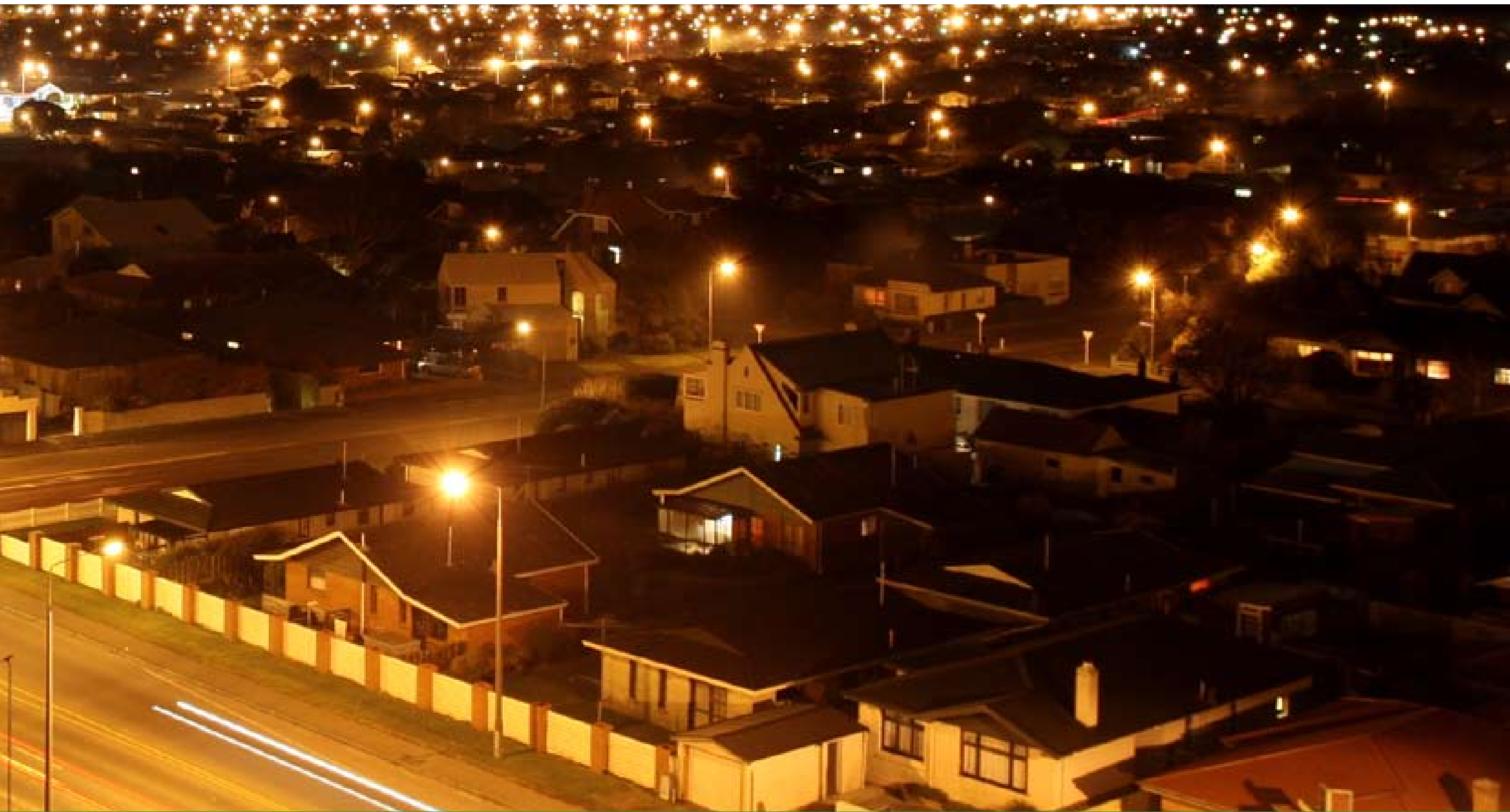
ELECTRICITY INVERCARGILL LTD

ANNUAL REPORT 2009



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Directors

Neil Boniface (Chairman)
Philip Mulvey
Geoffrey Piercy
Ross Smith

Directory

Registered Office

251 Racecourse Road
PO Box 88
Invercargill 9840
New Zealand
Telephone: 03 211 1899
Facsimile: 03 211 1875
Website: www.eil.co.nz

Principal Bankers

Westpac Banking Corporation

Auditors

PricewaterhouseCoopers, Christchurch on behalf of the Office of the Auditor-General

Solicitors

Preston Russell Law

Directors

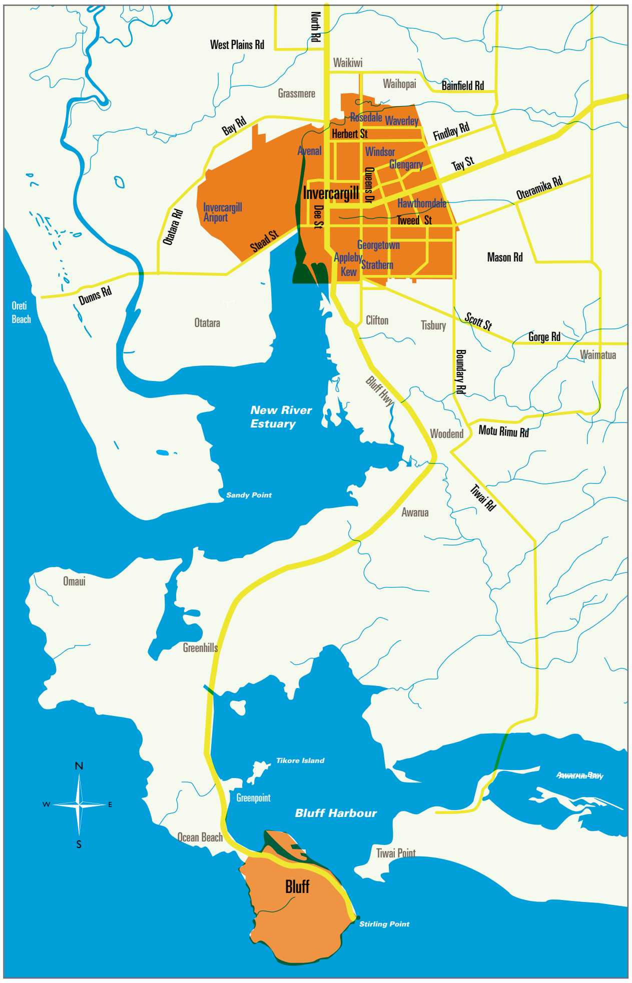
Neil Boniface (Chairman)

Philip Mulvey

Ross Smith

Geoffrey Piercy

Map of EIL Area



The Year in Review

1. General

It has been another successful year for Electricity Invercargill Limited (Company), maintaining a well above average quality of supply for its customers, keeping line charges within the Commerce Commission price path thresholds and contributing to the wealth of the city through its dividends and enhancement of the visual environment.

The Company's financial and network performance also ensures it maintains its position as one of the best performing networks in the country.

The main source of revenue for the Company is attributable to the Use Charge received from PowerNet Limited (PowerNet) for the lease of the network assets. This Use Charge calculation takes into account a specified rate of return on the book value of the assets, depreciation and the corporate costs of the Company.

Other revenue is derived from the capital contributions of customers connecting new installations to the network and the profits from the Company's investments in OtagoNet Joint Venture, Otago Power Services Limited, Power Services Limited and Electricity Southland Limited.

2. Financial Performance

The Group net surplus after tax for the year ended 31 March 2009 was $6.439 million (2008 - $6.723 million). The Company provided for an increased dividend of $4.100 million (2008 - $3.900 million).

The decrease in the net surplus after tax of $284,000 is due to the previous years results being boosted by $571,000 by a one off change in the corporate tax rate. Revenue increased to $23.647 million (2008 - $22.034 million) from the continuing growth occurring in Invercargill, Bluff and Otago and to pass through increased Transpower costs following the security of supply upgrade to the Invercargill grid exit point.

The investments in OtagoNet Joint Venture, Otago Power Services Limited and Power Services Limited have all met expectations both financially and operationally, all continuing to contribute positively to both the cashflow and net surplus of the Electricity Invercargill Limited Group.

The Company continued to promote Invercargill activities to the extent of $34,440 through the erection of the Invercargill City Christmas lights.

The operating results supported by the strong financial position and operating cashflow, together with continued growth prospects in the Invercargill City, has the Company well positioned for the future.

The consolidated result for the Group is:

	31 March 2009 $000	31 March 2008 $000
Operating Surplus before Taxation	**7,678**	**7,414**
Less Taxation Expense	(1,239)	(691)
Net Surplus after Taxation	**6,439**	**6,723**

3. Operational Performance

The Company has maintained regular investment in its distribution network which has not only met customer requirements in price and reliability but has also contributed to increased public safety and enhanced the visual environment through the undergrounding policy. The Company has completed over 95% of the Invercargill City undergrounding programme.

All major substation equipment maintenance was carried out and one major undergrounding project, Saturn/John/Murphy Streets was completed with Tramway Road in progress.

