

**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2006**

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004.

**INFORMATION DISCLOSURE DISCLAIMER**

The information disclosed in this 2006 Information Disclosure package issued by Electricity Invercargill Limited has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

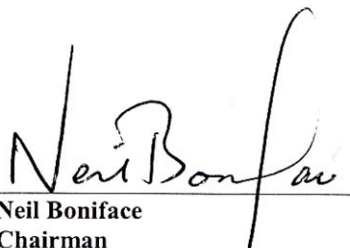
The Requirements require the information to be disclosed in the manner it is presented.


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

The financial information presented is for the line business as described within the Electricity Information Disclosure Requirements 2004. There are also additional activities of the Company that are not required to be reported under the Requirements.

**APPROVAL BY DIRECTORS**

The Directors have approved for issue the Financial Statements of Electricity Invercargill Limited Line Business for the period ended 31 March 2006 on pages 2 to 21.

  
\_\_\_\_\_  
Neil Boniface  
Chairman

  
\_\_\_\_\_  
Philip Mulvey  
Director

For and on behalf of the  
Board of Directors

20 November 2006

**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 MARCH 2006**

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Operating Revenue	(2)	13,857	13,298	7,997	8,000
Operating Expenses	(3)	(8,076)	(7,374)	(2,411)	(2,176)
<b>Net Surplus Before Taxation</b>		<b>5,781</b>	<b>5,924</b>	<b>5,586</b>	<b>5,824</b>
Taxation Expense		(1,940)	(1,874)	(1,889)	(1,855)
<b>Net Surplus After Taxation</b>		<b>3,841</b>	<b>4,050</b>	<b>3,697</b>	<b>3,969</b>

The accompanying notes on pages 6 to 13 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 2006**

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Total Recognised Revenues and Expenses</b>					
Net Surplus for the Year		3,841	4,050	3,697	3,969
Revaluation of Assets		-	111	-	111
		<b>3,841</b>	<b>4,161</b>	<b>3,697</b>	<b>4,080</b>
<b>Contributions from Shareholders</b>					
- Capital Introduced		-	-	-	-
		-	-	-	-
<b>Distributions to Shareholders</b>					
- Dividend Declared and Paid		(3,300)	(3,100)	(3,300)	(3,100)
		<b>(3,300)</b>	<b>(3,100)</b>	<b>(3,300)</b>	<b>(3,100)</b>
<b>Movements in Equity for the Year</b>		<b>541</b>	<b>1,061</b>	<b>397</b>	<b>980</b>
<b>Equity at Beginning of Year</b>		<b>46,313</b>	<b>45,252</b>	<b>45,666</b>	<b>44,686</b>
<b>Equity at End of Year</b>	(4)	<b>46,854</b>	<b>46,313</b>	<b>46,063</b>	<b>45,666</b>

The accompanying notes on pages 6 to 13 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 2006**

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Equity</b>	(4)	<b>46,854</b>	<b>46,313</b>	<b>46,063</b>	<b>45,666</b>
<i>Represented By:</i>					
<b>Current Assets</b>					
Cash and Short Term Deposits	(5)	2,378	3,235	410	998
Receivables and Prepayments	(6)	1,321	1,129	774	1,169
Inventories		25	24	-	-
<b>Total Current Assets</b>		<b>3,724</b>	<b>4,388</b>	<b>1,184</b>	<b>2,167</b>
<b>Non-Current Assets</b>					
Intercompany Advance		-	-	1,162	946
Property, Plant and Equipment	(7)	46,134	45,793	45,632	45,274
Capital Work in Progress		892	727	878	721
<b>Total Non-Current Assets</b>		<b>47,026</b>	<b>46,520</b>	<b>47,672</b>	<b>46,941</b>
<b>Total Assets</b>		<b>50,750</b>	<b>50,908</b>	<b>48,856</b>	<b>49,108</b>
<b>Current Liabilities</b>					
Bank Overdraft		-	-	104	-
Accounts Payable and Provisions	(8)	1,596	1,495	389	342
Provision for Dividend		2,300	3,100	2,300	3,100
<b>Total Current Liabilities</b>		<b>3,896</b>	<b>4,595</b>	<b>2,793</b>	<b>3,442</b>
<b>Total Liabilities</b>		<b>3,896</b>	<b>4,595</b>	<b>2,793</b>	<b>3,442</b>
<b>Net Assets</b>		<b>46,854</b>	<b>46,313</b>	<b>46,063</b>	<b>45,666</b>

