



# New Zealand Gazette

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## DUNEDIN ELECTRICITY LIMITED

### INFORMATION FOR DISCLOSURE



PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999

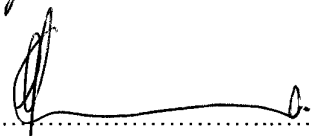
**STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND  
INFORMATION SUPPLIED TO SECRETARY OF COMMERCE PURSUANT  
TO REGULATION 37 OF THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999**

I, Ross Douglas Liddell of 33 Leithton Close, Glenleith, Dunedin, being a Director of Dunedin Electricity Ltd, 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 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.

  
.....

Declared at  this 23<sup>d</sup> day of  2000.

  
.....  
~~Justice of the Peace (or Solicitor or other  
person authorised to take a statutory  
declaration)~~

**STATEMENT OF FINANCIAL PERFORMANCE**

	note*	2000 \$000	1999 \$000
REVENUE	9	48,620	31,233
LESS OPERATING EXPENSES:			
Transmission charges		15,064	10,767
Maintenance/materials/plant		6,969	4,795
Network management and operation		3,066	1,567
Employee remuneration		-	68
Administration		397	384
Other operating expenses		691	671
Subvention expense		2,000	-
Total		28,187	18,252
EARNINGS BEFORE DEPRECIATION, INTEREST AND TAX		20,433	12,981
LESS: Depreciation		6,261	3,174
Interest Expense		7,989	6
NET PROFIT BEFORE TAX		6,183	9,801
LESS TAXATION	1	1,525	4,032
NET PROFIT AFTER TAX		4,658	5,769
LESS DIVIDENDS		2,000	5,769
TRANSFERRED TO RETAINED EARNINGS		2,658	-

**STATEMENT OF MOVEMENTS IN EQUITY**

	note*	2000 \$000	1999 \$000
Equity at Beginning of Year		71,470	71,470
Surplus and Revaluations			
Net Profit after tax for period		4,658	5,769
Revaluations		7,105	-
Total Recognised Revenues and Expenses		11,763	5,769
Other Movements			
Dividend Distributions		(2,000)	(5,769)
		(2,000)	(5,769)
Equity at End of Year		81,233	71,470

\* The accompanying notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**

	note*	2000 \$000	1999 \$000
SHAREHOLDER'S FUNDS	2		
Fully paid capital		2,000	2,000
Revaluation reserve		76,575	69,470
Retained earnings		2,658	
		<u>81,233</u>	<u>71,470</u>
REPRESENTED BY			
Current Assets	3	1,261	9,936
Fixed Assets	5	198,653	75,303
Total Assets		<u>199,914</u>	<u>85,239</u>
Current Liabilities	4	5,031	13,769
Term Liabilities	6	113,650	-
Total Liabilities		<u>118,681</u>	<u>13,769</u>
NET ASSETS		<u>81,233</u>	<u>71,470</u>

**STATEMENT OF CASHFLOWS**

	note*	2000 \$000	1999 \$000
<b>Cashflows From Operating Activities</b>			
Cash was Provided From:			
Receipts from Customers		55,821	22,946
		<u>55,821</u>	<u>22,946</u>
Cash was Disbursed to:			
Payments to Suppliers and Employees		27,178	15,241
Income tax paid		4,032	3,945
Interest paid		7,989	-
		<u>39,199</u>	<u>19,186</u>
Net Cash Inflows/(Outflows) From Operating Activities	8	16,622	3,760
<b>Cashflows From Investing Activities</b>			
Cash was Provided From:			
Sale of assets		-	140
Cash was Disbursed to:			
Purchase of fixed assets		122,506	774
Net Cash Inflows/(Outflows) From Investing Activities		<u>(122,506)</u>	<u>(634)</u>
<b>Cashflows From Financing Activities</b>			
Cash was Provided From:			
Proceeds of borrowings		115,000	-
		<u>115,000</u>	<u>-</u>
Cash was Disbursed to:			
Repayment of term liabilities		3,000	85
Dividend distributions		7,769	5,570
		<u>10,769</u>	<u>5,655</u>
Net Cash Inflows/(Outflows) from Financing Activities		<u>104,231</u>	<u>(5,655)</u>
Net Increase/(Decrease) in Cash Held		<u>(1,653)</u>	<u>(2,529)</u>
Cash at Beginning of Year		1,599	4,128
<b>Cash at End of Year</b>		<u>(54)</u>	<u>1,599</u>

\* The accompanying notes form an integral part of these financial statements.

**NOTES TO THE ACCOUNTS**

	<b>2000</b> \$000	1999 \$000
<b>Note 1 : Taxation</b>		
Net Profit Before Tax	6,183	9,801
Permanent Difference	4,678	2,418
	<u>10,861</u>	<u>12,219</u>
Tax at 33 Cents in the Dollar	3,584	4,032
Under/(over) Provided Prior Year	-	-
Timing Differences Not Recognised	2,059	-
	<u>1,525</u>	<u>4,032</u>
Income Tax Charge	<u>1,525</u>	<u>4,032</u>
Income Tax Charge comprises:		
Current Taxation	(125)	4,032
Deferred Taxation	1,650	-
	<u>1,525</u>	<u>4,032</u>

There is a potential deferred taxation liability relating to timing differences which are not expected to crystallise within the foreseeable future and which have not been recognised as a liability in the statement of financial position. This potential tax liability amounts to approximately \$12.2 million (\$8.6 million in 1999).

