ANNUAL **REPORT** 2013

Electricity Invercargill Ltd

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Registered Office

251 Racecourse Road
PO Box 88
Invercargill 9840
New Zealand
Telephone: 03 211 1899
Email: enquiries@powernet.co.nz
Website: www.eil.co.nz

Principal Bankers

Westpac Banking Corporation

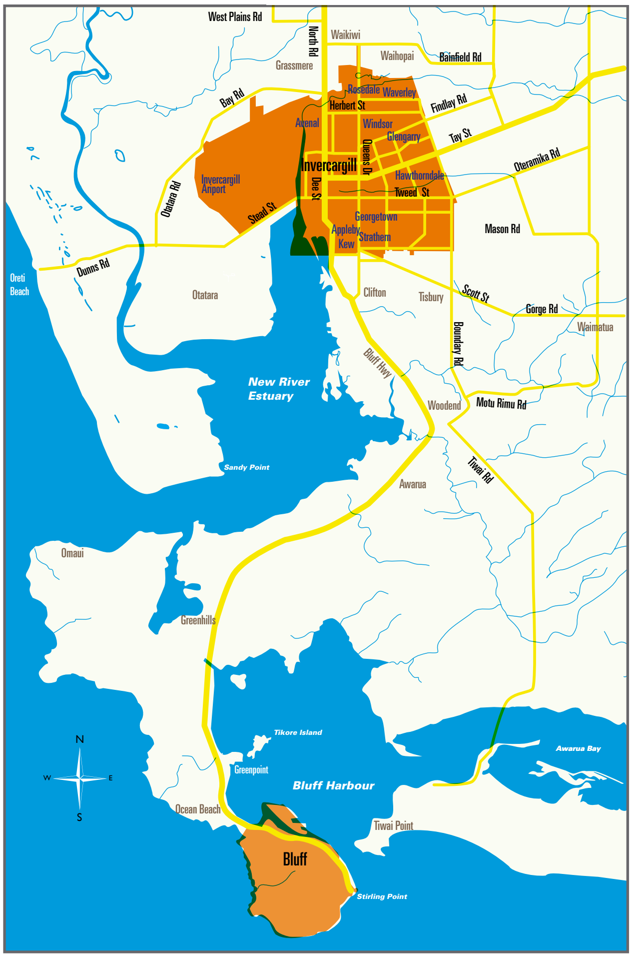
Auditors

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

Solicitors

Preston Russell Law

Map of EIL Area



Company **Profile**

Invercargill by night

Electricity Invercargill Limited (EIL) was formed in 1991 and owns the electricity network assets in Invercargill City and the Bluff township area, with approximately 17,200 consumers.

EIL has provided power to Invercargill since 1905, operating under a variety of different names over the years, most notably the Invercargill Municipal Electricity Department.

EIL is owned by the Invercargill City Council through its subsidiary, Invercargill City Holdings Limited. Invercargill City Holdings retains 100% ownership of the Company and receives an annual dividend from EIL.

EIL contracts PowerNet Limited (PowerNet) to manage its network and metering assets. The main source of revenue for EIL is attributable to the Use Charge received from 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 commercial returns from the Company's investments in OtagoNet Joint Venture, Otago Power Services Limited, Power Services Limited and Electricity Southland Limited.

EIL statistics	
Total Connected Consumers	**17, 236**
Residential	15,059
Industrial	126
Commercial	2051
Network Length	658km
Consumer Density	26.2 consumers/km
Number of Distribution Transformers	447
Distribution Transformer Capacity	150MVA
Distribution Transformer Density	227kVA/km
Maximum Demand	66.7MW
Total Energy Conveyed	279GWh
Regulatory Value	$63 million

Our **Stakeholders**

Dave Griffiths and Kathryn McCoy - PowerNet

PowerNet Limited

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

PowerNet is contracted to manage the network and metering assets and EIL charges PowerNet a fee for the use of the assets. PowerNet adds operating and corporate costs to this and the total costs are on-charged to the electricity retailers through the line and meter charges.

PowerNet manages EIL's capital and maintenance works programme which constitutes the major part of the Business Plan approved by the Company's Directors.

PowerNet operates a 24-hour, 7-day a week, control room that provides a high level of monitoring and control of the network operations and a faults call centre service.

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.

OtagoNet Joint Venture

OtagoNet Joint Venture was formed in 2002 between partners EIL (24.5%), its neighbour TPCL (24.5%) and Marlborough Lines Limited (51%). The OtagoNet network has approximately 14,800 consumers spread over a vast area of coastal and inland Otago from Shag Point in the north east, inland through to St Bathans, then south down to the Chaslands.

The Otago based investment performed as anticipated, contributing a positive cashflow and increased profitability in addition to the benefits of a strategic partnership and acquisition. Significant additional expenditure has been committed to renewing and upgrading the network assets, increasing the value of the network and improving supply quality to the customers. Directors are pleased with the year's performance and investment is projected to benefit further from continued returns and growth in value of the network in the years to come.

Electricity Southland Limited

Electricity Southland Limited (ESL) is an electricity network asset company formed in 1995 by EIL and TPCL. It owns the Lakeland electricity network at Frankton in the Queenstown Lakes area.

There was continued growth within the Frankton network, mainly around the continuing expansion of the Remarkables Shopping complex. The planning is underway for even greater growth in the coming year, as several new developments are added to Remarkables Park.

An exciting development arose at the end of the year with the proposal to extend the ESL network to the east of the Shotover River to supply a large new residential subdivision called Shotover Country. This work is planned for the 2013/2014 year.

Directors are pleased with the investment and remain confident the continuing development in the area will meet the Company's medium and long term projections.

Investment in network contractors

The Company is a 49% shareholder in the electrical contracting company Power Services Limited. Power Services holds the lines and technical field service contracts for the EIL network. Power Services holds a 51% investment in the contracting company Peak Power Services Limited. This company is based in Frankton and provides electrical contracting services in the Central Otago area.

EIL also holds a 24.5% investment in the electrical contracting company Otago Power Services Limited in conjunction with TPCL (24.5%) and Marlborough Lines Limited (51%).

InverNet

EIL established InverNet to develop a fibre optic ring around Invercargill that connects PowerNet's offices and control room and EIL's substations in this region. The new fibre connects to existing fibre optic cables owned by the Invercargill City Council and to exchange equipment owned by Venture Southland. The network will provide high capacity installation interconnections servicing the above three parties.

EIL continues to seek further opportunities with its joint venture partners in the interest of its stakeholders.

The **Year in Review**

EIL continued to look to invest in the future, with the start of two large electricity infrastructure projects for the network. The decision was made by the Board to replace the Doon Street Zone Substation with a new, state-of-the-art indoor substation located at Spey Street. This project is now well advanced, with the securing of both planning approvals and long lead time transformers and switchgear for the new substation. In addition, the new 33kV underground cable from the new Spey Street site to the Invercargill grid exit point has also started. It is anticipated these two large projects will be completed over the coming 12 months, providing improved security of supply and redundancy for the network.

Significant progress was made during the year for the development of the smart meter project. It is anticipated that the project will move to the implementation stage during 2013/2014. This is a very exciting opportunity for EIL and its customers.

Operational Performance

The EIL network expenditure on technical and distribution maintenance was $1.8 million (2012: $1.4 million). EIL capital expenditure reached $3.8 million for 2013, driven by the new substation and 33kV cable projects. The following major projects were undertaken on the EIL network by PowerNet during the year.