The accompanying notes on pages 6 to 13 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 2006**

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash Was Provided From:</b>					
Receipts from Customers		13,356	13,038	8,091	7,136
Interest Received		262	140	227	146
Sundry Income		59	120	30	79
		13,677	13,298	8,348	7,361
<b>Cash Was Applied To:</b>					
Payments to Suppliers		5,860	5,076	591	650
Payments to Employees		407	420	-	-
Income Tax Paid		1,861	1,887	1,888	1,854
		8,128	7,383	2,479	2,504
<b>Net Cash Flows From Operating Activities</b>	(10)	<b>5,549</b>	<b>5,915</b>	<b>5,869</b>	<b>4,857</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash Was Provided From:</b>					
Sale of Property, Plant and Equipment		17	18	16	17
		17	18	16	17
<b>Cash Was Applied To:</b>					
Purchase of Property, Plant and Equipment		2,323	1,914	2,260	1,830
Intercompany Advance		-	-	217	7
		2,323	1,914	2,477	1,837
<b>Net Cash Flows Used in Investing Activities</b>		<b>(2,306)</b>	<b>(1,896)</b>	<b>(2,461)</b>	<b>(1,820)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash Was Applied To:</b>					
Dividend		4,100	2,600	4,100	2,600
		4,100	2,600	4,100	2,600
<b>Net Cash Flows Used in Financing Activities</b>		<b>(4,100)</b>	<b>(2,600)</b>	<b>(4,100)</b>	<b>(2,600)</b>
Net Increase/(Decrease) in Cash Held		(857)	1,419	(692)	437
Add Opening Cash Brought Forward		3,235	1,816	998	561
<b>Closing Cash Carried Forward</b>		<b>2,378</b>	<b>3,235</b>	<b>306</b>	<b>998</b>

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

**ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS  
NOTES TO AND FORMING PART OF THE FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2006**

**1. STATEMENT OF 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 Parent Entity consists of the network assets of Electricity Invercargill Limited.

The Group consists of the Lines Business network assets of Electricity Invercargill Limited, along with the joint venture interests in PowerNet Limited, held by Electricity Invercargill Limited's wholly owned subsidiary Pylon Limited.

***Purpose of the Financial Statements***

These financial statements have been prepared for the purpose of complying with the Electricity Information Disclosure Requirements 2004 and relate to the Group's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Requirement 6 of the Requirements.

The activities of the Parent have been separately disclosed in these Financial Statements as that is a requirement of generally accepted accounting practice. The Parent activities are not required under the Electricity Information Disclosure Requirements 2004.

***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 Group 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) Revenue**

***Network Charges***

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

***Investment Income***

Interest and dividend income are accounted for as earned.

***Customer Contributions***

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which they are received.

**c) Avoidable Cost Allocation Methodology**

The Avoidable Cost Allocation Methodology as described in the Electricity Information Disclosure Handbook 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.

**d) Receivables**

Receivables are stated at their estimated realisable value. All known losses are written off in the period in which it becomes apparent the debts are not collectable.

**e) Inventories**

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

**f) Property, Plant and Equipment**

All property, plant and equipment is initially recorded at cost less accumulated depreciation. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

*Revaluation*

The Electricity Invercargill Limited network assets were revalued as at 31 March 2004 to Depreciated Replacement Cost (DRC) as assessed by independent valuers PricewaterhouseCoopers. Previously these assets were recorded at cost less accumulated depreciation

Network assets are revalued on a cyclical basis with no asset being recognised at a valuation undertaken more than five years previously.

Revaluation increments are transferred to the Asset Revaluation Reserve.

**g) 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 depreciation rates that reflect the economic life of the various classes of assets are:

Buildings	1.0%-10.0%	Straight line/diminishing value
Plant and Equipment	5.0%-48%	Straight line/diminishing value
Motor Vehicles	18.0%-31.2%	Diminishing value
Office Furniture and EDP Equipment	5.0%-60.0%	Straight line/diminishing value
Network Assets	1.4%-15.0%	Straight line

**h) Impairment**

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Financial Performance.

**i) 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.

**j) 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.

**k) 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.

**l) Financial Instruments**

The Line Business is party to financial instrument arrangements as part of its everyday operations. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance on an accrual basis.

