



Annual Report 2014

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Directory

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 Telephone: 03 211 1899
 Email: enquiries@powernet.co.nz
 Website: www.eil.co.nz

Principal Bankers

Westpac Banking Corporation

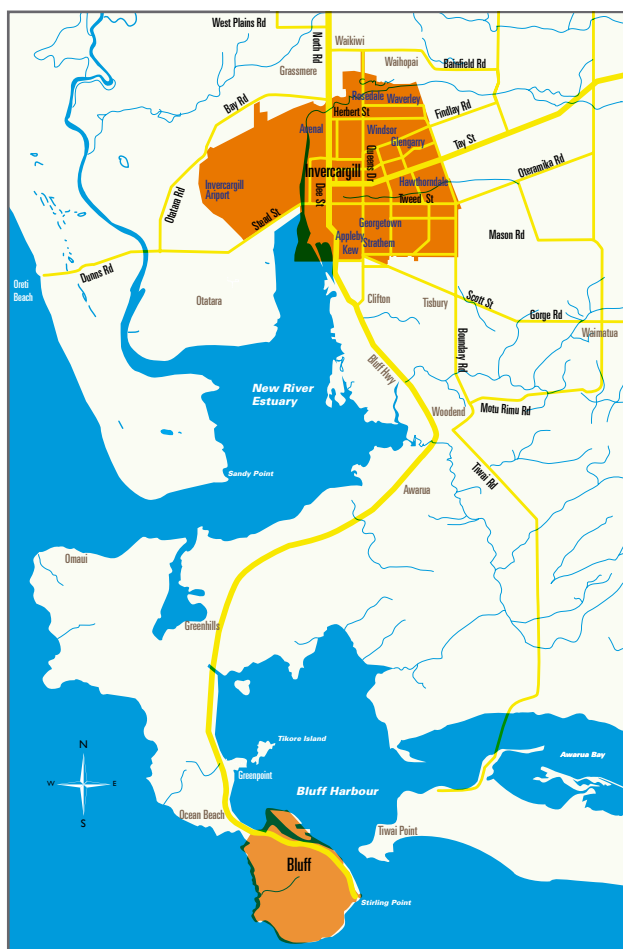
Auditors

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

Solicitors

Preston Russell Law

Map of EIL Area



Company Profile

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

EIL has powered Invercargill for 109 years, previously operating as the Invercargill Municipal Electricity Department.

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

The Regulatory Value of the EIL network assets is \$64 million which includes 657km of predominantly underground cables and lines and 450 distribution transformers with a capacity of 151MVA.

EIL contracts PowerNet Limited to manage, construct and maintain its network and metering assets. PowerNet's costs are recovered via a mark-up on capital and maintenance work and an agency fee for management services.

PowerNet acts as agent for EIL and charges line and metering charges to electricity retailers, pays transmission costs and passes the net revenue through to EIL.

The revenue provides a return on investment to EIL and recovers EIL's overheads, depreciation and operating costs.

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 the OtagoNet Joint Venture (OJV), Otago Power Services Limited (OPSL) and Electricity Southland Limited (ESL).

Undergrounding the EIL network in Invercargill city has made it one of the most reliable networks in New Zealand.

EIL Statistics at 31 March 2014

Connected Consumers – Total	17,277
Residential	15,175
Industrial	125
Commercial	1,977
Network Length	657km
Consumer Density	26.3 consumers/km
Number of Distribution Transformers	450
Distribution Transformer Capacity	151MVA
Distribution Transformer Density	229kVA/km
Maximum Demand	63.6MW
Total Energy Conveyed	272GWh
Regulatory Value	\$64 million

Our Stakeholders

PowerNet Limited

Electricity Invercargill Limited has a 50% shareholding in PowerNet Limited, a joint venture with The Power Company Limited (TPCL). PowerNet was established in 1994 by EIL and TPC to achieve economies of scale through integrated network management and is contracted to manage the network and metering assets.

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

It also 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. Its performance is judged by the value and efficiency of its network asset management and business development for the company and its stakeholders.

OtagoNet Joint Venture

OtagoNet Joint Venture owns the electricity network assets throughout coastal and inland Otago from Shag Point in the north east, inland through to St Bathans and south down to the Chaslands.

OJV has approximately 14,800 customers and was formed following the purchase of the electricity network assets from the shareholders of the consumer co-operative company Otago Power Limited in 2002.

EIL (24.5%), TPCL (24.5%) and Marlborough Lines Limited (51%) are the parties in the joint venture.

Electricity Southland Limited

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

The ESL network expansion to the new Shotover Country development east of the Shotover River continues, with more and more residential customers connecting to the network and construction of the new school and other facilities about to get underway. Several stages of the 770-lot subdivision have been reticulated and work will progress further over the coming year.

The Remarkables Shopping complex continues to be a major focus for the Lakeland network, with ongoing expansion to meet the growth in the region. A 22kV cabling extension along the new Eastern Access Road was a precursor to the installation of several switch units and transformers.

The growth in the Frankton region shows little sign of slowing and the Directors look forward to the future opportunities the region brings.

Investment in network contractors

During the year the significant decision was made to amalgamate PowerNet Limited and Power Services Limited (PSL), with a subsequent operational integration with Peak Power Services Limited (51% of which was owned by PSL). EIL held a 49% shareholding in PSL.

The new integrated company is achieving many operational efficiencies, with further opportunities to be delivered. Improved coordination between work planning and work delivery is being realised, as well as the removal of duplication of some aspects of work, especially in the support service areas.

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



Jason Nicolson (PowerNet) working on the Ring Main Unit at the Glengarry Shopping Centre.

The Year in Review

Operational performance

Electricity Invercargill Limited's investment in capital works and maintenance continued during the year, with over \$6.3 million spent on improvements and upgrades to our network.

The Spey Street Substation continues to progress, and the 33kV cable from the Transpower grid exit point to the new substation site is in the advanced planning stages.