Project	Approximate Expenditure
Doon Street Zone Substation Transformer Replacement	$1,436,000
Distribution Transformer Replacements	$800,000
Spey Street New Substation	$749,000
Invercargill Transpower Substation to Spey Street Zone Substation - New 33kV Cable	$671,000
Queens Drive 11kV Cable Upgrade	$404,000
New Customer Connections	$324,000

EIL's System Average Interruption Duration Index (SAIDI) of 31.79 minutes was well below the Commerce Commission Reliability Limit of 45.65. The System Average Interruption Frequency Index (SAIFI) figure for EIL of 0.33 times was below the Commerce Commission Reliability Limit of 1.13.

PowerNet, on behalf of EIL, continues to work with the Commerce Commission (the Commission) on the quality boundary calculation for EIL under the Default Price Quality Path. This network is one of the most reliable in New Zealand. However, due to the "major event day" methodology adopted by the Commission, the reliability limit for EIL has been exceeded for both 2010/2011 and 2011/2012. While concerns remain regarding the quality boundary calculation, it was very pleasing that the 2012/2013 performance was well under the regulatory limits.

The **Year in Review** *continued*

Murray Cunningham - Power Services Ltd and Peter Eastwood - PowerNet

The Business Plan target and actual SAIFI and SAIDI reliability indices are shown below:

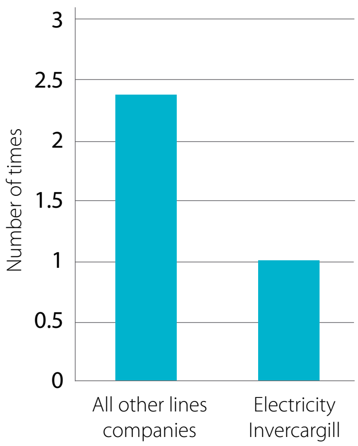
SAIFI – System Average Interruption Frequency Index (the average number of times each year that each customer connected to the network is without supply)

Business Plan Target	Actual
0.77	0.33

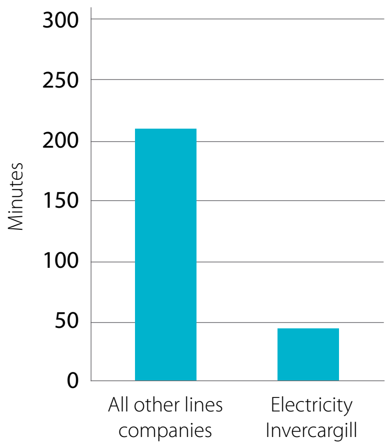
SAIDI – System Average Interruption Duration Index (the average total time in minutes each year that each customer connected to the network is without supply)

Business Plan Target	Actual
40.06 minutes	31.79 minutes

Average SAIFI result for all New Zealand lines companies compared to EIL during 2009 - 2012



Average SAIDI result for all New Zealand lines companies compared to EIL during 2009 - 2012



As illustrated above, the EIL network is one of the most reliable networks in the country.

The Regulatory Environment

EIL continues to be concerned with the costly and time consuming requirements of the Information Disclosure (ID) Determination which was released by the Commission in October 2012. In particular, the increase in compliance and audit costs associated with respect to low level inputs such as all unplanned fault data being provided in ID. A high level outputs based approach to ID, supplemented with data requests, would satisfy the data requirements of the Commission to meet their responsibility of monitoring and analysing the performance of electricity lines businesses.

Audit costs for EIL were in excess of $90,000 for 2012 and 2013, costs that were in the region of $30,000 before the commencement of the current regulatory regime.

EIL is also concerned about the constricting impact of the related party section of the Commission's ID Determination on its ability to carry out its commercial and arms-length activities, particularly the PowerNet network management joint venture with The Power Company Limited. There is a risk that the changes will result in cost increases and eliminate efficiency gains from the various joint venture structures that have been put in place for commercial and geographical reasons in Southland.

The reset of all regulated lines businesses price or Starting Price Adjustments (SPAs) took place in November 2012. As expected EIL's and the OtagoNet Joint Ventures' prices were adjusted by a small amount by the Commission with a 3% and 2% increase respectively. It is interesting to note that despite perceptions of monopolistic behaviours amongst lobby groups, the overall price resets across the sector averaged 1% and was less than the cost of operating the regulatory regime.

EIL continues to have concerns around the overlapping requirements of the Commission and the Electricity Authority (EA). Communication between the two regulatory bodies appears very opaque to an outside observer. This is particularly evident in duplication in the line pricing methodology requirements of the two regulatory bodies.

The **Year in Review** *continued*

Financial Performance

The Group net surplus after tax for the year ended 31 March 2013 of $5.842 million (2012 - $5.445 million) is higher than last year predominately due to a $0.582 million reduction in the level of asset write downs.

The net surplus before tax was below the target by $989,000 due to warmer weather reducing line charge revenue and overhead recoveries being below budget due to consent delays with the Spey Street Substation capital programme. However the Group net surplus after tax of $5.842 million is in line with the target of $5.899 million mainly due to a lower than budgeted taxation expense.

The Company provided for an increased dividend of $5.200 million (2012 – $4.700 million).

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 operating results supported by the strong financial position and operating cashflow, has the Company well positioned for the future.

The consolidated result for the Group is:

	31 March 2013 $000	31 March 2012 $000
Operating Surplus before Tax	7,511	7,191
Less Taxation Expense	(1,669)	(1,746)
Net Surplus after Taxation	5,842	5,445

Acknowledgements

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

The Directors acknowledge the ongoing partnership with The Power Company which is continuing to reap benefits for both Companies. In addition, the Directors acknowledge the valuable 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
Chair

Philip Mulvey
Director

Our **Community**

Asset management plan

PowerNet again prepared the EIL Asset Management Plan (AMP) which provides detail on EIL's assets and how they are managed to provide a reliable electricity supply and service to the Company's customers and stakeholders over the next ten years.

The maximum demand on the network has increased about 1.1% per annum over the last 10 years with energy consumption increasing by about 0.8% per annum.

The network will be strengthened to meet this expected growth with reviews of loadings at zone substations used to trigger actual projects. The focus over the short to medium term is the completion of the following initiatives:

- New Spey Street Substation (upsize and relocation of Doon Street Substation).
- New 33kV cable to Spey Street.
- Paralleling, extension and condition assessment of 33kV oil-filled cables.
- Refurbish ex-Doon Street transformer and install as second unit at Southern Substation.
- Southern Substation 11kV switchboard replacement.
- Renew underground substations in the Invercargill CBD.
- Refurbish zone substation transformers (three units).
- Seismic strengthening work at zone and distribution substations.
- Neutral earthing resistor (NER) installations {earthing safety}.
- Queens Drive cable relocations.

These projects will provide the additional capacity required and contribute to maintaining network reliability and safety. Additional work over the ten year planning period aimed at maintaining service levels will include:

- Improving safety at zone substations and on the distribution network.
- Upgrading areas to maintain acceptable voltages.
- Renewing aging and underperforming assets.
- Meeting customer and distributed generator requests for new connections.
- Improving efficiency of the network by up-sizing of assets that have high losses and exchanging overloaded distribution transformers with currently installed under-utilised units.
- Extending remote monitoring and control to field devices.

Renewals of transformers, ring main units and pillar boxes are expected to have a significant on-going cost.

Capital expenditure is predicted to vary each year with $6.68 million in 2013/2014, $4.04 million in 2014/2015 before reducing to $2.20 million in 2015/2016 and out to $2.65 million in 2022/2023.

The EIL AMP can be viewed at www.powernet.co.nz/eil-amp.

Community support

EIL continued to promote Invercargill activities through the erection of the Invercargill City Christmas lights and funding for the Southland Warm Homes Trust for insulation and heating installations.

