


ELECTRICITY INVERCARGILL LIMITED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

APPROVAL BY DIRECTORS

The Directors have approved the Interim Financial Statements of Electricity Invercargill Limited for the six months ended 30 September 2016 on pages 2 to 11.



Neil Boniface
Chair



Tom Campbell
Director

For and on behalf of the
Board of Directors

25 November 2016

ELECTRICITY INVERCARGILL LIMITED STATEMENT OF SERVICE PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 period, are detailed below.

Performance Targets

	Achievement			
	Target Year Ended 31 Mar 2017 \$000	Six Months Ended 30 Sept 2016 \$000	Six Months Ended 30 Sept 2015 \$000	Year Ended 31 Mar 2016 \$000
Operating Surplus Before Tax	9,768	5,945	6,657	9,924
Operating Surplus After Tax	7,976	4,512	5,061	7,767
Earnings Before Interest and Tax (EBIT%)	7.36%	4.04%	5.12%	7.42%
Return on Equity %	8.93%	4.73%	5.46%	8.71%
Equity to Total Assets %	49.61%	50.17%	61.63%	55.70%

Network Reliability Performance

The performance targets for SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) identified in the Statement of Intent targets were both not exceeded during the first half of the year. The Statement of Intent targets are lower than the limits set by the Commerce Commission in the Electricity Distribution Services Default Price Path Quality Determination 2015. The audited Default Price Path Annual Compliance Statement for the year to 31 March 2016 shows that EIL has not breached the reliability limits.

Supplementary Information

Network Statistics

Length of overhead line	54km	54km	54 km
Length of underground cable	616km	609km	616 km
Total number of interruptions	22	15	42
Faults per 100km of line	3.95	2.96	7.90
Transformer capacity MVA	150	151	152
Maximum demand kW	63,052	66,006	66,006
Energy into network GWh	154	164	280
Total consumers	17,345	17,343	17,362
SAIDI minutes	13.36	10.63	37.80
SAIFI times	0.25	0.27	0.67

ELECTRICITY INVERCARGILL LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six Months Ended 30 Sept 2016 \$000	GROUP Six Months Ended 30 Sept 2015 \$000	Year Ended 31 Mar 2016 \$000
Operating Revenue	11,172	11,320	20,126
Other Income	990	1,024	2,035
Operating Expenses	(7,926)	(7,288)	(15,146)
Finance Costs	(1,739)	(1,044)	(1,956)
Share of Profit of Associates and Joint Ventures	3,448	2,645	4,865
Operating Surplus Before Taxation	5,945	6,657	9,924
Less Taxation Expense			
- Current	(1,224)	(1,642)	(2,083)
- Deferred	(209)	46	(74)
Net Surplus After Taxation	4,512	5,061	7,767

ELECTRICITY INVERCARGILL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Net Surplus After Taxation	4,512	5,061	7,767
Other Comprehensive Income			
- Revaluation	1,863	-	-
Other Comprehensive Income	1,863	-	-
Total Comprehensive Income	6,375	5,061	7,767

The accompanying notes on pages 7 to 11 form part of and should be read in conjunction with these interim financial statements.

ELECTRICITY INVERCARGILL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

GROUP

	Note	Six Months Ended 30 Sept 2016 \$000	Six Months Ended 30 Sept 2015 \$000	Year Ended 31 Mar 2016 \$000
Total Comprehensive Income				
Net Surplus for the Period		4,512	5,061	7,767
Other Comprehensive Income		1,863	-	-
		6,375	5,061	7,767
Distributions to Shareholders				
Dividend Paid/Declared	(2)	-	-	(6,200)
		-	-	(6,200)
Changes in Equity for the Period		6,375	5,061	1,567
Equity at Beginning of Period		89,119	87,552	87,552
Equity at End of Period		95,494	92,613	89,119

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The accompanying notes on pages 7 to 11 form part of and should be read in conjunction with these interim financial statements.