Reliability of the network for the year was better than the Business Plan and the Commerce Commission Quality Thresholds. The Company continues to be one of the best performers in New Zealand. On average customers were without power for 33 minutes for the year and would have their power interrupted once every 14 months. These consistently high reliability levels are a tribute to the aggressive undergrounding policy and asset stewardship dating back to the late 1960's.

The target and actual SAIFI and SAIDI reliability indices are shown below.

SAIFI – System Average Interruption Frequency Index

(the average number of times each year that each customer connected to the network is without supply)

Target	**Actual**
0.99	0.85

SAIDI – System Average Interruption Duration Index

(the average total time in minutes each year that each customer connected to the network is without supply)

Target	**Actual**
35 minutes	33 minutes

Metering assets and load control relays were also retained by the Company and managed by PowerNet during this period.

4. PowerNet Limited

The Company has a 50% shareholding in PowerNet, a joint venture with The Power Company Limited. PowerNet is responsible for managing the Company's network, meter assets and business interests.

The Company contracts PowerNet to manage its network and metering assets and charges PowerNet a fee for the use of the assets, PowerNet adds maintenance costs and overheads to this and the total costs are on-charged to the electricity retailers through the line and meter charges.

The management includes the execution of the Company's capital and maintenance works programme which constitutes the major part of the Business Plan approved by the PowerNet and the Company Directors.

PowerNet operates a 24-hour, 7-day a week, manned control room that provides a high level of monitoring and control of the network operations and a faults call service for the Company's 17,126 consumers.

PowerNet publishes its own annual report and, as it is a break-even company, its performance is judged by the value and efficiency of its network asset management and business development for PowerNet and its stakeholders.

5. Investment and Development

Investigations to increase investment and development have been channelled through the joint venture company Electricity Southland Limited, particularly those with a view to obtaining further economies of scale and improved efficiencies of network management.

The Year in Review *continued*

The 50% investment in Electricity Southland Limited with The Power Company Limited (50%) did not meet its projection again this year as new load on the embedded networks in Frankton did not progress as quickly as originally anticipated.

The following major projects on the Company's network were completed by PowerNet during the year.

Project	Approximate Expenditure
Saturn, John and Murphy Street Area, Invercargill – Undergrounding	$529,000
Tramway, Coronation and York Street Area, Invercargill – Undergrounding (in progress)	$480,000
New Customer Connections and Reticulation of New Subdivisions	$301,000
Distribution Transformer Replacements	$239,000
Jed Street, Invercargill Substation Upgrade	$176,000
Ring Main Unit Replacements	$160,000

The Company completed its sixth year of its 24.5% investment in the electricity network owner OtagoNet Joint Venture and a similar investment in the electrical contracting company Otago Power Services Limited with its neighbour The Power Company Limited (24.5%) and Marlborough Lines Limited (51%).

The Otago based investments performed as anticipated, contributing a positive cashflow and increased profitability in addition to the benefits of a strategic partnership and acquisition. Directors are pleased with the year's performance and our shareholder is projected to benefit further from increased dividends and growth in value in the years to come. The higher revenue from the recent line charge increases has enabled significant additional expenditure on renewing and upgrading network assets, increasing the value of the network and improving supply quality to the customers.

The Company is also a 49% shareholder in the electrical contracting company Power Services Limited. The other shareholder in this company is The Power Company Limited. Power Services Limited has the lines and technical field service contracts for the Company's network.

The Company will continue to seek further opportunities with its joint venture partners in the interest of its stakeholders.

6. Southland Warm Homes Trust

The Southland Warm Homes Trust (SWHT) was formed last year by Electricity Invercargill Limited and the Southland Electric Power Supply Consumer Trust. The SWHT, in association with the Energy Efficiency and Conservation Authority (EECA), offers support for warmer, healthier homes by providing insulation and heating assessments and retrofits for Southland homes.

The Invercargill City Council, Gore and Southland District Councils, Environment Southland, Invercargill Licensing Trust, ILT Foundation, Community Trust of Southland and Southland Primary Health Organisations have also contributed to the project. The Southland Times and Work and Income New Zealand have also provided indirect support for the project.

The SWHT contracted Energy Smart in June 2008 to provide the assessments on behalf of the Trust and to coordinate the installations of insulation and heating products.

The SWHT project offers a range of subsidies for all home owners and landlords with homes built before 2000. The project had an annual budget of $2.5 million which will increase this year to $4 million due to a recently announced increase in EECA funding. Twenty jobs have been created as a result of this project.

7. Regulatory Environment

The significant work streams that took place last year for the industry with the review of the Commerce Act came to fruition this year. The outcome of the amended Commerce Act is likely to see significant improvement in the regulatory environment.

It was particularly pleasing to see Members of Parliament and officials within the Ministry of Economic Development and Commerce Commission take on board the comments and concerns of the lines industry. The amendments give the sector the opportunity to operate in a more certain environment going forward.

The Company awaits with interest the development of the regulatory framework from the Commerce Act amendments, particularly so with fluctuating short term interest rates, inflation and levels of economic growth.

8. Acknowledgement

Directors wish to acknowledge the ongoing support of the Directors of Invercargill City Holdings Limited throughout the year.

The Directors also acknowledge the ongoing partnership with The Power Company Limited which is continuing to reap benefits for both Companies.

Directors are pleased with the successful relationship with Marlborough Lines Limited through the joint venture investment in OtagoNet Joint Venture.

Finally the Directors wish to record their appreciation to the staff of PowerNet, who have successfully managed the business for another year.

Neil Boniface
Chairman

Phil Mulvey
Director

Directors' Report

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2009.

Principal Activities

The principal activity of the parent entity, Electricity Invercargill Limited is the provision of electricity distribution services. The Company is a wholly owned subsidiary of Invercargill City Holdings Limited. The Group consists of Electricity Invercargill Limited, its subsidiary, joint ventures and associate companies.

Result and Distribution

The Directors report that the Group's profit after tax and interest for the year under review was $6,439,000. A dividend of $4,100,000 has been declared payable in August and November 2009 and March 2010. The dividend will be imputed at 20%.

State of Company's Affairs

The Directors consider the state of the Company's affairs to be satisfactory.

Directors

The Directors are appointed by the Shareholder.

Directors' Interests

The following entries were made in the Interests Register of the Company with regard to the Directors:

General:

All Directors are interested in transactions with the Company involving the supply of standard network services, on standard terms and conditions, to premises in which they may have one or more of the following interests:

(a) Owner, either alone or jointly with others.
(b) Parent, child or spouse of another person who may have a material interest in a property.
(c) Director, officer or shareholder of a body corporate which may have a material interest in a property.
(d) Trustee or beneficiary of a trust which may have a material interest in a property.

Because the interest which Directors may have in such transactions is no different in kind, quality, benefit or obligation from transactions which the Company has with other network services customers, it is not intended to list such premises or properties in the Interests Register.

Director	Company	Position
Neil Boniface		
	Electricity Southland Ltd	Director
	Invercargill City Council	Deputy Mayor
	Invercargill Licensing Trust	Member
	OtagoNet Joint Venture	Member, Governing Committee
	OtagoNet Ltd	Director
	PowerNet Ltd	Director
	Pylon Ltd	Director
	Southland Driving School	Director
	Southland Warm Homes Trust	Trustee
Philip Mulvey		
	Electricity Southland Ltd	Director
	Forest Dynamics Ltd	Director
	Otago Cricket Association	Director
	PowerNet Ltd	Deputy Chairman
	Pylon Ltd	Director
	Southland Outdoor Stadium Trust	Trustee
	WHK (New Zealand) Ltd	Director
	WHK Cook Adam Ward Wilson	Chief Executive
	WHK Cook Adam Ltd	Director
	Zak Holdings Ltd	Chairman
Geoffrey Piercy		
	Electricity Southland Ltd	Director
	Grey Power Southland	President
	Invercargill City Council	Councillor
	Invercargill Te Ara a Kewa Primary Health Organisation	Director
	PowerNet Ltd	Director
	Pylon Ltd	Director
	Southland Museum & Art Gallery	Trustee
Ross Smith		
	Electricity Southland Ltd	Director
	Finance Now Ltd	Director
	Fraser Properties Ltd	Director
	Funds Administration NZ Ltd	Director
	PowerNet Ltd	Director
	Power Services Ltd	Director
	Pylon Ltd	Director
	Rural Livestock Finance Ltd	Director
	Southland Building Society	Director, Chief Executive Officer
	Southsure Assurance Ltd	Director

Remuneration of Directors

The following Directors held office during the year under review and were paid fees accordingly:

Neil Boniface	-	Chairman
Philip Mulvey	-	Deputy Chairman
Geoffrey Piercy	-	Director
Ross Smith	-	Director

Remuneration paid or due and payable to Directors for services as a Director and in any other capacity for Electricity Invercargill Limited, during the year was:

Neil Boniface	$31,000	Geoffrey Piercy	$16,000
Philip Mulvey	$16,000	Ross Smith	$16,000

Remuneration paid or due and payable to Directors for services as a Director and in any other capacity for PowerNet Limited, during the year was:

Neil Boniface	$17,500	Geoffrey Piercy	$17,500
Philip Mulvey	$22,000	Ross Smith	$17,500

Directors' Report *continued*

Employee Remuneration

No employees or former employees received remuneration to the value of $100,000 or greater during the year.

