic lives.

Fixed Assets:

Distribution Network	1.4 % to 6.7% straight line
Buildings	
- concrete	1 % straight line
- brick	2 % straight line
- wooden	2.5% straight line
Motor Vehicles	14.4% to 31.2 % diminishing value
Plant & Equipment	7.5% to 60% diminishing value

Depreciation has been charged on a monthly basis on assets acquired and which became operational during the month.

**d) Income Taxation**

The income taxation expense charged against the operating surplus for the year is the estimated liability in respect of that operating surplus and is calculated after allowance for permanent differences.

Deferred Taxation is calculated on the comprehensive basis using the liability method (see Note 4). Future tax benefits attributable to tax losses or timing differences are only realised when there is virtual certainty of realisation.

**e) Valuation of Assets**

Land is stated at cost, all other fixed assets (except distribution assets) are stated at cost less accumulated depreciation.

All distribution system assets were revalued on an Optimised Deprival Value (ODV) basis by PricewaterhouseCoopers as at 31 March 2004. All additions to the distribution network are recorded at cost. Revaluation periods for the distribution system will be set to align with the requirements for regulatory information disclosure, normally every five years.

**f) Accounts Receivable**

Receivables are shown at net realisable value. All known bad debts have been written off during the year.

**g) Inventories**

Inventories are valued at the lower of cost, determined on a weighted average cost basis, and net realisable value.

**h) Goods and Services Tax (GST)**

These financial statements have been prepared exclusive of GST with the exception of accounts receivable and accounts payable, which are shown inclusive of GST.

**i) Allocation Methodologies**

Allocations of costs, revenues, assets and liabilities have been allocated in accordance with the Electricity Information Disclosure Requirements 2004.

**Changes in Accounting Policies**

There have been no material changes in accounting policies. All accounting policies have been applied on bases consistent with those used in the previous year.

<b>REVENUE</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
a) Revenue from line / access charges;	0	0
i) Revenue invoiced to customers by electricity retailer	22,786,978	20,942,004
ii) Revenue invoiced to customers by line owner	0	0
b) Revenue for services carried out by the line business	0	0
c) Income from interest on cash, bank balance and short term investments	27,881	24,366
d) AC loss – rental rebates	867,785	1,085,155
e) Other Revenue not listed in (a to d)	<u>1,022,215</u>	<u>1,328,416</u>
f) Total Operating Revenue	24,704,859	23,379,941
 <b>OPERATING EXPENDITURE</b>		
a) Transmission Charges	6,163,883	5,919,780
b) Transfer Payments to "Other" Business		
i) Asset Maintenance	1,689,990	1,270,005
ii) Consumer Disconnection and Reconnection Services	0	0
iii) Meter Data	0	0
iv) Consumer – based load control Services	13,541	46,745
v) Royalty and Patent expense	0	0
vi) Avoided transmission charges for own generation	0	0
vii) Other Goods and Services not listed in (i to vi)	<u>0</u>	<u>0</u>
Total transfer payment to the "Other" Business	1,703,531	1,316,750
c) Expense to entities that are not related parties for -		
i) Asset Maintenance	1,123,982	875
ii) Consumer Disconnection and Reconnections Services	0	0
iii) Meter Data	0	0
iv) Consumer – based load control Services	0	0
v) Royalty and Patent expense	<u>0</u>	<u>0</u>
Total of specified expenses to non-related parties	1,123,982	875

