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## ELECTRICITY INVERCARGILL LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999 AND THE  
ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000

<p><b>ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS</b> <b>FINANCIAL STATEMENTS</b> <b>FOR THE YEAR ENDED 31 MARCH 2002</b></p>
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Prepared for the Purposes of the Electricity (Information Disclosure) Regulations 1999  
and the Electricity (Information Disclosure) Amendment Regulations 2000

## **INFORMATION DISCLOSURE DISCLAIMER**

The information disclosed in this 2002 Information Disclosure package issued by Electricity Invercargill Limited has been prepared solely for the purposes of the Electricity (Information Disclosure) Regulations 1999 and the Electricity (Information Disclosure) Amendment Regulations 2000.

The Regulations require the information to be disclosed in the manner it is presented.

The information should not be used for any other purposes than that intended under the Regulations.

The financial information presented is for the line business as described within the Electricity (Information Disclosure) Regulations 1999. There are also additional activities of the Company that are not required to be reported under the Regulations.

<p><b>ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS</b> <b>STATEMENT OF FINANCIAL PERFORMANCE</b> <b>FOR THE YEAR ENDED 31 MARCH 2002</b></p>
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	Note	31 March 2002 \$000	31 March 2001 \$000
Operating Revenue	1	12,246	11,679
Operating Expenses	2	7,337	7,434
<b>Net Surplus Before Taxation</b>		<b>4,909</b>	<b>4,245</b>
Taxation Expense		1,714	1,409
<b>Net Surplus After Taxation</b>		<b>3,195</b>	<b>2,836</b>

The accompanying statement of accounting policies and notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2002**

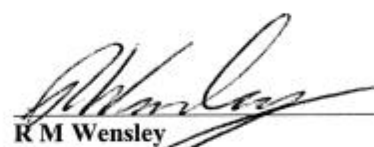
	Note	31 March 2002 \$000	31 March 2001 \$000
<b>Total Equity at Beginning of Year</b>		<b>37,276</b>	<b>35,432</b>
Net Surplus/(Deficit) for the Year		3,195	2,836
Movement in Revaluation Reserve		(217)	1,008
<b>Total Recognised Revenues and Expenses for the Period</b>		<b>2,978</b>	<b>3,844</b>
<b>Add Contributions from Owners During the Year:</b>			
- Capital Introduced		114	-
		<b>114</b>	<b>-</b>
<b>Deduct Distributions to Owners During the Year:</b>			
- Dividend		-	(2,000)
		<b>-</b>	<b>(2,000)</b>
<b>Equity at End of Year</b>	<b>3</b>	<b>40,368</b>	<b>37,276</b>

The accompanying statement of accounting policies and notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2002**

	Note	31 March 2002 \$000	31 March 2001 \$000
Equity	3	40,368	37,276
<i>Represented By:</i>			
<b>Current Assets</b>			
Cash and Short Term Deposits	4	1,787	2,144
Receivables and Prepayments	5	1,044	96
Inventories		152	85
<b>Total Current Assets</b>		<b>2,983</b>	<b>2,325</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	6	38,290	36,857
Capital Work in Progress		929	1,057
<b>Total Non-Current Assets</b>		<b>39,219</b>	<b>37,914</b>
<b>Total Assets</b>		<b>42,202</b>	<b>40,239</b>
<b>Current Liabilities</b>			
Accounts Payable and Provisions	7	1,834	963
Provision for Dividend		-	2,000
<b>Total Current Liabilities</b>		<b>1,834</b>	<b>2,963</b>
<b>Total Liabilities</b>		<b>1,834</b>	<b>2,963</b>
<b>Net Assets</b>		<b>40,368</b>	<b>37,276</b>

  
 N D Boniface  
 Chairman of Directors

  
 R M Wensley  
 Director

For and on behalf of the  
 Board of Directors

25 July 2002

The accompanying statement of accounting policies and notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2002**