Donations

There were no donations made during the year.

Use of Company Information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been made available to them.

Directors' and Employees' Indemnity and Insurance

Liability Insurance was effected for Directors of the Company.

Accounting Policies

There have been no changes in accounting policies during the year. These have been applied on a basis consistent with those used in the previous year.

Auditor Remuneration

Refer to Note 3 of the Financial Statements for Auditor remuneration.

For and on behalf of the Directors.

Philip Mulvey
Deputy Chairman

Ross Smith
Director

Network Details

	31 March 2009	31 March 2008
Length of overhead line	68km	72km
Length of underground cable	587km	608km
Number of distribution transformers	445	441
Distribution transformer capacity (does not include customer owned transformers)	145MVA	146MVA
Consumer connections (ICP's)	17,126	17,012

Approval By Directors

The Directors have approved for issue the Financial Statements of Electricity Invercargill Limited for the year ended 31 March 2009 on pages 6 to 31.

Philip Mulvey
Deputy Chairman

Ross Smith
Director

For and on behalf of the Board of Directors

25 June 2009

Statement of Service Performance

for the year ended 31 March 2009

The objectives of Electricity Invercargill Limited for this financial year are clearly specified in the Statement of Intent, which was approved by the Shareholders. The performance targets and measures identified in the Statement of Intent, along with the performance achieved during the financial year, are detailed below.

Performance Targets

	Target	Achievement	
	Year Ended 31 March 2009	Year Ended 31 March 2009	Year Ended 31 March 2008
Financial Measures	**$000**	**$000**	**$000**
Operating Surplus Before Tax	7,423	7,678	7,414
Operating Surplus After Tax	5,952	6,439	6,723
Earnings Before Interest and Tax (EBIT%)	7.69%	8.37%	8.22%
Return on Equity %	8.00%	8.84%	9.53%
Equity to Total Assets %	65.05%	67.18%	66.09%

Network Reliability Performance

System Average Interruption Duration Index (SAIDI)			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI	35.00	33.17	54.78
System Average Interruption Frequency Index (SAIFI)			
The average number of times each customer connected to the network is without supply.			
SAIF I	1.00	0.85	1.15
Other Network Reliability Performance Measures			
Total number of interruptions		31.00	25.00
Faults per 100km of line		10.85	13.28

The Directors have reasonable assurance that the performance data of the company is free from material misstatement and is a reliable measure of the network's performance. However, there is an inherent risk as there is no independent evidence to verify the accuracy of the information recorded.

Supplementary Information

Network Statistics		
Length of overhead line	68 km	72 km
Length of underground cable	587 km	608 km
Transformer capacity MVA	145	146
Maximum demand kW	61,364	64,600
Energy into network GWh	289	285
Total consumers	17,126	17,012

Income Statements
for the year ended 31 March 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Operating Revenue	(2)	21,444	20,295	8,835	8,715
Other Income	(2)	2,203	1,739	2,648	2,418
Operating Expenses	(3)	(15,246)	(13,462)	(3,651)	(3,340)
Finance Costs	(3)	(1,405)	(1,357)	(1,404)	(1,357)
Share of Profit of Associates	(8)	682	199	-	-
Operating Surplus Before Taxation	(4)	**7,678**	**7,414**	**6,428**	**6,436**
Less Taxation Expense					
- Current	(4)	(1,376)	(1,293)	(856)	(852)
- Deferred	(4/16)	137	602	192	744
Net Surplus After Taxation	(17)	**6,439**	**6,723**	**5,764**	**6,328**

Statements of Changes in Equity
for the year ended 31 March 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Total Recognised Income and Expenses					
Net Surplus for the Year		6,439	6,723	5,764	6,328
NZ IFRS Transition Correction	(16)	-	10	-	-
Revaluation of Assets	(5)	-	13	-	13
Effect of Change in Tax Rate on Revaluation Reserve	(16)	-	591	-	466
		6,439	7,337	5,764	6,807
Distributions to Shareholders					
Dividend Paid/Declared		(4,100)	(3,900)	(4,100)	(3,900)
		(4,100)	(3,900)	(4,100)	3,900)
Changes in Equity for the Year		**2,339**	**3,437**	**1,664**	**2,907**
Equity at Beginning of Year		**70,536**	**67,099**	**67,151**	**64,244**
Equity at End of Year	(5)	**72,875**	**70,536**	**68,815**	**67,151**

The accompanying notes on pages 10 to 31 form part of and should be read in conjunction with these financial statements.

Balance Sheets
as at 31 March 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Equity					
Share Capital	(5)	13,000	13,000	13,000	13,000
Reserves	(5)	16,533	16,568	13,618	13,653
Retained Earnings	(5)	43,342	40,968	42,197	40,498
Total Equity		**72,875**	**70,536**	**68,815**	**67,151**
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	2,651	1,708	1,874	63
Receivables and Prepayments	(7)	2,240	2,113	928	687
Inventories		98	53	-	-
Construction Work in Progress		58	26	-	-
Income Tax Receivable		-	187	-	179
Total Current Assets		**5,047**	**4,087**	**2,802**	**929**
Non Current Assets					
Investments in Associates	(8)	6,121	5,286	2,874	3,574
Investment in Subsidiary	(9)	-	-	28,764	28,076
Investments in Joint Ventures	(10)	-	-	1,610	2,350
Property, Plant and Equipment	(11)	92,560	91,880	64,648	64,279
Capital Work in Progress		1,391	1,967	1,086	1,261
Intangibles	(12)	3,486	3,515	1	-
Total Non Current Assets		**103,558**	**102,648**	**98,983**	**99,540**
Total Assets		**108,605**	**106,735**	**101,785**	**100,469**
Current Liabilities					
Creditors and Accruals	(13)	1,928	2,532	1,069	1,450
Employee Entitlements	(14)	113	161	-	-
Dividend Payable		4,100	3,900	4,100	3,900
Income Tax Payable		120	-	25	-
Total Current Liabilities		**6,261**	**6,593**	**5,194**	**5,350**
Non Current Liabilities					
Shareholder Advance	(15)	18,000	18,000	18,000	18,000
Deferred Tax Liabilities	(16)	11,469	11,606	9,776	9,968
Total Non Current Liabilities		**29,469**	**29,606**	**27,776**	**27,968**
Total Liabilities		**35,730**	**36,199**	**32,970**	**33,318**
Net Assets		**72,875**	**70,536**	**68,815**	**67,151**

The accompanying notes on pages 10 to 31 form part of and should be read in conjunction with these financial statements.

Statements of Cash Flows

for the year ended 31 March 2009

	Note	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		23,750	20,995	8,812	9,442
Interest Received		417	648	404	540
Dividends Received		28	-	2,033	1,850
Taxation Refunds		69	146	58	-
		24,264	21,789	11,307	11,832
Cash Was Disbursed To:					
Payments to Suppliers and Employees		11,406	9,619	937	695
Income Tax Paid		1,128	1,615	700	1,035
Interest Paid		1,754	1,257	1,754	1,257
GST Paid/(Received)		14	169	(38)	15
		14,302	12,660	3,353	3,002
Net Cash Flows From Operating Activities	(17)	**9,962**	**9,129**	**7,954**	**8,830**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Sale of Property, Plant and Equipment		19	17	17	6
Associates Advances Repaid		1,350	500	3,802	1,331
		1,369	517	3,819	1,337
Cash Was Applied To:					
Purchase of Property, Plant and Equipment		4,304	4,816	3,012	2,692
Investments in Associates		1,534	52	-	-
Advances to Associates		650	1,450	3,050	3,230
		6,488	6,318	6,062	5,922
Net Cash Flows Used in Investing Activities		**(5,119)**	**(5,801)**	**(2,243)**	**(4,585)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Applied To:					
Dividend Payment		3,900	3,700	3,900	3,700
Repayment of Shareholder Advance		-	500	-	500
		3,900	4,200	3,900	4,200
Net Cash Flows Used in Financing Activities		**(3,900)**	**(4,200)**	**(3,900)**	**(4,200)**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		943	(872)	1,811	45
Add Opening Cash Brought Forward		1,708	2,580	63	18
Closing Cash and Cash Equivalents Carried Forward	(6)	**2,651**	**1,708**	**1,874**	**63**

The accompanying notes on pages 10 to 31 form part of and should be read in conjunction with these financial statements.

Notes to and forming part of the Financial Statements

for the year ended 31 March 2009

1. Statement of Accounting Policies

Reporting Entity

The parent entity, Electricity Invercargill Limited is a profit oriented limited liability company, that was incorporated in New Zealand on 30 June 1991, is registered under the Companies Act 1993 and whose registered office is at 251 Racecourse Road, Invercargill. The Company is a wholly owned subsidiary of Invercargill City Holdings Limited. The Group consists of Electricity Invercargill Limited, its subsidiaries and its interest in associates and jointly controlled entities (refer to notes 8, 9 and 10).

The financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992, the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

The principal activity of Electricity Invercargill Limited is the provision of electricity distribution services.

The financial statements were approved by the Board of Directors on 25 June 2009.

Basis of Preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand. The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Group, with the exception that certain property, plant and equipment has been revalued to fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Use of Estimates and Judgements

The preparation of financial statements to conform to NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

In particular estimates and assumptions have been used in the following areas:

- Property, plant and equipment
- Value of donated assets
- Employee benefits
- Recoverable amount from Cash Generating Units (CGU).