	2007	2006
	\$	\$
d) Employee Salaries and Redundancies	2,048,070	1,830,921
e) Consumer billing and information system expense	103,060	94,585
f) Depreciation on-		
i) System fixed assets	3,764,585	3,764,872
ii) Other system assets not listed in (i)	<u>473,398</u>	<u>452,939</u>
Total Depreciation	4,237,983	4,217,811
g) Amortised of-		
i) Goodwill	0	0
ii) Other Tangibles	<u>0</u>	<u>0</u>
iii) Total amortisation of Intangibles	0	0
h) Corporate and Administration	406,107	404,792
i) Human Resource expenses	24,200	20,600
j) Marketing and advertising	42,185	58,263
k) Merger and acquisition expenses	0	0
l) Takeover defence expense	0	0
m) Research and development expenses	0	0
n) Consultancy and legal expenses	33,767	49,163
o) Donations	0	0
p) Directors fees	106,000	99,000
q) Auditors fees-		
i) Audit fees paid to principal auditors	23,623	21,908
ii) Audit fees paid to other auditors:	0	14,723
iii) Fees paid for other services provided by principal and other auditors	<u>0</u>	<u>0</u>
iv) Total auditors fees	23,623	36,631
r) Cost of offering credit-		
i) Bad debts written off	0	0
ii) Increase in estimated doubtful debts	<u>0</u>	<u>0</u>
iii) Total cost of offering credit	0	0
s) Local Authority rate expense	163,627	142,294
t) AC loss - rental rebates (distribution to retailers) expense	0	0
u) Rebates to customers due to ownership interest	3,000,641	2,975,612
v) Subvention payments	0	0
w) Unusual expenses	0	0
x) Other expenditure not listed in (a to w)	<u>194,323</u>	<u>260,535</u>
Total Operating Expenditure	19,374,982	17,427,612
<b>Operating surplus before interest and income tax</b>	<b>5,329,877</b>	<b>5,952,329</b>
<b>Interest Expense</b>		
a) Interest expense on borrowings	1,490,482	1,152,784
b) Financing charges related to finance lease	0	0
c) Other interest expense not listed in (a to b)	<u>0</u>	<u>0</u>
d) Total interest expense	1,490,482	1,152,784
<b>Operating surplus before income tax</b>	<b>3,839,395</b>	<b>4,799,545</b>
<b>Income Tax</b>	<b><u>2,327,054</u></b>	<b><u>2,580,918</u></b>
<b>Net Surplus after tax</b>	<b><u><u>1,512,341</u></u></b>	<b><u><u>\$2,218,627</u></u></b>



	2007	2006
	\$	\$
<b>4 TAXATION</b>		
Net Surplus before Taxation	<u>3,839,395</u>	<u>4,799,545</u>
Prima facie taxation at 33%	1,267,000	1,583,850
Plus Tax effect on permanent differences	<u>1,060,054</u>	<u>997,068</u>
Total Taxation Expense	<u><u>2,327,054</u></u>	<u><u>2,580,918</u></u>
The Taxation charge comprises:		
Current Taxation	572,526	929,198
Deferred Taxation	<u>1,754,528</u>	<u>1,651,720</u>
	<u><u>2,327,054</u></u>	<u><u>2,580,918</u></u>
Deferred Taxation Liability:		
Opening Balance	13,391,937	11,740,217
Current Year Movement	<u>1,754,528</u>	<u>1,651,720</u>
	<u><u>15,146,465</u></u>	<u><u>13,391,937</u></u>

#### 5 CUSTOMER DEFERRED DISCOUNT AND DIVIDEND

Calculations for deferred discounts paid to each customer were based on their individual customer line charges for the 12 months ended 28 February 2007

There has been no dividend declared during the year.

#### 6 EQUITY

a) Shareholders' equity-		
i) Share capital	29,948,800	29,949,300
ii) Retained earnings	11,389,459	9,867,125
iii) Reserves	<u>47,479,654</u>	<u>47,479,654</u>
iv) Total shareholders' equity	88,817,913	87,296,079
b) Minority interests in subsidiaries	<u>0</u>	<u>0</u>
c) Total equity	88,817,913	87,296,079
d) Capital notes	<u>0</u>	<u>0</u>
e) Total capital funds	88,817,913	87,296,079

There are 28,750,000 deferred shares held by the Ashburton District Council and these have the following conditions attached to them:

- i) There is no right to distributions, dividends or rebates
- ii) There is a right to vote if the rights attached to the deferred shares are to be altered or there is a proposal which would change the control of the Company or the rights of the Council are not carried forward on amalgamation
- iii) The shares are not transferable except to another local authority or if 25% of the voting shares are controlled by one person.
- iv) The right to an equal distribution with the holders of the rebate shares on a winding up of the Company

The Share capital of \$29,948,800 shareholding in Electricity Ashburton Ltd.