EIL's capital expenditure for 2013/2014 was \$4.52 million which included \$2.33 million on stage two of the Spey Street Substation. The EIL network expenditure on technical and distribution maintenance was \$1.80 million against the budgeted \$1.59 million.

Other major capital projects included \$601,000 on distribution transformer replacements and \$364,000 on stage two of the new 33kV cable from the Invercargill Transpower substation to the new substation in Spey Street. Ducting for the cable was laid during the Invercargill City Council's Queens Drive upgrade, thus minimising any disruption to commuters when the cable has to go under the main arterial route.

Significant line renewals in Bluff (\$292,000) and new customer connections (\$237,000) were also completed.

Stage one of our Neutral Earth Resistor (NER) project got under way. Installing NER's at all network substations will add to the Company's commitment to safety. NER's limit the hazardous voltage that might otherwise occur on network assets when a fault occurs.

While traditional earthing systems have worked, the NER's will enhance public safety and protect network assets. NER's will be installed at all the four major EIL substations.

The following major projects were undertaken on the EIL network by PowerNet during the year.

Project	Approximate Expenditure
Spey Street New Zone Substation – Stage two	\$2,329,000
Distribution Transformer Replacements	\$601,000
Invercargill Transpower Substation to Spey Street Zone Substation New 33kV Cable – Stage two	\$364,000
Bluff Line Renewals	\$292,000
New Customer Connections	\$237,000
Neutral Earth Resistor (NER) project – Stage one	\$122,000

The Year in Review *continued*

EIL's System Average Interruption Duration Index (SAIDI) was 25.10 minutes for the year. This was well below the Business Plan target of 40.06 minutes and the Commerce Commission reliability limit of 45.65 minutes.

The System Average Interruption Frequency Index (SAIFI) figure for EIL of 0.52 times was below the Business Plan target of 0.77 times and the Commerce Commission reliability limit of 1.13.

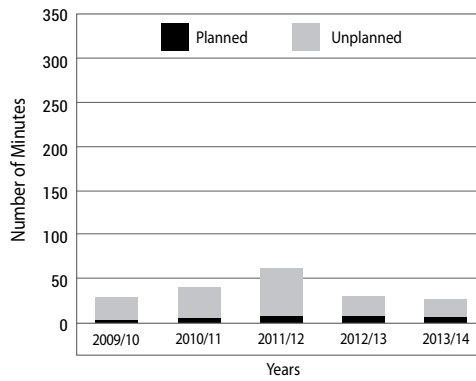
The EIL network remains one of the most reliable networks in New Zealand.

This performance can be attributed to the undergrounding programme avoiding unnecessary outages caused by nature and also to our proactive maintenance programmes.

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

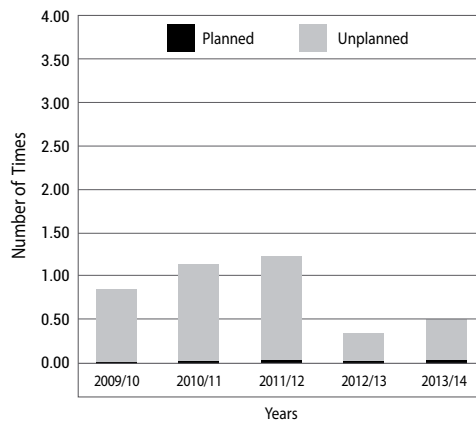
SAIDI – System Average Interruption Duration Index (the average total time in minutes each year that each customer connected to the network is without supply)

Business Plan Target	Actual
40.06 minutes	25.10 minutes



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 times	0.52 times



The Year in Review *continued*

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 Commerce Commission (the Commission) in October 2012. In particular, the increase in compliance and audit costs are likely to outweigh benefits, if any, from the ID, particularly given the inconsistent disclosure of information across the sector. The sector awaits with interest meaningful analysis of the disclosed data. The concern around the overlapping requirements of the Commission and the Electricity Authority (EA) continue, highlighted by the duplication in line pricing methodology requirements of the two regulatory bodies.

Encouragingly the industry continues to work proactively with the Commission and EA, with our goal to ensure regulations are targeted and effective.

EIL is subject to price and quality regulation under the Commerce Act. EIL is concerned about the uncertainty created by the Commission's decision to review the 75th percentile in the WACC input methodology that the Commission applies to the sector.

EIL is concerned that the Judge's comments made in Vector's High Court case against the Commission about the generosity of the 75th percentile were made without the full context of the trade-offs achieved in other input methodologies.

Financial Performance

The Group surplus after tax for the year ended 31 March 2014 of \$5.426 million (2013 \$5.842 million) is lower than last year and below the target by \$1.203 million predominately due to warmer weather reducing line charge revenue.

The Company provided for an increased dividend of \$5.400 million (2013 – \$5.200 million).

The investments in OJV, OPSL and PSL (eight months trading prior to amalgamation with PowerNet Limited) have all met expectations both financially and operationally, all continuing to contribute positively to both the cash flow and net surplus of the EIL Group.

The operating results, supported by a strong financial position and operating cash flow, have the Company well positioned for the future.

The consolidated result for the Group is:

	31 March 2014	Restated 31 March 2013
	\$000	\$000
Operating Surplus before Tax	7,221	7,644
Less Taxation Expenses	(1,795)	(1,802)
Net Surplus after Taxation	5,426	5,842

Acknowledgements

The Directors acknowledge the ongoing support of the Directors of Invercargill City Holdings Limited during the year.

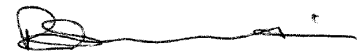
The Directors also acknowledge the benefits of the ongoing partnership with TPCL in matters of common interest.

Additionally, the Directors acknowledge the contribution of Marlborough Lines Limited through its investment in OtagoNet Joint Venture.

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



Neil Boniface
Chair



Ross Smith
Director



Blair Bernard (PowerNet) and Nigel Skelt (Stadium Southland) during the Stadium rebuild

Our Community

Asset Management Plan

PowerNet again prepared the EIL Asset Management Plan (AMP) which details how the network assets are to be managed to provide a safe, efficient and reliable electricity supply and service to the Company's customers and communities over the next 10 years.