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements.

The Group operates extensive integrated electricity distribution networks comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved network asset management plans. The costs associated with recording and tracking all individual components replaced and removed from the networks substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the networks in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net surpluses or carrying values of the networks.

The Group enters into arrangements with customers to purchase new network assets at below current replacement costs. Management has estimated the difference between the cash costs and the replacement costs of these assets and the differences are reported within revenue. Any errors in estimating the carrying values of these assets are corrected at the next asset revaluation and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network.

The Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest wash-up data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets/liabilities for any amounts which are estimated to be under/over charged during the reporting period. However, as final wash-up metering data is not available for in excess of twelve months, it is possible the final amounts payable or receivable may vary from that calculated.

Other areas where judgement has been exercised in preparing these financial statements are in relation to calculating the recoverable amounts from Cash Generating Units and the amounts of employee entitlements.

New Standards and Interpretations not yet Adopted

In preparing these financial statements in accordance with NZ IFRS, the following standards have been issued but are not applicable at this time.

NZ IFRS 8 Operating Segments
NZ IAS 1 (Revised) Presentation of Financial Statements
NZ IAS 23 Borrowing Costs

The above Standards become effective for annual reporting periods beginning on or after 1 January 2009 and are expected to be initially applied in the year ending 31 March 2010.

The impact of NZ IAS1 (Revised) is expected only to have an impact on presentation and the effects of NZ IAS 23 and NZ IFRS 8 are not able to be reliably measured or estimated at this stage.

Specific Accounting Policies

a) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the income statement in the period of acquisition. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(iii) Joint Ventures

Joint Ventures are those entities over which the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the joint venture entities' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date joint control commences until the date joint control ceases.

(iv) Transactions eliminated on consolidation

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(v) Parent Investments

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the Parent financial statements.

b) Revenue

Revenue is measured at the fair value of the consideration given for the sale of goods and services, net of goods and services tax. Revenue from the sale of goods is recognised when the significant risks and rewards or ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

(i) Network Charges

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

(ii) Investment Income

Interest income is recognised on a time-proportion basis using the effective interest method.

(iii) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(iv) Customer Contributions

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

(v) Government Grants

Government grants that compensate the Group for the cost of an asset are recognised initially in the balance sheet as deferred income and then recognised in profit and loss as other operating income on a systematic basis over the useful life of the asset.

c) Finance Costs

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets through the income statement and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in the income statement using the effective interest method.

d) Inventories

Inventories are stated at the lower of cost at weighted average cost price, and net realisable value. Obsolete items of inventory (if any) have been written off.

e) Property, Plant and Equipment

(i) Owned Assets

All property, plant and equipment is recognised at cost less accumulated depreciation and impairment losses. 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 attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The deemed value of property, plant and equipment at 1 April 2005, the date of transition to NZ IFRS, was determined by reference to its fair value at that date.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item, if when that cost is incurred it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation, at a maximum of every three years, based on depreciated replacement cost methodology. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying amount of the distribution network is not materially different from its fair value.

Any revaluation increase arising on the revaluation of assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense in the income statement to the extent that it exceeds the balance, if any, held in the asset reserve relating to a previous revaluation of that asset.

When a revalued asset is sold or retired the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

(ii) Depreciation

Depreciation is charged to the income statement on a combination of straight line and diminishing value bases over the estimated useful lives of all property, plant and equipment. Land is not depreciated. The primary annual rates used are:

Buildings	1.0 – 15%	Straight Line/Diminishing Value
Network Assets	1.4 – 15%	Straight Line
Metering Assets	2.5 – 6.7%	Straight Line
Plant and Office Equipment	5.0 – 48%	Straight Line/Diminishing Value
EDP Hardware	9.0 – 80.4%	Straight Line/Diminishing Value

(iii) Impairment

At each reporting date the Group reviews the carrying amounts of its assets and assesses them for indications of impairment. If indications of impairment exist, then the assets' recoverable amount is estimated in order to determine the extent of the impairment. The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects the market assessments of the time value of money and the risks specific to the assets involved. If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the income statement, except to the extent that the impairment loss reverses a previous revaluation increase for that asset to the extent of that revaluation increase. When the asset does not generate cash flows independent of other assets, the cash generating unit (CGU) to which the asset belongs is tested for impairment.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Any impairment of goodwill can not subsequently be reversed.

f) **Capital Work in Progress**
Capital Work in Progress is stated at cost and is not depreciated. It includes an accrual for the proportion of work completed at the end of the year.

g) **Intangible Assets**

(i) **Goodwill**
All business combinations are accounted for by applying the purchase method. Goodwill (if it exists) has been recognised in acquisitions of subsidiaries, associates and joint ventures. In respect of business acquisitions since 1 April 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous NZ GAAP at the transition date.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) **Computer Software**
Under NZ IFRS computer software is classified as an intangible asset and amortised on a straight line/diminishing value basis over its estimated useful life.

(iii) **Research and Development**
Research costs are expenses in the year in which they are incurred. Development costs are capitalised to the extent that future benefits (exceeding the costs) are expected to accrue.

(iv) **Amortisation**
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated amortisation rates for the current period are as follows:

Software	12.5 – 48%	Straight Line/Diminishing Value

h) **Taxation**
Income tax on the surplus or deficit for the period presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is recorded using tax rates enacted or substantially enacted at the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

i) **Goods and Services Tax**
All amounts in the financial statements have been shown exclusive of Goods and Services Tax, with the exception of receivables and payables which are shown inclusive of Goods and Services Tax.

j) **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 in the periods when they are incurred.

k) **Financial Assets**
Where applicable the Group classifies its investments in the following categories:
Financial assets at fair value through the income statement, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The

classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial Assets at Fair Value through the Income Statement
Financial assets at fair value through the income statement are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-Maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-Sale Financial Assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets and financial assets at fair value through the income statement are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through the income statement' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

l) Financial Instruments

(i) Receivables
Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(ii) Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.

(iii) Trade and Other Payables
Trade and other payables are stated at fair value.

(iv) Borrowings
Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

m) Employee Entitlements
Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave when it is probable that they will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to balance date.

n) Seasonality
The Group's revenues and profits are generally evenly distributed throughout the year, hence the results are not subject to seasonality.

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 March 2009

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
2. Income				
Operating Revenue				
- Network Charges	21,444	20,295	8,835	8,715
Other Income				
- Interest Revenue	510	615	491	540
- Dividends Received	38	-	2,043	1,850
- Other Income	1,655	1,124	114	28
Total Income	**23,647**	**22,034**	**11,483**	**11,133**
3. Expenses				
Expenses Include:				
Amortisation of Intangibles	106	70	-	-
Auditors' Remuneration:				
- Audit of Financial Report				
- PricewaterhouseCoopers	45	40	31	28
- Deloitte	8	8	-	-
- Other Services				
- PricewaterhouseCoopers	35	19	32	16
- Deloitte	1	1	-	-
Bad Debts Written Off	3	1	-	-
Depreciation				
- Buildings	14	12	-	-
- Office Equipment and EDP Hardware	56	39	-	-
- Plant and Equipment	35	36	-	-
- Metering Assets	288	292	288	292
- Network Assets	3,477	3,422	2,316	2,289
Total Depreciation	3,870	3,801	2,604	2,581
Directors' Fees	180	180	79	79
Employee Benefit Expenses	1,453	1,334	-	-
Interest Expense	1,405	1,357	1,404	1,357
Loss on Disposal of Property, Plant and Equipment	233	138	194	99
Network Costs	2,412	2,250	-	-
Operating Lease Expenses:				
- Tenancy and Repeater Site Leases	40	30	-	-
- Motor Vehicle Leases	45	43	-	-
- Office Equipment Leases	6	4	-	-
Subvention Payment	462	65	50	-
Transmission Costs	5,222	4,495	-	-

4. Taxation

Current tax
Current tax expense is the expected tax payable on the taxable income for the year.

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred tax
Deferred tax expense arises from the origination and reversal of temporary differences.

		GROUP		PARENT	
	Note	2009 $000	2008 $000	2009 $000	2008 $000
Operating Surplus Before Income Tax		**7,678**	**7,414**	**6,428**	**6,436**
Income Not Taxable					
- Exempt Dividends Received		-	-	(2,005)	(1,850)
- Capital Contributions		(430)	(340)	(112)	(28)
- Equity Accounting					
Earnings of Associates		(682)	(199)	-	-
- Other		-		-	-
Loss Offset (utilised)		(2,218)	(2,254)	(1,861)	(1,817)
Expenses not Deductible		(2)	30	(2)	27
Taxable Income		4,346	4,651	2,448	2,768
Prima Facie Taxation at 30% (33% prior periods)		1,304	1,535	734	914
Made up of:					
Current Tax		1,441	1,566	926	1,127
Deferred Tax	(16)	(137)	(31)	(192)	(213)
		1,304	1,535	734	914
Under/(Over) Provisions in Prior Years		(65)	(273)	(70)	(275)
Impact of Change in Tax Rate	(16)	-	(571)	-	(531)
Taxation Expense for Year		**1,239**	**691**	**664**	**108**
Effective Tax Rate		16.1%	9.3%	10.3%	1.7%

A change in the company tax rate from 33% to 30% effective 1 April 2008 was accounted for as a decrease of $571,000 (Parent: $531,000) in the taxation expense for the year ended 31 March 2008.