	2007	2006
	\$	\$
<b>7 CURRENT ASSETS</b>		
a) Cash and bank balances	0	0
b) Short term investments	0	0
c) Inventories	3,594,078	2,413,109
d) Accounts receivable	2,728,496	2,553,134
e) Other current assets not listed in (a to f)	<u>0</u>	<u>0</u>
f) Total Current Assets	6,322,574	4,966,243
<b>8 CURRENT LIABILITIES</b>		
a) Bank overdraft	4,795,823	3,393,491
b) Short term borrowings	0	0
c) Payables and accruals	2,322,283	2,637,551
d) Provision for dividend payable	0	0
e) Provision for income tax	22,730	439,198
f) Other current liabilities not listed in (a to e)	<u>0</u>	<u>0</u>
g) Total Current Liabilities	7,140,836	6,470,240
<b>NON CURRENT LIABILITIES</b>		
a) Payroll and accruals	0	0
b) Borrowings	23,200,000	18,700,000
c) Deferred tax	15,146,465	13,391,937
d) Other non current liabilities not listed in (a to c)	<u>0</u>	<u>0</u>
e) Total Non Current Liabilities	38,346,465	32,091,937
<b>9 FIXED ASSETS</b>		
a) System fixed assets	121,531,842	115,932,633
b) Consumer billing and information system assets	0	0
c) Motor Vehicles	226,535	214,019
d) Office Equipment	820,571	751,081
e) Land & Buildings	2,317,305	2,114,880
f) Capital works under construction:	3,086,387	1,879,400
g) Other fixed assets not listed in (a) to (f)	<u>0</u>	<u>0</u>
h) Total Fixed Assets	127,982,640	120,892,013
i) Other tangible assets not listed above.	<u>0</u>	<u>0</u>
Total Tangible Assets	134,305,214	125,858,256

	2007	2006
	\$	\$
<b>Intangible Assets</b>		
a) Goodwill	0	0
b) Other intangible assets not listed in (a)	<u>0</u>	<u>0</u>
c) Total Intangible Assets	0	0
<b>FIXED ASSETS DEPRECIATION</b>		
Distribution System	132,815,999	123,452,205
Accumulated Depreciation	<u>11,284,157</u>	<u>7,519,572</u>
	121,531,842	115,932,633
Land & Buildings	3,051,380	2,775,612
Accumulated Depreciation	<u>734,075</u>	<u>660,732</u>
	2,317,305	2,114,880
Motor Vehicles	866,123	793,824
Accumulated Depreciation	<u>639,588</u>	<u>579,805</u>
	226,535	214,019
Plant, Furniture & Equipment	4,829,844	4,420,112
Accumulated Depreciation	<u>4,009,273</u>	<u>3,669,031</u>
	820,571	751,081
Work in Progress	3,086,387	1,879,400
	<u>127,982,640</u>	<u>120,892,013</u>
<b>Total Non Current Assets</b>	127,982,640	120,892,013

Distribution assets were revalued by PricewaterhouseCoopers as at 31 March 2004

The directors believe that rating valuation is a fair representation of the company's land and buildings excluding the administration buildings. The rating valuation of land and buildings as at 1 July 2006 excluding administration land and buildings is \$820,822. A commercial valuation has been obtained from Cunneen McLeod Valuation Ltd registered public valuers for the administration land and buildings giving a current market value at 12 April 2007 of \$4.9M.

## 10 FINANCIAL INSTRUMENTS

Electricity Ashburton Limited estimates that in respect of the reported Financial Instruments being cash, bank deposits, account receivables and investments reported in the financial statement.

- a) Fair value is equivalent to carrying an amount as stated in the statement of financial position.
- b) Concentration of credit risk is minimised in respect of:-
  - i) Receivables, the company has exposure of credit risk by having six line customers. Credit risk with each of these customers is managed by a use of system agreement. The company performs credit evaluations where considered necessary.
  - ii) Bank deposits, by a specific policy of spreading investments between registered trading banks, Canterbury Building Society and the Loan and Building Society.
  - iii) Cash, by being held in minimal quantities.

