ELECTRICITY INVERCARGILL LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

APPROVAL BY DIRECTORS

The Directors have approved for issue the Financial Statements of Electricity Invercargill Limited for the year ended 31 March 2015 on pages 2 to 30.

Ross Smith	**Tom Campbell**
Acting Chair	**Director**

For and on behalf of the
Board of Directors

25 June 2015

ELECTRICITY INVERCARGILL LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015

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

Performance Targets

	Target	Achievement	
	Year Ended 31 March 2016	Year Ended 31 March 2015	Year Ended 31 March 2014
Financial Measures	**$000**	**$000**	**$000**
Operating Surplus Before Tax	8,647	10,129	7,221
Operating Surplus After Tax	6,448	7,497	5,426
Earnings Before Interest and Tax to Total Assets (EBIT%)	7.90%	7.84%	6.56%
Return on Equity %	8.30%	8.56%	6.55%
Equity to Total Assets %	56.62%	58.07%	64.84%

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 exceeded during 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 2012. The audited Default Price Path Annual Compliance Statement for the year to 31 March 2015 shows that EIL has not breached the reliability limits.

Supplementary Information

	Achievement	
	2015	**2014**
Network Statistics		
Length of overhead line	54 km	54 km
Length of underground cable	607 km	603 km
Total number of interruptions	27	34
Faults per 100km of line	11.849	8.89
Transformer capacity MVA	151	151
Maximum demand kW	60,730	63,642
Energy into network GWh	273	272
Total consumers	17,368	17,277

ELECTRICITY INVERCARGILL LIMITED
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Operating Revenue	(2)	20,040	18,010	20,040	18,010
Other Income	(2)	2,103	1,814	3,845	3,783
Operating Expenses	(3)	(14,435)	(14,585)	(14,435)	(14,068)
Finance Costs	(3)	(1,698)	(1,161)	(1,698)	(1,161)
Share of Profit of Associates and Joint Ventures	(8/10)	4,119	3,143	-	-
Operating Surplus Before Taxation	(4)	**10,129**	**7,221**	**7,752**	**6,564**
Less Taxation Expense					
- Current	(4)	(2,858)	(2,112)	(1,919)	(1,383)
- Deferred	(4/15)	226	317	345	373
Net Surplus After Taxation		**7,497**	**5,426**	**6,178**	**5,554**

ELECTRICITY INVERCARGILL LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Net Surplus After Taxation	**7,497**	**5,426**	**6,178**	**5,554**
Other Comprehensive Income				
- Revaluation	2,833	-	-	-
Other Comprehensive Income	**2,833**	-	-	-
Total Comprehensive Income	**10,330**	**5,426**	**6,178**	**5,554**

The accompanying notes on pages 7 to 30 form part of and should be read in conjunction with these financial statements.

ELECTRICITY INVERCARGILL LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

		GROUP		PARENT	
	Note	2015 $000	2014 $000	2015 $000	2014 $000
Total Comprehensive Income					
Net Surplus for the Year		7,497	5,426	6,178	5,554
Other Comprehensive Income		2,833	-	-	-
		10,330	5,426	6,178	5,554
Distributions to Shareholders					
Dividend Paid/Declared		(5,600)	(5,400)	(5,600)	(5,400)
		(5,600)	(5,400)	(5,600)	(5,400)
Changes in Equity for the Year		**4,730**	**26**	**578**	**154**
Equity at Beginning of Year		**82,822**	**82,796**	**75,290**	**75,136**
Equity at End of Year	(5)	**87,552**	**82,822**	**75,868**	**75,290**