Invercargill City Christmas Lights

EIL contracts Power Services to erect and maintain the lights for the City and Bluff. The lights are a feature of the central business district during December and January each year.

Southland Warm Homes Trust

The Southland Warm Homes Trust (SWHT) was formed in 2008 by Electricity Invercargill Limited and the Southland Power Trust. The SWHT, in association with the Energy Efficiency and Conservation Authority (EECA) and other funders, offers support for warmer, healthier homes by providing insulation and heating assessments and retrofits for Southland homes.

The Trust offers support and a range of subsidies to Southland home owners and landlords to enable warmer, healthier homes. The Trust provides subsidies for heating assessments as well as insulation and heating retrofits. The project not only benefits the residents of these houses but also contributes to reducing generation demand and network investment.

In its fourth year to June 2012 the SWHT completed 1,607 assessments (2011: 1,828 assessments), 913 insulation fit-outs (2011: 1,046) and 113 heating upgrades (2011: 155) through its service provider Awarua Synergy. Over twenty jobs have been established in Southland and revenue of $4.0 million (2011: $4.9 million) was generated through the Trust.

The Trust's model has been commended by EECA as the most successful in New Zealand. EECA has backed up its confidence in the Trust with continued funding for the year ended June 2013. The Trust is forecasting revenue of $4 million in the year to 30 June 2013.

The successful operation of the Trust has only been possible with the support of PowerNet and financial contributions from the Company and the Southland PowerTrust together with community funding from the ILT Foundation, the Invercargill Licensing Trust, the Community Trust of Southland, local councils and primary health organisations.

Directors' **Profiles**

Neil Boniface (Chair) JP

Neil is a Director of PowerNet Limited, Member of the OtagoNet Joint Venture Governing Committee, an Invercargill City Councillor and Chairman of Council's Finance and Policy Committee and Chairman of the Southland Warm Homes Trust.

He operates a Driving School business in Southland and also serves on several charitable trusts.

Neil is a Member of the Institute of Directors.

Thomas Campbell BSc (Metallurgy)

Tom is a former Managing Director of Comalco and General Manager of the Tiwai Smelter who now works as an independent company director.

His directorships include Todd Corporation, Standards NZ and PowerNet Limited, as well as being the Chair of both GNS Science and the Energy Efficiency and Conservation Authority (EECA).

Tom is an Accredited Fellow of the Institute of Directors.

Darren Ludlow

Darren has been a Director of Electricity Invercargill Limited since November 2010.

He is a fourth-term Invercargill City Councillor and the City's Deputy Mayor. Darren is a trustee for several community groups and Chairs the Southland Museum & Art Gallery Trust Board and the Southland Art Foundation.

He has worked in the media and communications industries for 25 years and currently manages Radio Southland.

Philip Mulvey BCom CA

Philip joined the Board of Electricity Invercargill Limited on 1 February 2001.

In October 2011 Phil was appointed NZ Chief Executive of WHK (NZ) Limited. Previously he was Chief Executive of WHK, Southern.

Philip also holds a number of directorships, including PowerNet Limited.

He is an Accredited Member of the Institute of Directors.

Ross Smith BCom

Ross joined the Board of Electricity Invercargill Limited in November 2003. He is Chief Executive of SBS Bank, the only member owned Building Society with Bank Registration in New Zealand.

Ross is also a Director of SBS Bank, Finance Now Limited, Funds Administration NZ Limited, Southsure Assurance Limited, PowerNet Limited, Power Services Limited and Peak Power Services Limited.

Directors' **Report**

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2013.

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 $5,842,000. A dividend of $5,200,000 has been declared payable in August and November 2013 and March 2014. The dividend will be imputed at 28%.

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	Councillor
	Invercargill Venue & Events Management Ltd	Director
	OtagoNet Joint Venture	Member, Governing Committee
	OtagoNet Ltd	Director
	OtagoNet Properties Ltd	Director
	PowerNet Ltd	Director
	Pylon Ltd	Director
	Southland Driving School	Director
	Southland Warm Homes Trust	Trustee
Thomas Campbell		
	Electricity Southland Ltd	Director
	Energy Efficiency & Conservation Authority	Chair
	GNS Science Ltd	Chair
	NZ Standards Council	Director
	PowerNet Ltd	Director
	Pylon Ltd	Director
	Todd Corporation Ltd	Director
Darren Ludlow		
	Invercargill City Council	Deputy Mayor
	Invercargill Community Recreation & Sports Trust	Trustee
	Pylon Ltd	Director
	Radio Southland	Manager
	Southland Art Foundation	Trustee
	Southland Museum & Art Gallery	Trustee
Philip Mulvey		
	Electricity Southland Ltd	Deputy Chair
	Forest Dynamics Ltd	Director
	Otago Cricket Association	Director
	PowerNet Ltd	Deputy Chair
	Pylon Ltd	Director
	Southland Cricket Association	Chair
	Southland Outdoor Stadium Trust	Trustee
	WHK	Chief Executive
	WHK Cook Adam Ltd	Director
	WHK (New Zealand) Ltd	Director
	Zak Holdings Ltd	Chair
Ross Smith		
	Electricity Southland Ltd	Director
	Finance Now Ltd	Director
	Fraser Properties Ltd	Director
	Funds Administration NZ Ltd	Director
	Peak Power Services Ltd	Chair
	PowerNet Ltd	Director
	Power Services Ltd	Chair
	Pylon Ltd	Director
	Southland Building Society	Director, Chief Executive Officer
	Southsure Assurance Ltd	Director

Directors' **Report** *continued*

Remuneration of Directors

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

Neil Boniface	-	Chair
Thomas Campbell	-	Director
Darren Ludlow	-	Director
Philip Mulvey	-	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	$45,000
Thomas Campbell	$25,000
Darren Ludlow	$25,000
Philip Mulvey	$25,000
Ross Smith	$25,000

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	$22,000
Thomas Campbell	$22,000
Philip Mulvey	$31,625
Ross Smith	$22,000

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.

Neil Boniface
Chair

Philip Mulvey
Director

Approval by Directors

The Directors have approved for issue the Financial Statements of Electricity Invercargill Limited for the year ended 31 March 2013 on pages 10 to 37.

Neil Boniface
Chair

Philip Mulvey
Director

For and on behalf of the Board of Directors

27 June 2013

Statement of **Service Performance**

For the year ended 31 March 2013

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 2013 $000	Year Ended 31 March 2013 $000	Year Ended 31 March 2012 $000
Financial Measures			
Operating Surplus Before Tax	8,500	7,511	7,191
Operating Surplus After Tax	5,899	5,842	5,445
Earnings Before Interest and Tax to Total Assets (EBIT%)	7.33%	6.97%	6.76%
Return on Equity %	6.77%	7.06%	6.63%
Equity to Total Assets %	66.12%	66.54%	66.38%

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	40.06	31.79	63.63

System Average Interruption Frequency Index (SAIFI)

The average number of times each customer connected to the network is without supply.