	Note	31 March 2002 \$000	31 March 2001 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Receipts from Customers		11,071	11,603
Interest Received		102	127
Sundry Income		124	-
		<u>11,297</u>	<u>11,730</u>
<b>Cash Was Applied To:</b>			
Payments to Suppliers		4,443	6,113
Payments to Employees		552	-
Income Tax Paid		1,572	1,638
GST Paid		(30)	(28)
Interest Paid		10	4
		<u>6,547</u>	<u>7,727</u>
<b>Net Cash Flows From Operating Activities</b>	9	<b>4,750</b>	<b>4,003</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Sale of Property, Plant and Equipment		7	13
		<u>7</u>	<u>13</u>
<b>Cash Was Applied To:</b>			
Purchase of Property, Plant and Equipment		3,227	3,612
		<u>3,227</u>	<u>3,612</u>
<b>Net Cash Flows Used in Investing Activities</b>		<b>(3,220)</b>	<b>(3,599)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>		-	-
<b>Cash Was Applied To:</b>			
Dividend		1,886	1,750
		<u>1,886</u>	<u>1,750</u>
<b>Net Cash Flows Used in Financing Activities</b>		<b>(1,886)</b>	<b>(1,750)</b>
Net Increase/(Decrease) in Cash Held		(356)	(1,345)
Add Opening Cash Brought Forward		2,143	3,488
<b>Closing Cash Carried Forward</b>		<b>1,787</b>	<b>2,143</b>

The accompanying statement of accounting policies and notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

<p style="text-align: center;"><b>ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS</b> <b>STATEMENT OF ACCOUNTING POLICIES</b> <b>FOR THE YEAR ENDED 31 MARCH 2002</b></p>
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**GENERAL ACCOUNTING POLICIES*****Reporting Entity***

Electricity Invercargill Limited is a company registered under the *Companies Act 1993*. The Company is a wholly-owned subsidiary of Invercargill City Holdings Limited.

The Line Business reports on the network assets of Electricity Invercargill Limited, along with the joint venture interests in PowerNet Limited.

***Purpose of the Financial Statements***

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999 ("the regulations") as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

These financial statements relate to the Company's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Section 6 of the Regulations.

***Measurement Base***

The measurement base adopted is that of historical cost except for the revaluation of certain items of property, plant and equipment as stated. Reliance is placed on the fact that Electricity Invercargill Limited is a going concern.

***Specific Accounting Policies*****(a) Principles of Consolidation**

The interest in PowerNet Limited has been accounted for on a line by line consolidation of revenue and expenses after the elimination of all significant inter-company transactions.

**(b) Avoidable Cost Allocation Methodology**

The Avoidable Cost Allocation Methodology has been used to separate "Other" activities from Electricity Invercargill Limited and PowerNet Limited. Other activities or non Line Business activity has been excluded from these accounts.

**(c) Receivables**

Receivables are stated at their estimated realisable value after writing off bad debts for the period and making an allowance for doubtful debts. All known losses are written off in the period in which it becomes apparent the debts are not collectable.

**(d) Inventories**

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

**(e) Property, Plant and Equipment**

The network system assets were revalued as at 31 March 2002 to optimised depreciated replacement cost (ODRC) as assessed by independent valuers, KPMG.

All other assets are recorded at cost less accumulated depreciation.

**(f) Depreciation**

Property, plant and equipment is depreciated on the basis of valuation cost price less estimated residual value over the period of their estimated useful life.

The Economic life ranges for the various classes of assets are:

Buildings	4.0%-10.0%	Straight line/diminishing value
Plant and Equipment	7.0%-39.6%	Straight line/diminishing value
Motor Vehicles	26.0%-31.2%	Straight line/diminishing value
Office Furniture & EDP Equipment	9.0%-60.0%	Straight line/diminishing value
Shared Assets	9.0%-48.0%	Diminishing value
Network Assets	15-70 years	Straight line

**(g) 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.

**(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) Goods and Services Tax**

All amounts in the financial statements have been shown exclusive of goods and services tax, with the exception of accounts receivable and accounts payable, which are shown inclusive of goods and services tax.

**(j) 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.

**(k) Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

**(l) Employee Entitlements**

Provision is made in respect of the Company's liability for annual and long service leave. Leave has been calculated on an actual entitlement basis at current rates of pay.

**CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies during the year ended 31 March 2002.



**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2002**

**1. Operating Revenue**

	31 March 2002 \$000	31 March 2001 \$000
<i>Operating Revenue Comprises:</i>		
Line Charges	11,251	10,976
Interest on Investments	102	113
Transpower Rebate	825	537
Other Revenue	68	53
<b>Total Operating Revenue</b>	<b>12,246</b>	<b>11,679</b>

**2. Operating Expenses**

	31 March 2002 \$000	31 March 2001 \$000
<i>Operating Expenses Include:</i>		
Auditors Remuneration:		
- Statutory Audit	31	24
- Other	-	-
Bad Debts Written Off	1	2
Depreciation	1,694	1,375
Directors' Fees	85	83
Interest Expense	10	4
Lease Costs	-	-
Loss on Disposal of Fixed Assets	4	168

**3. Equity**

	31 March 2002 \$000	31 March 2001 \$000
Paid in Capital	13,000	13,000
General Reserve	547	547
Revaluation Reserve	15,749	15,965
Retained Earnings	11,072	7,764
<b>Total Equity</b>	<b>40,368</b>	<b>37,276</b>

**4. Cash and Short Term Deposits**

	31 March 2002 \$000	31 March 2001 \$000
Current Account	1,367	1,424
Short Term Deposits	420	720
<b>Total Cash and Short Term Deposits</b>	<b>1,787</b>	<b>2,144</b>

**5. Receivables and Prepayments**

	31 March 2002 \$000	31 March 2001 \$000
Trade Debtors	1,016	68
Accruals	3	28
Prepayments	25	-
<b>Total Receivables and Prepayments</b>	<b>1,044</b>	<b>96</b>

**6. Property, Plant and Equipment**

	Cost or Valuation	Accumulated Depreciation \$000	31 March 2002 \$000	31 March 2001 \$000
System Fixed Assets	37,750	-	37,750	36,437
Motor Vehicles	12	9	3	14
Office Equipment	639	441	198	139
Land & Buildings	217	67	150	159
Plant & Equipment	382	193	189	108
<b>Total Property, Plant and Equipment</b>	<b>39,000</b>	<b>710</b>	<b>38,290</b>	<b>36,857</b>

Refer Note 13 for details of valuation of the system fixed assets.

**7. Accounts Payable and Provisions**

	31 March 2002 \$000	31 March 2001 \$000
Trade Creditors	1,355	875
GST Payable	30	81
Provision for Employee Entitlements	76	68
Provision for Taxation	81	(61)
Other	292	-
<b>Total Accounts Payable and Provisions</b>	<b>1,834</b>	<b>963</b>

**8. Commitments**

	31 March 2002 \$000	31 March 2001 \$000
GIS Mapping System	-	2
	-	2
<b>Operating Lease Commitments:</b>		
Operating Lease Commitments are payable as follows:		
- No later than one year	35	34
- Later than one year and not later than two years	3	21
- Later than two years and not later than five years	3	5
<b>Total Operating Lease Commitments</b>	<b>41</b>	<b>60</b>
<b>Total Commitments</b>	<b>41</b>	<b>62</b>

**9. Reconciliation of Net Surplus After Taxation with Net Operating Cash Flows**

	31 March 2002 \$000	31 March 2001 \$000
Net Surplus After Taxation	3,195	2,836
<b>Plus/(Less) Non Cash Items:</b>		
Depreciation	1,694	1,375
	1,694	1,375
<b>Plus/(Less) Items Classified as Investing Activities</b>		
Loss on Sale of Property, Plant and Equipment	4	168
Gain on Sale of Property, Plant and Equipment	-	-
	4	168
<b>Plus/(Less) Movements in Working Capital Items:</b>		
(Increase)/Decrease in Receivables	(948)	59
(Increase)/Decrease in Stock and Work in Progress	(66)	8
(Decrease)/Increase in Accounts Payable	699	(443)
(Decrease)/Increase in Other Current Liabilities	30	-
(Decrease)/Increase in Provision for Taxation	142	-
	(143)	(376)
<b>Net Cash Flows from Operating Activities</b>	<b>4,750</b>	<b>4,003</b>

**10. Contingent Liabilities**

There are no contingent liabilities as at 31 March 2002 (2001: \$442,000).

**11. Financial Instruments****Interest Rate Risk**

The Company is subject to normal fluctuations in interest rates.

**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 Risk**

The Company is not exposed to any foreign exchange risk.

**Fair Values**

All financial instruments shown in the Statement of Financial Position are recorded at fair value.

**12. Related Parties**

Electricity Invercargill Limited "Line Business" consists of line activities conducted in Electricity Invercargill Limited and its joint venture company PowerNet Limited. Electricity Invercargill Limited "Other Business" consists of other or non-line activities conducted in Electricity Invercargill Limited and its joint venture company PowerNet Limited.

All related party transactions between Electricity Invercargill Limited Line Business and PowerNet Limited Line Business have been eliminated in the preparation of the financial statements.