The accompanying notes on pages 7 to 30 form part of and should be read in conjunction with these financial statements

pwc

ELECTRICITY INVERCARGILL LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Equity					
Share Capital	(5)	13,000	13,000	13,000	13,000
Reserves	(5)	29,859	27,077	20,113	20,164
Retained Earnings	(5)	44,693	42,745	42,755	42,126
Total Equity		**87,552**	**82,822**	**75,868**	**75,290**
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	8,084	844	8,084	844
Receivables and Prepayments	(7)	2,667	1,857	2,664	1,857
Inventories		-	-	-	-
Construction Work in Progress		-	-	-	-
Total Current Assets		**10,751**	**2,701**	**10,748**	**2,701**
Non Current Assets					
Investments in Associates	(8)	3,742	4,536	-	-
Advances to Associates	(8)	4,531	962	3,416	962
Investment in Subsidiary	(9)	-	-	31,686	30,358
Investments in Joint Ventures	(10)	43,950	37,416	-	-
Advances to Joint Ventures	(10)	5,275	5,055	5,275	5,055
Investments in Other Entities		72	72	72	72
Property, Plant and Equipment	(11)	79,919	71,886	79,919	71,886
Capital Work in Progress	(11)	2,525	5,102	2,525	5,102
Total Non Current Assets		**140,014**	**125,029**	**122,893**	**113,435**
Total Assets		**150,765**	**127,730**	**133,641**	**116,136**
Current Liabilities					
Creditors and Accruals	(13)	6,919	3,828	6,919	3,828
Dividend Payable		5,600	5,400	5,600	5,400
Income Tax Payable		1,296	658	939	458
Total Current Liabilities		**13,815**	**9,886**	**13,458**	**9,686**
Non Current Liabilities					
Shareholder Advance	(14)	31,500	18,000	31,500	18,000
Deferred Tax Liabilities	(15)	17,898	17,022	12,815	13,160
Total Non Current Liabilities		**49,398**	**35,022**	**44,315**	**31,160**
Total Liabilities		**63,213**	**44,908**	**57,773**	**40,846**
Net Assets		**87,552**	**82,822**	**75,868**	**75,290**

The accompanying notes on pages 7 to 30 form part of and should be read in conjunction with these financial statements.

pwc

ELECTRICITY INVERCARGILL LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		20,940	18,450	20,940	18,450
Interest Received		384	240	384	240
Dividends Received		-	-	1,849	1,969
Taxation Refunds		30	20	23	20
		21,354	18,710	23,196	20,679
Cash Was Disbursed To:					
Payments to Suppliers and Employees		8,325	9,285	8,325	9,111
Income Tax Paid		2,250	2,050	1,460	1,260
Interest Paid		1,699	1,162	1,699	1,162
GST Paid/(Received)		(253)	(121)	(253)	(121)
		12,021	12,376	11,231	11,412
Net Cash Flows From Operating Activities	(16)	**9,333**	**6,334**	**11,965**	**9,267**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Sale of Property, Plant and Equipment		250	47	250	47
Sale of Shares in Associate		1,700	1,874	-	-
Associates Advances Repaid		-	-	13,579	2,308
		1,950	1,921	13,829	2,355
Cash Was Applied To:					
Purchase of Property, Plant and Equipment		9,072	4,817	9,073	4,817
Advances to Associates		-	-	17,581	5,258
Purchase of shares in Associate		1,905	-	-	-
Purchase of additional Interest in Joint Ventures		1,166	-	-	-
Advances to Associates and Joint Ventures		-	1,891	-	-
		12,143	6,708	26,654	10,075
Net Cash Flows Used in Investing Activities		**(10,193)**	**(4,787)**	**(12,825)**	**(7,720)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Provided From:					
Shareholder Advances Received		13,500	2,000	13,500	2,000
		13,500	2,000	13,500	2,000
Cash Was Applied To:					
Dividend Payment		5,400	5,200	5,400	5,200
Repayment of Shareholder Advance		-	-	-	-
		5,400	5,200	5,400	5,200
Net Cash Flows Used in Financing Activities		**8,100**	**(3,200)**	**8,100**	**(3,200)**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		7,240	(1,653)	7,240	(1,653)
Add Opening Cash Brought Forward		844	2,497	844	2,497
Closing Cash and Cash Equivalents Carried Forward	(6)	**8,084**	**844**	**8,084**	**844**

The accompanying notes on pages 7 to 30 form part of and should be read in conjunction with these financial statements.

pwc

ELECTRICITY INVERCARGILL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

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 2013. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

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

The financial statements were approved by the Board of Directors on 25 June 2015.