SAIFI	0.77	0.33	1.29

Other Network Reliability Performance Measures

Total number of interruptions		21	47
Faults per 100km of line		5.43	12.84

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	55 km	51 km
Length of underground cable	603 km	603 km
Transformer capacity MVA	150	148
Maximum demand kW	66,738	68,600
Energy into network GWh	279	286
Total consumers	17,236	17,243

Statements of **Financial Performance**

For the year ended 31 March 2013

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Operating Revenue	(2)	27,303	25,591	10,276	9,947
Other Income	(2)	1,697	1,688	2,233	1,857
Operating Expenses	(3)	(20,845)	(19,638)	(5,076)	(5,405)
Finance Costs	(3)	(1,167)	(1,170)	(1,163)	(1,168)
Share of Profit of Associates	(8)	523	720	-	-
Operating Surplus Before Taxation	(4)	**7,511**	**7,191**	**6,270**	**5,231**
Less Taxation Expense					
- Current	(4)	(1,930)	(2,078)	(1,264)	(1,293)
- Deferred	(4/16)	261	332	317	426
Net Surplus After Taxation		**5,842**	**5,445**	**5,323**	**4,364**

Statements of **Comprehensive Income**

For the year ended 31 March 2013

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Net Surplus After Taxation	**5,842**	**5,445**	**5,323**	**4,364**
Other Comprehensive Income				
- Revaluation	-	6,666	-	6,666
Other Comprehensive Income	**-**	**6,666**	**-**	**6,666**
Total Comprehensive Income	**5,842**	**12,111**	**5,323**	**11,030**

Statements of **Changes In Equity**

For the year ended 31 March 2013

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Total Comprehensive Income					
Net Surplus for the Year		5,842	5,445	5,323	4,364
Other Comprehensive Income		-	6,666	-	6,666
		5,842	12,111	5,323	11,030
Distributions to Shareholders					
Dividend Paid/Declared		(5,200)	(4,700)	(5,200)	(4,700)
		(5,200)	(4,700)	(5,200)	(4,700)
Changes in Equity for the Year		**642**	**7,411**	**123**	**6,330**
Equity at Beginning of Year		**82,154**	**74,743**	**75,013**	**68,683**
Equity at End of Year	(5)	**82,796**	**82,154**	**75,136**	**75,013**

The accompanying notes on pages 14 to 37 form part of and should be read in conjunction with these financial statements.

Statements of **Financial Position**

As at 31 March 2013

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
Equity					
Share Capital	(5)	13,000	13,000	13,000	13,000
Reserves	(5)	27,180	27,313	20,267	20,400
Retained Earnings	(5)	42,616	41,841	41,869	41,613
Total Equity		82,796	82,154	75,136	75,013
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	2,082	2,641	2,497	2,500
Receivables and Prepayments	(7)	2,499	2,477	554	1,029
Inventories		88	95	-	-
Construction Work in Progress		-	24	-	-
Total Current Assets		4,669	5,237	3,051	3,529
Non Current Assets					
Investments in Associates	(8)	7,716	7,426	1,174	1,174
Investment in Subsidiary	(9)	-	-	30,273	30,431
Investments in Joint Ventures	(10)	-	-	2,050	1,330
Property, Plant and Equipment	(11)	109,009	107,814	74,110	73,878
Capital Work in Progress		2,920	3,121	1,829	1,879
Intangibles	(12)	112	158	-	-
Total Non Current Assets		119,757	118,519	109,436	108,692
Total Assets		124,426	123,756	112,487	112,221
Current Liabilities					
Creditors and Accruals	(13)	2,649	2,712	2,303	2,277
Employee Entitlements	(14)	157	159	-	-
Dividend Payable		5,200	4,700	5,200	4,700
Income Tax Payable		384	530	316	381
Shareholder Advance	(15)	-	-	-	-
Total Current Liabilities		8,390	8,101	7,819	7,358
Non Current Liabilities					
Shareholder Advance	(15)	16,000	16,000	16,000	16,000
Deferred Tax Liabilities	(16)	17,240	17,501	13,532	13,850
Total Non Current Liabilities		33,240	33,501	29,532	29,850
Total Liabilities		41,630	41,602	37,351	37,208
Net Assets		82,796	82,154	75,136	75,013

The accompanying notes on pages 14 to 37 form part of and should be read in conjunction with these financial statements.

Statements of **Cash Flows**

For the year ended 31 March 2013

		GROUP		PARENT	
	Note	2013 $000	2012 $000	2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		28,827	26,724	10,852	9,755
Interest Received		150	270	208	318
Dividends Received		233	220	1,862	1,507
Taxation Refunds		29	2	-	-
		29,239	27,216	12,922	11,580
Cash Was Disbursed To:					
Payments to Suppliers and Employees		15,137	13,323	1,082	703
Income Tax Paid		2,104	1,987	1,330	1,200
Interest Paid		1,237	1,105	1,299	1,182
GST Paid/(Received)		37	6	37	(99)
		18,515	16,421	3,748	2,986
Net Cash Flows From Operating Activities	(17)	10,724	10,795	9,174	8,594
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Sale of Property, Plant and Equipment		68	47	63	38
Associates Advances Repaid		-	2,250	1,703	4,571
		68	2,297	1,766	4,609
Cash Was Applied To:					
Purchase of Property, Plant and Equipment		6,651	6,474	3,978	4,060
Investments in Associates		-	2,042	-	-
Advances to Associates		-	-	2,265	4,270
		6,651	8,516	6,243	8,330
Net Cash Flows Used in Investing Activities		(6,583)	(6,219)	(4,477)	(3,721)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Applied To:					
Dividend Payment		4,700	4,500	4,700	4,500
Repayment of Shareholder Advance		-	2,000	-	2,000
Net Cash Flows Used in Financing Activities		(4,700)	(6,500)	(4,700)	(6,500)
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(559)	(1,924)	(3)	(1,627)
Add Opening Cash Brought Forward		2,641	4,565	2,500	4,127
Closing Cash and Cash Equivalents Carried Forward	(6)	2,082	2,641	2,497	2,500

The accompanying notes on pages 14 to 37 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 2013

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 27 June 2013.

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:

- Intangibles
- 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.

Every five years, the company obtains a valuation of their electricity distribution network, determined by independent valuers, in accordance with their accounting policy. The valuation of the Company's electricity distribution network was performed as at 1 April 2011. The best evidence of fair value is discounted cash flow methodology. The major assumptions used include discount rate, growth rate and future cash flows. Changes in future cash flows arising from changes in regulatory review may result in the fair value of the electricity distribution network being different from previous estimates.

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 CGUs and the amounts of employee entitlements.

New Standards Adopted

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2012;

Financial Reporting Standard No. 44 *New Zealand Additional Disclosures* (FRS-44) (approved April 2011)

This standard was approved in April 2011 and is effective for the financial statements issued for the accounting periods beginning on or after 1 July 2011.

This standard sets out New Zealand-specific disclosures for entities that have adopted New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). The Standard supports the objective of harmonising financial reporting standards in Australia and New Zealand.

Application of this standard has not had a material impact on the Company and Group since the required disclosures are already included in these financial statements.

Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards (Harmonisation Amendments) (approved April 2011)

The Financial Reporting Standards Board (FRSB) issued the Harmonisation Amendments for the purpose of harmonising Australian and New Zealand Standards with source IFRS's to eliminate many of the differences between the Standards for profit-oriented entities applying IFRS's as adopted in Australia and New Zealand. The standard is effective for annual periods beginning on or after 1 July 2011.

Application of this standard has not had a material impact on the Company and Group since the required disclosures are already included in these financial statements.

Standards or Interpretations not yet Effective

Various standards, amendments and interpretations have been issued by the External Reporting Board (XRB) but not yet adopted by Electricity Invercargill Limited as they are not yet effective.

NZ IFRS 9: Financial Instruments – Phase 1: Classification and Measurement

NZ IFRS 9 Phase 1 was issued in November 2009 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2015.