During the year related party transactions took place between Electricity Invercargill Limited Line Business and Electricity Invercargill Limited Other Business. All related party transactions have been conducted on a commercial and arms length basis.

The Line Business purchased goods and services at cost, including overheads where applicable, from the Other Business. The value of the transactions, parties involved, and description of goods or services purchased were as follows:

**Electricity Invercargill Limited Line Business purchased from PowerNet Limited Other Business:**

	31 March 2002 \$000	31 March 2001 \$000
Construction of:		
➤ Subtransmission assets	21	595
➤ Zone substations	37	621
➤ Distribution lines and cables	1,223	1,661
➤ Distribution switchgear	370	128
➤ Distribution transformers	113	40
➤ Distribution substations	98	10
➤ Low voltage lines and cables	660	308
➤ Other system fixed assets	-	295

These amounts represent the capital works programme undertaken by PowerNet Limited on behalf of Electricity Invercargill Limited.

Maintenance of assets	-	-
Customer connections and disconnections	12	3

**The value of transactions owing at balance date were as follows:**

- ☐ Electricity Invercargill Limited Line Business owes PowerNet Limited Other Business \$813,000 (2000: \$82,000).
- ☐ PowerNet Limited's Line Business owes Electricity Invercargill Limited Other Business Nil (2000: Nil).

No related party debts have been written off or forgiven during 2002 or 2001.

**13. Annual Valuation Reconciliation Report**

	<b>31 March 2002</b> <b>\$000</b>	<b>31 March 2001</b> <b>\$000</b>
System fixed assets at ODV – end of the previous financial year	36,437	32,719
<i>Less</i> recalibration of system fixed assets	(1,343)	-
Revised system fixed assets – end of the previous financial year	35,094	32,719
<i>Add</i> system fixed assets acquired during the year at ODV	2,622	4,600
<i>Less</i> system fixed assets disposed of during the year at ODV	(547)	(623)
<i>Less</i> depreciation on system fixed assets at ODV	(1,372)	(1,266)
<i>Add</i> revaluations of system fixed assets	1,953	1,007
<b>System fixed assets at ODV – end of the financial year</b>	<b>37,750</b>	<b>36,437</b>

**14. Electricity Conveyed for Retailers**

	<b>31 March 2002</b> <b>kWh</b>	<b>31 March 2001</b> <b>kWh</b>
Contact Energy	175,477,077	218,814,311
Genesis	4,914,775	511,267
Meridian	22,741,371	5,794,007
Mighty River	3,486,775	5,303,671
The Power Company Limited OCB46	5,981,473	5,946,641
TransAlta NZ	7,284,490	14,200,626
TrustPower	15,477,579	11,083,277
	<b>235,363,540</b>	<b>261,653,800</b>

Comparative figures for the 2000/01 year are for electricity supplied. The information is unable to be audited by Electricity Invercargill Limited and therefore no reliance is placed on it.

**15. Disclosure of Information**

Disclosure of information to be disclosed in the Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999, Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

	<b>2002 \$000</b>	<b>2001 \$000</b>
<b>Current Assets</b>		
(a) Cash and bank balances	1,367	1,424
(b) Short-term investments	420	720
(c) Inventories	152	85
(d) Accounts receivable	1,044	96
(e) Other current assets not listed in (a) to (d)	-	-
<b>Total Current Assets</b>	<b>2,983</b>	<b>2,325</b>
<b>Property, Plant and Equipment</b>		
(a) System fixed assets	37,750	36,437
(b) Consumer billing and information system assets	154	84
(c) Motor vehicles	3	14
(d) Office equipment	44	55
(e) Land and buildings	150	159
(f) Capital works under construction	929	1,057
(g) Other fixed assets not listed in (a) to (f)	189	108
<b>Total Property, Plant and Equipment</b>	<b>39,219</b>	<b>37,914</b>
<b>Other tangible assets not listed above</b>	-	-
<b>Total Tangible Assets</b>	<b>39,219</b>	<b>37,914</b>
<b>Intangible Assets</b>		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a) above	-	-
<b>Total Intangible Assets</b>	-	-
<b>TOTAL ASSETS</b>	<b>42,202</b>	<b>40,239</b>
<b>Current Liabilities</b>		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,753	1,024
(d) Provision for dividends payable	-	2,000
(e) Provision for income tax	81	(61)
(f) Other current liabilities not listed in (a) to (e) above	-	-
<b>Total Current Liabilities</b>	<b>1,834</b>	<b>2,963</b>
<b>Non-Current Liabilities</b>		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
<b>Total Non-Current Liabilities</b>	-	-
<b>Equity</b>		
(a) Shareholders' equity:		
(i) Share capital	13,000	13,000
(ii) Retained earnings	11,072	7,764
(iii) Reserves	16,296	16,512
<b>Total Shareholders' equity</b>	<b>40,368</b>	<b>37,276</b>
(b) Minority interests in subsidiaries	-	-
<b>Total Equity</b>	<b>40,368</b>	<b>37,276</b>
(c) Capital notes	-	-
<b>Total Capital Funds</b>	<b>40,368</b>	<b>37,276</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>42,202</b>	<b>40,239</b>