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 a historical cost basis are followed by the Group, with the exception that certain property, plant and equipment has been revalued to fair value.

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

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

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

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

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

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

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2014;

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

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

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

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

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.

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.

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

pwc

(iii) Impairment

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

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

f) Capital Work in Progress

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

g) Intangible Assets

(i) Goodwill

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

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

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

Negative goodwill arising on an acquisition is recognised directly in the profit and loss.

(ii) Computer Software

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

(iii) Research and Development

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

(iv) Amortisation

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

Software	12.5 – 48%	Straight Line/Diminishing Value

h) Taxation

Income tax on the surplus or deficit for the period presented comprises current and deferred tax. Income tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

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

i) Goods and Services Tax

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

(j) Operating Leases

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

(k) Financial Assets

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

Financial assets at fair value through the profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

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

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

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

pwc

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.

	GROUP		PARENT	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
2. Income				
Operating Revenue				
- Network Charges	20,019	17,989	20,019	17,989
- Fibre Charges	21	21	21	21
Other Income				
- Interest Revenue	462	240	462	240
- Dividends Received	-	-	1,848	1,969
- Other Income	1,641	1,574	1,535	1,574
Total Income	**22,143**	**19,824**	**23,885**	**21,793**
3. Expenses				
Expenses Include:				
Amortisation of Intangibles	-	-	-	-
Auditors' Remuneration – PricewaterhouseCoopers				
- Audit of Financial Report	43	39	43	39
- Audit of Default Price Path	24	18	24	18
- Audit of Regulatory Disclosures	43	30	43	30
Consultation Fees – PricewaterhouseCoopers	23	4	23	4
Depreciation				
- Buildings	-	-	-	-
- Fibre Assets	34	35	34	35
- Metering Assets	312	330	312	330
- Network Assets	3,009	3,133	3,009	3,133
Total Depreciation	3,355	3,498	3,355	3,498
Directors' Fees	160	146	160	146
Interest Expense	1,698	1,161	1,698	1,161
Loss on Disposal of Property, Plant and Equipment	11	222	11	222
Network Costs	7,002	7,836	7,002	7,836
Transmission Costs	6,167	5,095	6,167	5,095
Loss on Disposal of Associate	-	342	-	-

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 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Operating Surplus Before Income Tax		**10,129**	**7,221**	**7,752**	**6,564**
Income Not Taxable					
- Exempt Dividends Received		-	-	(1,848)	(1,969)
- Equity Accounting Earnings of Associates and Joint Ventures		(331)	(243)	-	-
Loss Offset (Utilised)		(750)	(1,000)	(750)	(1,000)
Expenses not Deductible		356	432	469	11
Taxable Income		9,404	6,410	5,623	3,606
Prima Facie Taxation at 28%		2,633	1,795	1,574	1,010
Made up of:					
Current Tax		2,859	2,109	1,919	1,380
Deferred Tax	(16)	(226)	(314)	(345)	(370)
		2,633	1,795	1,574	1,010
Under/(Over) Provisions in Prior Years					
Current Tax		(1)	3	(1)	3
Deferred Tax		-	(3)	-	(3)
Taxation Expense for Year		**2,632**	**1,795**	**1,573**	**1,010**
Effective Tax Rate		26.0%	24.1%	20.29%	15.4%

Tax Losses Transferred Within the Group

The current tax expense is calculated on the assumption that:

- Tax losses of $750,000 (2014: $1,000,000) with a tax benefit of $210,000 (2014: $280,000) have been transferred from Invercargill City Holdings Limited Group by way of group loss offset.