**Note 2 : Shareholders Funds**

Issued and paid up capital 2,000,000 ordinary shares	<u>2,000</u>	<u>2,000</u>
<b>Reserves</b>		
Asset Revaluation Reserve		
Balance at beginning of year	69,470	69,470
Revaluation	7,105	-
	<u>76,575</u>	<u>69,470</u>
Balance at end of year	<u>76,575</u>	<u>69,470</u>
<b>Retained Earnings</b>		
Balance at Beginning of year	-	-
Net surplus for year	4,658	5,769
Dividend Distributions	(2,000)	(5,769)
	<u>2,658</u>	<u>-</u>
<b>Total Shareholders Funds</b>	<u>81,233</u>	<u>71,470</u>

<b>2000</b>	1999
<b>\$000</b>	\$000

**Note 3 : Current Assets**

Accounts Receivable – Trade Debtors	<b>1,136</b>	8,328
– Prepayment	-	9
Bank	-	1,599
Taxation refund	<b>125</b>	-
	<b>1,261</b>	<b>9,936</b>

**Note 4 : Current Liabilities**

Accounts Payable	<b>4,977</b>	3,968
Taxation Payable	-	4,032
Dividend Payable	-	5,769
Bank Overdraft (unsecured)	<b>54</b>	-
	<b>5,031</b>	<b>13,769</b>

**Note 5 : Fixed Assets**

1999		AS AT 31 MARCH 2000		
Book		Cost or	Accumulated	Book
Value		Revaluation	Depreciation	Value
\$000		\$000	\$000	\$000
Line Business				
71,129	Network	199,032	6,540	192,492
2,838	Buildings	3,027	294	2,733
932	Land	932	-	932
83	Plant	127	51	76
-	Motor Vehicles	1	1	-
4	Furniture	10	7	3
90	Capital Work in Progress	1,768	-	1,768
227	Load Control Equipment	696	47	649
75,303		205,593	6,940	198,653

Capital Work in Progress Comprises:

35	Distribution Substations	326
20	Low Voltage Reticulation	652
35	Distribution Lines and Cables	652
-	Distribution transformers	138

90	1,768
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	2000 \$000	1999 \$000
<b>Note 6 : Term Liabilities</b>		
<b>Deferred Tax liability</b>		
Balance at beginning of year	-	-
Movement from income tax charge	1,650	-
	<u>1,650</u>	<u>-</u>
Balance at end of year	<u>1,650</u>	<u>-</u>
<b>Term Debt</b>		
Balance at beginning of year	-	-
Current year borrowing	115,000	-
Current year repayment	(3,000)	-
	<u>112,000</u>	<u>-</u>
Balance at end of the year	<u>112,000</u>	<u>-</u>

The Line Business has a borrowing facility allowing it to draw funds up to the amount of \$115 million. At year end, \$112.0 million had been drawn on the facility.

The weighted average interest rate on the advances at 31 March 2000 was 7.14%.

The repayment period on the advances is between 2 and 10 years as follows:

1 - 2 years	17,000
2 - 5 years	15,000
5 years and greater	80,000
	<u>112,000</u>

In addition a call facility exists with a floating interest rate.

#### **Note 7 : Commitments**

As 31 March 2000, capital expenditure contracted for was \$2,035,000 (1999 : \$116,472,792).

#### **Note 8 : Reconciliation of Net Surplus for the Year to Date Cashflows from Operating Activities**

	2000 \$000	1999 \$000
Net profit after tax	4,658	5,769
Items not Involving Cashflows Depreciation	6,261	3,174
Impact of Changes in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	7,201	(8,254)
(Increase)/Decrease in Inventories	-	87
(Increase)/Decrease in Tax Refund	(125)	-
Increase/(Decrease) in Taxation Payable	(4,032)	87
Increase/(Decrease) in Accounts Payable	1,009	3,015
Increase/(Decrease) in Term Liabilities	-	(85)
Gain on Sale of Assets	-	(33)
Increase/(Decrease) in Deferred Tax Liability	1,650	-
Net Cash Inflows/(Outflows) From Operating Activities	<u>16,622</u>	<u>3,760</u>

	1999 \$000	1998 \$000
<b>Note 9 : Revenue</b>		
Use-of-System Charges	47,008	31,115
Other	1,612	118
	<u>48,620</u>	<u>31,233</u>

**Note 10 : Contingent Liabilities**

There were no contingent liabilities as at 31 March 2000 (1999 nil).

**Note 11 : Financial Instruments**

Financial instruments which potentially subject the Lines Business to credit risk principally consist of cash and accounts receivable.

**Credit Risk**

Contracts have been entered into with various counter-parties having such credit ratings and in accordance with dollar limits as set forth by the board of directors.

**Collateral**

The Lines Business does not generally require collateral or other security to support service contracts. While the Lines Business may be subject to credit losses up to the notional value of the services or goods supplied in the event of non-performance by counter-parties, it does not expect such losses to occur.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Lines Business to concentrations of credit risk principally consist of cash and accounts receivable.

The Lines Business places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

The Lines Business has several large customers for which no collateral is required. These debtors are subject to normal on-going credit control procedures.