	2002 \$000	2001 \$000
<b>Operating Revenue</b>		
(a) Revenue from line/access charges.	11,251	10,976
(b) Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
(c) Interest on cash, bank balances and short-term investments	102	113
(d) AC loss-rental rebates	825	537
(e) Other revenue not listed in (a) to (d)	68	53
<b>Total Operating Revenue</b>	<b>12,246</b>	<b>11,679</b>
<b>Operating Expenditure</b>		
(a) Payment for transmission charges	3,231	3,715
(b) Transfer payments to the "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 on account of own generation	-	-
(vii) Other goods and services not listed in (i) to (vi) above	-	-
<b>Total transfer payment to the "Other" business</b>	<b>-</b>	<b>-</b>
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	1,158	1,330
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
<b>Total of specified expenses to non-related parties (sum of (i) to (v))</b>	<b>1,158</b>	<b>1,330</b>
(d) Employee salaries, wages and redundancies	552	544
(e) Consumer billing and information system expense	63	47
(f) Depreciation on:		
(i) System fixed assets:	1,372	1,266
(ii) Other assets not listed in (i)	322	109
<b>Total depreciation</b>	<b>1,694</b>	<b>1,375</b>
(g) Amortisation of:		
(i) Goodwill:	-	-
(ii) Other intangibles:	-	-
<b>Total Amortisation of Intangibles</b>	<b>-</b>	<b>-</b>
(h) Corporate and administration:	112	174
(i) Human resource expenses:	40	41
(j) Marketing/advertising:	78	48
(k) Merger and acquisition expenses:	26	-
(l) Takeover defence expenses:	-	-
(m) Research and development expenses:	-	-
(n) Consultancy and legal expenses:	59	44
(o) Donations:	-	-

	2002 \$000	2001 \$000
(p) Directors' fees:	85	83
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	31	24
(ii) Audit fees paid to other auditors:	-	-
(iii) Fees paid for other services provided by principal and other auditors:	-	-
<b>Total Auditors' fees:</b>	<b>31</b>	<b>24</b>
(r) Costs of offering credit:		
(i) Bad debts written off:	1	2
(ii) Increase in estimated doubtful debts:	-	-
<b>Total cost of offering credit:</b>	<b>1</b>	<b>2</b>
(s) Local authority rates expense:	4	3
(t) AC loss-rentals (distribution to retailers/customers) expense:	-	-
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	114	-
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	79	-
<b>Total operating expenditure</b>	<b>7,327</b>	<b>7,430</b>
<b>Operating surplus before interest and income tax</b>	<b>4,919</b>	<b>4,249</b>
<b>Interest expense</b>		
(a) Interest expense on borrowings	10	4
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
<b>Total interest expense</b>	<b>10</b>	<b>4</b>
<b>Operating surplus before income tax</b>	<b>4,909</b>	<b>4,245</b>
<b>Income tax</b>	<b>1,714</b>	<b>1,409</b>
<b>Net surplus after tax</b>	<b>3,195</b>	<b>2,836</b>



# ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

PURSUANT TO REGULATION 15 OF THE ELECTRICITY (INFORMATION DISCLOSURE)  
REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000

## Financial Measures

	2002	2001	2000	1999
Return on Funds	13.54%	12.03%	9.98%	10.60%
Return on Equity	8.64%	8.16%	6.93%	6.88%
Return on Investment	8.20%	11.02%	5.68%	7.62%
Return on Investment (excluding revaluation)	8.81%			