The Company has a \$10 million multi option credit line facility and a \$500,000 overdraft facility with Westpac. During the year being reported an additional \$12M multi option facility has been established with BNZ. All loan facilities with BNZ and Westpac are secured by a negative pledge over assets. During the year the company uplifted loans to the value of \$4.5M million from BNZ and Westpac. Interest rates for existing loans are between 6.79% and 8.18% and expire on 25 July 2011. At balance date the company had a forward exchange transaction with Westpac for \$US75,000 at \$0.6094 with an expiry date of 27.06.07 to cover imported consignment stock.

**11 COMMITMENTS**

Estimated capital expenditure contracted for at balance date is \$206,000 (2006 : \$444,672)

The company entered into a two year lease agreement in February 2007 for rental premise to house the Network Line Store. Lease payments not later than 1 year \$123,154 (2006: Nil) Lease payments later than 1 year and not later than 2 years \$102,628 (2006: Nil)

**12 CONTINGENT LIABILITIES**

As at 31 March 2007 there were no material contingent liabilities (2006 Nil)

**13 SEGMENT INFORMATION**

The predominant activity of Electricity Ashburton Limited is the distribution of electricity. All operations are conducted in New Zealand.

**14 RELATED PARTIES**

Electricity Ashburton Limited has a contracting division that provides services to the Lines Business. The services provided are for the maintenance of the network and capital construction of System Assets. The services are provided in an ongoing capacity. The standard charge for these services are:

Labour	\$37.00 per hour
External Purchase	Charged at cost
Transport (light truck)	\$14.22 per hour
Transport (heavy truck)	\$21 to \$42 per hour

The contracting division of Electricity Ashburton Limited has provided the following services at cost, including overheads, for the period 1 April 2006 to 31 March 2007

	<b>2007</b>	<b>2006</b>
	\$	\$
Construction of distribution lines & cables	6,610,305	3,790,386
Construction of medium voltage switchgear	0	0
Construction of distribution transformers	1,735,739	2,450,853
Construction of distribution substations	1,017,748	2,710,523
Construction of low voltage lines and cables	550,671	117,228
Construction of other system fixed assets	0	0
Maintenance of assets	1,703,531	1,316,750
Consumer connections and reconnections	0	0
Other services	0	0

No amounts have been forgiven or written off, and no amounts remain outstanding at the end of the period.

**15 RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Reported Net Profit After Tax	1,512,341	2,218,627
Add Non Cash items:		
Movement in Deferred Taxation	1,754,528	1,651,720
Capital Gain on Assets	0	0
Unclaimed Dividends to 2004	(9,993)	0
Loss on Sale of Assets	4,529	1,371
Depreciation Recovered	(3,275)	(10,041)
Depreciation	<u>4,237,983</u>	<u>4,217,811</u>
	7,496,113	8,079,488
Add (less) Movements in Working Capital Items:		
Decrease (Increase) in Receivables	(175,362)	(265,759)
Decrease (Increase) in Inventories	(1,180,969)	(221,871)
(Decrease) Increase in Accounts Payable	(295,282)	574,496
(Decrease) Increase in Tax Payable	<u>(416,468)</u>	<u>(62,924)</u>
	(2,068,081)	23,942
Net Cash Flows from Operating Activities	<u><u>5,428,032</u></u>	<u><u>8,103,430</u></u>

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>16 ANNUAL ODV VALUATION RECONCILIATION</b>		
System fixed assets at ODV – end of previous financial year	115,932,633	110,846,473
Add system fixed assets acquired during the year at ODV	10,569,308	8,853,625
Less system fixed assets disposed of during the year at ODV	(480)	(2,593)
Less depreciation on system fixed assets at ODV	(3,764,585)	(3,764,872)
Add revaluations of system fixed assets	<u>0</u>	<u>0</u>
System fixed assets at ODV – end of financial year	122,736,876	115,932,633

**17 INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Adoption of the New Zealand equivalent of the International Financial reporting Standards may result in changes to accounting policies which will have an impact on the reported financial performance of the company.

The Company is one of a group of lines companies that engaged the services of Ernst & Young to provide advice and assistance to implement the International Financial Reporting Standards from 1 April 2007. At this stage no reliable estimate can be made to quantify the impact on the Company's results from adopting International Financial reporting Standards.