Tax Losses Transferred Within the Group

The current tax expense is calculated on the assumption that:

- Tax losses of $1,861,000 (2008: $1,817,000) with a tax benefit of $558,300 (2008: $600,000) have been transferred from Invercargill City Holdings Limited Group by way of group loss offset.

	PARENT	
	2009 $000	2008 $000
Imputation Credit Account		
Credit Balance at Beginning of Year	489	366
Credits:		
Income Tax Payments During Year	700	1,035
Imputation Credits on Dividend Received	505	911
Withholding Tax on Dividend Received	10	-
Debits:		
Imputation Credits on Dividend Paid	(1,300)	(1,823)
Income Tax Refund During Year	(58)	-
Credit Balance at End of Year	**346**	**489**

The Imputation Credit Account relates to Electricity Invercargill Limited.

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 March 2009

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000

5. Equity

The authorised and issued share capital comprises 13 million ordinary shares (2008: 13 million ordinary shares) which are fully paid up and are not subject to a par value. All shares have the same rights and privileges.

	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
Contributed Capital				
Share Capital	**13,000**	**13,000**	**13,000**	**13,000**
Reserves				
General Reserve	2,800	2,800	2,800	2,800
Revaluation Reserve Opening Balance	13,768	13,178	10,853	10,388
Revaluations during the Year	-	13	-	13
Impact of Change in Tax Rate	-	591	-	466
Revaluation Write Downs due to Asset Disposal	(35)	(14)	(35)	(14)
Closing Balance	13,733	13,768	10,818	10,853
Total Reserves	**16,533**	**16,568**	**13,618**	**13,653**
Retained Earnings				
Opening Balance	40,968	38,121	40,498	38,056
Net Surplus	6,439	6,723	5,764	6,328
NZ IFRS Transitional Correction	-	10	-	-
Revaluation Write Downs due to Asset Disposal	35	14	35	14
Dividend Declared/Paid	(4,100)	(3,900)	(4,100)	(3,900)
Total Retained Earnings	**43,342**	**40,968**	**42,197**	**40,498**
Total Equity	**72,875**	**70,536**	**68,815**	**67,151**

	Cents per Share	Cents per Share
Dividend per Share	32.0	30.0

	Group 2009 $000	Group 2008 $000	Parent 2009 $000	Parent 2008 $000
6. Cash and Cash Equivalents				
Current Account	85	133	34	58
Bank Deposits (Short term)	2,566	1,575	1,840	5
Total Cash and Cash Equivalents	**2,651**	**1,708**	**1,874**	**63**
7. Receivables and Prepayments				
Trade Debtors	2,123	2,012	918	686
Prepayments	117	101	10	1
Total Receivables and Prepayments	**2,240**	**2,113**	**928**	**687**

Trade and other receivables are stated at their cost less any impairment losses. The carrying amounts of the Group's receivables are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any indication exists, the receivables' recoverable amount is estimated.

At balance date 5% of the Group's trade receivables (Parent: 0%) were 30-90 days passed due, 2% of the Group's trade receivables (Parent: 0%) > 90 days passed due. As most of these amounts are expected to be recovered, no provision for impairment has been created.

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 March 2009

8. Investments in Associates

Associate Companies	Country of Incorporation	Percentage Held By Group	Balance Date
Power Services Limited	NZ	49%	31 March
Electricity Southland Limited	NZ	50%	31 March
Otago Power Services Limited	NZ	24.5%	31 March

The Group's share of the results of its equity accounted associate entities is as follows:

	GROUP	
	2009 $000	**2008 $000**
Share of Surplus Before Taxation	863	414
Less Taxation Expense	(181)	(215)
Total Recognised Revenues and Expenses	**682**	**199**
The Group's interests in associate entities are as follows:		
Carrying Amount at Beginning of Year	5,286	4,284
Investments in Associates	1,000	-
Total Recognised Revenues and Expenses	682	199
Increase (decrease) in Advances to Associates	(700)	950
Dividends Received	(147)	(147)
Carrying Amount at End of Year	**6,121**	**5,286**

Summary financial information for equity accounted associates, not adjusted to percentage ownership held by the Group.

Revenue	17,785	16,339
Expenses	(15,947)	(15,422)
Profit/(Loss)	**1,838**	**917**
Current Assets	4,443	3,851
Non Current Assets	12,310	10,081
Current Liabilities	2,622	1,776
Non Current Liabilities	6,389	7,634

The Parent's advances to associates are as follows:

	PARENT	
	2009 $000	**2008 $000**
Advances to Associates	2,874	3,574

The advances are repayable on demand, but with a 13 month period of notice. The advances incur interest at 0.75% above the 90 day bank bill rate.

9. Investment in Subsidiary

The Group's interest in the subsidiary entity is as follows:

	Percentage Held By Group		
	2009	**2008**	**Balance Date**
Pylon Limited	100%	100%	31 March

	PARENT	
	2009 $000	**2008 $000**
Shares in Subsidiary	26,901	26,901
Advance to Subsidiary	1,863	1,175
Total Investment in Subsidiary	**28,764**	**28,076**

The Advance is repayable on demand but with a 13 month notice period and does not incur any interest.

10. Investments in Joint Ventures

The Group has a participating interest in the following joint ventures through its wholly owned subsidiary Pylon Limited.

	Percentage Held By Group		
Joint Venture	**2009**	**2008**	**Balance Date**
PowerNet Limited	50%	50%	31 March
OtagoNet Joint Venture	24.5%	24.5%	31 March

Financial Performance

The Group's operating revenues and share of expenses for the year, consolidated on a line-by-line basis was:

	2009 $000	**2008 $000**
Revenue	23,304	21,736
Expenses	11,569	9,999

Financial Position

The Group's share of assets and liabilities consolidated on a line-by-line basis was:

	2009 $000	**2008 $000**
Current Assets	2,245	3,151
Non Current Assets	31,836	31,809
Current Liabilities	1,642	2,111
Non Current Liabilities	-	-
Net Assets Employed in Joint Venture	32,439	32,849

The Parent's advances to joint ventures are as follows:

	PARENT	
	2009 $000	**2008 $000**
Advances to Joint Ventures	1,610	2,350

The advances are repayable on demand, but with a 13 month period of notice. The advances incur interest at 0.75% above the 90 day bank bill rate.

11. Property, Plant and Equipment

	PARENT		
	Network Assets $000	Meters $000	Total $000
Cost or Valuation			
Balance at 1 April 2007	61,423	3,903	65,326
Additions	2,239	90	2,329
Revaluation Correction	23	-	23
Disposals	(111)	-	(111)
Balance at 31 March 2008	**63,574**	**3,993**	**67,567**
Balance at 1 April 2008	63,574	3,993	67,567
Additions	3,046	138	3,184
Disposals	(226)	-	(226)
Balance at 31 March 2009	**66,394**	**4,131**	**70,525**
Depreciation and Impairment Losses			
Balance at 1 April 2007	151	559	710
Depreciation for Year	2,289	292	2,581
Impairment Losses	-	-	-
Revaluation Correction	3	-	3
Disposals	(6)	-	(6)
Balance at 31 March 2008	**2,437**	**851**	**3,288**
Balance at 1 April 2008	2,437	851	3,288
Depreciation for Year	2,316	288	2,604
Impairment Losses	-	-	-
Disposals	(15)	-	(15)
Balance at 31 March 2009	**4,738**	**1,139**	**5,877**
Carrying Amount/Book Value			
Book Value 31 March 2008	**61,137**	**3,142**	**64,279**
Book Value 31 March 2009	**61,656**	**2,992**	**64,648**

Carrying amounts of property, plant and equipment had they been recognised under the cost model.

31 March 2008	*45,613*	*3,142*	*48,755*
31 March 2009	*46,132*	*2,992*	*49,124*

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 March 2009

	GROUP					
	Land $000	Buildings $000	Plant and Equipment $000	Network Assets $000	Meters $000	Total $000
Cost or Valuation						
Balance at 1 April 2007	59	357	315	88,895	3,903	93,529
Transfer to Intangibles	-	-	(54)	-	-	(54)
Additions	-	1	95	4,047	90	4,233
Revaluation Correction	-	-	-	23	-	23
Disposals	-	-	(6)	(169)	-	(175)
Balance at 31 March 2008	**59**	**358**	**350**	**92,796**	**3,993**	**97,556**
Balance at 1 April 2008	59	358	350	92,796	3,993	97,556
Reallocation of Share of Assets	(13)	(39)	(87)	-	-	(139)
Additions	-	91	118	4,544	138	4,891
Disposals	-	-	-	(276)	-	(276)
Balance at 31 March 2009	**46**	**410**	**381**	**97,064**	**4,131**	**102,032**
Depreciation and Impairment Losses						
Balance at 1 April 2007	-	17	65	1,251	559	1,892
Transfer to Intangibles	-	-	(2)	-	-	(2)
Depreciation for Year	-	12	75	3,422	292	3,801
Impairment Losses	-	-	-	-	-	-
Revaluation Correction	-	-	-	3	-	3
Disposals	-	-	(2)	(16)	-	(18)
Balance at 31 March 2008	**-**	**29**	**136**	**4,660**	**851**	**5,676**
Balance at 1 April 2008	-	29	136	4,660	851	5,676
Reallocation of Share of Assets	-	(3)	(47)	-	-	(50)
Depreciation for Year	-	14	91	3,477	288	3,870
Impairment Losses	-	-	-	-	-	-
Disposals	-	-	-	(24)	-	(24)
Balance at 31 March 2009	**-**	**40**	**180**	**8,113**	**1,139**	**9,472**
Carrying Amount/Book Value						
Book Value 31 March 2008	**59**	**329**	**214**	**88,136**	**3,142**	**91,880**
Book Value 31 March 2009	**46**	**370**	**201**	**88,951**	**2,992**	**92,560**

Carrying amounts of property, plant and equipment had they been recognised under the cost model.