## Efficiency Performance Measures

	2002	2001	2000	1999
Direct Line Costs per Kilometre	\$1,991	\$2,041	\$1,745	\$1,578
Indirect Line Costs per Electricity Customer	\$54	\$56	\$62	\$70

**FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS**  
**SCHEDULE 1 – PART 7**

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	4,918,169				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	4,918,169				
Interest on cash, bank balances, and short-term investments (ISTI)	101,916				
OSBIT minus ISTI	4,816,253	a	4,816,253		4,816,253
Net surplus after tax from financial statements	3,194,567				
Net surplus after tax adjusted pursuant to Regulation 18 (NSAT)	3,194,567	n		3,194,567	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add
Subvention payment	114,220	s	add	114,220	add
Depreciation of SFA at BV (x)	1,372,106				
Depreciation of SFA at ODV (y)	1,372,106				
ODV depreciation adjustment	-	d	add	0	add
Subvention payment tax adjustment	37,693	s*t		37,693	deduct
Interest tax shield	-30,395	q			deduct
Revaluations	-216,369	r			add
Income tax	1,713,791	p			deduct
<b>Numerator</b>			OSBIT <sup>ADJ</sup> = a+g+s+d	NSAT <sup>ADJ</sup> = n+g+s*t+d	OSBIT <sup>ADJ</sup> = a+g-q+t+s+d-p-s*t
			4,930,473	3,271,094	2,993,015
Fixed assets at end of previous financial year (FA <sub>0</sub> )	37,913,706				
Fixed assets at end of current financial year (FA <sub>1</sub> )	38,290,162				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-842,714				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-557,421				
Average total funds employed (ATFE)	37,401,867 (or regulation 33 time-weighted average)	c	37,401,867		37,401,867
Total equity at end of previous financial year (TE <sub>0</sub> )	37,275,521				
Total equity at end of current financial year (TE <sub>1</sub> )	40,367,937				
Average total equity	38,821,729 (or regulation 33 time-weighted average)	k		38,821,729	
WUC at end of previous financial year (WUC <sub>0</sub> )	1,056,805				
WUC at end of current financial year (WUC <sub>1</sub> )	928,629				
Average total works under construction	992,717 (or regulation 33 time-weighted average)	e	deduct 992,717	deduct 992,717	deduct 992,717
Revaluations	-216,369	r			
Half of revaluations	-108,185	r/2			deduct -108,185

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Intangible assets at end of previous financial year ( $IA_0$ )	0				
Intangible assets at end of current financial year ( $IA_1$ )	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add	0
Subvention payment at end of previous financial year ( $S_0$ )	0				
Subvention payment at end of current financial year ( $S_1$ )	114,220				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	37,693				
Average subvention payment and related tax adjustment	38,264	v		add	38,264
System fixed assets at end of previous financial year at BV ( $SFA_{bv,0}$ )	36,437,405				
System fixed assets at end of current financial year at BV ( $SFA_{bv,1}$ )	37,749,778				
Average value of system fixed assets at BV	37,093,592 (or regulation 33 time-weighted average)	f	deduct	37,093,592 deduct	37,093,592 deduct
System Fixed assets at year beginning at ODV value ( $SFA_{odv,0}$ )	36,437,405				
System Fixed assets at end of current financial year at ODV value ( $SFA_{odv,1}$ )	37,749,778				
Average value of system fixed assets at ODV value	37,093,592 (or regulation 33 time-weighted average)	h	add	37,093,592 add	37,093,592 add
<b>Denominator</b>					
<b>Financial Performance Measure</b>					
			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
			ROF-OSBIT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	ROE-NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	ROI-OSBIT <sup>ADJ</sup> /ATFE <sup>ADJ</sup> x 100
			13.54	8.64	8.20

t = maximum statutory income tax rate applying to corporate entities  
 subscript '0' = end of the previous financial year  
 ROI = return on investment

BV = book value  
 subscript '1' = end of the current financial year

ave = average  
 ROF = return on funds  
 odv = optimised deprival valuation  
 ROE = return on equity

## ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES

**PURSUANT TO REGULATION 21 OF THE ELECTRICITY (INFORMATION DISCLOSURE)  
REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000**

### Energy Delivery Efficiency Performance Measures Years Ending 31 March 1999, 2000, 2001 and 2002

	2002	2001	2000	1999
(e) Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	48.6%	51.6%	54.9%	53.1%
(f) Loss Ratio (Transmission losses over energy entering the system)	4.0%	4.5%	4.0%	3.7%
(g) Capacity Utilisation (Maximum demand over total transformer capacity)	44.1%	41.5%	38.5%	41.7%

The loss ratio for the 2002 year of 11.0% is derived from electricity supplied information provided by other parties. Electricity Invercargill Limited is unable to audit this information and has little confidence in its accuracy and has therefore estimated losses for this year at 4.0%.