The maximum demand on the network has increased about 1.0% per annum over the last 10 years with energy consumption steady at about -0.2% per annum. The low energy consumption on the network last year was attributed to mild winter conditions. The network will continue to be renewed and strengthened to meet this expected growth with reviews of loadings used to trigger actual projects. The focus over the short to medium term is the completion of the following initiatives:

- The new Spey Street Substation (which will replace the Doon Street Substation)
- The new Spey Street 33kV cable from the Transpower Substation to the new Invercargill CBD substation
- Southern Substation upgrade
- Supply quality upgrades
- Network automation projects
- Earth upgrades
- Substation safety
- Neutral Earthing Resistor (NER) installations

Other projects in the AMP include:

- Underground substation replacements to ensure security and reliability of supply to the Invercargill CBD.
- Seismic remedial work on Zone Substations and Distribution Substations to strengthen buildings and other physical assets to withstand a seismic event.
- Transformer refurbishments, repairs or modifications necessary to achieve the expected or even extend the life of these units.
- Replacement of SCADA units at substations with modern units to provide greater reliability and added functionality.
- Supply quality upgrades to enable continued load growth on the network and to maintain reliability.

Capital expenditure is predicted to vary each year with \$10.62 million in 2014/2015, \$5.11 million in 2015/2016 before reducing to \$2.42 million in 2016/2017 and out to \$2.78 million in 2023/2024.

As in other years, EIL gave customers the chance to have their say and provide input into the Company's plans. The Company undertakes its annual telephone survey of network customers, interviews with some of our larger commercial customers, and invites public comment on the Asset Management Plan.

We also have regular contact with larger commercial customers through PowerNet staff interaction and host an annual customer function for those connected to the EIL network.

The Company works closely with customers and developers planning new connections to the EIL network to understand their plans and then feed these back into our asset management planning.

These customer interactions ensure that EIL better understands the needs of all stakeholders, and gives us good feedback and planning material for our network.

The EIL AMP can be viewed at: www.eil.co.nz

Community Support

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

Invercargill City Christmas Lights

EIL contracts PowerNet to erect and maintain the Christmas 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 SWHT was formed in 2008 by EIL and the Southland Power Trust.

The SWHT, in conjunction with the Energy Efficiency and Conservation Authority (EECA), has carried out insulation and heating retrofits in over 5,000 Southland and West Otago homes since 2008.

The 2013 funding round under EECA's Healthy Homes Programme was targeted at those who stand to benefit most from having their homes insulated, particularly low income households with high health needs, including families with children and the elderly.

Awarua Synergy holds the contract to project manage the assessments and installations on behalf of the SWHT. Awarua Synergy is locally owned by the Te Runaka o Awarua Charitable Trust in Bluff.

In addition to the continued EECA/SWHT programme, SWHT and Awarua Synergy are also offering a subsidy of up to \$2,000 to middle income families to undertake insulation and heating retrofits.

The SWHT is very pleased to be able to carry on the work begun in 2008 and assist the more vulnerable members of our community. The SWHT project not only benefits the residents of these houses but also contributes to improving energy efficiency and reduces investment on the network.

First Aid Equipment

EIL donated two HeartStart FRx defibrillators to the Invercargill branch of St John South Island Region at a commercial customer function held in Invercargill in October 2013. The defibrillators are at the St John training centre and the St John op shop.

EIL Directors felt these two new public venues should be equipped with permanent onsite defibrillators. With the large number of Southlanders expected to visit the sites we believe the defibrillators are an excellent gift to the community.

Directors' Profiles



Neil Boniface (Chair) JP

Neil is a Director of PowerNet Limited, a Member of the OtagoNet Joint Venture Governing Committee, an Invercargill City Councillor and Chairman of Council's Finance and Policy Committee. He is also Chairman of Invercargill Venue and Events Management Limited and 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.



Sarah Brown LLB BA

Sarah joined the Board of Electricity Invercargill Limited in November 2013.

She is an Associate with Tavendale and Partners, specialising in general commercial and rural based legal work. Sarah has been the Council Chair of the Southern Institute of Technology since 2011 and is also on the Board of Kindergartens South.

Sarah 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 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 fifth-term Invercargill City Councillor and the City's Deputy Mayor. Darren is a Director of PowerNet Limited, a trustee for several community groups and chairs the Southland Museum & Art Gallery Trust Board.

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



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 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 2014.

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 \$5,426,000. A dividend of \$5,400,000 has been declared payable in August and November 2014 and March 2015. 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
Sarah Brown	Goodman Tavendale Reid Pylon Ltd	Associate Director
	Southern Institute of Technology	Chair
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
	Todd Offshore Ltd	Director
Darren Ludlow	Electricity Southland Ltd	Director
	Invercargill City Council	Deputy Mayor
	Invercargill Community Recreation & Sports Trust	Trustee
	PowerNet Ltd	Director
	Pylon Ltd	Director
	Radio Southland	Manager
	Southland Art Foundation	Trustee
	Southland Museum & Art Gallery	Trustee
Philip Mulvey	Crowe Horwath	Chief Executive
	Electricity Southland Ltd	Deputy Chair
	Forest Dynamics Ltd	Director
	PowerNet Ltd	Deputy Chair
	Pylon Ltd	Director
	WHK	Chief Executive
	WHK Cook Adam Ltd	Director
	WHK (New Zealand) Ltd	Director
Ross Smith	Electricity Southland Ltd	Deputy Chair
	Finance Now Ltd	Director
	Fraser Properties Ltd	Director
	Funds Administration NZ Ltd	Director
	Peak Power Services Ltd	Chair
	PowerNet Ltd	Deputy Chair
	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
Sarah Brown	-	Director (from 1 November 2013)
Thomas Campbell	-	Director
Darren Ludlow	-	Director
Philip Mulvey	-	Director (until 31 October 2013)
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	\$45,320
Sarah Brown	\$10,490
Thomas Campbell	\$25,175
Darren Ludlow	\$25,175
Philip Mulvey	\$14,685
Ross Smith	\$25,175

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	\$24,700
Thomas Campbell	\$24,700
Darren Ludlow	\$8,439
Philip Mulvey	\$18,025
Ross Smith	\$26,767

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 has been a change in the accounting policy for Capital Contributions during the year – refer to Note 1(b)(iv) of the Financial Statements. Other accounting policies 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



Ross Smith
Director

Approval by Directors

The Directors have approved for issue the Financial Statements of Electricity Invercargill Limited for the year ended 31 March 2014 on pages 10 to 37.