The Line Business has no off-balance sheet exposures. The Line Business values all financial instruments at fair value in the Statement of Financial Position.

**m) 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.

**n) 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 have been no changes in accounting policies during the year ended 31 March 2006.

<b>ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS</b> <b>NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS</b> <b>FOR THE YEAR ENDED 31 MARCH 2006</b>
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	<b>Group</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>2. Operating Revenue</b>				
<i>Operating Revenue Comprises:</i>				
Network Charges	12,980	12,779	7,740	7,775
AC Loss-Rental Rebates	556	258	-	-
Interest on Investments	262	140	227	145
Other Revenue	59	121	30	80
<b>Total Operating Revenue</b>	<b>13,857</b>	<b>13,298</b>	<b>7,997</b>	<b>8,000</b>
<b>3. Operating Expenses</b>				
<i>Operating Expenses Include:</i>				
Auditors Remuneration:				
- Statutory Audit	41	38	27	30
- Other	24	27	25	27
Bad Debts Written Off	3	1	-	-
Depreciation:				
- Buildings	3	6	-	-
- Office Equipment & EDP Equipment	49	55	-	-
- Plant and Equipment	20	26	-	-
- Network Assets	1,707	1,676	1,707	1,676
Directors' Fees	118	102	68	60
Lease Costs	30	33	-	-
Loss on Disposal of Fixed Assets	22	21	21	20
<b>4. Equity</b>				
Paid in Capital	13,007	13,007	13,000	13,000
General Reserve	547	547	547	547
Revaluation Reserve	20,529	20,529	20,529	20,529
Retained Earnings	12,771	12,230	11,987	11,590
<b>Total Equity</b>	<b>46,854</b>	<b>46,313</b>	<b>46,063</b>	<b>45,666</b>
<b>5. Cash and Short Term Deposits</b>				
Current Account	1,968	2,295	-	58
Short Term Deposits	410	940	410	940
<b>Total Cash and Short Term Deposits</b>	<b>2,378</b>	<b>3,235</b>	<b>410</b>	<b>998</b>
<b>6. Receivables and Prepayments</b>				
Trade Debtors	1,260	1,079	758	1,168
Prepayments	61	50	16	1
<b>Total Receivables and Prepayments</b>	<b>1,321</b>	<b>1,129</b>	<b>774</b>	<b>1,169</b>

	<b>Group</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>7. Property, Plant and Equipment</b>				
Land (At Cost)	23	24	-	-
Buildings (At Cost)	155	166	-	-
Accumulated Depreciation	(84)	(86)	-	-
	71	80	-	-
Customer Billing & Information System Assets (At Cost)	766	745	-	-
Accumulated Depreciation	(519)	(507)	-	-
	247	238	-	-
Plant and Equipment (At Cost)	530	515	-	-
Accumulated Depreciation	(415)	(381)	-	-
	115	134	-	-
Office Equipment (At Cost)	204	185	-	-
Accumulated Depreciation	(158)	(142)	-	-
	46	43	-	-
Network Assets (At Cost and Valuation)	49,021	46,949	49,021	46,949
Accumulated Depreciation	(3,389)	(1,675)	(3,389)	(1,675)
	45,632	45,274	45,632	45,274
<b>Total Property, Plant and Equipment</b>	<b>46,134</b>	<b>45,793</b>	<b>45,632</b>	<b>45,274</b>
<b>8. Accounts Payable and Provisions</b>				
Trade Creditors and Accruals	1,401	1,338	377	268
GST Payable	59	93	12	74
Provision for Employee Entitlements	86	93	-	-
Provision for Taxation	50	(29)	-	-
<b>Total Accounts Payable and Provisions</b>	<b>1,596</b>	<b>1,495</b>	<b>389</b>	<b>342</b>
<b>9. Commitments</b>				
<b>Operating Lease Commitments</b>				
Operating Lease Commitments are payable as follows:				
- No later than one year	20	15	-	-
- Later than one year and not later than two years	10	8	-	-
- Later than two years and not later than five years	8	8	-	-
- Later than five years	-	-	-	-
<b>Total Operating Lease Commitments</b>	<b>38</b>	<b>31</b>	<b>-</b>	<b>-</b>