The new standard simplifies the classification criteria for financial assets, compared to the current requirements of NZ IAS 39, which results in a reduced number of categories of financial assets and some consequential amendments to disclosures required by NZ IAS 1 "Presentation of Financial Statements" and NZ IFRS 7 "Financial Instruments: Disclosures". The Company and Group's financial assets and liabilities currently fall into the category of "Loans" and "Receivables" within the NZ IAS 39 classification. If NZ IFRS 9 was adopted, these assets would fall into the definition of the category of "Financial assets and liabilities measured at amortised cost". However, their measurement and disclosure would not be affected. The Company and Group would not have any transactions to disclose under the NZ IAS 1 and NZ IFRS 7 disclosure requirements relating to gains or losses arising on derecognition of financial assets measured at amortised cost. This standard will be adopted when it is effective. There is no intention to adopt earlier.

Financial statement presentation – presentation of other comprehensive income (amendment to IAS1)

This amendment is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2014.

The amendment requires profit or loss and other comprehensive income (OCI) to be presented, either in a single continuous statement or in two separate but consecutive statements. There is little noticeable change from the current requirements. However, the format of the OCI section is required to be changed to separate items that might be recycled from items that will not be recycled. The changes do not effect the measurement of net profit or earnings per share; however, they change the way items of OCI are presented.

This amendment has minimal effect on the Company and Group as they currently have only one immaterial other comprehensive income transaction. This standard will be adopted when it is effective. There is no intention to adopt earlier.

NZ IFRS 10: Consolidated Financial Statements (amendment from May 2011)

The amendment to NZ IFRS 10 from May 2011 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

The amendment builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

Application of this standard is not expected to have a material effect on the entities consolidated in the Electricity Invercargill Limited Group. This standard will be adopted when it is effective. There is no intention to adopt earlier.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

NZ IFRS 13: Fair Value Measurement (amendment from May 2011)

The amendment to NZ IFRS 13 from May 2011 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

The standard provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

Application of this standard is not expected to have a material effect on the Company or Group. This standard will be adopted when it is effective. There is no intention to adopt earlier.

IAS 28: Investments in associates and joint ventures

This amendment to IAS 28 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate and vice versa. The amendment also introduces a "partial disposal" concept. This amendment is expected to have a minimal effect on the Company and Group as they currently do not expect to have any changes in ownership.

IFRS 11 Joint Ventures

The new standard is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

A distinction has been made between joint ventures and joint operations. The proposals require the accounting to reflect the contractual rights and obligations agreed by the parties. Therefore, a venture recognises the individual assets to which it has rights and the liabilities for which it is responsible regardless of the legal form of the joint arrangement. If a venture only has a right to a share of the outcome of the activities of the joint arrangement (that is, a joint venture), this interest is recognised using the equity method. The option to apply the proportional consolidation method when accounting for jointly controlled entities has been removed.

Accounting for joint arrangements is not driven by the legal form in which the activities take place. The accounting that applies to a joint arrangement in certain circumstances is similar to the accounting that might have applied using proportionate consolidation under the current IAS 31.

The new standard is expected to have a large impact on the Company and Group as they have joint venture arrangements that are accounted for using the proportional consolidation method. As at the issue date of these financial statements the extent of these changes is unknown.

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 profit and loss 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 of 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 profit and loss and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in the profit and loss using the effective interest method, unless they are directly related to the construction of a qualifying asset, when they are capitalised.

d) Inventories

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

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 including borrowing 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 profit and loss 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 five years, based on discounted cash flow 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 profit and loss, in which case the increase is credited to the profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense in the profit and loss 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.

Notes to and Forming part of the Financial Statements
For the year ended 31 March 2013

(ii) Depreciation

Depreciation is charged to the profit and loss 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 – 80.4%	Straight Line/Diminishing Value
EDP Hardware	20.0 – 48.0%	Straight Line/Diminishing Value
Motor Vehicles	15.6 – 36.0%	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 profit and loss, 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 profit and loss.

(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 profit and loss 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 profit and loss 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 Good 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 profit and loss, 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 Profit and loss

Financial assets at fair value through the profit and loss 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 profit and loss 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 profit and loss' category, including interest and dividend income, are presented in the profit and loss within other income or other expenses in the period in which they arise.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

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 profit and loss 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.

2. Income

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Operating Revenue				
- Network Charges	27,287	25,583	10,261	9,939
- Fibre Charges	16	8	15	8
Other Income				
- Interest Revenue	175	277	214	310
- Dividends Received	-	-	1,862	1,507
- Other Income	1,522	1,411	157	40
Total Income	**29,000**	**27,279**	**12,509**	**11,804**

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

3. Expenses

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Expenses Include:				
Amortisation of Intangibles	110	126	-	-
Auditors' Remuneration:				
Audit of Financial Report				
- PricewaterhouseCoopers	56	47	39	31
- Deloitte	9	7	-	-
Other Services				
- PricewaterhouseCoopers	69	79	51	63
- Deloitte	7	6	-	-
Bad Debts Written Off	3	3	-	-
Depreciation				
- Buildings	20	20	-	-
- Office Equipment and EDP Hardware	55	78	-	-
- Plant and Equipment	37	42	-	-
- Motor Vehicles	4	9	-	-
- Fibre Assets	33	12	33	12
- Metering Assets	349	364	349	364
- Network Assets	4,783	4,717	3,115	3,074
Total Depreciation	5,281	5,242	3,497	3,450
Directors' Fees	276	266	145	135
Donations	2	1	-	-
Employee Benefit Expenses	2,168	1,922	-	-
Interest Expense	1,167	1,170	1,163	1,168
Loss on Disposal of Property, Plant and Equipment	242	824	235	798
Network Costs	3,253	2,941	-	-
Operating Lease Expenses:				
- Tenancy and Repeater Site Leases	58	55	-	-
- Motor Vehicle Leases	84	57	-	-
- Office Equipment Leases	9	9	-	-
- Transpower Leases	442	492	-	-
Scholarships and Awards	-	2	-	-
Subvention Payment	-	294	-	-
Transmission Costs	6,882	5,660	-	-

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

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	2013 $000	2012 $000	2013 $000	2012 $000
Operating Surplus Before Income Tax		**7,511**	**7,191**	**6,270**	**5,231**
Income Not Taxable					
- Exempt Dividends Received		-	-	(1,862)	(1,507)
- Equity Accounting Earnings of Associates		(523)	(720)	-	-
Loss Offset (Utilised)		(1,000)	(1,000)	(1,000)	(1,000)
Expenses not Deductible		(29)	(50)	(26)	(2)
Taxable Income		5,959	5,421	3,382	2,722
Prima Facie Taxation at 28%		1,669	1,518	947	762
Made up of:					
Current Tax		1,923	1,850	1,263	1,188
Deferred Tax	(16)	(254)	(332)	(316)	(426)
		1,669	1,518	947	762
Under/(Over) Provisions in Prior Years					
Current Tax		7	228	1	105
Deferred Tax		(7)	-	(1)	-
Taxation Expense for Year		**1,669**	**1,746**	**947**	**867**
Effective Tax Rate		22.2%	24.3%	15.1%	16.6%

Tax Losses Transferred Within the Group

The current tax expense is calculated on the assumption that:

Tax losses of $1,000,000 (2012: $1,000,000) with a tax benefit of $280,000 (2012: $280,000) have been transferred from Invercargill City Holdings Limited Group by way of Group loss offset.