Neil Boniface
Chair



Ross Smith
Director

For and on behalf of the Board of Directors

26 June 2014

Statement of Service Performance

For the Year Ended 31 March 2014

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	Year Ended	Year Ended
	31 March 2014	31 March 2014	31 March 2013
	\$000	\$000	\$000
Financial Measures			
Operating Surplus Before Tax	9,596	7,221	7,644
Operating Surplus After Tax	6,629	5,426	5,842
Earnings Before Interest and Tax to Total Assets (EBIT%)	7.90%	6.56%	7.09%
Return on Equity %	7.56%	6.55%	7.06%
Equity to Total Assets %	63.69%	64.84%	66.66%

Network Reliability Performance

The following results were calculated using information from the Company's non-financial systems, which due to the manual recording processes have inherent limitations relating to the completeness of interruption data and the accuracy of interconnection point (ICP) numbers included in the SAIDI and SAIFI.

System Average Interruption Duration Index (SAIDI)

The average total time in minutes each customer connected to the network is without supply.

SAIDI

	Target	Achievement	
	2014	2014	2013
SAIDI	40.06	25.10	31.79

System Average Interruption Frequency Index (SAIFI)

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

SAIFI

SAIFI	0.77	0.52	0.33
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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

	Achievement	
	2014	2013
Network Statistics		
Length of overhead line	54 km	55 km
Length of underground cable	603 km	603 km
Total number of interruptions	34	21
Faults per 100km of line	8.89	5.43
Transformer capacity MVA	151	150
Maximum demand kW	63,642	66,738
Energy into network GWh	272	279
Total consumers	17,277	17,236

Statements of Financial Performance

For the year ended 31 March 2014

	Note	GROUP		PARENT	
		2014	Restated 2013	2014	2013
		\$000	\$000	\$000	\$000
Operating Revenue	(2)	18,010	10,276	18,010	10,276
Other Income	(2)	1,814	371	3,783	2,233
Operating Expenses	(3)	(14,585)	(5,076)	(14,068)	(5,076)
Finance Costs	(3)	(1,161)	(1,163)	(1,161)	(1,163)
Share of Profit of Associates and Joint Ventures	(8/10)	3,143	3,236	-	-
Operating Surplus Before Taxation	(4)	7,221	7,644	6,564	6,270
Less Taxation Expense					
- Current	(4)	(2,112)	(2,053)	(1,383)	(1,264)
- Deferred	(4/15)	317	251	373	317
Net Surplus After Taxation		5,426	5,842	5,554	5,323

Statements of Comprehensive Income

For the Year Ended 31 March 2014

	GROUP		PARENT	
	2014	Restated 2013	2014	2013
	\$000	\$000	\$000	\$000
Net Surplus After Taxation	5,426	5,842	5,554	5,323
Other Comprehensive Income				
- Revaluation	-	-	-	-
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,426	5,842	5,554	5,323

Statements of Changes in Equity

For the Year Ended 31 March 2014

	Note	GROUP		PARENT	
		2014	Restated 2013	2014	2013
		\$000	\$000	\$000	\$000
Total Comprehensive Income					
Net Surplus for the Year		5,426	5,842	5,554	5,323
Other Comprehensive Income		-	-	-	-
		5,426	5,842	5,554	5,323
Distributions to Shareholders					
Dividend Paid/Declared		(5,400)	(5,200)	(5,400)	(5,200)
		(5,400)	(5,200)	(5,400)	(5,200)
Changes in Equity for the Year		26	642	154	123
Equity at Beginning of Year		82,796	82,154	75,136	75,013
Equity at End of Year	(5)	82,822	82,796	75,290	75,136

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 2014

	Note	GROUP		PARENT	
		2014	Restated	2014	2013
		\$000	2013 \$000	\$000	\$000
Equity					
Share Capital	(5)	13,000	13,000	13,000	13,000
Reserves	(5)	27,077	27,180	20,164	20,267
Retained Earnings	(5)	42,745	42,616	42,126	41,869
Total Equity		82,822	82,796	75,290	75,136
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	844	2,497	844	2,497
Receivables and Prepayments	(7)	1,857	554	1,857	554
Inventories		-	-	-	-
Construction Work in Progress		-	-	-	-
Total Current Assets		2,701	3,051	2,701	3,051
Non Current Assets					
Investments in Associates	(8)	5,498	7,715	962	1,174
Investment in Subsidiary	(9)	-	-	30,358	30,273
Investments in Joint Ventures	(10)	42,471	37,509	5,055	2,050
Investments in Other Entities		72	-	72	-
Property, Plant and Equipment	(11)	71,886	74,110	71,886	74,110
Capital Work in Progress		5,102	1,829	5,102	1,829
Intangibles	(12)	-	-	-	-
Total Non Current Assets		125,029	121,163	113,435	109,436
Total Assets		127,730	124,214	116,136	112,487
Current Liabilities					
Creditors and Accruals	(13)	3,828	2,303	3,828	2,303
Employee Entitlements		-	-	-	-
Dividend Payable		5,400	5,200	5,400	5,200
Income Tax Payable		658	577	458	316
Shareholder Advance	(14)	-	-	-	-
Total Current Liabilities		9,886	8,080	9,686	7,819
Non Current Liabilities					
Shareholder Advance	(14)	18,000	16,000	18,000	16,000
Deferred Tax Liabilities	(15)	17,022	17,338	13,160	13,532
Total Non Current Liabilities		35,022	33,338	31,160	29,532
Total Liabilities		44,908	41,418	40,846	37,351
Net Assets		82,822	82,796	75,290	75,136