	<b>Group</b>		<b>Parent</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>10. Reconciliation of Net Surplus After Taxation with Net Operating Cash Flows</b>				
<b>Net Surplus After Taxation</b>	3,841	4,050	3,697	3,969
<b>Plus/(Less) Non Cash Items:</b>				
Depreciation	1,779	1,762	1,707	1,676
	1,779	1,762	1,707	1,676
<b>Plus/(Less) Items Classified as Investing Activities</b>				
Loss on Sale of Property, Plant and Equipment	22	21	21	20
Gain on Sale of Property, Plant and Equipment	-	-	-	-
	22	21	21	20
<b>Plus/(Less) Movements in Working Capital Items:</b>				
(Increase)/Decrease in Receivables	(192)	(25)	395	(637)
(Increase)/Decrease in Inventories	(2)	2	-	-
(Decrease)/Increase in Accounts Payable	101	105	49	(171)
	(93)	82	444	(808)
<b>Net Cash Flows from Operating Activities</b>	<b>5,549</b>	<b>5,915</b>	<b>5,869</b>	<b>4,857</b>

**11. Contingent Liabilities**

There are no contingent liabilities as at 31 March 2006 (2005: Nil).

**12. Financial Instruments****Off Balance Sheet Financial Instruments -**

The Line Business does not have any off balance sheet financial instruments.

**Credit Risk**

Credit risk is the risk that a third party will default on its obligation to the Line Business, causing the Line Business to incur a loss.

Financial instruments which potentially subject the Line Business to credit risk principally consist of cash, short-term deposits and accounts receivable. Bank deposits are placed with high credit quality financial institutions. The Line Business performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk at balance date are:

Current Account	1,968	2,295	-	58
Short Term Deposits	410	940	410	940
Receivables	1,321	1,129	774	1,169
	<b>3,699</b>	<b>4,364</b>	<b>1,184</b>	<b>2,167</b>

The above exposures are net of any recognised provision for losses on these financial instruments.

### Concentrations of Credit Risk

The Line Business is exposed to a Concentration of Credit Risk by one significant energy retailer. This entity is considered to be a high quality entity.

### Foreign Exchange Risk

The Line Business is not exposed to any foreign exchange risk.

### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Line Business is exposed to normal fluctuations in market interest rates.

### Fair Values

The estimated fair value of the Line Business' financial instruments are represented by the carrying values.

## 13. 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 2006	31 March 2005
	\$000	\$000
Construction of:		
➤ Subtransmission assets	-	-
➤ Zone substations	133	213
➤ Distribution lines and cables	954	297
➤ Medium Voltage switchgear	239	143
➤ Distribution transformers	322	349
➤ Distribution substations	33	66
➤ Low voltage reticulation	551	649
➤ Other system fixed assets	-	-

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

Maintenance of assets	-	-
Customer connections and disconnections	-	-

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

- ❑ Electricity Invercargill Limited Line Business owes PowerNet Limited Other Business \$594,000 (2005: \$492,000).

No related party debts have been written off or forgiven during 2006 or 2005.

<b>14. Annual Valuation Reconciliation Report</b>	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>\$000</b>	<b>\$000</b>
System fixed assets at ODV – end of previous financial year	45,316	45,708
<i>Add</i> system fixed assets acquired during year at ODV	967	1,323
<i>Less</i> system fixed assets disposed of during year at ODV	(80)	(37)
<i>Less</i> depreciation on system fixed assets at ODV	(1,709)	(1,678)
<i>Add</i> revaluations of system fixed assets	-	-
<b>System fixed assets at ODV – end of the financial year</b>	<b>44,494</b>	<b>45,316</b>

## ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS DISCLOSURE OF INFORMATION

Pursuant to Requirement 6(2) of the Electricity Information Disclosure Requirements 2004, Schedule 1 Part 2.