**DISCLOSURE OF INFORMATION RELATING TO TRANSACTIONS BETWEEN PERSONS  
IN A PRESCRIBED BUSINESS RELATIONSHIP AND RELATED PARTIES (REGULATION 9)**

<b><u>The Line Business:</u></b>	<b>2000 \$000</b>	<b>1999 \$000</b>	<b>1998 \$000</b>	<b>1997 \$000</b>
<b>Purchased the following services from the Contracting Business:</b>				
Maintenance associated with distribution substations	-	132	577	755
Maintenance associated with LV and HV lines and cables	-	543	2,225	2,368
Maintenance associated with zone substations	-	192	728	526
Maintenance associated with subtransmission	-	88	473	509
Maintenance associated with system control operation	-	135	335	105
	-	1,090	4,338	4,263
Capital work relating to the development/improvement of the Network	-		834	1,088
Distribution Substations	-	80		
Low Voltage Reticulation	-	64		
Distribution Lines and Cables	-	135		
	-	279		
	-	1,369	5,172	5,351

In respect of the maintenance work, approximately 50% was subject to open tender with the remaining balance being charged on unit or market rates. All capital work was subject to open tender or established market rates. In respect of 1999, these transactions cover the period 1 April 1998 to 30 June 1998.

At balance date no monies were owed to the Contracting Business.

**Purchased the following services from the Generation Business:**

Share of avoided Transpower charges associated with the Waipori 33kV connection. In respect of 1999, these cover the period 1 April 1998 to 21 October 1998.

**Supplied the following service to the Generation Business:**

Waipori 33kV use-of-system fee. In respect of 1999, these cover the period 1 April 1998 to 21 October 1998.

Net Cost	-	586	6,037	5,659
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At balance date no monies were owed to/from the Generation Business.

**Purchased the following services from DELTA Utility Services Ltd:**

Maintenance associated with Distribution Substation	946	580	-	-
Maintenance associated with LV and HV Lines and Cables	4,167	2,150	-	-
Maintenance associated with Zone Substations	1,161	436	-	-
Maintenance associated with Subtransmission	598	108	-	-
Maintenance associated with System Control Operation	125	73	-	-
Network Management and Operation	3,066	1,589	-	-
Other	28	141	-	-
Total	10,091	5,077	-	-

**Network Capital Work and Development**

Distribution Substations	725	120	-	-
Low Voltage Reticulation	1,197	165	-	-
Distribution Lines and Cables	1,242	161	-	-
Transformers	1,210	-	-	-
Zone Substations	39	-	-	-
Total	4,413	446	-	-

In respect of 1999, these cover the period 1 July 1998 to 31 March 1999.

Network operation and maintenance is charged in accordance with a Fixed Term Contract.

All capital work is subject to open tender, established market rates, or competitive pricing.

At Balance Date \$2,029,880 was owed to *DELTA* Utility Services Ltd. Of this, \$1,253,630 was due and payable on 20 April, while \$776,250 was being withheld in accordance with the Contract until year-to-date reliability levels were achieved.

#### **Other Line Business Related Parties:**

The Lines Business has a borrowing facility with Dunedin City Treasury Ltd. During the year it paid \$7.989 million worth of interest (1999 nil) and as at 31 March 2000 \$112 million of loan monies were outstanding (1999 nil).

During the year the Lines Business also undertook the following transactions with Dunedin City Holdings Ltd:

Purchase of subvention expense	\$2.0 million (1999 nil)
Dividends provided	\$2.0 million (1999 \$5.769 million)

As at 31 March 2000, \$1.45 million was outstanding.

#### **The Generation Business:**

2000	1999	1998	1997
\$000	\$000	\$000	\$000

#### **Purchased the following service from the Line Business:**

Waipori 33kV use-of-system fee	-	65	92	92
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#### **Supplied the following service to the Line Business:**

Share of avoided *Transpower* charges associated with the Waipori 33kV connection.

-	651	957	400
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Net Revenue

-	586	865	308
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#### **Purchased the following services from *DELTA* Utility Services Ltd:**

For the period 1 July 1998 to 22 October 1998:

Operation and maintenance of the Waipori facility	-	376
Development and miscellaneous work	-	152

Charged for in accordance with an agreed formula based on market rates.

At balance date no monies were owing to *DELTA* Utility Services Ltd.

#### **The Contracting Business:**

2000	1999	1998	1997
\$000	\$000	\$000	\$000

#### **Supplied the following services to the Network Business:**

Maintenance associated with distribution substations.	-	132	577	755
Maintenance associated with LV and HV lines and cables.	-	543	2,225	2,368
Maintenance associated with zone substations.	-	192	728	526
Maintenance associated with sub transmission.	-	88	473	509
Maintenance associated with system control operation.	-	135	335	105
	-	1,090	4,338	4,263

<u>The Contracting Business (continued):</u>	<b>2000</b>	1999	1998	1997
	<b>\$000</b>	\$000	\$000	\$000
Capital work relating to the development/improvement of the Network	-	279	834	1,088

In respect of the maintenance work, approximately 50% is subject to open tender with the remaining balance being charged on unit or market rates. All capital work is subject to open tender or established market rates. In respect of 1999, these cover the period 1 April 1998 to 30 June 1998.