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 2014

	Note	GROUP		PARENT	
		2014 \$000	Restated 2013 \$000	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		18,450	10,852	18,450	10,852
Interest Received		240	208	240	208
Dividends Received		-	-	1,969	1,862
Taxation Refunds		20	11	20	-
		18,710	11,071	20,679	12,922
Cash Was Disbursed To:					
Payments to Suppliers and Employees		9,285	1,082	9,111	1,082
Income Tax Paid		2,050	2,075	1,260	1,330
Interest Paid		1,162	1,299	1,162	1,299
GST Paid/(Received)		(121)	47	(121)	37
		12,376	4,503	11,412	3,748
Net Cash Flows From Operating Activities	(16)	6,334	6,568	9,267	9,174
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Sale of Property, Plant and Equipment		47	63	47	63
Sale of Associate		1,874	-	-	-
Associates Advances Repaid		-	2,044	2,308	1,703
		1,921	2,107	2,355	1,766
Cash Was Applied To:					
Purchase of Property, Plant and Equipment		4,817	3,978	4,817	3,978
Investments in Associates		-	-	-	-
Advances to Associates and Joint Ventures		1,891	-	5,258	2,265
		6,708	3,978	10,075	6,243
Net Cash Flows Used in Investing Activities		(4,787)	(1,871)	(7,720)	(4,477)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Provided From:					
Shareholder Advances Received		2,000	-	2,000	-
		2,000	-	2,000	-
Cash Was Applied To:					
Dividend Payment		5,200	4,700	5,200	4,700
Repayment of Shareholder Advance		-	-	-	-
		5,200	4,700	5,200	4,700
Net Cash Flows Used in Financing Activities		(3,200)	(4,700)	(3,200)	(4,700)
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(1,653)	(3)	(1,653)	(3)
Add Opening Cash Brought Forward		2,497	2,500	2,497	2,500
Closing Cash and Cash Equivalents Carried Forward	(6)	844	2,497	844	2,497

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 2014

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 26 June 2014.

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 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 a 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).
- Joint arrangement classification

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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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 2012. 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 2013;

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 has not had a material effect on the entities consolidated in the Electricity Invercargill Limited Group.

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 has not had a material effect on the Company or Group.

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 has not had effect on the Company and Group as they currently do not expect to have any changes in ownership.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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: Interests in Joint Ventures.

The new standard has had an impact on the Group as they had joint venture arrangements that are accounted for using the proportional consolidation method. These are now consolidated using the equity accounting method, with comparatives restated also using the equity accounting method. This has resulted in the joint ventures' profit after tax being recognised in the Statement of Financial Performance as share of profit of associates and joint ventures, and the Company's share of the net assets of the joint venture showing under investments in the Statement of Financial Position.

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 affect 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.

IFRS 15: Revenue from contract with customers, (effective for annual periods beginning on or after 1 January 2017)

IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess IFRS 15's full impact. The Group will apply this standard from 1 April 2017.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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 share of the joint venture entities' total recognised gains and losses on an equity accounted 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 when the asset is connected to the network.

(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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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 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.

(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

(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 cannot subsequently be reversed.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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
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Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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 Goods and Services Tax, with the exception of receivables and payables which are shown inclusive of Goods and Services Tax.

(j) Operating Leases

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

(k) Financial Assets

Where applicable the Group classifies its investments in the following categories:

Financial assets at fair value through the 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 2014

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) 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	
	2014 \$000	Restated 2013 \$000	2014 \$000	2013 \$000
Operating Revenue				
- Network Charges	17,989	10,261	17,989	10,261
- Fibre Charges	21	15	21	15
Other Income				
- Interest Revenue	240	214	240	214
- Dividends Received	-	-	1,969	1,862
- Other Income	1,574	157	1,574	157
Total Income	19,824	10,647	21,793	12,509

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

3. Expenses

	GROUP		PARENT	
	2014 \$000	Restated 2013 \$000	2014 \$000	2013 \$000
Expenses Include:				
Amortisation of Intangibles	-	-	-	-
Auditors' Remuneration:				
Audit of Financial Report				
- PricewaterhouseCoopers	39	39	39	39
Other Services				
- PricewaterhouseCoopers	48	51	48	51
Bad Debts Written Off	-	-	-	-
Depreciation				
- Buildings	-	-	-	-
- Fibre Assets	35	33	35	33
- Metering Assets	330	349	330	349
- Network Assets	3,133	3,115	3,133	3,115
Total Depreciation	3,498	3,497	3,498	3,497
Directors' Fees	146	145	146	145
Interest Expense	1,161	1,163	1,161	1,163
Loss on Disposal of Property, Plant and Equipment	222	235	222	235
Network Costs	7,836	-	7,836	-
Transmission Costs	5,095	-	5,095	-
Loss on Disposal of Associate	342	-	-	-

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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.

	Note	GROUP		PARENT	
		2014 \$000	Restated 2013 \$000	2014 \$000	2013 \$000
Operating Surplus Before Income Tax		7,221	7,644	6,564	6,270
Income Not Taxable					
- Exempt Dividends Received		-	-	(1,969)	(1,862)
- Equity Accounting Earnings of Associates and Joint Ventures		(243)	(176)	-	-
Loss Offset (Utilised)		(1,000)	(1,000)	(1,000)	(1,000)
Expenses not Deductible		432	(26)	11	(26)
Taxable Income		6,410	6,442	3,606	3,382
Prima Facie Taxation at 28%		1,795	1,802	1,010	947
Made up of:					
Current Tax		2,109	2,049	1,380	1,263
Deferred Tax	(16)	(314)	(247)	(370)	(316)
		1,795	1,802	1,010	947
Under/(Over) Provisions in Prior Years					
Current Tax		3	4	3	1
Deferred Tax		(3)	(4)	(3)	(1)
Taxation Expense for Year		1,795	1,802	1,010	947
Effective Tax Rate		24.9%	23.6%	15.4%	15.1%

Tax Losses Transferred Within the Group

The current tax expense is calculated on the assumption that:

- Tax losses of \$1,000,000 (2013: \$1,000,000) with a tax benefit of \$280,000 (2013: \$280,000) have been transferred from Invercargill City Holdings Limited Group by way of Group loss offset.