	31 March 2006 \$000	31 March 2005 \$000
<b>Current Assets</b>		
(a) Cash and bank balances	1,968	2,295
(b) Short-term investments	410	940
(c) Inventories	25	24
(d) Accounts receivable	1,321	1,129
(e) Other current assets not listed in (a) to (d)	-	-
<b>Total Current Assets</b>	<b>3,724</b>	<b>4,388</b>
<b>Fixed Assets</b>		
(a) System fixed assets	45,632	45,274
(b) Consumer billing and information system assets	247	238
(c) Motor vehicles	-	-
(d) Office equipment	46	43
(e) Land and buildings	93	104
(f) Capital works under construction	892	727
(g) Other fixed assets not listed in (a) to (f)	116	134
<b>Total Fixed Assets</b>	<b>47,026</b>	<b>46,520</b>
<b>Other tangible assets not listed above</b>	-	-
<b>Total Tangible Assets</b>	<b>50,750</b>	<b>50,908</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>50,750</b>	<b>50,908</b>
<b>Current Liabilities</b>		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,546	1,524
(d) Provision for dividends payable	2,300	3,100
(e) Provision for income tax	50	(29)
(f) Other current liabilities not listed in (a) to (e) above	-	-
<b>Total Current Liabilities</b>	<b>3,896</b>	<b>4,595</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	13,007	13,007
(ii) Retained earnings	12,771	12,230
(iii) Reserves	21,076	21,076
Total Shareholders' equity	46,854	46,313
(b) Minority interests in subsidiaries	-	-
<b>Total Equity</b>	<b>46,854</b>	<b>46,313</b>
(c) Capital notes	-	-
<b>Total Capital Funds</b>	<b>46,854</b>	<b>46,313</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,750</b>	<b>50,908</b>

	31 March 2006 \$000	31 March 2005 \$000
<b>Operating Revenue</b>		
(a) Revenue from line/access charges.	12,980	12,779
(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	262	140
(d) AC loss-rental rebates	556	258
(e) Other revenue not listed in (a) to (d)	59	121
<b>Total Operating Revenue</b>	<b>13,857</b>	<b>13,298</b>
<b>Operating Expenditure</b>		
(a) Payment for transmission charges	3,258	3,182
(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	791	785
(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</b>	<b>791</b>	<b>785</b>
(d) Employee salaries, wages and redundancies	406	420
(e) Consumer billing and information system expense	53	47
(f) Depreciation on:		
(i) System fixed assets:	1,707	1,676
(ii) Other assets not listed in (i)	72	87
<b>Total depreciation</b>	<b>1,779</b>	<b>1,763</b>
(g) Amortisation of:		
(i) Goodwill:	-	-
(ii) Other intangibles:	-	-
<b>Total Amortisation of Intangibles</b>	<b>-</b>	<b>-</b>
(h) Corporate and administration:	571	408
(i) Human resource expenses:	56	36
(j) Marketing/advertising:	65	62
(k) Merger and acquisition expenses:	-	-
(l) Takeover defence expenses:	-	-
(m) Research and development expenses:	-	-

	<b>31 March 2006</b>	<b>31 March 2005</b>
	<b>\$000</b>	<b>\$000</b>
(n) Consultancy and legal expenses:	44	79
(o) Donations:	-	-
(p) Directors' fees:	118	102
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	41	38
(ii) Audit fees paid to other auditors:	24	27
(iii) Fees paid for other services provided by principal and other auditors:	-	-
	<hr/>	<hr/>
<b>Total Auditors' fees:</b>	<b>65</b>	<b>65</b>
	<hr/>	<hr/>
(r) Costs of offering credit:		
(i) Bad debts written off:	3	1
(ii) Increase in estimated doubtful debts:	-	-
	<hr/>	<hr/>
<b>Total cost of offering credit:</b>	<b>3</b>	<b>1</b>
	<hr/>	<hr/>
(s) Local authority rates expense:	57	53
(t) AC loss-rentals (distribution to retailers/customers) expense:	556	258
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	167	32
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	87	81
	<hr/>	<hr/>
<b>Total operating expenditure</b>	<b>8,076</b>	<b>7,374</b>
	<hr/>	<hr/>
<b>Operating surplus before interest and income tax</b>	<b>5,781</b>	<b>5,924</b>
	<hr/>	<hr/>
<b>Interest expense</b>		
(a) Interest expense on borrowings	-	-
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
	<hr/>	<hr/>
<b>Total interest expense</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Operating surplus before income tax</b>	<b>5,781</b>	<b>5,924</b>
	<hr/>	<hr/>
<b>Income tax</b>	<b>1,940</b>	<b>1,874</b>
	<hr/>	<hr/>
<b>Net surplus after tax</b>	<b>3,841</b>	<b>4,050</b>
	<hr/>	<hr/>

# ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

**PURSUANT TO REQUIREMENT 14 OF THE ELECTRICITY INFORMATION DISCLOSURE  
REQUIREMENTS 2004, SCHEDULE 1 PART 3**

## **FINANCIAL PERFORMANCE MEASURES**

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Return on Funds	12.59%	12.72%	12.92%	14.57%
Return on Equity	8.72%	8.95%	8.61%	9.56%
Return on Investment	8.36%	8.95%	20.83%	9.68%
Return on Investment (excluding revaluation)			8.50%	