### Statistics

		66kV	33kV	22kV	11kV	6.6kV	400V	Total
System Length (km's)	1998/99	-	16	-	182	-	503	701
	1999/00	-	17	-	181	-	497	695
	2000/01	-	20	-	180	-	486	686
	2001/02	-	23	-	180	-	485	688
Overhead Lines (km's)	1998/99	-	0.3	-	60	-	175	235
	1999/00	-	0.3	-	56	-	133	189
	2000/01	-	0.3	-	49	-	87	136
	2001/02	-	0.8	-	42	-	76	119
Underground Cables (km's)	1998/99	-	16	-	122	-	328	466
	1999/00	-	17	-	125	-	364	506
	2000/01	-	20	-	131	-	399	550
	2001/02	-	22	-	138	-	409	569

	<b>TX Capacity</b>	<b>Maximum Demand</b>	<b>Electricity Supplied*</b>	<b>Electricity Conveyed*</b>	<b>Total Customers</b>
1998/99	137,880	57,472	257,563,546	245,208,373	16,856
1999/00	138,480	53,380	231,010,555	225,227,627	16,733
2000/01	139,483	57,871	249,898,517	261,653,800	16,701
2001/02	140,770	62,113	264,562,646	235,363,540	16,847

\* Comparative figures for the 2000/01 year for electricity supplied and conveyed are transposed when compared with the 2001/02 year.

## ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS RELIABILITY PERFORMANCE MEASURES

**PURSUANT TO REGULATION 22 OF THE ELECTRICITY (INFORMATION DISCLOSURE)  
REGULATIONS 1999 AS AMENDED BY THE ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000**

### Reliability Statistics For Years Ending 31 March 1999, 2000, 2001 and 2002

Class		A	B	C	D	E	F	G	TOTAL
Interruptions	1998/99	-	16	36	1	-	-	1	54
	1999/00	-	18	22	-	-	-	-	40
	2000/01	-	11	29	-	-	-	-	40
	2001/02	-	11	22	2	-	-	-	35
Predicted 2002/2003		-	10	23	-	-	-	-	33
5-Year Average Target		-	9	21	-	-	-	-	30
SAIDI	1998/99	-	7.7	43.4	51.6	-	-	1.3	104.0
	1999/00	-	4.7	29.0	-	-	-	-	33.7
	2000/01	-	4.0	31.0	-	-	-	-	35.0
	2001/02	-	4.0	32.0	59.8	-	-	-	95.8
Predicted 2002/2003		-	3.6	28.2	-	-	-	-	31.8
5-Year Average Target		-	3.2	25.7	-	-	-	-	28.9
SAIFI	1998/99	-	0.07	1.27	1.01	0.06	-	-	2.41
	1999/00	-	0.11	0.53	-	-	-	-	0.64
	2000/01	-	0.05	1.07	-	-	-	-	1.12
	2001/02	-	0.04	1.12	1.71	-	-	-	2.87
Predicted 2002/2003		-	0.04	1.01	-	-	-	-	1.05
5-Year Average Target		-	0.04	0.92	-	-	-	-	0.96
CAIDI	1998/99	-	110.3	34.1	51.0	-	-	22.0	43.1
	1999/00	-	42.5	54.8	-	-	-	-	52.7
	2000/01	-	80.4	28.9	-	-	-	-	31.2
	2001/02	-	98.8	28.5	35.0	-	-	-	33.3
Predicted 2002/2003		-	89.0	28.0	-	-	-	-	30.4
5-Year Average Target		-	88.0	28.0	-	-	-	-	30.3

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	1998/99	-	-	48.9	48.7
	1999/00	-	-	17.9	17.9
	2000/01	-	-	38.8	38.6
	2001/02	-	-	37.6	36.9
UG per 100km	1998/99	-	-	2.5	2.2
	1999/00	-	-	4.8	4.2
	2000/01	-	-	5.4	4.7
	2001/02	-	-	4.4	3.8
Total per 100km	1998/99	-	-	2.5	2.2
	1999/00	-	-	4.8	4.2
	2000/01	-	-	5.4	4.7
	2001/02	-	-	12.2	10.8
Predicted 2002/2003		-	-	12.2	10.8
5-Year Average Target		-	-	11.1	9.8