ELECTRICITY INVERCARGILL LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

GROUP

	Note	30 Sept 2016 \$000	30 Sept 2015 \$000	31 Mar 2016 \$000
Equity				
Share Capital	(2)	13,000	13,000	13,000
Reserves		31,667	29,859	29,804
Retained Earnings		50,827	49,754	46,315
Total Equity		95,494	92,613	89,119
Represented By:				
Current Assets				
Cash and Cash Equivalents		2,471	1,505	207
Receivables and Prepayments		2,142	2,282	2,411
Total Current Assets		4,613	3,787	2,618
Non Current Assets				
Investments in Associates		1,579	4,106	1,554
Advances to Associates		2,115	4,860	1,720
Investments in Joint Ventures	(3)	81,253	48,888	54,270
Advances to Joint Ventures		10,494	5,310	13,430
Investments in Other Entities		118	118	118
Property, Plant and Equipment	(4)	86,680	79,117	84,019
Capital Work in Progress		3,501	4,081	2,279
Total Non Current Assets		185,740	146,480	157,390
Total Assets		190,353	150,267	160,008
Current Liabilities				
Creditors and Accruals		2,997	3,162	5,137
Dividend Payable		4,200	3,750	6,200
Income Tax Payable		933	1,391	1,081
Total Current Liabilities		8,130	8,303	12,418
Non Current Liabilities				
Shareholder Advance		67,825	31,500	40,500
Deferred Tax Liabilities		18,904	17,851	17,971
Total Non Current Liabilities		86,729	49,351	58,471
Total Liabilities		94,859	57,654	70,889
Net Assets		95,494	92,613	89,119

The accompanying notes on pages 7 to 11 form part of and should be read in conjunction with these interim financial statements.

ELECTRICITY INVERCARGILL LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six Months Ended 30 Sept 2016 \$000	GROUP Six Months Ended 30 Sept 2015 \$000	Year Ended 31 Mar 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Was Provided From:				
Receipts from Customers		12,208	12,449	21,453
Interest Received		173	231	440
Taxation Refunds		19	38	57
		12,400	12,718	21,950
Cash Was Disbursed To:				
Payments to Suppliers and Employees		7,956	8,888	12,549
Income Tax Paid		1,372	1,585	2,355
Interest Paid		1,766	1,054	1,983
GST Paid/(Received)		137	321	(296)
		11,231	11,848	16,591
Net Cash Flows From Operating Activities	(5)	1,169	870	5,359
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Was Provided From:				
Sale of Property, Plant and Equipment		1	4	8
Sale of Shares in Associate		-	-	4,200
Distribution Received		2,765	1,069	3,121
Joint Ventures Advances Repaid		2,936	1,825	-
		5,702	2,898	7,329
Cash Was Applied To:				
Purchase of Property, Plant and Equipment		3,212	2,537	7,986
Purchase of additional Interest in Joint Ventures		26,325	3,725	10,588
Advances to Associates & Joint Ventures		395	2,190	5,391
Advances to Other Entities		-	45	-
		29,932	8,497	23,965
Net Cash Flows Used in Investing Activities		(24,230)	(5,599)	(16,636)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Was Provided From:				
Shareholder Advances Received		27,325	-	9,000
		27,325	-	9,000
Cash Was Applied To:				
Dividend Payment		2,000	1,850	5,600
		2,000	1,850	5,600
Net Cash Flows Used in Financing Activities		25,325	(1,850)	3,400
Net Increase/(Decrease) in Cash and Cash Equivalents Held		2,264	(6,579)	(7,877)
Add Opening Cash Brought Forward		207	8,084	8,084
Closing Cash and Cash Equivalents Carried Forward		2,471	1,505	207

The accompanying notes on pages 7 to 11 form part of and should be read in conjunction with these interim financial statements

ELECTRICITY INVERCARGILL LIMITED
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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.

The condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and the New Zealand equivalents to International Accounting Standard (NZ IAS) 34.

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

The financial statements were approved by the Board of Directors on 25 November 2016.

Basis of Preparation

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's Financial Statements for the year ended 31 March 2016.

New Standards Adopted

There have been no new standards adopted in the current period that have a material effect on the financial statements.

The Group is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards, NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) by virtue of the fact that it has no public accountability and it is not a large for-profit public sector entity.

In adopting the Reduced Disclosure Regime framework, the Group has taken advantage of a number of disclosure concessions.

The transition date was 1 June 2014, therefore the financial statements for the year ended 31 March 2016 are the first prepared under NZ IFRS RDR. In transitioning from NZ IFRS Differential Reporting to NZ IFRS RDR, the Group has complied with NZ IFRS 1 where applicable, and there have been no changes to equity reported under Tier 2 RDR.

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 (effective for annual periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship

between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

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

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

2. Share Capital and Dividends

The authorised share capital comprises 13 million ordinary shares (30 September 2014 and 31 March 2015: 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		
	30 Sept 2016	30 Sept 2015	31 Mar 2016
	\$000	\$000	\$000
Share Capital	13,000	13,000	13,000
Dividend Declared/Paid	-	-	(6,200)
			Cents per Share
Dividend per Share	-	-	47.7

3. Investments in Joint Ventures

In 2015, Roaring Forties Energy Limited Partnership was formed in which the Group owns a 50% interest.