## **EFFICIENCY PERFORMANCE MEASURES**

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Direct Line Costs per Kilometre	\$2,078	\$1,482	\$1,779	\$1,600
Indirect Line Costs per Electricity Customer	\$56	\$67	\$58	\$50

**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	5,780,810				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	5,780,810				
Interest on cash, bank balances, and short-term investments (ISTI)	262,312				
OSBIIT minus ISTI	5,518,498	a	5,518,498		5,518,498
Net surplus after tax from financial statements	3,840,773				
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	3,840,773	n		3,840,773	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	166,708	s	add 166,708	add 166,708	add 166,708
Depreciation of SFA at BV (x)	1,706,994				
Depreciation of SFA at ODV (y)	1,709,000				
ODV depreciation adjustment	-2,006	d	add -2,006	add -2,006	add -2,006
Subvention payment tax adjustment	55,014	s*t		deduct 55,014	deduct 55,014
Interest tax shield	-86,563	q			deduct -86,563
Revaluations	0	r			add 0
Income tax	1,940,037	p			deduct 1,940,037
<b>Numerator</b>			5,683,200 OSBIIT <sup>ADJ</sup> = a + g + s + d	3,950,461 NSAT <sup>ADJ</sup> = n + g + s - s*t + d	3,774,712 OSBIIT <sup>ADJ</sup> = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA <sub>0</sub> )	46,520,192				
Fixed assets at end of current financial year (FA <sub>1</sub> )	47,025,888				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-370,794				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	-200,152				
<b>Average total funds employed (ATFE)</b>	46,487,567 (or requirement 32 time-weighted average)	c	46,487,567		46,487,567
Total equity at end of previous financial year (TE <sub>0</sub> )	46,313,876				
Total equity at end of current financial year (TE <sub>1</sub> )	46,854,127				
Average total equity	46,584,001 (or requirement 32 time-weighted average)	k		46,584,001	
WUC at end of previous financial year (WUC <sub>0</sub> )	727,049				
WUC at end of current financial year (WUC <sub>1</sub> )	891,824				
Average total works under construction	809,437 (or requirement 32 time-weighted average)	e	deduct 809,437	deduct 809,437	deduct 809,437
Revaluations	0	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	0 (or requirement 32 time-weighted average)	m		add 0	
Subvention payment at end of previous financial year (S <sub>0</sub> )	32,249				

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Subvention payment at end of current financial year ( $S_1$ )	166,708				
Subvention payment tax adjustment at end of previous financial year	10,642				
Subvention payment tax adjustment at end of current financial year	55,014				
Average subvention payment & related tax adjustment	66,651	v		add 66,651	
System fixed assets at end of previous financial year at book value ( $SFA_{bv0}$ )	45,273,551				
System fixed assets at end of current financial year at book value ( $SFA_{bvi}$ )	45,632,093				
Average value of system fixed assets at book value (or requirement 32 time-weighted average)	45,452,822	f	deduct 45,452,822	deduct 45,452,822	deduct 45,452,822
System Fixed assets at year beginning at ODV value ( $SFA_{odv0}$ )	45,316,000				
System Fixed assets at end of current financial year at ODV value ( $SFA_{odv1}$ )	44,494,000				
Average value of system fixed assets at ODV value (or requirement 32 time-weighted average)	44,905,000	h	add 44,905,000	add 44,905,000	add 44,905,000
<b>Denominator</b>			45,130,309 $ATFE^{ADJ} = c - e - f + h$	45,293,394 $Ave TE^{ADJ} = k - e - m + v - f + h$	45,130,309 $ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
<b>Financial Performance Measure:</b>			12.59 $ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	8.72 $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	8.36 $ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

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 INVERCARGILL LIMITED LINE BUSINESS

## ENERGY EFFICIENCY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 20 OF THE ELECTRICITY INFORMATION DISCLOSURE  
REQUIREMENTS 2004, SCHEDULE 1 PART 4

### Energy Delivery Efficiency Performance Measures Years Ending 31 March 2003, 2004, 2005 and 2006

	2006	2005	2004	2003
Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	54.7%	53.4%	52.6%	54.4%
Loss Ratio (Transmission losses over energy entering the system)	6.3%	7.4%	8.3%	9.7%
Capacity Utilisation (Maximum demand over total transformer capacity)	40.2%	42.0%	42.3%	42.1%

The loss ratio is derived from electricity supplied information provided by other parties. Electricity Invercargill Limited is unable to audit this information and is not confident with its accuracy and estimates the losses at 4.0%.