	PARENT	
	2013 $000	2012 $000
Imputation Credit Account		
Credit Balance at Beginning of Year	904	630
Credits:		
Income Tax Payments During Year	1,339	1,462
Imputation Credits on Dividend Received	767	586
Adjustment for prior year (tax payments made)	15	-
Debits:		
Imputation Credits on Dividend Paid	(1,891)	(1,500)
Income Tax Refund During Year	(6)	(274)
Credit Balance at End of Year	**1,128**	**904**

The Imputation Credit Account relates to Electricity Invercargill Limited.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

5. Equity

The authorised and issued share capital comprises 13 million ordinary shares (2012: 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		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $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	24,513	17,989	17,600	11,076
Revaluation	-	6,666	-	6,666
Revaluation Write Downs due to Asset Disposal	(133)	(142)	(133)	(142)
Closing Balance	24,380	24,513	17,467	17,600
Total Reserves	**27,180**	**27,313**	**20,267**	**20,400**
Retained Earnings				
Opening Balance	41,841	40,954	41,613	41,807
Net Surplus	5,842	5,445	5,323	4,364
Revaluation Write Downs due to Asset Disposal	133	142	133	142
Dividend Declared/Paid	(5,200)	(4,700)	(5,200)	(4,700)
Total Retained Earnings	**42,616**	**41,841**	**41,869**	**41,613**
Total Equity	**82,796**	**82,154**	**75,136**	**75,013**

	Cents per Share	Cents per Share
Dividend per Share	40.0	36.1

6. Cash and Cash Equivalents

Current Account	(42)	50	47	40
Bank Deposits (Short Term)	2,124	2,591	2,450	2,460
Total Cash and Cash Equivalents	**2,082**	**2,641**	**2,497**	**2,500**

7. Receivables and Prepayments

Trade Debtors	2,388	2,387	538	1,013
Prepayments	111	90	16	16
Total Receivables and Prepayments	**2,499**	**2,477**	**554**	**1,029**

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 2% of the Group's trade receivables (Parent: 0%) were 30-90 days passed due, 5% 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

For the year ended 31 March 2013

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
Peak Power Services Limited	NZ	25%	31 March

On 21 February 2012, Power Services Limited, an associate of the Group, acquired a 51% shareholding in Peak Power Services Limited, a lines contracting business. Because the Group has a 49% shareholding in Power Services Limited it is therefore deemed to have a 25% interest in Peak Power Services Limited.

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

	GROUP	
	2013 $000	2012 $000
Share of Surplus Before Taxation	725	1,020
Less Taxation Expense	(202)	(300)
Total Recognised Revenues and Expenses	**523**	**720**

The Group's interests in associate entities are as follows:

Carrying Amount at Beginning of Year	7,426	7,132
Investments in Associates	-	2,250
Total Recognised Revenues and Expenses	523	720
Increase (Decrease) in Advances to Associates	-	(2,250)
Dividends Received/Declared	(233)	(426)
Carrying Amount at End of Year	**7,716**	**7,426**

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

Revenue	24,066	21,428
Expenses	(22,318)	(19,386)
Profit/(Loss)	**1,748**	**2,042**
Current Assets	6,023	7,154
Non Current Assets	19,644	18,197
Current Liabilities	(3,431)	(4,103)
Non Current Liabilities	(7,038)	(6,849)

The Parent's advances to associates are as follows:

	PARENT	
	2013 $000	2012 $000
Advances to Associates	**1,174**	**1,174**

The advances are repayable on demand, but with a 13 month period of notice. The advances incur interest at 2.00% above the 90 day bank bill rate.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

9. Investment in Subsidiary

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

	Percentage Held By Group		
	2013	2012	Balance Date
Pylon Limited	100%	100%	31 March

	PARENT	
	2013 $000	2012 $000
Shares in Subsidiary	26,901	26,901
Advance to Subsidiary	3,372	3,530
Total Investment in Subsidiary	**30,273**	**30,431**

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

10. Investment 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	2013	2012	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:

	2013 $000	2012 $000
Revenue	28,663	26,968
Expenses	(15,639)	(14,178)

Financial Position

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

	2013	2012
Current Assets	1,617	1,503
Non Current Assets	36,004	35,420
Current Liabilities	(2,417)	(2,421)
Non Current Liabilities	-	-
Net Assets Employed in Joint Venture	**35,204**	**34,502**

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

	PARENT	
	2013 $000	2012 $000
Advances to Joint Ventures	**2,050**	**1,330**

The advances are repayable on demand, but with a 13 month period of notice. The advances incur interest at 2.00% above the 90 day bank bill rate.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

11. Property, Plant and Equipment

	PARENT				
	Network Assets $000	Meters $000	Fibre $000	Buildings $000	Total $000
Cost or Valuation					
Balance at 1 April 2011	71,518	4,487	171	-	76,176
Revaluation	(164)	-	-	-	(164)
Additions	3,087	71	682	12	3,852
Disposals	(847)	-	-	-	(847)
Balance at 31 March 2012	**73,594**	**4,558**	**853**	**12**	**79,017**
Balance at 1 April 2012	73,594	4,558	853	12	79,017
Additions	3,766	102	160	-	4,028
Disposals	(331)	-	-	-	(331)
Balance at 31 March 2013	**77,029**	**4,660**	**1,013**	**12**	**82,714**
Depreciation and Impairment Losses					
Balance at 1 April 2011	9,423	1,699	-	-	11,122
Effect of Revaluation	(9,423)	-	-	-	(9,423)
Depreciation for Year	3,074	364	12	-	3,450
Impairment Losses	-	-	-	-	-
Disposals	(10)	-	-	-	(10)
Balance at 31 March 2012	**3,064**	**2,063**	**12**	**-**	**5,139**
Balance at 1 April 2012	3,064	2,063	12	-	5,139
Depreciation for Year	3,115	349	33	-	3,497
Impairment Losses	-	-	-	-	-
Disposals	(32)	-	-	-	(32)
Balance at 31 March 2013	**6,147**	**2,412**	**45**	**-**	**8,604**
Carrying Amount/Book Value					
Book Value 31 March 2012	**70,530**	**2,495**	**841**	**12**	**73,878**
Book Value 31 March 2013	**70,882**	**2,248**	**968**	**12**	**74,110**

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

31 March 2012	*45,748*	*2,495*	*841*	*12*	*49,096*
31 March 2013	*46,100*	*2,248*	*968*	*12*	*49,328*

GROUP

	Land $000	Buildings $000	Plant and Equipment $000	Motor Vehicles $000	Network Assets $000	Meters $000	Fibre $000	Total $000
Cost or Valuation								
Balance at 1 April 2011	54	504	547	35	106,441	4,487	171	112,239
Revaluation	-	-	-	-	(164)	-	-	(164)
Additions	-	17	54	-	4,735	71	682	5,559
Disposals	-	-	-	(4)	(886)	-	-	(890)
Balance at 31 March 2012	**54**	**521**	**601**	**31**	**110,126**	**4,558**	**853**	**116,744**
Balance at 1 April 2012	54	521	601	31	110,126	4,558	853	116,744
Revaluation	-	-	-	-	-	-	-	-
Additions	-	13	66	-	6,397	102	160	6,738
Disposals	-	-	-	-	(343)	-	-	(343)
Balance at 31 March 2013	**54**	**534**	**667**	**31**	**116,180**	**4,660**	**1,013**	**123,139**
Depreciation and Impairment Losses								
Balance at 1 April 2011	-	72	374	15	11,034	1,699	-	13,194
Effect of Revaluation	-	-	-	-	(9,423)	-	-	(9,423)
Depreciation for Year	-	20	120	9	4,717	364	12	5,242
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	-	(2)	(57)	-	(24)	-	-	(83)
Balance at 31 March 2012	**-**	**90**	**437**	**24**	**6,304**	**2,063**	**12**	**8,930**
Balance at 1 April 2012	-	90	437	24	6,304	2,063	12	8,930
Effect of Revaluation	-	-	-	-	-	-	-	-
Depreciation for Year	-	20	92	4	4,783	349	33	5,281
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	-	(4)	43)	-	(34)	-	-	(81)
Balance at 31 March 2013	**-**	**106**	**486**	**28**	**11,053**	**2,412**	**45**	**14,130**
Carrying Amount/Book Value								
Book Value 31 March 2012	54	431	164	7	103,822	2,495	841	107,814
Book Value 31 March 2013	54	428	181	3	105,127	2,248	968	109,009

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

31 March 2012	*54*	*431*	*164*	*7*	*69,438*	*2,495*	*841*	*73,430*
31 March 2013	*54*	*428*	*181*	*3*	*70,743*	*2,248*	*968*	*`74,625*

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 to fair value using discounted cash flow methodology on 1 April 2011 by Ernst & Young, who is an independent valuer. This resulted in a revaluation movement of $9,259,000.