	PARENT	
	2014 \$000	2013 \$000
Imputation Credit Account		
Credit Balance at Beginning of Year	1,128	904
Credits:		
Income Tax Payments During Year	1,260	1,339
Imputation Credits on Dividend Received	766	767
Adjustment for prior year (tax payments made)	-	15
Debits:		
Imputation Credits on Dividend Paid	(2,022)	(1,891)
Income Tax Refund During Year	(20)	(6)
Credit Balance at End of Year	1,112	1,128

The Imputation Credit Account relates to Electricity Invercargill Limited.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

5. Equity

The authorised and issued share capital comprises 13 million ordinary shares (2013: 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	
	2014 \$000	2013 \$000	2014 \$000	2013 \$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	24,380	24,513	17,467	17,600
Revaluation	-	-	-	-
Revaluation Write Downs due to Asset Disposal	(103)	(133)	(103)	(133)
Closing Balance	24,277	24,380	17,364	17,467
Total Reserves	27,077	27,180	20,164	20,267
Retained Earnings				
Opening Balance	42,616	41,841	41,869	41,613
Net Surplus	5,426	5,842	5,554	5,323
Revaluation Write Downs due to Asset Disposal	103	133	103	133
Dividend Declared/Paid	(5,400)	(5,200)	(5,400)	(5,200)
Total Retained Earnings	42,745	42,616	42,126	41,869
Total Equity	82,822	82,796	75,290	75,136
Dividend per Share			Cents per Share 41.5	Cents per Share 40.0

6. Cash and Cash Equivalents

Current Account	54	47	54	47
Bank Deposits (Short Term)	790	2,450	790	2,450
Total Cash and Cash Equivalents	844	2,497	844	2,497

7. Receivables and Prepayments

Trade Debtors	1,837	538	1,837	538
Prepayments	20	16	20	16
Total Receivables and Prepayments	1,857	554	1,857	554

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.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

8. Investments in Associates

Associate Companies	Country of Incorporation	Percentage Held		Balance Date
		By Group		
		2014	2013	
Power Services Limited	NZ	-	49%	31 March
Electricity Southland Limited	NZ	50%	50%	31 March
Otago Power Services Limited	NZ	24.5%	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.

On 2 December 2013, PowerNet Limited, a joint venture of the Group, acquired 100% of the share capital of Power Services Limited. Power Services Limited was then amalgamated into PowerNet Limited. PowerNet Limited has from that date a 51% shareholding in Peak Power Services Limited.

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

	GROUP	
	2014	Restated 2013
	\$000	\$000
Share of Surplus Before Taxation	757	725
Less Taxation Expense	(277)	(202)
Total Recognised Revenues and Expenses	480	523

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

Carrying Amount at Beginning of Year	7,716	7,426
Investments in Associates	-	-
Total Recognised Revenues and Expenses	480	523
Increase (Decrease) in Advances to Associates	(212)	-
Dividends Received/Declared	(269)	(233)
Disposal of Associates	(2,217)	-
Carrying Amount at End of Year	5,498	7,716

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

Revenue	22,609	24,066
Expenses	(20,897)	(22,318)
Profit/(Loss)	1,712	1,748
Current Assets	3,487	6,023
Non Current Assets	14,842	19,644
Current Liabilities	(2,709)	(3,431)
Non Current Liabilities	(3,957)	(7,038)

The Parent's advances to associates are as follows:

	PARENT	
	2014	2013
	\$000	\$000
Advances to Associates	962	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 2014

9. Investment in Subsidiary

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

	Percentage Held By Group		
	2014	2013	Balance Date
Pylon Limited	100%	100%	31 March

	PARENT	
	2014 \$000	2013 \$000
Shares in Subsidiary	26,901	26,901
Advance to Subsidiary	3,457	3,372
Total Investment in Subsidiary	30,358	30,273

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.

Joint Venture	Percentage Held By Group		
	2014	2013	Balance Date
PowerNet Limited Group*	50%	50%	31 March
OtagoNet Joint Venture	24.5%	24.5%	31 March

*The PowerNet Limited Group has a 51% shareholding in Peak Power Services Limited.

The Group's interests in Joint Venture entities are as follows:

	2014	2013
	\$000	\$000
Carrying Amount at Beginning of Year	37,509	37,110
Investments in Associates	-	-
Total Recognised Revenues and Expenses	2,662	2,714
Distributions Received	(2,695)	(2,315)
Increase (Decrease) in Advances to Joint Ventures	3,005	-
Increase in Shares	1,990	-
Carrying Amount at End of Year	42,471	37,509

	PARENT	
	2014 \$000	2013 \$000
Advances to Joint Ventures	5,055	2,050

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 2014

11. Property, Plant and Equipment

	Restated GROUP AND PARENT				Total \$000
	Network Assets \$000	Meters \$000	Fibre \$000	Buildings \$000	
Cost or Valuation					
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
Balance at 1 April 2013	77,029	4,660	1,013	12	82,714
Additions	1,490	42	12	-	1,544
Disposals	(310)	-	-	-	(310)
Balance at 31 March 2014	78,209	4,702	1,025	12	83,948
Depreciation and Impairment Losses					
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
Balance at 1 April 2013	6,147	2,412	45	-	8,604
Depreciation for Year	3,133	330	35	-	3,498
Impairment Losses	-	-	-	-	-
Disposals	(40)	-	-	-	(40)
Balance at 31 March 2014	9,240	2,742	80	-	12,062
Carrying Amount/Book Value					
Book Value 31 March 2013	70,882	2,248	968	12	74,110
Book Value 31 March 2014	68,969	1,960	945	12	71,886