### Statistics

		66kV	33kV	22kV	11kV	6.6kV	400V	Total
System Length (km's)	2002/03	-	23	-	181	-	489	694
	2003/04	-	25	-	199	-	452	676
	2004/05	-	26	-	199	-	454	679
	2005/06	-	26	-	197	-	458	681
Overhead Lines (km's)	2002/03	-	1.0	-	39	-	67	107
	2003/04	-	1.0	-	36	-	55	92
	2004/05	-	1.4	-	35	-	52	88
	2005/06	-	1.5	-	35	-	52	89
Underground Cables (km's)	2002/03	-	22	-	143	-	422	587
	2003/04	-	24	-	163	-	397	584
	2004/05	-	25	-	164	-	402	591
	2005/06	-	25	-	162	-	406	593

	<b>TX Capacity</b>	<b>Maximum Demand</b>	<b>Electricity Supplied</b>	<b>Electricity Conveyed</b>	<b>Total Customers</b>
2002/03	141,915	59,686	284,541,935	257,047,355	16,961
2003/04	142,125	60,070	276,531,554	253,538,024	16,922
2004/05	144,415	60,611	283,589,781	262,530,504	16,842
2005/06	143,965	57,859	277,102,120	259,605,081	16,889

### Electricity Conveyed for Retailers and The Power Company Limited

	2006 kWh	2005 kWh	2004 kWh	2003 kWh
Retailer A	198,128,442	200,772,249	191,835,995	186,623,868
Retailer B	3,932,034	3,458,864	3,744,172	7,964,609
Retailer C	37,574,979	38,832,367	39,099,074	34,605,351
Retailer D	1,284,272	1,031,124	1,066,856	1,597,380
The Power Company Limited OCB46	6,408,904	6,559,573	6,196,189	6,464,423
Retailer E	-	-	-	-
Retailer F	12,276,451	11,876,327	11,595,738	19,791,724
<b>TOTAL</b>	<b>259,605,081</b>	<b>262,530,504</b>	<b>253,538,024</b>	<b>257,047,355</b>

The Electricity Conveyed details are provided by other parties. Electricity Invercargill Limited is unable to audit this information and is not confident with its accuracy.

# ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS RELIABILITY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 21 OF THE ELECTRICITY INFORMATION DISCLOSURE  
REQUIREMENTS 2004, SCHEDULE 1 PART 5

## Reliability Statistics For Years Ending 31 March 2003, 2004, 2005 and 2006

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2002/03	-	6	15	-	-	-	-	-	-	21
	2003/04	-	9	19	-	-	-	-	-	-	28
	2004/05	-	5	15	-	-	-	-	-	-	20
	2005/06	-	3	20	-	-	-	1	-	-	24
Predicted 2006/2007		-	8	20	-	-	-	-	-	-	-
5-Year Average Target		-	8	20	-	-	-	-	-	-	-
SAIDI	2002/03	-	2.0	19.4	-	-	-	-	-	-	21.4
	2003/04	-	4.5	45.1	-	-	-	-	-	-	49.6
	2004/05	-	2.1	13.3	-	-	-	-	-	-	15.4
	2005/06	-	0.2	18.9	-	-	-	0.7	-	-	19.8
Predicted 2006/2007		-	4.0	31.0	-	-	-	-	-	-	-
5-Year Average Target		-	4.0	31.0	-	-	-	-	-	-	-
SAIFI	2002/03	-	0.01	0.69	-	-	-	-	-	-	0.70
	2003/04	-	0.03	1.25	-	-	-	-	-	-	1.28
	2004/05	-	0.03	0.25	-	-	-	-	-	-	0.28
	2005/06	-	0.00	0.54	-	-	-	0.01	-	-	0.55
Predicted 2006/2007		-	0.04	0.96	-	-	-	-	-	-	-
5-Year Average Target		-	0.03	0.92	-	-	-	-	-	-	-
CAIDI	2002/03	-	180.9	28.2	-	-	-	-	-	-	30.6
	2003/04	-	161.1	36.1	-	-	-	-	-	-	38.9
	2004/05	-	81.4	53.8	-	-	-	-	-	-	56.4
	2005/06	-	106.5	35.1	-	-	-	65.5	-	-	35.9
Predicted 2006/2007		-	106.7	32.3	-	-	-	-	-	-	-
5-Year Average Target		-	140.4	33.6	-	-	-	-	-	-	-