The following valuation assumptions were adopted;

- The free cash flows was based on the company's five year business plan and asset management plan adjusted for non-recurring or non-arms length transactions and for transactions that arise from expansionary growth in the network after the date of the valuation.
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 7.9%.
- The sustainable growth adjustment used was 0%.

The network assets of OtagoNet Joint Venture were revalued on 1 April 2010 by Sinclair Knight Merz (SKM) to depreciated replacement cost and were reviewed for impairment (in conjunction with goodwill) by Ernst & Young. This resulted in the Group recording a revaluation movement of $5,436,000, and goodwill being impaired to nil.

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.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

12. Intangible Assets

	GROUP			PARENT
	Software	Goodwill	Total	Software
	$000	$000	$000	$000
Cost				
Balance at 1 April 2011	**625**	**3,199**	**3,824**	**1**
Additions	18	-	18	-
Disposals	-	-	-	-
Balance at 31 March 2012	**643**	**3,199**	**3,842**	**1**
Balance at 1 April 2012	643	3,199	3,842	1
Additions	15	-	15	-
Disposals	-	-	-	-
Balance at 31 March 2013	**658**	**3,199**	**3,857**	**1**
Amortisation and Impairment Losses				
Balance at 1 April 2011	416	3,199	3,615	1
Amortisation for Year	126	-	126	-
Impairment Losses	-	-	-	-
Disposals	(57)	-	(57)	-
Balance at 31 March 2012	**485**	**3,199**	**3,684**	**1**
Balance at 1 April 2012	485	3,199	3,684	1
Amortisation for Year	110	-	110	-
Impairment Losses	-	-	-	-
Disposals	(49)	-	(49)	-
Balance at 31 March 2013	**546**	**3,199**	**3,745**	**1**
Carrying Amount/Book Value				
Book Value 31 March 2012	**158**	**-**	**158**	**-**
Book Value 31 March 2013	**112**	**-**	**112**	**-**

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, was stated at cost being the amount recorded under NZ FRS at transition date. Goodwill is not amortised but tested for impairment annually. Goodwill associated with the OtagoNet network assets was reviewed for impairment by Ernst & Young (E&Y) in conjunction with the 1 April 2010 network asset revaluation by Sinclair Knight Merz (SKM). SKM relying on the review by E&Y concluded that the Goodwill should be impaired to a nil value.

13. Creditors and Accruals

	GROUP		PARENT	
	2013	2012	2013	2012
	$000	$000	$000	$000
Trade Payables	1,563	936	1,565	697
Accruals	1,038	1,685	781	1,483
GST Payable (Receivable)	48	91	(43)	97
Total Creditors and Accruals	**2,649**	**2,712**	**2,303**	**2,277**

14. Employee Entitlements

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Balance at Beginning of Year		159	157	-	-
Additional Accrual		93	91	-	-
Amount Utilised		(95)	(89)	-	-
Balance at End of Year		**157**	**159**	**-**	**-**

Employee entitlements include 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.

15. Shareholder Advance

Invercargill City Holdings					
- Non Current Portion		16,000	16,000	16,000	16,000
Total Shareholder Advance		**16,000**	**16,000**	**16,000**	**16,000**

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 7.25% (2012: 7.29%)

16. Deferred Tax Liabilities

Balance at the Beginning of the Year		17,501	15,241	13,850	11,684
Charged to the Profit and loss	(4)				
- Temporary Difference Reversals - Depreciation		(339)	(405)	(353)	(433)
- Temporary Difference Reversals - Other		78	73	35	7
Charged to Equity					
- Effect of Revaluation		-	2,592	-	2,592
Balance at the End of the Year		**17,240**	**17,501**	**13,532**	**13,850**

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

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

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

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 Statement of Financial Performance and the Net Cash Flows From Operating Activities.

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Net Surplus After Taxation	5,842	5,445	5,323	4,364
Plus/(Less) Non Cash Items:				
Depreciation	5,281	5,242	3,497	3,450
Amortisation of Software	110	126	-	-
Deferred Taxation	(261)	(332)	(317)	(427)
Loss on Sale of Property, Plant and Equipment	242	824	235	798
Share of (Profit)/Loss of Associates	(290)	(502)	-	-
	5,082	5,358	3,415	3,821
Plus/(Less) Movements in Working Capital:				
Increase/(Decrease) in Payables and Accruals	(65)	188	26	575
(Increase)/Decrease in Receivables	(22)	(292)	476	(256)
(Increase)/Decrease in Inventories	32	4	-	-
Increase/(Decrease) in Provision for Taxation	(145)	92	(66)	90
	(200)	(8)	436	409
Net Cash Flows From Operating Activities	10,724	10,795	9,174	8,594

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	1,924	1,968	1,608	1,484
Total Capital Commitments	**1,924**	**1,968**	**1,608**	**1,484**
Operating Lease Commitments				
Operating lease commitments are payable as follows:				
- Not later than one year	535	543	-	-
- Later than one year and not later than two years	471	474	-	-
- Later than two years and not later than five years	1,306	923	-	-
- Later than five years	6,298	7,163	-	-
Total Operating Lease Commitments	**8,610**	**9,103**	**-**	**-**

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

19. Contingent Liabilities

The Company has a contingent liability as at 31 March 2013 of $860,000 (31 March 2012: $417,121). This liability relates to an agreement with Smart Co for the Company to provide a subordinated loan to Smart Co once a number of terms have been met.

Notes to and Forming part of the Financial Statements

For the year ended 31 March 2013

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 $2,165,000 (2012: $2,291,000) is owed by energy retailers at balance date.

The Company is exposed to a concentration of credit risk with regard to the amounts owing by related parties at balance date as disclosed in Note 22 Transactions with Related Parties. However, these entities are considered to be high credit quality entities.

The following liquidity tables show the Group and Parents maximum credit exposure 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 2013:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Year $000	Maturity Dates 1-3 Years $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,082	-	-	2,082
Trade and Other Receivables	2,384	4	-	2,388
Construction Work In Progress	-	-	-	-
	4,466	4	-	4,470
Financial Liabilities				
Trade Payables	1,563	-	-	1,563
Accruals	-	1,038	-	1,038
Advances	-	-	16,000	16,000
Dividend Payable	-	5,200	-	5,200
	1,563	6,238	16,000	23,801

The $16 million advance repayment arrangements are discussed in Note 15.

