

# **Electricity Invercargill Limited**

## **Interim Financial Statements**

for the Six Months ended 30 September 2021

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**Electricity Invercargill Limited**  
**Directors' Approval**  
For the Six Months ended 30 September 2021

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**Directors' Approval**

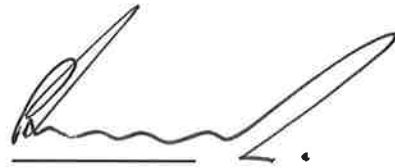
The Directors have approved for issue the Financial Statements of Electricity Invercargill Ltd for the six months ended 30 September 2021 on pages 3 to 14.

For and on behalf of the Board.



Rob Jamieson  
Chair

26 November 2021



Paul Kiesanowski  
Director

26 November 2021

**Electricity Invercargill Limited**  
**Statement of Service Performance**  
For the Six Months ended 30 September 2021

The objectives of Electricity Invercargill Ltd (EIL) for this financial year are clearly specified in the Statement of Intent, which was set in consultation with 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 Measures**

	Target Year Ended 31 March 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Achievement Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
<b><u>Financial</u></b>				
Operating Surplus Before Taxation, Subvention and Amortisation	8,156	4,780	5,972	8,549
Operating Surplus After Tax	5,813	3,299	4,350	6,138
Earnings Before Taxation, Interest, Subvention and Amortisation to Total Assets (EBIT%)	4.91 %	2.83 %	3.62 %	5.19 %
Return on Equity %	5.45 %	3.08 %	4.29 %	5.90 %
Equity to Total Assets %	48.16 %	47.94 %	49.38 %	46.95 %

\*The prior period comparative numbers have been restated as set out in Note 7.

**Supply Quality**

**System Average Interruption Duration Index (SAIDI)**

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

SAIDI Planned	16.10	5.95	4.60	13.31
SAIDI Unplanned	24.50	7.49	3.19	9.67

**System Average Interruption Frequency Index (SAIFI)**

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

SAIFI Planned	0.09	0.05	0.04	0.08
SAIFI Unplanned	0.63	0.21	0.25	0.31

SAIDI and SAIFI for planned and unplanned interruptions are calculated using the methodology defined in the Electricity Distribution Businesses DPP3 Determination 2020. SAIFI is calculated per interruption against the total network ICPs. Planned SAIDI is calculated in categories dependent on minutes occurring within or outside interruption windows, number of ICPs affected and total network ICPs – buckets are then summed to an assessed SAIDI value per interruption. Assessed SAIDI and SAIFI for unplanned interruptions include normalisation of major events for periods that exceed the DPP3 defined boundary values.

**Health and Safety**

**Total Recordable Injury Frequency Rate (TRIFR)**

Based on 12 months rolling average for PowerNet employees and contractors.

TRIFR	3.10	0.80	4.90	2.70
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**Supplementary information**

**Network Statistics**

Length of overhead line	53 km	54 km	54 km
Length of underground cable	610 km	608 km	609 km
Total number of interruptions	37	27	53
Faults per 100km of line	5.58	4.07	7.99
Transformer capacity MVA	153	152	151
Maximum demand MW	64	63	63
Energy into network GWh	156	153	263
Total consumers	17,500	17,420	17,441

**Electricity Invercargill Limited**  
**Statement of Financial Performance**  
For the Six Months ended 30 September 2021

	Notes	GROUP		
		Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
Revenue from Contracts with Customers		10,194	10,964	19,541
Other Income		857	838	1,705
Operating Expenses		<u>(8,188)</u>	<u>(7,888)</u>	<u>(17,556)</u>
<b>Operating Surplus</b>		<b>2,863</b>	<b>3,914</b>	<b>3,690</b>
Finance Cost		(1,543)	(1,460)	(2,943)
Share of Profit of Associates and Joint Ventures	3	<u>3,094</u>	<u>3,151</u>	<u>4,999</u>
<b>Net Surplus Before Taxation</b>		<b>4,414</b>	<b>5,605</b>	<b>5,746</b>
Taxation Expense		<u>(1,115)</u>	<u>(1,255)</u>	<u>392</u>
<b>Net Surplus After Taxation</b>		<b><u>3,299</u></b>	<b><u>4,350</u></b>	<b><u>6,138</u></b>

\*The prior period comparative numbers have been restated as set out in Note 7.