Class C Interruptions Not Restored in	3 hours	Nil
Class C Interruptions Not Restored in	24 hours	Nil

## ELECTRICITY INVERCARGILL LIMITED

### CERTIFICATION OF FINANCIAL STATEMENTS PERFORMANCE MEASURES AND STATISTICS

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

- a) The attached audited financial statements of Electricity Invercargill Limited, 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 the derivation table, financial measures, efficiency performance measures, energy delivery efficiency performance measures, statistics and reliability performance measures in relation to Electricity Invercargill Limited and having been prepared for the purpose of Regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2002.

Signed: Neil Boniface R Wensley  
Dated: 25 July 2002 25 July 2002

## 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 inquiry, 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 \$69,269,898; and
- (c) The depreciated replacement cost of the line business system fixed assets of Electricity Invercargill Limited is \$38,052,406; and
- (d) The Optimised Depreciated Replacement Cost of the line business system fixed assets of Electricity Invercargill Limited is \$37,749,778; and
- (e) The Optimised Deprival Valuation of the line business system fixed assets of Electricity Invercargill Limited is \$37,749,778; and
- (f) The values in (b) through to (e) have been prepared in accordance with the ODV Handbook.

These values are as at 31 March 2002.

Signed: Neil Boniface R Wensley  
Dated: 25 July 2002 25 July 2002

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

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 inquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public under 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.

Signed:  .....

Declared at Invercargill this 25<sup>th</sup> day of July 2002.

Signed:  .....

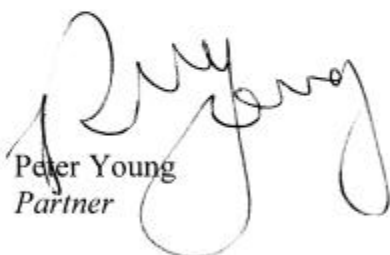
[Solicitor]



**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 12 July 2002, which contains valuations of system fixed assets as at 31 March 2002.

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 \$37,749,778 have been made in accordance with the ODV Handbook.



Peter Young  
Partner

12 July 2002





## **Audit New Zealand**

### **REPORT OF THE AUDIT OFFICE**

#### **TO THE READERS OF THE FINANCIAL STATEMENTS OF ELECTRICITY INVERCARGILL LIMITED FOR THE YEAR ENDED 31 MARCH 2002**

We have audited the financial statements of Electricity Invercargill Limited on pages 2 to 15. The financial statements provide information about the past financial performance of Electricity Invercargill Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 6 and 7.

#### **Directors' Responsibilities**

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements that give a true and fair view of the financial position of Electricity Invercargill Limited as at 31 March 2002, and the results of its operations and cash flows for the year ended on that date.

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

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The 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 Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Electricity Invercargill Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate 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 in order to provide us with 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.

We have carried out an assurance related assignment for Electricity Invercargill Limited. This involved issuing audit certificates pursuant to the Electricity (Information Disclosure) Regulations 1999. Other than this assignment, and 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.

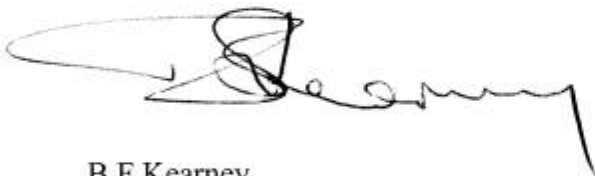
### **Unqualified Opinion**

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 of Electricity Invercargill Limited on pages 2 to 15:
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of Electricity Invercargill Limited's financial position as at 31 March 2002 and the results of its operations and cash flows for the year ended on that date; and
  - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 26 July 2002 and our unqualified opinion is expressed as at that date.



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

**Audit New Zealand****CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS**

I have examined the attached information on pages 16 to 18, being –

- (a) the derivation table in regulation 16; and
- (b) the financial performance measures specified in clause 1 of Part 3 of the Schedule 1; and
- (c) the financial components of the efficiency performance measures specified in clause 2 of Part 3 of Schedule 1, -

that were prepared by Electricity Invercargill Limited and dated 25 July 2002 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, and to the best of our 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 & Auditor-General  
Christchurch, New Zealand  
26 July 2002