On April 2015, Roaring Forties Energy Limited Partnership took a 50% interest in Southern Generation Limited Partnership. This partnership was formed to invest in electricity generation opportunities. As the Group has 50% interest in Roaring Forties Energy Limited Partnership it is therefore deemed to have a 25% interest in Southern Generation Limited Partnership for applying equity accounting. Effective from 1 April 2015, Southern Generation Limited Partnership purchased the Mount Stuart Wind Farm and in December 2015 purchased the Flat Hill Wind Farm.

In April 2016, Southern Generation Limited Partnership completed the acquisition of the Aniwhenua Hydro Station on the Rangitaiki River in the Bay of Plenty. This asset, coupled with a long term supply agreement to an electricity retailer, adds further asset value to the Group.

4. Property, Plant and Equipment – Additions and Disposals

Additions	3,212	2,537	7,986
Disposals	(17)	(8)	(564)

The network assets of Electricity Invercargill Limited were revalued to fair value using discounted cash flow methodology on 1 April 2016 by Ernst & Young, who is an independent valuer. This resulted in a revaluation movement of \$2,588,000.

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 fair value measurement of the distribution network is categorised under Level 3 of the fair value hierarchy.

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

The following is reconciliation between the Net Surplus After Taxation shown in the Statement of Comprehensive Income and the Net Cash Flows from Operating Activities.

	30 Sept 2016 \$000	GROUP 30 Sept 2015 \$000	31 Mar 2016 \$000
Net Surplus After Taxation	4,512	5,061	7,767
Plus/(Less) Non Cash Items:			
Depreciation and Amortisation	1,901	1,774	3,567
Deferred Taxation	208	(46)	74
Loss on Sale of Property, Plant and Equipment	16	4	556
Loss on Sale of Associate	-	-	-
Share of (Profit)/Loss of Associates/Joint Ventures	(3,448)	(2,645)	(4,865)
	(1,323)	(913)	(668)
Plus/(Less) Movements in Working Capital:			
Increase/(Decrease) in Payables and Accruals	(2,140)	(3,757)	(1,215)
(Increase)/Decrease in Receivables	268	384	(310)
Increase/(Decrease) in Provision for Taxation	(148)	95	(215)
	(2,020)	(3,278)	(1,740)
Net Cash Flows From Operating Activities	1,169	870	5,359

6. Capital Commitments

The Group has capital expenditure contracted for but not provided for in the financial statements.

Capital Commitments	1,546	2,381	1,686
Total Capital Commitments	1,546	2,381	1,686

7. Contingent Liabilities

The Company has a contingent liability as at 30 September 2016 of \$415,000 (30 Sept 2015: \$415,000; March 2016 \$415,000). 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.

8. 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 Roaring Forties Energy Limited Partnership through their wholly owned subsidiary Pylon Limited.

Otago Power Services Limited was purchased by PowerNet Limited in February 2016 and amalgamated with PowerNet Limited on 31 March 2016.

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

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

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

	Six Months Ended 30 Sept 2016 \$000	GROUP Six Months Ended 30 Sept 2015 \$000	Year Ended 31 Mar 2016 \$000
Goods and Services Supplied to:			
PowerNet Limited (Joint Venture)	92	109	245
Electricity Southland Limited (Associate)	41	33	71
Otago Power Services Limited (Associate)	-	17	33
OtagoNet Joint Venture (Joint Venture)	-	14	14
<i>Receivables Outstanding at Balance Date</i>			
PowerNet Limited (Joint Venture)	42	57	76
Electricity Southland Limited (Associate)	22	17	19
Otago Power Services Limited (Associate)	-	8	-
OtagoNet Joint Venture (Joint Venture)	-	3	-
Goods and Services Supplied by:			
PowerNet Limited (Joint Venture)	5,089	4,109	11,042
Invercargill City Holdings Limited (Other Related Party)	1,812	1,111	2,334
<i>Creditors Outstanding at Balance Date</i>			
PowerNet Limited (Joint Venture)	953	984	3,545
Invercargill City Holdings Limited (Other Related Party)	151	144	2,334
Dividends Paid to:			
Invercargill City Holdings Limited (Other Related Party)	2,000	1,850	5,600
Advances Provided to/(Repaid by):			
PowerNet Limited (Joint Venture)	(2,936)	860	3,667
Electricity Southland Limited (Associate)	395	330	600
Pylon Limited (Subsidiary)	26,383	3,984	-
Otago Power Services Limited (Associate)	-	-	(2,296)
OtagoNet Joint Venture (Joint Venture)	-	(825)	(825)
Advances Repaid to/(Provided from):			
Invercargill City Holdings Limited (Other Related Party)	(27,325)	-	(9,500)

Other Related Parties

There have been no material transactions with Directors.

9. Subsequent Events

No subsequent events have occurred which would materially affect these accounts.

10. Seasonality

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