**DISCLOSURE OF INFORMATION REQUIRED TO BE DISCLOSED IN FINANCIAL STATEMENTS UNDER REGULATION 6 OF THE ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1999 SCHEDULE 1 PART 2**

	<b>2000</b>	1999
	<b>\$000</b>	\$000
<b>1. Current Assets</b>		
(a) Bank, cash, short -term investments	-	1,599
(b) Trade Debtors	<b>1,136</b>	8,328
(c) Other Debtors	-	-
(d) Prepayments	-	9
(e) Electricity hedges	-	-
(f) Other current assets not listed in (a) to (e):	<b>125</b>	-
	<hr/>	<hr/>
(g) Total current assets	<b>1,261</b>	9,936
<b>2. Fixed Assets</b>		
(a) System fixed assets	<b>192,568</b>	71,212
(b) Centralised load control equipment	<b>649</b>	227
(c) Customer billing and information system assets	-	-
(d) Motor Vehicles	-	-
(e) Office Equipment	<b>3</b>	4
(f) Land and Buildings	<b>3,665</b>	3,770
(g) Capital works under construction		
(i) Subtransmission assets (transfer payments)	-	-
(ii) Zone substations (transfer payments)	-	-
(iii) Distributions lines & cables (transfer payments)	<b>652</b>	35
(iv) Medium voltage switchgear (transfer payments)	-	-
(v) Distribution transformers (transfer payments)	-	-
(vi) Distribution substations (transfer payments)	<b>326</b>	35
(vii) Low voltage lines and cables (transfer payments)	<b>652</b>	20
(viii) Other system fixed assets (transfer payments)	-	-
(h) Other fixed assets not listed in (a) to (g) :	<b>138</b>	-
	<hr/>	<hr/>
(i) Total fixed assets	<b>198,653</b>	75,303
(j) Other tangible assets not listed above.		
<b>3. Total Intangible Assets</b>		
(a) Goodwill	-	-
(b) Other intangible assets not listed in (a)	-	-
	<hr/>	<hr/>
(c) Total intangible	-	-
<b>4. Total Assets</b>	<b>199,914</b>	85,239
	<hr/>	<hr/>

	2000 \$000	1999 \$000
<b>5. Current Liabilities</b>		
(a) Accounts payable	2,172	3,878
(b) Accrued Payroll	-	-
(c) Other accruals	2,805	90
(d) Dividend Provision	-	5,769
(e) Electricity hedges	-	-
(f) Other Current Liabilities not listed in (a) to (e)	54	4,032
(g) Total Current Liabilities	5,031	13,769
<b>6. Funding</b>		
(a) Long-term debt:	112,000	-
(b) Equity	81,233	71,470
(c) Other funding not listed in (a) or (b)	1,650	-
(d) Total funding	194,883	71,470
<b>7. Total Equity and Liabilities (total assets)</b>	199,914	85,239
<b>8. Revenue</b>		
(a) Revenue from line/access charges:		
(i) Revenue invoiced to consumers by electricity retailers	46,906	31,115
(ii) Revenue invoiced to consumers by line owner	102	-
(b) Revenue from "Other" business (transfer payment)	-	-
(c) Income from interest on short-term investments	-	-
(d) AC loss-rental rebates	856	758
(e) Electricity hedges	-	-
(f) Other Revenue not listed in (a) to (e)	1,612	118
(g) Total revenue	49,476	31,991
<b>9. Expenditure</b>		
(a) Transmission Charges	15,920	10,874
Transfer payments to "Other" business		
(b) Asset maintenance	6,959	4,604
(c) Consumer disconnections and reconnections	-	-
(d) Meter data	-	-
(e) Consumer-based load control	-	-
(f) Avoided transmission charges for own generation	-	651
(g) Other goods and services	3,132	1,643
Payments to non-related entities		
(h) Asset maintenance	10	191
(i) Consumer disconnections and reconnections	-	-
(j) Meter data	-	-
(k) Consumer-based load control	-	-
(l) Employee salaries and redundancies	-	68

	<b>2000</b>	<b>1999</b>
	<b>\$000</b>	<b>\$000</b>
(m) Consumer billing and information system expense	-	-
(n) Depreciation expense on system fixed assets	<b>6,260</b>	3,169
(o) Depreciation on capital works under construction	-	-
(p) Total depreciation expense	<b>6,261</b>	3,174
(q) Corporate and administration	<b>949</b>	670
(r) Total other human resource expenses	-	-
(s) Marketing and advertising	-	-
(t) Merger and acquisition expenses	-	300
(u) Takeover defence expenses	-	-
(v) Research and development expenses	-	-
(w) Consultancy and legal expenses	<b>73</b>	9
(x) Electricity hedges	-	-
(y) Amortised goodwill	-	-
(z) Subvention payments	<b>2,000</b>	-
(za) Other expenditure not listed in (a) to (z)	-	-
	<hr/>	<hr/>
(zb) Total expenditure	<b>35,304</b>	22,184
 <b>10. Earnings Before Interest and Tax</b>	 <b>14,172</b>	 9,807
 <b>11. Interest</b>	 <b>7,989</b>	 6

## **STATEMENT OF ACCOUNTING POLICIES**

### **GENERAL ACCOUNTING POLICIES**

The general policies adopted in the preparation of these financial statements are:

- Unless otherwise stated, the measurement base adopted is historical cost.

### **SPECIAL PURPOSE FINANCIAL STATEMENTS**

These financial statements have been prepared in accordance with generally accepted accounting practice (GAAP) for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999, and 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.
- An Electricity Generating Business being the financial accounts of Waipori Power Generation Ltd prepared by Dunedin Electricity Ltd pursuant to section 3 (c)(2)(a) of the Electricity (Information Disclosure) Regulations 1999.
- Waipori Power Generation Ltd was sold to TrustPower on 22 October 1998.

## SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)

- The Company's Contracting Business incorporating the maintenance of electrical appliances, fittings and associated equipment, the management of a hydro-electricity generating complex, and provision of street lighting services.
- On 1 July 1998, the Operations carried out by the Company's Contracting Business were transferred to a 100% owned subsidiary company *DELTA* Utility Services Ltd.

## SPECIFIC ACCOUNTING POLICIES

In accordance with clause 6 of the Regulations, the methodology adopted to allocate costs, revenues, assets and liabilities among the businesses is in accordance with the Guidelines.