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

31 March 2013	46,100	2,248	968	12	49,328
31 March 2014	44,187	1,960	945	12	47,104

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%.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

12. Intangible Assets

	Restated GROUP AND PARENT Software \$000
Cost	
Balance at 1 April 2012	1
Additions	-
Disposals	-
Balance at 31 March 2013	1
Balance at 1 April 2013	1
Additions	-
Disposals	-
Balance at 31 March 2014	1
Amortisation and Impairment Losses	
Balance at 1 April 2012	1
Amortisation for Year	-
Impairment Losses	-
Disposals	-
Balance at 31 March 2013	1
Balance at 1 April 2013	1
Amortisation for Year	-
Impairment Losses	-
Disposals	-
Balance at 31 March 2014	1
Carrying Amount/Book Value	-
Book Value 31 March 2013	-
Book Value 31 March 2014	-

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

13. Creditors and Accruals

Note	GROUP		PARENT	
	2014 \$000	Restated 2013 \$000	2014 \$000	2013 \$000
Trade Payables	2,425	1,565	2,425	1,565
Accruals	1,322	781	1,322	781
Revenue in advance	18	-	18	-
GST Payable (Receivable)	63	(43)	63	(43)
Total Creditors and Accruals	3,828	2,303	3,828	2,303

14. Shareholder Advance

Invercargill City Holdings				
- Non Current Portion	18,000	16,000	18,000	16,000
Total Shareholder Advance	18,000	16,000	18,000	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% (2013: 7.25%)

15. Deferred Tax Liabilities

Balance at the Beginning of the Year		17,339	17,585	13,532	13,850
Charged to the Profit and Loss	(4)				
- Temporary Difference Reversals - Depreciation		(325)	(332)	(376)	(353)
- Temporary Difference Reversals - Other		8	85	4	35
Charged to Equity					
- Effect of Revaluation		-	-	-	-
Balance at the End of the Year		17,022	17,338	13,160	13,532

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 2014

16. 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	
	2014 \$000	Restated 2013 \$000	2014 \$000	2013 \$000
Net Surplus After Taxation	5,426	5,842	5,554	5,323
Plus/(Less) Non Cash Items:				
Depreciation	3,498	3,497	3,498	3,497
Amortisation of Software	-	-	-	-
Deferred Taxation	(317)	(247)	(373)	(317)
Loss on Sale of Property, Plant and Equipment	222	235	222	235
Loss on Sale of Associate	342	-	-	-
Share of (Profit)/Loss of Associates and Joint Ventures	(3,143)	(3,236)	-	-
	602	249	3,347	3,415
Plus/(Less) Movements in Working Capital:				
Increase/(Decrease) in Payables and Accruals	1,527	26	1,527	26
(Increase)/Decrease in Receivables	(1,303)	476	(1,303)	476
(Increase)/Decrease in Inventories	-	-	-	-
Increase/(Decrease) in Provision for Taxation	82	(25)	142	(66)
	306	477	366	436
Net Cash Flows From Operating Activities	6,334	6,568	9,267	9,174

17. 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	1,022	1,608	1,022	1,608
Total Capital Commitments	1,022	1,608	1,022	1,608

18. Contingent Liabilities

The Company has a contingent liability as at 31 March 2014 of \$415,000 (31 March 2013: \$860,000). 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 2014

19. Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk.

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

Credit Risk

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

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

The Group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities. An amount of \$1,511,000 (2013: \$2,165,000) 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 21 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 2014:

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Yr \$000	Maturity Dates 1-3Yrs \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	844	-	-	844
Trade and Other Receivables	1,837	-	-	1,837
Construction Work In Progress	-	-	-	-
	2,681	-	-	2,681
Financial Liabilities				
Trade Payables	2,425	-	-	2,425
Accruals	-	1,322	-	1,322
Advances	-	-	18,000	18,000
Dividend Payable	-	5,400	-	5,400
	2,425	6,722	18,000	27,147

The \$18 million advance repayment arrangements are discussed in Note 14.

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

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

The following table details the Parent's exposure to liquidity risk as at 31 March 2014:

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Yr \$000	Maturity Dates 1-3Yrs \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	844	-	-	844
Trade and Other Receivables	1,837	-	-	1,837
Advances	-	-	9,546	9,546
	2,681	-	9,546	12,227
Financial Liabilities				
Trade Payables	2,425	-	-	2,425
Accruals	-	1,322	-	1,322
Advances	-	-	18,000	18,000
Dividend Payable	-	5,400	-	5,400
	2,425	6,722	18,000	27,147

Advances to associates, subsidiaries and joint venture, are repayable on demand but with a 13 month notice period. The \$18 million advance repayment arrangements are discussed in Note 14.

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

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

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Yr \$000	Maturity Dates 1-3Yrs \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	2,497	-	-	2,497
Trade and Other Receivables	534	4	-	538
Construction Work In Progress	-	-	-	-
	3,031	4	-	3,035
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

Advance repayment arrangements are discussed in Note 14. The above table includes principal repayments only, as interest payable is linked to a variable interest rate.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Yr \$000	Maturity Dates 1-3Yrs \$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 ventures, are repayable on demand but with a 13 month notice period. The \$16 million advance repayment arrangements are discussed in Note 14.

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 2014:

	Variable Interest Rate \$000	Maturity Dates < 1 Yr \$000	Non Interest Bearing \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	844	-	-	844
Trade and Other Receivables	-	-	1,837	1,837
	844	-	1,837	2,681
Financial Liabilities				
Trade and Other Payables	-	-	3,747	3,747
Advances	18,000	-	-	18,000
	18,000	-	3,747	21,747

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

The following table details the Parent's exposure to interest rate risk as at 31 March 2014:

	Variable Interest Rate \$000	Maturity Dates < 1 Yr \$000	Non Interest Bearing \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	844	-	-	844
Advances	6,017	-	3,529	9,546
Trade and Other Receivables	-	-	1,837	1,837
	6,841	-	5,366	12,227
Financial Liabilities				
Trade and Other Payables	-	-	3,747	3,747
Advances	18,000	-	-	18,000
	18,000	-	3,747	21,747

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

	Variable Interest Rate \$000	Maturity Dates < 1 Yr \$000	Non Interest Bearing \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	2,497	-	-	2,497
Trade and Other Receivables	-	-	538	538
	2,497	-	538	3,035
Financial Liabilities				
Trade and Other Payables	-	-	2,346	2,346
Advances	16,000	-	-	16,000
	16,000	-	2,346	18,346

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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

	Variable Interest Rate \$000	Maturity Dates < 1 Yr \$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

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 \$41,000 (2013: \$43,000).