	PARENT	
	2015 $000	2014 $000
Imputation Credit Account		
Credit Balance at Beginning of Year	1,112	1,128
Credits:		
Income Tax Payments During Year	1,460	1,260
Imputation Credits on Dividend Received	719	766
Adjustment for prior year (tax payments made)	-	-
Debits:		
Imputation Credits on Dividend Paid	(2,100)	(2,022)
Income Tax Refund During Year	(14)	(20)
Credit Balance at End of Year	**1,177**	**1,112**

The Imputation Credit Account relates to Electricity Invercargill Limited.

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	
	2015 $000	2014 $000	2015 $000	2014 $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	24,277	24,380	17,364	17,467
Revaluation	2,833	-	-	-
Revaluation Reversal due to Asset Disposal	(51)	(103)	(51)	(103)
Closing Balance	27,059	24,277	17,313	17,364
Total Reserves	**29,859**	**27,077**	**20,113**	**20,164**
Retained Earnings				
Opening Balance	42,745	42,616	42,126	41,869
Net Surplus	7,497	5,426	6,178	5,554
Revaluation Reversal due to Asset Disposal	51	103	51	103
Dividend Declared/Paid	(5,600)	(5,400)	(5,600)	(5,400)
Total Retained Earnings	**44,693**	**42,745**	**42,755**	**42,126**
Total Equity	**87,552**	**82,822**	**75,868**	**75,290**

	Cents per Share	Cents per Share
Dividend per Share	43.1	41.5

pwc

	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000

6. Cash and Cash Equivalents

	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Current Account	40	54	40	54
Bank Deposits (Short Term)	8,044	790	8,044	790
Total Cash and Cash Equivalents	**8,084**	**844**	**8,084**	**844**

7. Receivables and Prepayments

	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Trade Debtors	2,077	1,837	2,074	1,837
Prepayments	23	20	23	20
GST Receivable	567	-	567	-
Total Receivables and Prepayments	**2,667**	**1,857**	**2,664**	**1,857**

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.

8. Investments in Associates

Associate Companies	**Country of Incorporation**	**Percentage Held By Group 2015**	**Percentage Held By Group 2014**	**Balance Date**
Electricity Southland Limited	NZ	24.9%	50%	31 March
Otago Power Services Limited	NZ	50%	24.5%	31 March

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.

On 30 September 2014, the Group purchased additional 3.2% shareholding in Otago Power Services Limited (a contracting company). On 31 March 2015, additional 22.30% of shareholding was purchased to attain a share holding of 50%. Goodwill recognised in the acquisition was $1,613,000.

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

	GROUP 2015 $000	GROUP 2014 $000
Share of Surplus Before Taxation	485	757
Less Taxation Expense	(201)	(277)
Total Recognised Revenues and Expenses	**284**	**480**

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

Carrying Amount at Beginning of Year	4,536	6,542
Investments in Associates	291	-
Total Recognised Revenues and Expenses	284	480
Goodwill on Acquisition	1,613	-
Dividends Received/Declared	(1,389)	(269)
Disposal of Associates	(1,593)	(2,217)
Carrying Amount at End of Year	**3,742**	**4,536**

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

	GROUP	
	2015	**2014**
	$000	**$000**
Revenue	16,190	22,609
Expenses	(14,875)	(20,897)
Profit/(Loss)	**1,315**	**1,712**
Current Assets	4,818	3,487
Non Current Assets	17,228	14,842
Current Liabilities	(3,213)	(2,709)
Non Current Liabilities	(11,402)	(3,957)

The Parent's advances to associates are as follows:

	PARENT	
	2015	**2014**
	$000	**$000**
Advances to Associates	**3,416**	**962**

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.

9. Investment in Subsidiary

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

	Percentage Held By Group		
	2015	**2014**	**Balance Date**
Pylon Limited	100%	100%	31 March

	PARENT	
	2015	**2014**
	$000	**$000**
Shares in Subsidiary	26,901	26,901
Advance to Subsidiary	4,785	3,457
Total Investment in Subsidiary	**31,686**	**30,358**

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 2015	2014	Balance Date
PowerNet Limited Group*	50%	50%	31 March
OtagoNet Joint Venture	24.9%	24.5%	31 March

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

On 31 September 2014, the Group purchased an additional 3.2% interest in OtagoNet Joint Venture. On 31 March 2015, some of this was sold to leave a 24.9% interest in OtagoNet Joint Venture. Goodwill recognised in the acquisition was $693,000.