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2002/03	-	-	33.40	32.29
	2003/04	-	-	42.40	41.51
	2004/05	-	-	22.90	22.02
	2005/06	-	-	34.33	33.02
UG per 100km	2002/03	-	-	0.70	0.61
	2003/04	-	-	0.70	0.60
	2004/05	-	-	4.27	3.71
	2005/06	-	-	3.70	3.21
Total per 100km	2002/03	-	-	7.73	6.84
	2003/04	-	-	9.37	8.78
	2004/05	-	-	7.55	6.67
	2005/06	-	-	9.14	8.07
Predicted 2006/2007		-	-	8.63	7.62
5-Year Average Target		-	-	8.63	7.62

Class C Interruptions Not Restored in	3 hours	10%
Class C Interruptions Not Restored in	24 hours	Nil

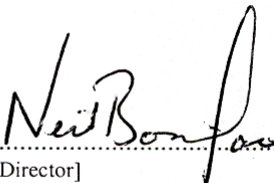
**ELECTRICITY INVERCARGILL LIMITED**  
**CERTIFICATION OF FINANCIAL STATEMENTS**  
**PERFORMANCE MEASURES AND STATISTICS DISCLOSED BY**  
**DISCLOSING ENTITIES**  
**(OTHER THAN TRANSPower)**

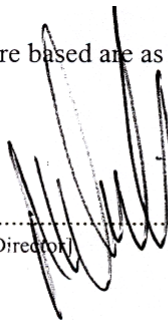
We, Neil Douglas Boniface and Philip James Mulvey, Directors of Electricity Invercargill Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The attached audited financial statements of Electricity Invercargill Limited, prepared for the purposes of requirement 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 Invercargill Limited, and having been prepared for the purposes of requirements 14, 15, 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 2004.

Signed:

  
.....  
[Director]

  
.....  
[Director]

Dated:

20 November 2006

## REPORT OF THE AUDITOR-GENERAL

### TO THE READERS OF THE FINANCIAL STATEMENTS OF ELECTRICITY INVERCARGILL LIMITED FOR THE YEAR ENDED 31 MARCH 2006

We have audited the financial statements of Electricity Invercargill Limited on pages 2 to 13. The financial statements provide information about the past financial performance of Electricity Invercargill Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 6 to 8.

#### 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 Invercargill Limited as at 31 March 2006, 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 Requirement 30 of the Electricity Information Disclosure Requirements 2004 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 Tony Uttley 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 Electricity Invercargill Limited circumstances, consistently applied and adequately disclosed.

We conducted the 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 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 Auditor-General, we have no relationship with or interests in Electricity Invercargill Limited<sup>1</sup>.


### **Unqualified Opinion**

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

In our opinion –

- proper accounting records have been maintained 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 13:
  - (a) comply with generally accepted accounting practice in New Zealand; and
  - (b) give a true and fair view of Electricity Invercargill Limited's financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
  - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 20 November 2006 and our unqualified opinion is expressed as at that date.



Tony Uttley  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand

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<sup>1</sup> In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out other audit assignments for Electricity Invercargill Limited. This involved issuing an audit opinion on the annual financial statements for the year ended *31 March 2006*. These assignments are compatible with those independence requirements. Other than this assignment we have no relationship with or interest in Electricity Invercargill Limited.

This audit report relates to the financial statements of Electricity Invercargill Limited for the year ended 31 March 2006 included on Electricity Invercargill Limited's web site. Electricity Invercargill Limited's Board is responsible for the maintenance and integrity of the Electricity Invercargill Limited's web site. We have not been engaged to report on the integrity of the Electricity Invercargill Limited's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 20 November 2006 to confirm the information included in the audited financial statements presented on this web site. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

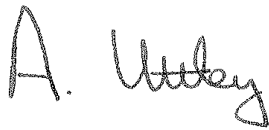
**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF ELECTRICITY  
INVERCARGILL LIMITED**

We have examined the information on pages 14 to 19, being –

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Electricity Invercargill Limited and dated 20 November 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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



Tony Uttley  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand  
20 November 2006