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.

20. 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 2014

21. 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:

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Goods and Services Supplied to:				
PowerNet Limited (Joint Venture)	156	10,379	156	10,379
Electricity Southland Limited (Associate)	21	8	21	8
Otago Power Services Limited (Associate)	14	14	14	14
Power Services Limited (Associate)	22	33	22	33
Receivables Outstanding at Balance Date				
PowerNet Limited (Joint Venture)	358	509	358	509
Electricity Southland Limited (Associate)	7	2	7	2
Otago Power Services Limited (Associate)	4	3	4	3
Power Services Limited (Associate)	-	8	-	8
Goods and Services Supplied by:				
PowerNet Limited (Joint Venture)	8,436	4,171	8,436	4,171
Invercargill City Holdings Limited (Other Related Party)	1,311	1,313	1,311	1,313
Power Services Limited (Associate)	40	37	40	37
Creditors Outstanding at Balance Date				
PowerNet Limited (Joint Venture)	2,155	1,529	2,155	1,529
Invercargill City Holdings Limited (Other Related Party)	105	103	105	103
Power Services Limited (Associate)	-	-	-	-
Dividends Paid to:				
Invercargill City Holdings Limited (Other Related Party)	5,200	4,700	5,200	4,700
Dividends Paid by:				
Pylon Limited (Subsidiary)	-	-	1,969	1,862
Advances Provided to (Repaid by):				
PowerNet Limited (Joint Venture)	1,560	720	1,560	720
Electricity Southland Limited (Associate)	450	-	450	-
Pylon Limited (Subsidiary)	-	-	85	(158)
Otago Power Services Limited (Associate)	48	-	48	-
Advances Repaid to (Provided from):				
Invercargill City Holdings Limited (Other Related Party)	(2,000)	-	(2,000)	-

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

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 \$6,000 (2013: \$102,000) of which \$0 (incl GST) (2013: \$4,000 (incl GST)) is owing at balance date.

Electricity Invercargill Limited Group's share of fees for taxation advice paid to Crowe Horwath (formally WHK) (of which Philip Mulvey is Chief Executive and Duncan Fea is a Principal.) during the year amounted to \$0 (excl GST) (2013: \$6,000 (excl GST) of which \$0 (incl GST) (2013: \$0 (incl GST)) is owing at balance date.

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

Electricity Invercargill Limited holds term investments with SBS Bank of which Ross Smith is Chief Executive. Electricity Invercargill Limited received \$53,000 interest (paid and accrued) during the year from SBS Bank (31 March 2013: \$91,000) and holds term investments at balance date amounting to \$790,000 (31 March 2013: \$2,450,000).

Key Management Personnel

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

	GROUP AND PARENT	
	2014 \$000	2013 \$000
Salaries and Short-term Employee Benefits	146	145

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.

22. 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 2014

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 2014, 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 statement of service performance of the company and group on page 10.

Unmodified opinion on the financial statements

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 2014; and
 - financial performance and cash flows for the year ended on that date;

Disclaimer of opinion on the SAIDI and SAIFI performance measures in the company and group's statement of service performance

Reason for our disclaimer of opinion

Our audit was limited because we could not confirm the completeness and accuracy of all the SAIDI and SAIFI outage data due to:

- no independent evidence being available to support the completeness and accuracy of the recorded faults used to measure the company and group's achievement against the SAIDI and SAIFI performance targets adopted for the year ended 31 March 2014 and 31 March 2013; and
- limited control over the completeness and accuracy of interconnection point ('ICP') data representing individual customer connections to the network included in the SAIDI and SAIFI calculations throughout the period.

There are no practical audit procedures to determine the effect of these limitations in independent evidence and controls. As a result we are unable to form an opinion as to whether the amounts and details set out in the SAIDI and SAIFI performance measures, of which the outage and ICP data are integral elements, in the company and group's performance targets for the year ended 31 March 2014 gives a true and fair view of the company and group's achievements.

Disclaimer of opinion

Because of the significance of the matters described in the "reason for our disclaimer of opinion" paragraph above, we are unable to form an opinion as to whether the SAIDI and SAIFI performance measures adopted for the years ended 31 March 2014 and 31 March 2013, which are reflected in the statement of service performance of the company and group on page 2:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's achievements measured against the SAIDI and SAIFI performance measures adopted for the year ended 31 March 2014.

Unmodified opinion on the other performance measures in the statement of service performance

In our opinion, the other performance measures (that is the measures other than the SAIDI and SAIFI performance measures) in the company and group's performance targets:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

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 26 June 2014. 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 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 statement of service performance. We are unable to determine whether there are material misstatements because the scope of our work on the SAIDI and SAIFI performance measures was limited, as we referred to in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and 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 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 statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and 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 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 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 statement of service performance 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) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2012, 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
On behalf of the Auditor-General
Christchurch, New Zealand

PricewaterhouseCoopers



Darren Ludlow (EIL Director), Richard Gray (St John), Neil Boniface (EIL Chair), Jason Franklin (PowerNet Chief Executive) at the presentation of the two HeartStart FRx defibrillators



PowerNet staff at System Control



PowerNet field maintenance team working on the Electricity Invercargill network in Bluff



Jason Franklin (PowerNet Chief Executive) addressing Electricity Invercargill commercial customers

Back cover: Ducting being laid on Yarrow Street for the 33kV cable