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	5,329,877				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	5,329,877				
Interest on cash, bank balances, and short-term investments (ISTI)	-27,881				
OSBIT minus ISTI	5,301,996	a	5,301,996		5,301,996
Net surplus after tax from financial statements	1,512,341				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,512,341	n		1,512,341	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,764,585				
Depreciation of SFA at ODV (y)	3,764,585				
ODV depreciation adjustment	0	d	add 0	add 0	add 0
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	482,660	q			deduct 482,660
Revaluations	0	r			add 0
Income tax	2,327,054	p			deduct 2,327,054
<b>Numerator</b>			5,301,996 OSBIT <sup>ADJ</sup> = a + g + s + d	1,512,341 NSAT <sup>ADJ</sup> = n + g + s - s*t + d	2,492,282 OSBIT <sup>ADJ</sup> = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA <sub>0</sub> )	120,892,013				
Fixed assets at end of current financial year (FA <sub>1</sub> )	127,982,640				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	2,328,692				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	4,000,291				
Average total funds employed (ATFE)	127,601,818	c	127,601,818		127,601,818
Total equity at end of previous financial year (TE <sub>0</sub> )	87,296,079				
Total equity at end of current financial year (TE <sub>1</sub> )	88,817,913				
Average total equity (or regulation 33 time-weighted average)	88,056,996	k		88,056,996	
WUC at end of previous financial year (WUC <sub>0</sub> )	1,879,400				
WUC at end of current financial year (WUC <sub>1</sub> )	3,086,387				
Average total works under construction (or regulation 33 time-weighted average)	2,482,894	e	deduct 2,482,894	deduct 2,482,894	deduct 2,482,894
Revaluations		r			
Half of revaluations	0	r/2			deduct 0
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	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	add 0
System fixed assets at end of previous financial year at book value (SFA <sub>bc0</sub> )	115,932,633				
System fixed assets at end of current financial year at book value (SFA <sub>bc1</sub> )	121,531,842				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	118,732,238	f	deduct 118,732,238	deduct 118,732,238	deduct 118,732,238
System Fixed assets at year beginning at ODV value (SFA <sub>odv0</sub> )	115,932,633				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv1</sub> )	122,736,876				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	119,334,755	h	add 119,334,755	add 119,334,755	add 119,334,755
<b>Denominator</b>			125,721,442 ATFE <sup>ADJ</sup> = c - e - f + h	86,176,620 Ave TE <sup>ADJ</sup> = k - e - m + v - f + h	125,721,442 ATFE <sup>ADJ</sup> = c - e - 1/2r - f + h
<b>Financial Performance Measure:</b>			4.2 ROF = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100	1.8 ROE = NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	2.0 ROI = OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100

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

**ELECTRICITY ASHBURTON LIMITED - LINES BUSINESS  
PERFORMANCE MEASURES  
FOR THE YEAR ENDED 31 MARCH 2007**

**FINANCIAL PERFORMANCE MEASURES AND EFFICIENCY PERFORMANCE MEASURES**

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>1 Financial Performance Measures</b>				
(a) Return on funds	4.2%	5.0%	3.8%	7.4%
(b) Return on equity	1.8%	2.6%	1.5%	5.3%
(c) Return on investment	2.0%	2.5%	1.7%	17.8%
<b>2 Efficiency Performance Measures</b>				
(a) Direct line costs per kilometre (\$)	1,732	1,144	930	934
(b) Indirect line costs per customer (\$)	54	59	58	51

**ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS**

**1 Energy Delivery Efficiency Performance Measures:**

(a) Load factor	56.97%	56.12%	52.25%	58.17%
(b) Loss ratio	4.02%	7.80%	6.55%	7.46%
(c) Capacity utilisation	26.66%	30.29%	29.11%	30.59%