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For the year ended 31 March 2013

The following table details the Parent's exposure to liquidity risk as at 31 March 2013:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Year $000	Maturity Dates 1-3 Years $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,497	-	-	2,497
Trade and Other Receivables	534	4	-	538
Advances	-	-	6,596	6,596
	3,031	4	6,596	9,631
Financial Liabilities				
Trade Payables	1,565	-	-	1,565
Accruals	-	781	-	781
Advances	-	-	16,000	16,000
Dividend Payable	-	5,200	-	5,200
	1,565	5,981	16,000	23,546

Advances to associates, subsidiaries and joint venture, are repayable on demand but with a 13 month notice period. The $16 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 2012:

Financial Assets				
Cash and Cash Equivalents	2,641	-	-	2,641
Trade and Other Receivables	2,181	206	-	2,387
Construction Work In Progress	-	24	-	24
	4,822	230	-	5,052
Financial Liabilities				
Trade Payables	936	-	-	936
Accruals	-	1,685	-	1,685
Advances	-	-	16,000	16,000
Dividend Payable	-	4,700	-	4,700
	936	6,385	16,000	23,321

Advance repayment arrangements are discussed in Note 15. The above table includes principal repayments only, as interest payable is linked to a variable interest rate.

The following table details the Parent's exposure to liquidity risk as at 31 March 2012:

	Maturity Dates <1 Month $000	Maturity Dates < 1 Year $000	Maturity Dates 1-3 Years $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,500	-	-	2,500
Trade and Other Receivables	1,013	-	-	1,013
Advances	-	-	6,034	6,034
	3,513	-	6,034	9,547
Financial Liabilities				
Trade Payables	697	-	-	697
Accruals	-	1,483	-	1,483
Advances	-	-	16,000	16,000
Dividend Payable	-	4,700	-	4,700
	697	6,183	16,000	22,880

Advances to associates, subsidiaries and joint ventures, are repayable on demand but with a 13 month notice period. The $16 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 2013:

	Variable Interest Rate $000	Maturity Dates < 1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,082	-	-	2,082
Trade and Other Receivables	-	-	2,388	2,388
	2,082	-	2,388	4,470
Financial Liabilities				
Trade and Other Payables	-	-	2,601	2,601
Advances	16,000	-	-	16,000
	16,000	-	2,601	18,601

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For the year ended 31 March 2013

The following table details the Parent's exposure to interest rate risk as at 31 March 2013:

	Variable Interest Rate $000	Maturity Dates < 1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	2,497	-	-	2,497
Advances	3,224	-	3,372	6,596
Trade and Other Receivables	-	-	538	538
	5,721	-	3,910	9,631
Financial Liabilities				
Trade and Other Payables	-	-	2,346	2,346
Advances	16,000	-	-	16,000
	16,000	-	2,346	18,346

The following table details the Group's exposure to interest rate risk as at 31 March 2012:

Financial Assets				
Cash and Cash Equivalents	2,641	-	-	2,641
Trade and Other Receivables	-	-	2,387	2,387
	2,641	-	2,387	5,028
Financial Liabilities				
Trade and Other Payables	-	-	2,621	2,621
Advances	16,000	-	-	16,000
	16,000	-	2,621	18,621

The following table details the Parent's exposure to interest rate risk as at 31 March 2012:

Financial Assets				
Cash and Cash Equivalents	2,500	-	-	2,500
Advances	2,504	-	3,530	6,034
Trade and Other Receivables	-	-	1,013	1,013
	5,004	-	4,543	9,547
Financial Liabilities				
Trade and Other Payables	-	-	2,180	2,180
Advances	16,000	-	-	16,000
	16,000	-	2,180	18,180

Sensitivity Analysis for Interest Rate Change

The Group 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 $43,000 (2012: $48,000).

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.

Notes to and Forming part of the Financial Statements
For the year ended 31 March 2013

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 and Peak Power Services Limited through Power Services Limited.

All transactions between Electricity Invercargill Limited and related parties relate to the normal trading activities of Electricity Invercargill Limited.

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:

	2013 $000	2012 $000
Goods and Services Supplied to:		
PowerNet Limited (Joint Venture)	10,379	9,997
Electricity Southland Limited (Associate)	8	115
Otago Power Services Limited (Associate)	14	14
Power Services Limited (Associate)	33	34
Receivables Outstanding at Balance Date		
PowerNet Limited (Joint Venture)	509	965
Electricity Southland Limited (Associate)	2	28
Otago Power Services Limited (Associate)	3	3
Power Services Limited (Associate)	8	8
Goods and Services Supplied by:		
PowerNet Limited (Joint Venture)	4,171	3,860
Invercargill City Holdings Limited (Other Related Party)	1,313	1,318
Power Services Limited (Associate)	37	33
Creditors Outstanding at Balance Date		
PowerNet Limited (Joint Venture)	1,529	533
Invercargill City Holdings Limited (Other Related Party)	103	97
Power Services Limited (Associate)	-	13
Dividends Paid to:		
Invercargill City Holdings Limited (Other Related Party)	4,700	4,500
Dividends Paid by:		
Pylon Limited (Subsidiary)	1,862	1,507
Advances Provided to (Repaid by):		
PowerNet Limited (Joint Venture)	720	(120)
Electricity Southland Limited (Associate)	-	(2,250)
Pylon Limited (Subsidiary)	(158)	2,069
Advances Repaid to:		
Invercargill City Holdings Limited (Other Related Party)	-	2,000

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 and OtagoNet Joint Venture 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 $102,000 (2012: $121,000) of which $4,000 (incl GST) (2012: $4,000 (incl GST)) is owing at balance date.

Electricity Invercargill Limited Group's share of fees for taxation advice paid to WHK (of which Philip Mulvey is Chief Executive and Duncan Fea is a Principal.) during the year amounted to $6,000 (excl GST) (2012: $7,000 (excl GST)) of which $0 (incl GST) (2012: $0 (incl GST)) is owing at balance date.

All transactions between PowerNet Limited, OtagoNet Joint Venture, Electricity Invercargill Limited, AWS Legal and WHK relate to normal trading activities.

Electricity Invercargill Limited and OtagoNet Joint Venture have held term investments with SBS Bank of which Ross Smith is Chief Executive. Electricity Invercargill Limited received $91,000 interest (paid and accrued) during the year from SBS Bank (31 March 2012: $93,000) and holds term investments at balance date amounting to $2,450,000 (31 March 2012: $2,460,000).

Pylon Limited's share of OtagoNet Joint Venture's interest (paid and accrued) during the year from SBS Bank was $2,500 (31 March 2012: $2,200), and Pylon's share of OtagoNet Joint Venture's term investment with the SBS Bank at balance date amounting to $16,000 (31 March 2012: $22,000).

Key Management Personnel

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

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Salaries and Short-term Employee Benefits	777	801	145	135

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 which would materially affect these accounts.

Audit **Report**

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Independent Auditor's Report

To the Readers of Electricity Invercargill Limited and Group's Financial Statements and Statement of Service Performance For the year ended 31 March 2013

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 statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 11 to 37, that comprise the statements of financial position as at 31 March 2013, the statements of financial performance, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the financial measures within the statement of service performance of the company and group on page 10.

Opinion

Financial statements and the statement of service performance

In our opinion:
- the financial statements of the company and group on pages 11 to 37:
  - 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 2013; and
    - financial performance and cash flows for the year ended on that date;
- the financial measures within the statement of service performance of the company and group on page 10:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's achievements measured against the financial performance targets adopted for the year ended 31 March 2013.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 27 June 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and financial measures within the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and financial measures within the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and financial measures within the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and financial measures within the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and financial measures within the statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and financial measures within the statement of service performance; and
- the overall presentation of the financial statements and financial measures within the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and financial measures within the statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and financial measures within the statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our 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 External Reporting Board.

In addition to the audit, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008 and other regulatory requirements of the Commerce Act 1986, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

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


Peter Eastwood - PowerNet at Leven Street Substation

EIL Directors and PowerNet management at Leven Street Substation

Maisie and Rosie Finn and Tammy Young

Electricity Invercargill Limited

Ken McWilliam - Bond Contractors