The particular accounting policies adopted in the preparation of these financial statements are:

(a) **Revenue**

Revenue shown in the Statement of Financial Performance for:

- The Line Business relates to the provision of electricity distribution.

(b) **Expenditure**

Expenditure shown in the Statement of Financial Performance is derived as follows:

Line Business

- Transmission charges, employee remuneration, administration and operating expenses are directly attributable to the Line Business.
- Maintenance provided up to 30 June 1998, by the Company's Contracting Group and external contractors was at market rates.
- Maintenance and operation costs from 1 July 1998 onward, is provided in accordance with a 10 year Asset Management Services Contract with *DELTA* Utility Services Ltd.
- Other costs are allocated in accordance with the avoidable cost allocation methodology.

(c) **Dividends**

Dividends have been calculated in accordance with the Company's dividend policy.

(d) **Allocation of Assets and Liabilities**

Assets and liabilities are those which are directly related to the Lines Business.

(e) **Current Assets**

Accounts receivable are those directly related to the Lines Business and are valued at expected realisable value less provision for doubtful debts.

(f) **Fixed Assets**

Dunedin network assets held at 1 January 1997 were revalued to the 1 January 1997 Optimised Deprival Valuation of those assets. This valuation was carried out in accordance with the statutory requirements of the Electricity (Information Disclosure) Regulations 1994, prepared and certified by Coopers and Lybrand.

Dunedin network assets were revalued to the 1 January 2000 Optimised Deprival Valuation of those assets. This valuation was carried out in accordance with the statutory requirements of the Electricity (Information Disclosure) Regulations 1999, prepared and certified by Catherall Taylor Associates. Additions to the Dunedin network since the latest revaluation are carried at cost less depreciation.

## SPECIFIC ACCOUNTING POLICIES (continued)

On 1 April 1999, the Lines Business purchased the network related assets of Central Electric Ltd. Central network assets are carried at cost less depreciation.

Furniture and fittings, plant and equipment, and motor vehicles are valued at market value as at 31 December 1992 and have been adjusted by accumulated depreciation, subsequent additions at cost and disposals at book value.

(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 and operating the Company.

(h) **Depreciation**

Fixed assets are depreciated on the basis of valuation or cost price less estimated residual value on a straight line basis over their estimated useful life.

Rates used are:	Buildings	1 - 2.5%
	Plant and equipment	2.5 - 15%
	Network assets	1 - 5%
	Furniture and fittings	10%
	Computer equipment	20%

(i) **Taxation**

The Company is subject to taxation under the *Income Tax Act 1976*. Taxation is provided in the financial statements on the basis of the estimated taxation payable, after taking advantage of all available deductions and concessions.

Tax effect accounting has been applied on a partial basis to timing differences. A deferred tax liability arising from timing differences is only recognised if there is virtual certainty of realisation.

(j) **Goods and Services Tax**

These accounts are prepared exclusive of GST except for accounts receivable and accounts payable which are GST inclusive.

(k) **Financial Instruments**

The Lines Business is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position. All revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

(l) **Comparative Figures**

Comparative figures for the 1999 and previous years are in respect of the Dunedin network only.

Figures for the 2000 financial year are in respect of the combined Dunedin and Central networks.

(m) **Changes in Accounting Policies**

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

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES  
AND STATISTICS DISCLOSED BY DUNEDIN ELECTRICITY (REGULATION 32)**

We, Ross Douglas Lytton and Paul Richard Hudson,  
Directors of Dunedin Electricity Ltd, certify that, having made all reasonable enquiry, to the best  
of our knowledge

- (a) The attached audited financial statements of Dunedin Electricity Ltd prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those Regulations; 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 Dunedin Electricity Ltd, and having been prepared for the purposes 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 2000.

Ross Douglas Lytton  
(Director)

Paul Richard Hudson  
(Director)

.....21 June.....2000



**PERFORMANCE MEASURES**

	2000	Dunedin Area Only		
		1999	1998	1997

**Disclosures of financial performance measures and efficiency performance measures under Regulation 15 of the Electricity (Information Disclosure) Regulations 1999**

1. Financial performance measures				
(a) Return on funds	13.5%	15.2%	13.1%	14.0%
(b) Return on equity	27.7%	9.1%	7.7%	8.2%
(c) Return on investment	14.7%	9.1%	8.9%	14.1%
NB: Return on investment as restated – see below <sup>1</sup>	9.4%	9.1%	8.9%	8.6%

<sup>1</sup> The ODV increased in the 1997 and 2000 years. This movement in reported ODV does not reflect an increase in economic value. The ROI had been restated to exclude this portion of the revaluation.

2. Efficiency performance measures				
(a) Direct line costs per kilometre	\$2,325	\$3,314	\$3,083	\$2,996
(b) Indirect line costs per electricity consumer	\$15.66	\$21.08	\$23.76	\$19.31

**Disclosures of financial performance measures and efficiency performance measures under Regulation 21 of the Electricity (Information Disclosure) Regulations 1999**

1. Energy Delivery efficiency performance measures				
(a) Load factor	58%	56%	57%	53%
(b) Loss ratio	6.1%	5.8%	5.9%	5.6%

Note – the loss ratio is deduced from reports of energy injected by others and reports of retail sales by others. Dunedin Electricity is unable to audit these reports and has little confidence in the accuracy of recent reports. Accordingly the ratio should be treated with caution.