The accompanying notes on pages 9 to 14 form part of and should be read in conjunction with these financial statements.

**Electricity Invercargill Limited**  
**Statement of Comprehensive Income**  
For the Six Months ended 30 September 2021

	GROUP		
	Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
<b>Net Surplus After Taxation</b>	<b>3,299</b>	<b>4,350</b>	<b>6,138</b>
Other Comprehensive Income			
- Revaluation	4	-	4,830
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>4,830</b>
<b>Total Comprehensive Income</b>	<b><u>3,299</u></b>	<b><u>4,350</u></b>	<b><u>10,968</u></b>

\*The prior period comparative numbers have been restated as set out in Note 7.

*The accompanying notes on pages 9 to 14 form part of and should be read in conjunction with these financial statements.*

**Electricity Invercargill Limited**  
**Statement of Changes in Equity**  
For the Six Months ended 30 September 2021

	Notes	GROUP		
		Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
<b>Total Comprehensive Income</b>				
Net Surplus for the Period		3,299	4,350	6,138
Other Comprehensive Income	4	-	-	4,830
		<u>3,299</u>	<u>4,350</u>	<u>10,968</u>
<b>Distributions to Shareholders</b>				
Dividend Paid/Declared	2	-	-	(4,000)
		<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in Equity for the Period</b>		<u><b>3,299</b></u>	<u><b>4,350</b></u>	<u><b>6,968</b></u>
<b>Equity at the Beginning of the Period</b>		<u><b>103,946</b></u>	<u><b>96,978</b></u>	<u><b>96,978</b></u>
<b>Equity at End of the Period</b>		<u><b>107,245</b></u>	<u><b>101,328</b></u>	<u><b>103,946</b></u>

\*The prior period comparative numbers have been restated as set out in Note 7.

The accompanying notes on pages 9 to 14 form part of and should be read in conjunction with these financial statements.

**Electricity Invercargill Limited**  
**Statement of Financial Position**  
As at 30 September 2021

	GROUP		
	30 September 2021	30 September 2020 Restated*	31 March 2021
Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	1,411	2,566	4,102
Receivables and Prepayments	<u>2,129</u>	<u>2,158</u>	<u>2,657</u>
<b>Total Current Assets</b>	<b><u>3,540</u></b>	<b><u>4,724</u></b>	<b><u>6,759</u></b>
<b>Non Current Assets</b>			
Investments in Associates	5,211	5,070	5,054
Advances to Associates	3,045	1,972	2,475
Investments in Joint Ventures	3 97,863	89,332	94,222
Advances to Joint Ventures	8,051	6,676	7,826
Investments in Other Entities	118	118	118
Property, Plant and Equipment	4 100,956	93,290	102,155
Capital Work in Progress	<u>4,919</u>	<u>4,012</u>	<u>2,777</u>
<b>Total Non Current Assets</b>	<b><u>220,163</u></b>	<b><u>200,470</u></b>	<b><u>214,627</u></b>
<b>Total Assets</b>	<b><u>223,703</u></b>	<b><u>205,194</u></b>	<b><u>221,386</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors and Accruals	3,940	2,599	3,761
Dividend Payable	2,700	2,700	4,000
Income Tax Payable	<u>1,519</u>	<u>1,914</u>	<u>940</u>
<b>Total Current Liabilities</b>	<b><u>8,159</u></b>	<b><u>7,213</u></b>	<b><u>8,701</u></b>
<b>Non Current Liabilities</b>			
Interest Bearing Liabilities	85,225	75,825	85,825
Deferred Tax Liabilities	<u>23,074</u>	<u>20,828</u>	<u>22,914</u>
<b>Total Non Current Liabilities</b>	<b><u>108,299</u></b>	<b><u>96,653</u></b>	<b><u>108,739</u></b>
<b>Total Liabilities</b>	<b><u>116,458</u></b>	<b><u>103,866</u></b>	<b><u>117,440</u></b>
<b>Net Assets</b>	<b><u>107,245</u></b>	<b><u>101,328</u></b>	<b><u>103,946</u></b>
<b>EQUITY</b>			
Share Capital	2 13,000	13,000	13,000
Reserves	38,423	33,664	38,423
Retained Earnings	<u>55,822</u>	<u>54,664</u>	<u>52,523</u>
<b>Total Equity</b>	<b><u>107,245</u></b>	<b><u>101,328</u></b>	<b><u>103,946</u></b>

\*The prior period comparative numbers have been restated as set out in Note 7.