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

	2015 $000	2014 $000
Carrying Amount at Beginning of Year	37,416	35,459
Investments in Joint Ventures	4,392	-
Total Recognised Revenues and Expenses	3,835	2,662
Goodwill on Acquisition	693	-
Distributions Received	(2,386)	(2,695)
Increase in Shares	-	1,990
Carrying Amount at End of Year	**43,950**	**37,416**

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

	GROUP 2015 $000	2014 $000
Current Assets	29,581	29,157
Non Current Assets	183,637	160,483
Current Liabilities	(13,849)	(12,953)
Non Current Liabilities	(27,075)	(26,019)

	PARENT 2015 $000	2014 $000
Advances to Joint Ventures	**5,275**	**5,055**

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.

11. Property, Plant and Equipment

GROUP AND PARENT

	Network Assets $000	Meters $000	Fibre $000	Buildings $000	Total $000
Cost or Valuation					
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**
Balance at 1 April 2014	78,209	4,702	1,025	12	83,948
Additions	11,583	48	18	-	11,649
Disposals	(142)	-	(137)	(12)	(291)
Balance at 31 March 2015	**89,650**	**4,750**	**906**	-	**95,306**
Depreciation and Impairment Losses					
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**
Balance at 1 April 2014	9,240	2,742	80	-	12,062
Depreciation for Year	3,009	312	34	-	3,355
Impairment Losses	-	-	-	-	-
Disposals	(21)	-	(9)	-	(30)
Balance at 31 March 2015	**12,228**	**3,054**	**105**	-	**15,387**
Carrying Amount/Book Value					
Book Value 31 March 2014	**68,969**	**1,960**	**945**	**12**	**71,886**
Book Value 31 March 2015	**77,422**	**1,696**	**801**	-	**79,919**

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

31 March 2014	*44,187*	*1,960*	*945*	*12*	*47,104*
31 March 2015	*54,905*	*1,696*	*801*	-	*57,402*

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%.

12. Intangible Assets

	GROUP AND PARENT Software $000
Cost	
Balance at 1 April 2013	1
Additions	-
Disposals	-
Balance at 31 March 2014	**1**
Balance at 1 April 2014	1
Additions	-
Disposals	-
Balance at 31 March 2015	**1**
Amortisation and Impairment Losses	
Balance at 1 April 2013	1
Amortisation for Year	-
Impairment Losses	-
Disposals	-
Balance at 31 March 2014	**1**
Balance at 1 April 2014	1
Amortisation for Year	-
Impairment Losses	-
Disposals	-
Balance at 31 March 2015	**1**
Carrying Amount/Book Value	-
Book Value 31 March 2014	**-**
Book Value 31 March 2015	**-**

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

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
13. Creditors and Accruals				
Trade Payables	5,492	2,425	5,492	2,425
Accruals	1,392	1,322	1,392	1,322
Revenue in advance	35	18	35	18
GST Payable	-	63	-	63
Total Creditors and Accruals	**6,919**	**3,828**	**6,919**	**3,828**

14. Shareholder Advance

	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Invercargill City Holdings				
- Non Current Portion	31,500	18,000	31,500	18,000
Total Shareholder Advance	**31,500**	**18,000**	**31,500**	**18,000**

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

The weighted average interest rate for the loan is 6.73% (2014: 7.25%)

15. Deferred Tax Liabilities

	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Balance at the Beginning of the Year	17,022	17,339	13,160	13,532
Charged to the Profit and loss (4)				
- Temporary Difference Reversals - Depreciation	(309)	(325)	(339)	(376)
- Temporary Difference Reversals - Other	83	8	(6)	4
Charged to Equity				
- Effect of Revaluation	1,102	-	-	-
Balance at the End of the Year	**17,898**	**17,022**	**12,815**	**13,160**