31 March 2008	*59*	*329*	*214*	*68,447*	*3,142*	*72,191*
31 March 2009	*46*	*370*	*201*	*69,262*	*2,992*	*72,871*

Deemed Cost

The carrying amount of property, plant and equipment at 1 April 2005, the date of transition to NZ IFRS is now taken as the deemed cost of the property, plant and equipment at that date.

Valuation

The network assets of Electricity Invercargill Limited were revalued by means of a "Directors' Revaluation" on 31 March 2007 to assessed fair value. The assessed fair value was achieved by taking the previously revalued assets at their 1 April 2004 carrying values, and updating those values in terms of today's material and labour costs. This resulted in a revaluation movement of $15,504,000.

The network assets of OtagoNet Joint Venture were revalued on 1 April 2006 to depreciated replacement cost as assessed by independent valuers PricewaterhouseCoopers. This resulted in the Group recording a revaluation movement of $4,165,000.

Acquisitions and Disposals

Electricity Invercargill Limited's assets acquired between 1 April 2004 and 31 March 2005 (pre transition to NZIFRS) are stated at deemed cost, with all assets acquired since that date stated at purchase cost. All other assets additions are stated at historical cost. Disposals are written back against the asset cost with any necessary adjustments to accumulated depreciation and the revaluation reserve.

In the year ended 31 March 2008 some EDP Software which had previously been included in Property, Plant and Equipment has now been reclassified as Intangible Assets.

The reallocation detailed on the previous page relates to a change in the proportional interest in the PowerNet Joint Venture from 33% to 20% during the year.

12. Intangible Assets

	GROUP			PARENT
	Software $000	Goodwill $000	Total $000	Software $000
Cost				
Balance at 1 April 2007	341	3,199	3,540	-
Reclassification	54	-	54	-
Additions	59	-	59	-
Disposals	-	-	-	-
Balance at 31 March 2008	**454**	**3,199**	**3,653**	**-**
Balance at 1 April 2008	454	3,199	3,653	-
Reallocation of Share of Intangibles	(131)	-	(131)	-
Additions	153	-	153	1
Disposals	-	-	-	-
Balance at 31 March 2009	**476**	**3,199**	**3,675**	**1**
Amortisation and Impairment Losses				
Balance at 1 April 2007	65	-	65	-
Reclassification	3	-	3	-
Amortisation for Year	70	-	70	-
Impairment Losses	-	-	-	-
Disposals	-	-	-	-
Balance at 31 March 2008	**138**	**-**	**138**	**-**
Balance at 1 April 2008	138	-	138	-
Reallocation of Share of Intangibles	(55)	-	(55)	-
Amortisation for Year	106	-	106	-
Impairment Losses	-	-	-	-
Disposals	-	-	-	-
Balance at 31 March 2009	**189**	**-**	**189**	**-**
Carrying Amount/Book Value				
Book Value 31 March 2008	**316**	**3,199**	**3,515**	**-**
Book Value 31 March 2009	**287**	**3,199**	**3,486**	**1**

Software assets have a finite useful life and are amortised over that useful life of 3-8 years.

Goodwill, in respect of acquisitions made prior to transition date, is stated at cost being the amount recorded under NZ FRS at transition date. Goodwill is not amortised but tested for impairment annually. Goodwill is tested for impairment by allocation to the OtagoNet Joint Venture as a Cash Generating Unit.

The reallocation detailed above relates to a change in the proportional interest in the PowerNet Joint Venture from 33% to 20% during the year.

	Note	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
13. Creditors and Accruals					
Trade Payables		1,137	1,588	367	519
Accruals		635	814	609	903
GST Payable		156	130	93	28
Total Creditors and Accruals		**1,928**	**2,532**	**1,069**	**1,450**
14. Employee Entitlements					
Balance at Beginning of Year		161	137	-	-
Reallocation Adjustment		(65)	-	-	-
Additional Accrual		102	147	-	-
Amount Utilised		(85)	(123)	-	-
Balance at End of Year		**113**	**161**	**-**	**-**

Employee entitlements includes accrued wages, bonuses, accrued holiday pay, and long service leave. Where settlement is expected to be greater than one year, the item(s) are discounted using the Group's weighted average cost of capital.

The directors consider that the carrying amount of the employee entitlements approximate their fair value.

The reallocation detailed above relates to a change in the proportional interest in the PowerNet Joint Venture from 33% to 20% during the year.

15. Shareholder Advance

Invercargill City Holdings				
- Current Portion	-	-	-	-
- Non Current Portion	18,000	18,000	18,000	18,000
Total Shareholder Advance	**18,000**	**18,000**	**18,000**	**18,000**

The Electricity Invercargill Limited's (EIL) shareholder Invercargill City Holdings Limited (ICHL) provides all loan facilities for companies in the ICHL Group including EIL. Costs incurred by ICHL on their borrowings and facilities are passed directly through to EIL. ICHL's facility has a revolving three year term. Agreement is reached each year between EIL and ICHL on loan repayments to be made for the following year.

The weighted average interest rate for the loan is 7.80% (2008: 8.47%)

16. Deferred Tax Liabilities

Balance at the Beginning of the Year		11,606	12,802	9,968	11,171
Charged to the Income Statement	(4)				
- Temporary Difference Reversals - Depreciation		2	(31)	(177)	(213)
- Temporary Difference Reversals - Other		(139)	-	(15)	-
- Change in Company Tax Rate		-	(571)	-	(531)
Charged to Equity					
- Revaluation Adjustment		-	7	-	7
- NZ IFRS Transition Correction		-	(10)	-	-
- Change in Company Tax Rate		-	(591)	-	(466)
Balance at the End of the Year		**11,469**	**11,606**	**9,776**	**9,968**

The primary component of the deferred tax balance is related to software, property, plant and equipment.

A change in the company tax rate from 33% to 30% effective 1 April 2008 was accounted for in a reduction of $1,162,000 (Parent: $997,000) in the deferred tax liability at 31 March 2008.

The NZ IFRS transition correction is to correct a timing difference error recorded in the 2007 year.

There is not expected to be any significant reversal of deferred taxation in the next 12 months.

17. Reconciliation of Net Surplus After Taxation with Net Operating Cash Flows

The following is a reconciliation between the Net Surplus After Taxation shown in the Income Statements and the Net Cash Flows From Operating Activities.

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Net Surplus After Taxation	6,439	6,723	5,764	6,328
Plus/(Less) Non Cash Items:				
Depreciation	3,870	3,801	2,604	2,581
Amortisation of Software	106	71	-	-
Deferred Taxation	(137)	(602)	(191)	(745)
Loss on Sale of Property, Plant and Equipment	233	138	194	99
	4,072	3,408	2,607	1,935
Plus/(Less) Movements in Working Capital:				
Increase/(Decrease) in Payables and Accruals	(652)	(134)	(446)	(36)
(Increase)/Decrease in Receivables	(127)	(668)	(176)	786
Increase)/Decrease in Inventories	(77)	(24)	-	-
Increase/(Decrease) in Provision for Taxation	307	(176)	205	(183)
	(549)	(1,002)	(417)	567
Net Cash Flows From Operating Activities	**9,962**	**9,129**	**7,954**	**8,830**

18. Commitments

Capital Commitments

The Group, through its Joint Ventures PowerNet Limited and OtagoNet Joint Venture, has capital expenditure contracted for but not provided for in the financial statements.

Capital Commitments	1,233	1,515	663	918
Total Capital Commitments	**1,233**	**1,515**	**663**	**918**

Operating Lease Commitments

Operating lease commitments are payable as follows:				
- Not later than one year	87	65	-	-
- Later than one year and not later than two years	65	40	-	-
- Later than two years and not later than five years	78	59	-	-
- Later than five years	-	1	-	-
Total Operating Lease Commitments	**230**	**165**	**-**	**-**

The operating leases consist of vehicle leases, office equipment leases and tenancy leases.

19. Contingent Liabilities

There are no contingent liabilities as at 31 March 2009 (31 March 2008: Nil).

20. Financial Instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Credit Risk
Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and short-term investments and trade receivables. Cash and short-term investments are placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities. An amount of $1,781,000 (2008: $1,465,000) is owed by energy retailers at balance date.

Liquidity Risk
Liquidity risk represents the Group's ability to meet its contractual obligations.