The accompanying notes on pages 9 to 14 form part of and should be read in conjunction with these financial statements.



**Electricity Invercargill Limited**  
**Statement of Cash Flows**  
For the Six Months ended 30 September 2021

		GROUP		
		Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 \$'000	Year Ended 31 March 2021 \$'000
	Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash Was Provided From:</b>				
Receipts from Customers		11,538	12,225	21,182
Interest Received		166	169	351
Taxation Refunds		-	-	880
		<u>11,704</u>	<u>12,394</u>	<u>22,413</u>
<b>Cash Was Disbursed To:</b>				
Payments to Suppliers and Employees		(5,916)	(6,671)	(10,924)
Income Tax Paid		(375)	-	(2,067)
Interest Paid		(1,590)	(1,321)	(2,906)
GST (Paid)/Received		72	84	13
		<u>(7,809)</u>	<u>(7,908)</u>	<u>(15,884)</u>
<b>Net Cash Flows From Operating Activities</b>	5	<b><u>3,895</u></b>	<b><u>4,486</u></b>	<b><u>6,529</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash Was Provided From:</b>				
Sale of Property, Plant and Equipment		-	-	3
Advances Repaid by Subsidiary		3,171	2,508	5,731
Advances Repaid by Associates and Joint Ventures		-	1,457	-
		<u>3,171</u>	<u>3,965</u>	<u>5,734</u>
<b>Cash Was Applied To:</b>				
Purchase of Property, Plant and Equipment		(3,187)	(1,968)	(5,099)
Purchase of additional Interest in Joint Ventures		(3,875)	(925)	(7,174)
Advances to Associates and Joint Ventures		(795)	-	(196)
		<u>(7,857)</u>	<u>(2,893)</u>	<u>(12,469)</u>
<b>Net Cash Flows/ (Outflows) from Investing Activities</b>		<b><u>(4,686)</u></b>	<b><u>1,072</u></b>	<b><u>(6,735)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash Was Provided From:</b>				
Shareholder Advances Received		-	-	7,500
		<u>-</u>	<u>-</u>	<u>7,500</u>
<b>Cash Was Applied To:</b>				
Repayment of Shareholder Advance		(600)	(2,500)	-
Dividend Payment		(1,300)	(1,300)	(4,000)
		<u>(1,900)</u>	<u>(3,800)</u>	<u>(4,000)</u>
<b>Net Cash Flows/ (Outflows) From Financing Activities</b>		<b><u>(1,900)</u></b>	<b><u>(3,800)</u></b>	<b><u>3,500</u></b>
<b>Net Increase in Cash and Cash Equivalents Held</b>		<b>(2,691)</b>	<b>1,758</b>	<b>3,294</b>
Add Opening Cash Brought Forward		<u>4,102</u>	<u>808</u>	<u>808</u>
<b>Closing Cash and Cash Equivalents Carried Forward</b>		<b><u>1,411</u></b>	<b><u>2,566</u></b>	<b><u>4,102</u></b>

The accompanying notes on pages 9 to 14 form part of and should be read in conjunction with these financial statements.



**Electricity Invercargill Limited**  
**Notes to the Financial Statements**  
For the Six Months ended 30 September 2021

## **1 Statement of Accounting Policies**

### **Reporting Entity**

Electricity Invercargill Ltd 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 Ltd. The Group consists of Electricity Invercargill Ltd, 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 Ltd is the provision of electricity distribution services.

The financial statements were approved by the Board of Directors on 26 November 2021.

### **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 Group is eligible and has elected to report in accordance with Tier 2 for non-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 accounting policies adopted are consistent with those followed in the preparation of the Group's Financial Statements for the year ended 31 March 2021.