**2 Statistics**

(a) Circuit Length (Total km)				
66 kV	197	179	179	179
33 kV	210	208	211	200
22 kV	679	615	547	444
11 kV	1,388	1,438	1,487	1,561
230/400 V	366	362	352	346
Total km	2,840	2,802	2,776	2,730
(b) Circuit Length - Overhead (km)				
66 kV	196	178	178	178
33 kV	205	202	205	194
22 kV	670	609	541	440
11 kV	1,279	1,334	1,389	1,467
230/400 V	137	140	141	145
Total Overhead km	2,487	2,463	2,454	2,424

	2007	2006	2005	2004
(c) Circuit Length - Underground (km)				
66 kV	1	1	1	1
33 kV	5	6	6	6
22 kV	9	6	6	4
11 kV	109	104	98	94
230/400 V	229	222	211	201
Total Underground km	353	339	322	306
(d) Transformer Capacity (kVA)	373,643	343,370	328,327	298,165
(e) Maximum Demand (kW)	99,618	104,021	95,580	91,206
(f) Total electricity entering system before losses (kWh)				
	497,185,033	511,395,742	437,494,579	466,050,900
(g) Total electricity supplied from system after losses (kWh)				
Retailer A	178,824,379	194,509,783	183,230,589	190,751,776
Retailer B	25,344,332	30,544,572	35,217,601	133,601,732
Retailer C	2,937,862	10,511,442	15,002,767	8,059,288
Retailer D	0	0	0	0
Retailer F	214,946,826	192,097,674	123,560,285	34,030,383
Retailer G	2,200,850	1,566,036	978,813	658,537
Exported from Network	52,944,454	42,253,112	50,852,875	64,173,212
Total	477,198,703	471,482,619	408,842,930	431,274,928
(h) Total Customers	16,091	15,795	15,311	15,049

## RELIABILITY PERFORMANCE MEASURES

### 1 Total number of interruptions

Class B - Planned by Line Owner	274	272	197	192
Class C - Unplanned by Line Owner	267	204	173	214
Class D - Unplanned by Transpower	0	0	0	0
Class G - Unplanned by Other Line Owners	0	0	0	0
Total	541	476	370	406

### 2 Interruption targets for (next year)

Class B - Planned by Line Owner	210
Class C - Unplanned by Line Owner	190

### 3 Average interruption targets (5 years)

Class B - Planned by Line Owner	210
Class C - Unplanned by Line Owner	190



	2007	2006	2005	2004
<b>4 Fault Restoration Times (Class C) interruptions not restored within:</b>				
3 Hours	53.93%	18.63%	24.86%	17.29%
24 Hours	23.22%	0.00%	0.00%	0.00%
<b>5 Number of faults per 100 km of prescribed voltage line</b>				
(a) Total number of faults				
66 kV	2.0	1.7	0.6	0.0
33 kV	6.2	1.0	2.8	3.5
22 kV	13.3	11.7	7.7	18.0
11 kV	11.1	8.4	7.3	8.1
Total	10.6	8.1	6.5	7.8
(b) Target for (next year)				
66 kV	1.0			
33 kV	3.0			
22 kV	8.0			
11 kV	10.0			
Total	6.0			
(c) Average Target (5 years)				
66 kV	1.0			
33 kV	3.0			
22 kV	8.0			
11kV	10.0			
Total	6.0			
<b>6 The total number of faults per 100km of prescribed voltage underground line</b>				
66 KV	0	0	0	0
33 kV	0	0	0	0
22 kV	0	0	0	0
11kV	1.8	1.9	1.0	3.2
Total	1.6	1.7	0.9	1.0
<b>7 The total number of faults per 100km of prescribed voltage overhead line</b>				
66 kV	2.0	1.7	0.6	0.0
33 kV	6.3	1.0	2.9	3.6
22 kV	13.4	11.8	8.5	18.2
11 kV	11.9	8.9	9.0	8.5
Total	11.0	8.1	7.7	8.7
<b>8 SAIDI for the total number of interruptions (minutes)</b>				
	1,918	150	132	198
<b>9 SAIDI targets (next year)</b>				
Class B - Planned by Line Owner	93			
Class C - Unplanned by Line Owner	57			