The Group evaluates its liquidity requirements on an ongoing basis. In general the Group generates sufficient cash flows from its operating activities to meet its contractual obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following table details the Group's exposure to liquidity risk as at 31 March 2009:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,651	-	-	2,651
Trade and Other Receivables	2,123	-	-	2,123
Construction Work In Progress	-	58	-	58
	4,774	58	-	4,832
Financial Liabilities				
Trade Payables	1,293	-	-	1,293
Accruals	-	635	-	635
Employee Entitlements	-	113	-	113
Advances	-	-	18,000	18,000
Dividend Payable	-	4,100	-	4,100
	1,293	4,848	18,000	24,141

The $18 million advance repayment arrangements are discussed in Note 15.

The following table details the Parent's exposure to liquidity risk as at 31 March 2009:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	1,874	-	-	1,874
Trade and Other Receivables	918	-	-	918
Advances	-	-	6,347	6,347
	2,792	-	6,347	9,139
Financial Liabilities				
Trade Payables	460	-	-	460
Accruals	-	609	-	609
Employee Entitlements	-	-	-	-
Advances	-	-	18,000	18,000
Dividend Payable	-	4,100	-	4,100
	460	4,709	18,000	23,169

Advances to associates, subsidiaries and joint venture, are repayable on demand but with a 13 month notice period. The $18 million advance repayment arrangements are discussed in Note 15.

The accruals are funded by either short-term investment funds or from cash generated by operating activities.

The following table details the Group's exposure to liquidity risk as at 31 March 2008:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	1,708	-	-	1,708
Trade and Other Receivables	2,012	-	-	2,012
Construction Work In Progress	-	26	-	26
	3,720	26	-	3,746
Financial Liabilities				
Trade Payables	1,718	-	-	1,718
Accruals	-	814	-	814
Employee Entitlements	-	161	-	161
Advances	-	-	18,000	18,000
Dividend Payable	-	3,900	-	3,900
	1,718	4,875	18,000	24,593

Advance repayment arrangements are discussed in Note 15.

The following table details the Parent's exposure to liquidity risk as at 31 March 2008:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	63	-	-	63
Trade and Other Receivables	686	-	-	686
Advances	-	-	7,099	7,099
	749	-	7,099	7,848
Financial Liabilities				
Trade Payables	547	-	-	547
Accruals	-	903	-	903
Employee Entitlements	-	-	-	-
Advances	-	-	18,000	18,000
Dividend Payable	-	3,900	-	3,900
	547	4,803	18,000	23,350

Advances to associates, subsidiaries and joint ventures, are repayable on demand but with a 13 month notice period. The $18 million advance repayment arrangements are discussed in Note 15.

The accruals are funded by either short-term investment funds or from cash generated by operating activities.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

The Group has interest bearing debt which is subject to interest rate variations in the market. This debt (being an advance from the Group's parent company, Invercargill City Holdings Limited) is partially hedged and managed by the Group's parent company, thus reducing the Group's exposure to interest rate variation.

The Group is not subject to foreign exchange risk.

The following table details the Group's exposure to interest rate risk as at 31 March 2009:

	Variable Interest Rate $000	Maturity Dates < 1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,651	-	-	2,651
Trade and Other Receivables	-	-	2,123	2,123
	2,651	-	2,123	4,774
Financial Liabilities				
Trade and Other Payables	-	-	1,928	1,928
Employee Entitlements	-	-	113	113
Advances	18,000	-	-	18,000
	18,000	-	2,041	20,041

Notes to and forming part of the Financial Statements *continued*

for the year ended 31 March 2009

The following table details the Parent's exposure to interest rate risk as at 31 March 2009:

	Variable Interest Rate $000	Maturity Dates < 1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	1,874	-	-	1,874
Advances	4,484	-	1,863	6,347
Trade and Other Receivables	-	-	918	918
	6,358	-	2,781	9,139
Financial Liabilities				
Trade and Other Payables	-	-	1,069	1,069
Advances	18,000	-	-	18,000
	18,000	-	1,069	19,069

The following table details the Group's exposure to interest rate risk as at 31 March 2008:

	Variable Interest Rate $000	Maturity Dates < 1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	1,708	-	-	1,708
Trade and Other Receivables	-	-	2,012	2,012
	1,708	-	2,012	3,720
Financial Liabilities				
Trade and Other Payables	-	-	2,532	2,532
Employee Entitlements	-	-	161	161
Advances	18,000	-	-	18,000
	18,000	-	2,693	20,693

The following table details the Parent's exposure to interest rate risk as at 31 March 2008:

	Variable Interest Rate $000	Maturity Dates < 1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	63	-	-	63
Advances	5,924	-	1,175	7,099
Trade and Other Receivables	-	-	686	686
	5,987	-	1,861	7,848
Financial Liabilities				
Trade and Other Payables	-	-	1,450	1,450
Employee Entitlements	-	-	-	-
Advances	18,000	-	-	18,000
	18,000	-	1,450	19,450

Sensitivity Analysis for Interest Rate Change

Electricity Invercargill Limited is subject to exposure to interest rate variations through both its cash and short-term investments and loans.

An increase/(decrease) in the interest rate of 1% is estimated to increase/(decrease) the net profit before tax and equity by $29,000 (2008: $13,000).

Fair Value

The estimated fair values of the Group's financial instruments are represented by the carrying values.

Capital Management

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

The Group is not subject to any externally imposed capital requirements.

21. Segmental Reporting

Electricity Invercargill Limited operates predominantly in one segment, being the management of assets involved in the distribution of electricity in Southland/Otago.

22. Transactions with Related Parties

Electricity Invercargill Limited is 100% owned by Invercargill City Holdings Limited. Invercargill City Holdings Limited is a wholly owned subsidiary of the Invercargill City Council.

Electricity Invercargill Limited has an interest in the PowerNet Limited Joint Venture, OtagoNet Joint Venture, Electricity Southland Limited, Otago Power Services Limited and Power Services Limited through their wholly owned subsidiary Pylon Limited.

All transactions between Electricity Invercargill Limited and related parties relate to the normal trading activities of Electricity Invercargill Limited and have been conducted on a commercial basis.

No related party debts have been written off or forgiven during the period.

Material transactions Electricity Invercargill Limited has had with the above-mentioned parties during the year are as follows:

	2009 $000	2008 $000
Goods and Services Supplied to:		
PowerNet Limited (Joint Venture)	8,957	8,890
Electricity Southland Limited (Associate)	169	196
Otago Power Services Limited (Associate)	22	28
Power Services Limited (Associate)	52	67
Invercargill City Holdings Limited (Other Related Party)	50	-
Receivables Outstanding at Balance Date		
PowerNet Limited (Joint Venture)	882	567
Electricity Southland Limited (Associate)	23	58
Otago Power Services Limited (Associate)	3	7
Power Services Limited (Associate)	7	17
Goods and Services Supplied by:		
PowerNet Limited (Joint Venture)	3,268	2,942
Electricity Southland Limited (Associate)	-	-
Invercargill City Holdings Limited (Other Related Party)	1,554	1,500
Invercargill City Council (Other Related Party)	-	15
Power Services Limited (Associate)	34	-
Creditors Outstanding at Balance Date		
PowerNet Limited (Joint Venture)	270	504
Invercargill City Holdings Limited (Other Related Party)	151	467
Invercargill City Council (Other Related Party)	-	-
Dividends Paid to:		
Invercargill City Holdings Limited (Other Related Party)	3,900	3,700
Dividends Paid by:		
Pylon Limited (Subsidiary)	2,005	1,850
Advances Provided to (Repaid by):		
PowerNet Limited (Joint Venture)	(740)	700
Electricity Southland Limited (Associate)	(700)	950
Pylon Limited (Subsidiary)	688	249
Advances Repaid to:		
Invercargill City Holdings Limited (Other Related Party)	-	500

Other Related Parties

There have been no material transactions with Directors with the exception of the following:

Electricity Invercargill Limited, through its joint venture interest in PowerNet Limited, uses AWS Legal as its solicitors, of which Alan Harper is a Partner. Electricity Invercargill Limited's share of fees paid to AWS Legal during the year amounted to $23,000 (2008: $20,000) of which $500 (incl GST) (2008: $600 (incl GST)) is owing at balance date.

During the 2008 year PowerNet Limited's tax advisors Ward Wilson merged with WHK Cook Adam of which Philip Mulvey was a partner to become WHK Cook Adam Ward Wilson of which Philip Mulvey is Chief Executive. Electricity Invercargill Limited's share of fees for taxation advice paid to WHK Cook Adam Ward Wilson during the year amounted to $2,000 (excl GST) (2008: $2,000 (excl GST) of which $200 (incl GST) (2008: $1,000 (incl GST)) is owing at balance date.

All transactions between PowerNet Limited and AWS Legal and WHK Cook Adam Ward Wilson relate to normal trading activities and have been conducted on a commercial basis.

Electricity Invercargill Limited has held term investments with Southland Building Society of which Ross Smith is Chief Executive. Electricity Invercargill Limited received $84,500 interest (paid and accrued) during the year from Southland Building Society (Year ending 31 March 2008: $25,000) and holds term investments of $1,530,000 at balance date (31 March 2008: Nil).