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.

pwc

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	
	2015 $000	2014 $000	2015 $000	2014 $000
Net Surplus After Taxation	7,497	5,426	6,178	5,554
Plus/(Less) Non Cash Items:				
Depreciation	3,355	3,498	3,355	3,498
Amortisation of Software	-	-	-	-
Deferred Taxation	(226)	(317)	(345)	(373)
Loss on Sale of Property, Plant and Equipment	11	222	11	222
Loss (Gain) on Sale of Associate	(106)	342	-	-
Share of (Profit)/Loss of Associates and Joint Ventures	(4,119)	(3,143)	-	-
	(1,085)	602	3,021	3,347
Plus/(Less) Movements in Working Capital:				
Increase/(Decrease) in Payables and Accruals	3,092	1,527	3,092	1,527
(Increase)/Decrease in Receivables	(807)	(1,303)	(807)	(1,303)
Increase/(Decrease) in Provision for Taxation	636	82	481	142
	2,921	306	2,766	366
Net Cash Flows From Operating Activities	**9,333**	**6,334**	**11,965**	**9,267**

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	1,320	1,022	1,320	1,022
Total Capital Commitments	**1,320**	**1,022**	**1,320**	**1,022**

18. Contingent Liabilities

The Company has a contingent liability as at 31 March 2015 of $415,000 (31 March 2014: $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.

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 $1,654,000 (2014: $1,511,000) 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 2015:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	8,084	-	-	8,084
Trade and Other Receivables	2,643	-	-	2,643
Construction Work In Progress	-	-	-	-
	10,727	-	-	10,727
Financial Liabilities				
Trade Payables	5,492	-	-	5,492
Accruals	-	1,392	-	1,392
Advances	-	-	31,500	31,500
Dividend Payable	-	5,600	-	5,600
	5,492	6,992	31,500	43,984

The $31.5 million advance repayment arrangements are discussed in Note 14.

The following table details the Parent's exposure to liquidity risk as at 31 March 2015:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	8,084	-	-	8,084
Trade and Other Receivables	2,641	-	-	2,641
Advances	-	-	13,548	13,548
	10,725	-	13,548	24,273
Financial Liabilities				
Trade Payables	5,492	-	-	5,492
Accruals	-	1,392	-	1,392
Advances	-	-	31,500	31,500
Dividend Payable	-	5,600	-	5,600
	5,492	6,992	31,500	43,984

Advances to associates, subsidiaries and joint venture, are repayable on demand but with a 13 month notice period. The $31.5 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 2014:

	Maturity Dates < 1 Month $000	Maturity Dates < 1 Yr $000	Maturity Dates 1-3 Yrs $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

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.

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 1-3 Yrs $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 ventures, 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. Also available in the next twelve months is $4,500,000 unused facility from Invercargill City Holdings Limited, Electricity Invercargill Limited's bankers.

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 2015:

	Variable Interest Rate $000	Maturity Dates < 1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	8,084	-	-	8,084
Trade and Other Receivables	-	-	2,644	2,644
	8,084	-	2,644	10,728
Financial Liabilities				
Trade and Other Payables	-	-	6,919	6,919
Advances	31,500	-	-	31,500
	31,500	-	6,919	38,419

The following table details the Parent's exposure to interest rate risk as at 31 March 2015:

	Variable Interest Rate $000	Maturity Dates < 1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	8,084	-	-	8,084
Advances	8,691	-	4,857	13,548
Trade and Other Receivables	-	-	2,641	2,641
	16,775	-	7,498	24,273
Financial Liabilities				
Trade and Other Payables	-	-	6,884	6,884
Advances	31,500	-	-	31,500
	31,500	-	6,884	38,384

The following table details the restated 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

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
	6,861	-	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

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 $70,000 (2014: $41,000).

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.