(c) Capacity utilisation	35.0%	36.5%	36.6%	40.0%
2. Statistics				
(a) System length				
Circuit kilometres 33 kV	621.0	225.2	225.2	225.2
Circuit kilometres 11 kV	1,808.9	258.0	257.8	257.7
Circuit kilometres 6.6 kV	751.0	724.0	721.0	720.0
Circuit kilometres 400 V	1,132.0	729.0	729.0	727.0
Circuit kilometres 600 V DC	4.1	4.1	4.1	4.1
Total	4,317.0	1,940.3	1,937.1	1,934.0
(b) System length – overhead				
Circuit kilometres 33 kV	527.0	150.0	150.0	150.0
Circuit kilometres 11 kV	1,580.8	237.0	237.0	237.0
Circuit kilometres 6.6 kV	526.6	492.0	490.0	489.0
Circuit kilometres 400 V	791.0	630.0	630.0	629.0
Circuit kilometres 600 V DC	0.9	0.9	0.9	0.9
Total Overhead	3,426.3	1,509.9	1,507.9	1,505.9

		Dunedin Area Only		
		1999	1998	1997
	2000			
(c)	System length – underground			
	Circuit kilometres 33 kV	94.0	75.2	75.2
	Circuit kilometres 11 kV	228.1	21.0	20.8
	Circuit kilometres 6.6 kV	224.4	232.0	231.0
	Circuit kilometres 400 V	341.0	99.0	98.0
	Circuit kilometres 600 V DC	3.2	3.2	3.2
	Total Underground	890.7	430.4	429.2
(d)	Transformer capacity (kVA)	686,994	483,005	483,000
(e)	Maximum demand (kW)	240,400	176,000	171,000
(f)	Total electricity supplied from the system (kWh)	1,118,117,100	817,581,000	835,583,000
(g)	Electricity conveyed for each retailer (kWh)			
	Retailer 1	-	539,174,000	763,065,000
	Retailer 2	-	-	47,068,000
	Retailer 3	94,060,400	45,532,000	7,907,000
	Retailer 4	7,766,800	3,025,000	5,109,000
	Retailer 5	-	16,325,000	38,466,000
	Retailer 6	-	4,106,000	4,029,000
	Retailer 7	-	19,727,000	17,007,000
	Retailer 8	697,457,300	186,157,000	-
	Retailer 9	-	3,129,000	-
	Retailer 10	273,878,000	406,000	-
	Retailer 11	20,487,800		
	Retailer 12	14,543,000		
	Retailer 13	4,732,200		
	Retailer 14	2,752,500		
	Retailer 15	1,424,200		
	Retailer 16	1,014,900		
(h)	Total consumers	69,494	50,059	49,904

### Disclosures of reliability performance measures under Regulation 22 of the Electricity (Information Disclosure) Regulations 1999

1.	Total number of interruptions				
	Class A – planned by Transpower	0	0	0	0
	Class B – planned by line owners	136	93	113	14
	Class C – unplanned by line owners	285	129	131	115
	Class D – unplanned by Transpower	3	0	0	0
	Class E – unplanned by embedded generation	0	0	0	0
	Class F – unplanned by generation on other networks	0	0	0	0
	Class G – unplanned by other line owner	0	0	0	0
	Class H – planned by another line owner	0	0	0	0
	Class I – any other loss of supply	0	0	0	0
2.	No of interruption targets for next financial year				
	Class B – planned by line owners	120	100		
	Class C – unplanned by line owners	280	130		

	2000	Dunedin Area Only		
		1999	1998	1997
3. Average no of interruption targets for next 5 years				
Class B – planned by line owners	115	100		
Class C – unplanned by line owners	280	130		
4. Proportion of Class C interruptions not restored within:				
3 hours	16%	18%		
24 hours	0.7%	0.0%		
5. (a) and (d) The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
33 kV	2.9	4.9	4.9	4.4
11 kV	7.5	12.5	21.0	17.6
6.6 kV	2.8	7.1	8.3	5.6
Total	5.5	7.8	10.4	7.9
5. (b) and (d) Target number of faults per 100 circuit kilometres for next financial year				
33 kV	2.9	4.0		
11 kV	8.0	15.9		
6.6 kV	3.0	6.5		
Total	8.1	8.0		
5. (c) and (d) Average target number of faults per 100 circuit kilometres for next 5 years				
33 kV	2.9	4.0		
11 kV	8.0	15.9		
6.6 kV	3.0	6.8		
Total	8.1	8.2		
6. The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line				
33 kV	1.1	1.3	1.3	4.0
11 kV	3.9	9.5	14.4	4.9
6.6 kV	1.8	3.0	3.5	5.2
Total	2.6	3.1	3.7	4.9
7. The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
33 kV	3.2	6.7	6.7	2.7
11 kV	8.0	21.7	21.6	18.2
6.6 kV	3.2	9.0	10.6	9.8
Total	6.1	9.6	12.9	10.9
8. The SAIDI for the total number of interruptions (minutes)	208.1	50.9	37.2	58.3