### **Impact of COVID-19 on Financial Statements**

The COVID-19 pandemic continues to cause widespread economic and social disruption around the world.

As an electricity distribution and generation business, the Group is deemed to be an essential service provider and is not largely impacted by the COVID-19 restrictions to date. Industry operating and health and safety procedures enable the Group to continue maintaining the network assets and deliver electricity services.

The Group continues to monitor the risks and ongoing impacts from COVID-19 on the business. We believe that no significant changes to the presentation of the financial statements are required.



## 2 Share Capital and Dividends

The authorised and issued share capital comprises 13 million ordinary shares (30 September 2020 and 31 March 2021: 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 September 2021 \$'000	30 September 2020 \$'000	31 March 2021 \$'000
<b>Share Capital</b>	13,000	13,000	13,000
Dividend Declared/Paid	-	-	(4,000)
	<b>Cents per Share</b>	<b>Cents per Share</b>	<b>Cents per Share</b>
Dividend per Share	-	-	30.8

## 3 Investments in Joint Ventures

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

The Group holds a 25% interest in the Southern Generation Ltd Partnership. This partnership was formed to invest in electricity generation opportunities. The partnership owns two wind farms, Mt. Stuart near Lawrence and Flat Hill near Bluff and three hydro stations, Aniwhenua Hydro Station on the Rangitaiki River in the Bay of Plenty, Upper Fraser Hydro Station near Alexandra and Matiri Hydro Station near Murchison.

In July 2021, the partners completed the acquisition of three Hydro Stations (Mangapehi, Matawai and Speedy's Road) from The Lines Company Ltd in the Eastland and King Country area.

Effective from 1 April 2016 the Group equity accounted its share of profits from the 50% owned joint venture entity, PowerNet Ltd to be consistent with the economic benefits the Group receives based on the PowerNet Ltd dividend policy. The equity accounted share of profit in PowerNet Ltd to 30 September 2021 is 26.01% (31 March 2021: 24.81%).

## 4 Property, Plant and Equipment - Additions and Disposals

	GROUP		
	30 September 2021 \$'000	30 September 2020 \$'000	31 March 2021 \$'000
Additions	1,045	630	4,997
Disposals	-	(29)	(81)

The network assets of Electricity Invercargill Ltd were revalued to fair value using discounted cash flow methodology on 31 March 2021 by Ernst & Young, who is an independent valuer. This resulted in a favourable revaluation movement of \$6,709,000 (\$4,830,000 after tax).

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 a reconciliation between the Net Surplus After Taxation shown in the Statement of Financial Performance and the Net Cash Flows From Operating Activities.

	GROUP		
	30 September 2021 \$'000	30 September 2020 Restated* \$'000	31 March 2021 \$'000
<b>Net Surplus After Taxation</b>	3,299	4,350	6,138
<b>Plus/(Less) Non Cash Items:</b>			
Depreciation and Amortisation	2,244	2,135	4,293
Deferred Taxation	160	110	317
Loss on Sale of Property, Plant and Equipment	-	29	78
Share of Profit of Associates and Joint Ventures	<u>(3,094)</u>	<u>(3,151)</u>	<u>(4,999)</u>
	<u>(690)</u>	<u>(877)</u>	<u>(311)</u>
<b>Plus/(Less) Movements in Working Capital:</b>			
Increase/(Decrease) in Payables and Accruals	179	(290)	872
(Increase)/Decrease in Receivables	528	157	(342)
Increase in Provision for Taxation	<u>579</u>	<u>1,146</u>	<u>172</u>
	<u>1,286</u>	<u>1,013</u>	<u>702</u>
<b>Net Cash Flows From Operating Activities</b>	<u><b>3,895</b></u>	<u><b>4,486</b></u>	<u><b>6,529</b></u>

\*The prior period comparative numbers have been restated as set out in Note 7.

## 6 Commitments

### a) Capital Commitments

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

	30 September 2021 \$'000	30 September 2020 \$'000	31 March 2021 \$'000
Capital Commitments	3,488	3,366	2,006

### b) Other Commitments

The Group has a conditional commitment as at 30 September 2021 of \$415,000 (30 September 2020 and 31 March 2021: \$415,000). This relates to an agreement with Smart Co Ltd, for the Group to provide a subordinated loan to Smart Co once a number of terms have been met.