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	
	2015	**2014**	**2015**	**2014**
	$000	**$000**	**$000**	**$000**
Goods and Services Supplied to:				
PowerNet Limited (Joint Venture)	217	156	217	156
Electricity Southland Limited (Associate)	74	21	74	21
Otago Power Services Limited (Associate)	34	14	34	14
OtagoNet (Joint Venture)	50	-	50	-
Power Services Limited (Associate)	-	22	-	22
Receivables Outstanding at Balance Date				
PowerNet Limited (Joint Venture)	106	358	106	358
Electricity Southland Limited (Associate)	24	7	24	7
Otago Power Services Limited (Associate)	9	4	9	4
OtagoNet (Joint Venture)	11	-	11	-
Goods and Services Supplied by:				
PowerNet Limited (Joint Venture)	11,967	8,436	11,967	8,436
Invercargill City Holdings Limited (Other Related Party)	1,833	1,311	1,833	1,311
Power Services Limited (Associate)	-	40	-	40
Creditors Outstanding at Balance Date				
PowerNet Limited (Joint Venture)	5,100	2,155	5,100	2,155
Invercargill City Holdings Limited (Other Related Party)	157	105	157	105
Dividends Paid to:				
Invercargill City Holdings Limited (Other Related Party)	5,400	5,200	5,400	5,200
Dividends Paid by:				
Pylon Limited (Subsidiary)	-	-	1,849	1,969
Advances Provided to (Repaid by):				
PowerNet Limited (Joint Venture)	130	1,560	130	1,560
Electricity Southland Limited (Associate)	500	450	500	450
Pylon Limited (Subsidiary)	-	-	1,329	85
Otago Power Services Limited (Associate)	1,954	48	1,954	48
OtagoNet (Joint Venture)	90	-	90	-
Advances Repaid to (Provided from):				
Invercargill City Holdings Limited (Other Related Party)	(13,500)	(2,000)	(13,500)	(2,000)

Other Related Parties

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

Electricity Invercargill Limited, through its joint venture interest in PowerNet Limited and OtagoNet Joint Venture uses AWS Legal as its solicitors, of which Alan Harper is a Partner. Electricity Invercargill Limited's share of fees paid to AWS Legal during the year amounted to $248,000 (2014: $6,000) of which $30,000 (incl GST) (2014: $0 (incl GST)) is owing at balance date.

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

Electricity Invercargill Limited holds term investments with SBS Bank of which Ross Smith was Chief Executive. Electricity Invercargill Limited received $85,000 interest (paid and accrued) during the year from SBS Bank (31 March 2014: $53,000) and holds term investments at balance date amounting to $8,044,000 (31 March 2014: $790,000).

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	
	2015	**2014**
	$000	**$000**
Salaries and Short-term Employee Benefits	170	146

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

Subsequent to this accounts, Electricity Invercargill Limited through its subsidiary (Pylon Limited) purchased a 25% interest in Southern Generation Limited Partnership. This partnership was formed as a Wind Farm investment joint venture.

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 2015

The Auditor-General is the auditor of Electricity Invercargill Limited and its New Zealand domiciled subsidiaries and other controlled entities. 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 the statement of service performance of Electricity Invercargill Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the Company and Group on pages 3 to 30, that comprise the statement of financial position as at 31 March 2015 , the statement of comprehensive income, statement of financial performance, statement of changes in equity and statement 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 pages 2.

In our opinion:

- the financial statements of the Company and Group:
    - present fairly, in all material respects:
        - their financial position as at 31 March 2015; and
        - their financial performance and cash flows for the year then ended; and
    - have been prepared in accordance with the Financial Reporting Act 2013.

- the statement of service performance of the Company and Group:
    - presents fairly, in all material respects, the Company and Group's achievements measured against the performance targets adopted for the year ended 31 March 2015; and
    - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 26 June 2015. 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 the statement of service performance are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company and Group's financial statements and statement of service performance 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 the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

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

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 the preparation and fair presentation of financial statements and a statement of service performance for the Company and Group, in accordance with the Financial Reporting Act 2013 and generally accepted accounting practice.

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

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

pwc

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the 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 Act1986, and a limited scope non-audit assurance engagement, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

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