	2000	Dunedin Area Only		
		1999	1998	1997
9. SAIDI target for next financial year (minutes)				
Class B – planned by line owners	10.0	3.0		
Class B – unplanned by line owners	80.0	34.5		
10. Average SAIDI targets for next 5 years (minutes)				
Class B – planned by line owners	10.0	3.0		
Class C – unplanned by line owners	80.0	37.0		
11. The SAIDI for the total number of interruptions within each interruption class (minutes)				
Class A – planned by Transpower	-	-	-	-
Class B – planned by line owners	18.9	2.7	4.7	2.1
Class C – unplanned by line owners	175.7	48.2	32.5	56.2
Class D – unplanned by Transpower	13.4	-	-	-
Class E – unplanned by embedded generation	-	-	-	-
Class F – unplanned by generation on other net-works	-	-	-	-
Class G – unplanned by other line owner	-	-	-	-
Class H – planned by another line owner	-	-	-	-
Class I – any other loss of supply	-	-	-	-
12. The SAIFI for the total number of interruptions	2.19	1.09	1.03	1.00
13. SAIFI target for next financial year				
Class B – planned by line owners	0.07	0.04		
Class C – unplanned by line owners	0.80	0.82		
14. Average SAIFI targets for next 5 years				
Class B – planned by line owners	0.07	0.04		
Class C – unplanned by line owners	0.80	0.82		
15. The SAIFI for the total number of interruptions within each interruption class				
Class A – planned by Transpower	-	-	-	-
Class B – planned by line owners	0.12	0.33	0.06	0.05
Class C – unplanned by line owners	1.62	1.06	0.97	0.96
Class D – unplanned by Transpower	0.45	-	-	-
Class E – unplanned by embedded generation	-	-	-	-
Class F – unplanned by generation on other net-works	-	-	-	-
Class G – unplanned by other line owner	-	-	-	-
Class H – planned by another line owner	-	-	-	-
Class I – any other loss of supply	-	-	-	-
16. The CAIDI for the total number of interruptions	94.9	46.7	36.1	58.1
17. CAIDI target for next financial year				
Class B – planned by line owners	150.0	72.0		
Class C – unplanned by line owners	100.0	42.2		

		<b>Dunedin Area Only</b>		
	2000	1999	1998	1997
18. Average CAIDI targets for next 5 years				
Class B – planned by line owners	150.0	72.0		
Class C – unplanned by line owners	100.0	45.9		
19. The CAIDI for the total number of interruptions within each interruption class				
Class A – planned by Transpower	-	-	-	-
Class B – planned by line owners	159.9	78.6	78.9	43.3
Class C – unplanned by line owners	108.3	45.7	33.5	58.8
Class D – unplanned by Transpower	29.6	-	-	-
Class E – unplanned by embedded generation	-	-	-	-
Class F – unplanned by generation on other networks	-	-	-	-
Class G – unplanned by other line owner	-	-	-	-
Class H – planned by another line owner	-	-	-	-
Class I – any other loss of supply	-	-	-	-

Derivation Table	Symbol in formula	Input Column	Calculations	ROF	ROE	ROI
Earnings before interest and tax (EBIT)	a	14,172		14,172	N/A	14,172
Net profit after tax (NPAT)	n	4,658		N/A	4,658	N/A
Amortised Goodwill	g	0		add	add	add
Subvention Payment	s	2,000		add	add	add
Depreciation of SFA at BV	d	6,260		add	add	add
Depreciation of SFA at ODV	d	3,094		deduct	deduct	deduct
ODV Depreciation tax adjustment	b	1,045		N/A	1,045	1,045
Subvention Payment tax adjustment	q	660		N/A	660	660
Interest Tax Shield	r	2,636		N/A	2,636	2,636
Revaluations	r	7,105		N/A	N/A	7,105
Income tax	p	1,525		N/A	N/A	1,525
<b>Numerator (as adjusted)</b>		No entry		= a + g + s + d	= n + g + s - s*t + d - b	= a + g - q + r + s + d - p - s*t - b
Fixed Assets at year beginning (FA <sub>0</sub> )		191,158		191,158	N/A	191,158
Fixed Assets at year end (FA <sub>1</sub> )		198,653		add	N/A	add
Net Working Capital at year beginning (NWC <sub>0</sub> )		(3,833)		add	N/A	add
Net Working Capital at year end (NWC <sub>1</sub> )		(3,770)		add	N/A	add
<b>Average total funds employed (ATFE)</b>	c	No entry	= (FA <sub>0</sub> + FA <sub>1</sub> + NWC <sub>0</sub> + NWC <sub>1</sub> )/2	divide by 2	N/A	divide by 2
Total Equity at year beginning (TE <sub>0</sub> )		71,470		N/A	71,470	N/A
Total Equity at year end (TE <sub>1</sub> )		81,233		N/A	add	add
Average total equity	k	No entry	= (TE <sub>0</sub> + TE <sub>1</sub> )/2	N/A	divide by 2	divide by 2
WUC at year beginning (WUC <sub>0</sub> )		90		90	90	90
WUC at year end (WUC <sub>1</sub> )		1,768		add	add	add
Average total Works under Construction	e	No entry	= (WUC <sub>0</sub> + WUC <sub>1</sub> )/2	divide by 2	divide by 2	divide by 2
Revaluations	r	7,105		N/A	N/A	7,105
Goodwill asset at year beginning (GW <sub>0</sub> )		0		N/A	0	0
Goodwill asset at year end (GW <sub>1</sub> )		0		N/A	add	add
Average Goodwill asset	m	No entry	= (GW <sub>0</sub> + GW <sub>1</sub> )/2	N/A	divide by 2	divide by 2
Subvention payment at year beginning (S <sub>0</sub> )		0		N/A	0	0
Subvention payment at year end (S <sub>1</sub> )		2,000		N/A	add	add
Subvention payment tax adjustment at year begn		0		N/A	deduct	deduct
Subvention payment tax adjustment at year end		660		N/A	deduct	deduct
Ave subvention payment and related tax adjustment	v	No entry	= (S <sub>0</sub> + S <sub>1</sub> + s <sub>0t</sub> + s <sub>1t</sub> )/2	N/A	divide by 2	divide by 2
System Fixed assets at year beginning at book value (SFA <sub>bv0</sub> )		191,068		191,068	191,068	191,068
System Fixed assets at year end at book value (SFA <sub>bv1</sub> )		196,882		add	add	add
Average value of system fixed assets at book value (SFA <sub>bv</sub> )	f	No entry	= (SFA <sub>bv0</sub> + SFA <sub>bv1</sub> )/2	divide by 2	divide by 2	divide by 2
System Fixed assets at year beginning at ODV value (SFA <sub>adv0</sub> )		144,151		add	add	add
System Fixed assets at year end at ODV value (SFA <sub>adv1</sub> )		150,280		add	add	add
Average value of system fixed assets at ODV value (SFA <sub>adv</sub> )	h	No entry	= (SFA <sub>adv0</sub> + SFA <sub>adv1</sub> )/2	divide by 2	divide by 2	divide by 2
<b>Denominator (as adjusted)</b>						
<b>Financial Performance Measure:</b>						
Key: t = standard entity tax rate    bv = book value    ave = average <sup>ADJ</sup> = as adjusted    odv = optimised deprival valuation    subscript '0' = beginning of the financial year    subscript '1' = end of the financial year						