Key Management Personnel

The compensation of the directors and executives, being the key management personnel of the entity is set out below:

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Salaries and Short-term Employee Benefits	641	581	79	79

Executive staff remuneration comprises salary and other short-term benefits. PowerNet executives appointed to the boards of related companies do not receive directors' fees personally.

23. Subsequent Events

No subsequent events have occurred since 31 March 2009 (31 March 2008: Nil) which would materially affect these accounts.

PRICEWATERHOUSECOOPERS

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AUDIT REPORT

TO THE READERS OF ELECTRICITY INVERCARGILL LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2009

The Auditor-General is the auditor of Electricity Invercargill Limited ("the Company") and Group. The Auditor-General has appointed me, Robert Harris, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and performance information of the Company and Group, on his behalf, for the year ended 31 March 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group on pages 7 to 31:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of:
    - the Company and Group's financial position as at 31 March 2009; and
    - the results of their operations and cashflows for the year ended on that date.
- The performance information of the Company and Group on page 6 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 31 March 2009.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 30 June 2009, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

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Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company and Group as at 31 March 2009. They must also give a true and fair view of the results of their operations and cashflows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of performance achievements for the year ended 31 March 2009. The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

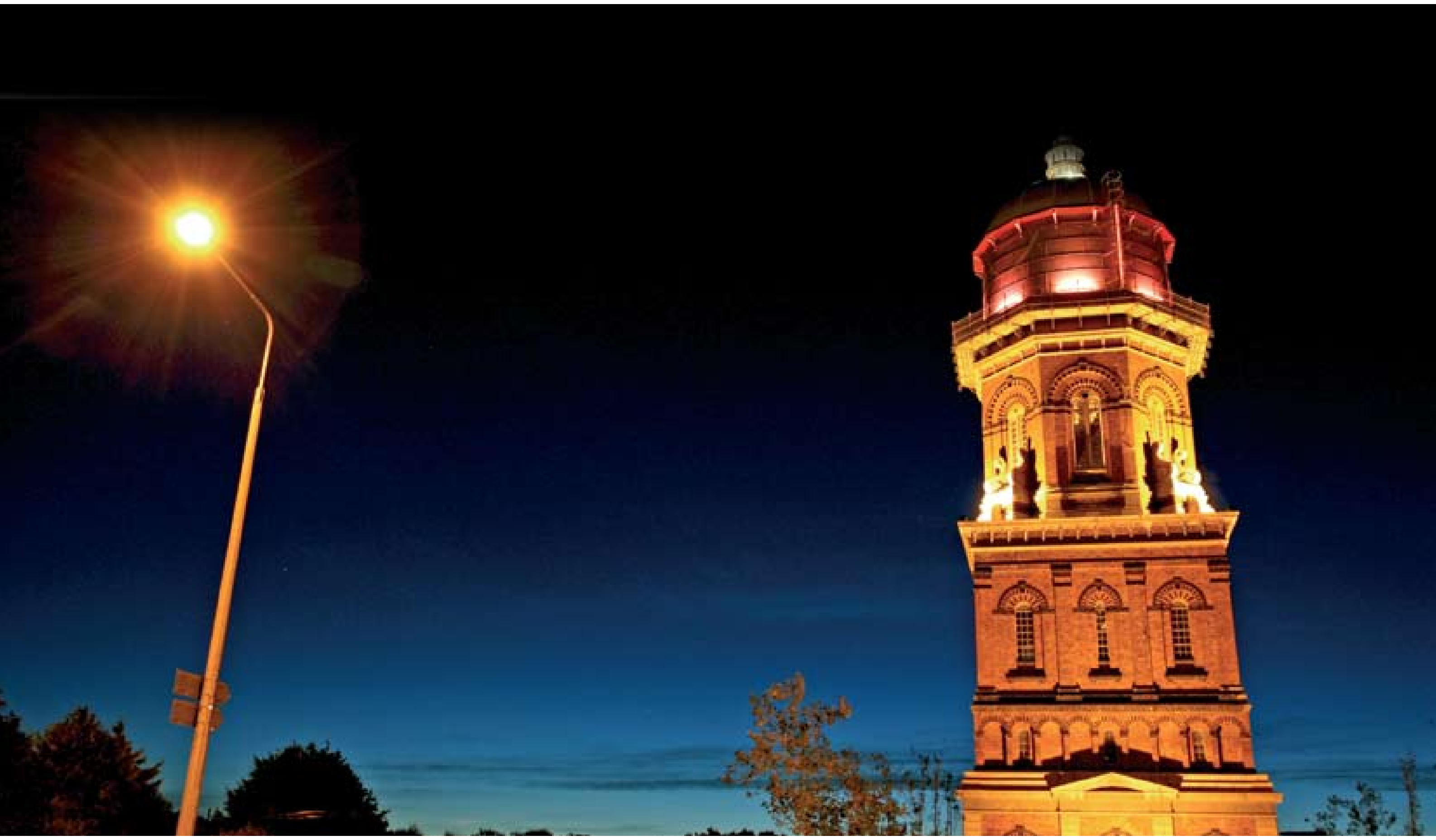
When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

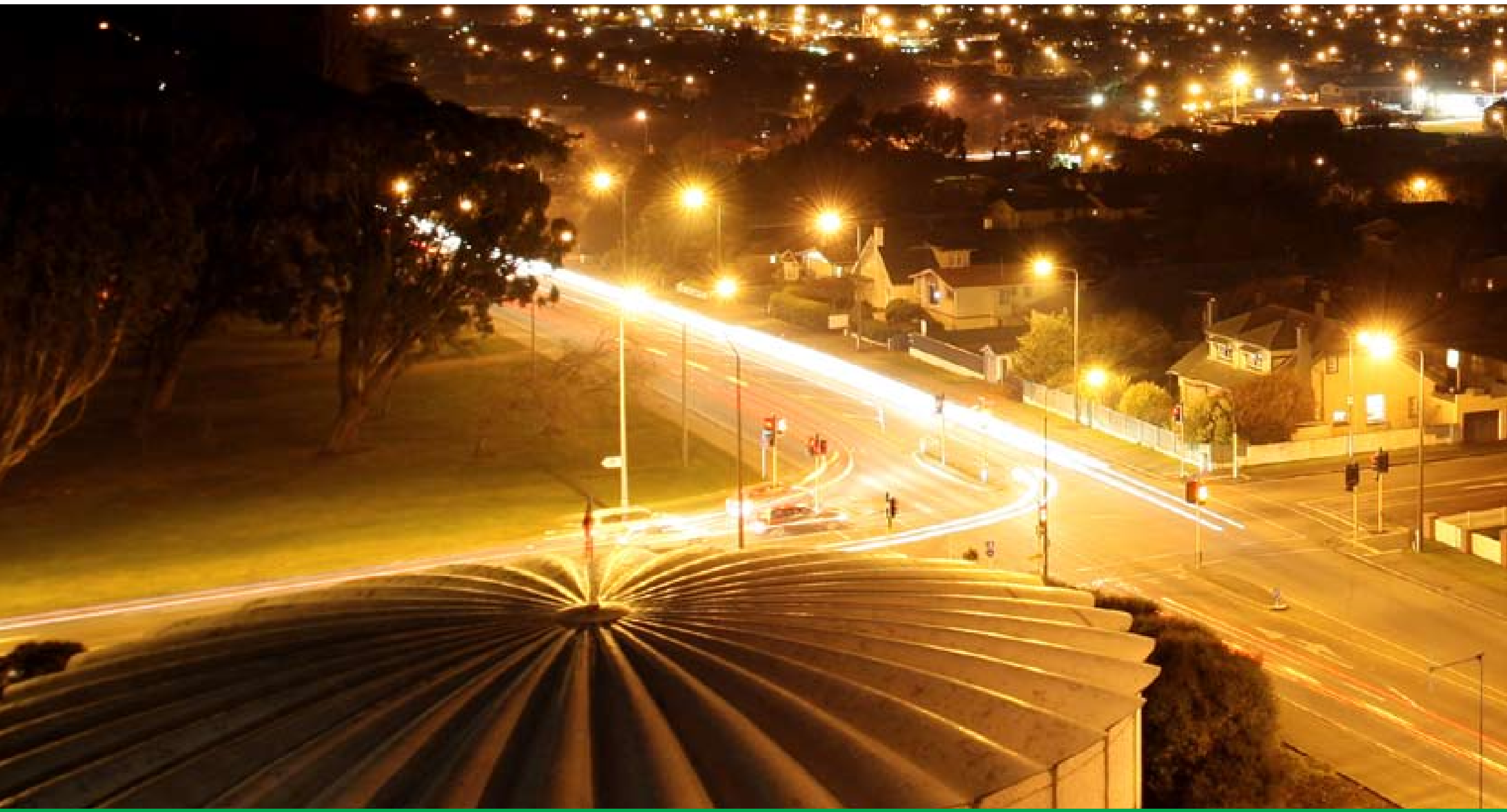
Other than the audit and issuing certificates pursuant to the Electricity Information Disclosure Requirements 2004 and the Commerce Act (Electricity Distribution Thresholds) Notes 2004, and in providing industry related advice we have no relationship with or interests in the Company and Group.

Robert Harris
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand









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