## 7 Restatement of Investment in Southern Generation Limited Partnership

The investment in joint ventures for the six months ended 30 September 2020, the opening Retained Earnings balance and the Share of Profit of Associates and Joint Ventures for 30 September 2020 have been restated. The adjustment reflects the impact on the historic share of the result of joint ventures from a restatement associated with a change in accounting treatment of power purchase and off-take agreements within the financial statements of the joint venture Southern Generation Ltd Partnership.

Within the joint venture, the nature of the power purchase and off-take agreements entered into was reconsidered during the previous year. These agreements were historically treated as derivatives carried at fair value. However, on reassessment it was determined that the joint venture is not a market participant and has no ability to sell electricity directly to the market, therefore the agreements did not meet the definition of derivatives. On reassessment, one of the power purchase agreements previously treated as a derivative was deemed to be a favourable customer contract acquired with the original fixed assets and is now recognised as an asset at cost and amortised over the life of the contract within the joint venture.

The following tables summarise the impact of the accounting treatment change on the financial statements in the prior period. There has been no impact on cash flows:

### 30 September 2020 Restatement:

Statement of Comprehensive Income	Previously Reported	Six Months Ended 30 September 2020 Adjustment	Restated
	\$'000	\$'000	\$'000
Share of Profit of Associates and Joint Ventures	2,893	258	3,151
Net Surplus After Taxation	4,092	258	4,350
Total Comprehensive Income	4,092	258	4,350

### 30 September 2020 Restatement:

Statement of Financial Position	Previously Reported	Six Months Ended 30 September 2020 Adjustment	Restated
	\$'000	\$'000	\$'000
Investments in Joint Ventures	90,524	(1,192)	89,332
Retained Earnings	55,856	(1,192)	54,664

### 31 March 2020 Restatement

Statement of Financial Position	Previously Reported	Year Ending March 2020 Adjustment	Restated
	\$'000	\$'000	\$'000
Investment in Joint Ventures	89,318	(1,450)	87,868
Retained Earnings	51,764	(1,450)	50,314

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## 8 Transactions with Related Parties

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

Electricity Invercargill Ltd has an interest in PowerNet Ltd, OtagoNet Joint Venture, Electricity Southland Ltd and Roaring Forties Energy Ltd Partnership through their wholly owned subsidiary Pylon Ltd.

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

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

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

	<b>GROUP</b>		
	<b>Six Months Ended 30 September 2021 \$'000</b>	<b>Six Months Ended 30 September 2020 \$'000</b>	<b>Year Ended 31 March 2021 \$'000</b>
<b>Goods and Services Supplied to:</b>			
PowerNet Ltd (Joint Venture)	133	114	229
Electricity Southland Ltd (Associate)	49	30	67
<b>Receivables Outstanding at Balance Date</b>			
PowerNet Ltd (Joint Venture)	71	57	58
Electricity Southland Ltd (Associate)	26	16	19
<b>Goods and Services Supplied by:</b>			
PowerNet Ltd (Joint Venture)	5,631	4,331	8,970
Invercargill City Holdings Ltd (Other Related Party)	1,625	1,543	3,107
<b>Creditors Outstanding at Balance Date</b>			
PowerNet Ltd (Joint Venture)	2,215	1,562	2,033
Invercargill City Holdings Ltd (Other Related Party)	144	144	190
<b>Dividends Paid to:</b>			
Invercargill City Holdings Ltd (Other Related Party)	1,300	1,300	4,000
<b>Advances Provided to (Repaid by):</b>			
PowerNet Ltd (Joint Venture)	225	(1,925)	(775)
Electricity Southland Ltd (Associate)	570	468	971
Pylon Ltd (Subsidiary)	(3,171)	(1,583)	(5,731)
<b>Advances Repaid to (Provided from):</b>			
Invercargill City Holdings Ltd (Other Related Party)	600	2,500	(7,500)

### Other Related Parties

There have been no material transactions with Directors.

## **9 Subsequent Events**

There are no material subsequent events that have arisen since the end of the half financial year to the date of this report.

## **10 Seasonality**

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