	2007	2006	2005	2004
<b>10 Average SAIDI targets (5 years)</b>				
Class B - Planned by Line Owner	93			
Class C - Unplanned by Line Owner	57			
<b>11 SAIDI - Classification of interruptions</b>				
Class B - Planned by Line Owner	125.10	62.30	78.88	88.61
Class C - Unplanned by Line Owner	1,793.20	87.90	53.81	110.02
Class D – Unplanned by Transpower	0.00	0.00	0.01	0.00
<b>12 SAIFI for the total number of interruptions</b>	3.57	1.31	1.17	1.47
<b>13 SAIFI targets (next year)</b>				
Class B - Planned by Line Owner	0.26			
Class C - Unplanned by Line Owner	0.94			
<b>14 Average SAIFI targets (5 years)</b>				
Class B - Planned by Line Owner	0.26			
Class C - Unplanned by Line Owner	0.94			
<b>15 SAIFI - Classification of interruptions</b>				
Class B - Planned by Line Owner	0.39	0.22	0.25	0.30
Class C – Unplanned by Line Owner	3.18	1.09	0.92	1.17
Class D – Unplanned by Transpower	0.00	0.00	0.00	0.00
Class G - Unplanned by Other Line Owner	0.00	0.00	0.00	0.00
<b>16 CAIDI for the total number of interruptions</b>	537	114	113	135
<b>17 CAIDI targets for (next year)</b>				
Class B - Planned by Line Owner	358			
Class C - Unplanned by Line Owner	61			
<b>18 Average CAIDI target (5 years)</b>				
Class B - Planned by Line Owner	358			
Class C - Unplanned by Line Owner	61			
<b>19 CAIDI - Classification of Interruptions</b>				
Class B - Planned by Line Owner	321	278	313	295
Class C - Unplanned by Line Owner	564	81	59	94
Class D - Unplanned by Transpower	0	0	0	0
Class G - Unplanned by Other Line Owner	0	0	10	0



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### AUDITORS REPORT

To the readers of the Financial Statements of Electricity Ashburton Limited.

We have audited the accompanying financial statements of Electricity Ashburton Limited on pages two to twelve. The financial statements provide information about the past financial performance of Electricity Ashburton Limited and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages five and six.

#### **Directors' Responsibilities**

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under Section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Electricity Ashburton Limited as at 31 March 2007, and the results of operations and cash flows for the year ended 31 March 2007.

#### **Auditor's Responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### **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 judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Electricity Ashburton Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in 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.

Our firm and the partners and employees of our firm, deal with the company on normal terms within the ordinary course of the business of the company. As part of these trading activities our firm and the partners and the employees are obliged to hold shares in the company. Our firm and the partners and employees have no other interests in the company.

#### **Unqualified Opinion**

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

In our opinion:-

- proper accounting records have been maintained by Electricity Ashburton Limited as far as appears from our examination of those records; and
- the financial statements of Electricity Ashburton Limited on pages two to twelve:-
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of the financial position of the Company as at 31 March 2007 and the results of its operations and cash flows for the year then ended; and
  - (c) comply with the Electricity Information Disclosure Requirements 2004

Our audit was completed on 13<sup>th</sup> February 2008 and our opinion is expressed as at that date.



**GABITES**  
**CHARTERED ACCOUNTANTS**  
**ASHBURTON**

PARTNERS: Philip S. Quaid C.A. • Eric T. Parr B.Com., C.A. • Ross S. Gibson B.Com., C.A. • Philip D. Bean C.A.

CHARTERED  
ACCOUNTANTS



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We have examined the attached information, being –

- (a) a derivation table; and
- (b) an annual ODV reconciliation report; and
- (c) time-weighted averages calculations (if they apply); and
- (d) financial performance measures; and
- (e) financial components of the efficiency performance measures

that were prepared by Electricity Ashburton Limited and dated 13<sup>th</sup> February 2008 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity Information Disclosure Requirements 2004.

  
**GABITES**  
**CHARTERED ACCOUNTANTS**  
**ASHBURTON**

13<sup>th</sup> February 2008

PARTNERS: Philip S. Quaid C.A. • Eric T. Parr B.Com., C.A. • Ross S. Gibson B.Com., C.A. • Philip D. Bean C.A.

  
CHARTERED  
ACCOUNTANTS