**CERTIFICATION OF VALUATION REPORT OF LINE OWNER**

We, Ross Doucens Liddell and Paul Richard Hudson  
Directors of Dunedin Electricity Limited, certify that, having made all reasonable enquiry, to  
the best of our knowledge:

- (a) the attached valuation report of Dunedin Electricity Limited prepared for the purposes of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of those Regulations; and
- (b) the Optimised Depreciated Replacement Cost of the line business system fixed assets of Dunedin Electricity Limited is \$146,706,312; and
- (c) the Optimised Deprival Valuation of the Dunedin area line business system fixed assets of Dunedin Electricity Limited is \$146,706,312; and
- (d) the valuation of the line business assets of Dunedin Electricity Limited, including system and non-system fixed assets and net working capital, is \$147,706,312; and
- (e) the values in (b) and (c) have been prepared in accordance with the ODV Handbook.

These valuations are as at 1 January 2000 and 28 November 1998.

Ross Liddell  
(Director)

PR Hudson  
(Director)

21 June 2000

## Certification By Auditor In Relation To ODV Valuation

Third Schedule to The Electricity (Information Disclosure) Regulations 1999

Form 3

I have examined the valuation report of Dunedin Electricity Limited and dated 14 April 2000, which report contains valuations of system fixed assets as at 1<sup>st</sup> January 2000.

I hereby certify that, having made all reasonable enquiry, to the best of my knowledge, the valuations contained in the report, including the total valuation of the system fixed assets of \$82.436M, have been made in accordance with the ODV Handbook.

Signature: D Gorman

Name: D Gorman B Com: ACA: ACIS

Date: 23 May 2000



## Certification By Auditor In Relation To ODV Valuation

Second Schedule to The Electricity (Information Disclosure) Regulations 1994

Form 3

I have examined the valuation report prepared by Neil F Catherall of Catherall Taylor Associates and dated 20 December 1998, which report contains valuations as at 30 November 1998.

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

Signature:

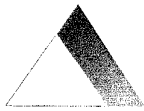
D. Gorman

Name:

D Gorman B Com; ACA; ACIS

Date:

30. 11. 1998



Audit New Zealand

## REPORT OF THE AUDIT OFFICE

### TO THE READERS OF THE FINANCIAL STATEMENTS OF DUNEDIN ELECTRICITY LIMITED FOR YEAR ENDED 31 MARCH 2000.

We have audited the accompanying financial statements of Dunedin Electricity Limited on pages 2 to 14. The financial statements provide information about the past financial performance of Dunedin Electricity Limited and its financial position as at 31 March 2000. This information is stated in accordance with the accounting policies set out on pages 12 to 14.

#### Director's 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 Dunedin Electricity Limited as at 31 March 2000, and results of 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 our opinion to you.

The Controller and Auditor-General has appointed Bruce Robertson 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. 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 Dunedin Electricity Limited's 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 in order to provide us with sufficient evidence to obtain 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 interest in Dunedin Electricity Limited.

**Unqualified opinion**

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

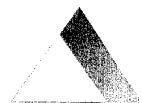
In our opinion –

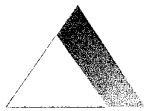
- ▲ proper accounting records have been maintained by Dunedin Electricity Limited as far as appears from our examination of those records; and
- ▲ the financial statements on pages 2 to 14 -
  - (a) comply with generally accepted accounting practice; and
  - (b) give a true and fair view of the financial position of Dunedin Electricity Limited as at 31 March 2000 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 23 June 2000 and our unqualified opinion is expressed as at that date.



R Bruce Robertson  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Dunedin, New Zealand





Audit New Zealand

## **CERTIFICATION OF THE AUDIT OFFICE ON PERFORMANCE MEASURES OF DUNEDIN ELECTRICITY LIMITED**

We have examined the information on pages 16 and 21, being

- ▲ The derivation table specified in regulation 16; and
- ▲ Financial performance measures specified in clause 1 of Part 3 of Schedule 1 of the Electricity (Information Disclosure) Regulations 1999; and
- ▲ Financial components of the efficiency performance measures specified in clause 2 of Part 3 of that schedule, -

having been prepared by Dunedin Electricity Limited and dated 31 March 2000 for the purposes of regulation 15 of those regulations.

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

R Bruce Robertson  
Audit New Zealand  
On behalf of the Controller and Auditor-General  
Dunedin, New Zealand

23 June 2000