

# **Electricity Invercargill Limited**

## **Interim Financial Statements**

for the Six Months ended 30 September 2022

## Contents

	Page
Directors' Approval	2
Statement of Service Performance	3
Six Monthly Financial Statements	
Statement of Financial Performance	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

**Electricity Invercargill Limited**  
**Directors' Approval**  
For the Six Months ended 30 September 2022

---

**Directors' Approval**

The Directors have approved for issue the Financial Statements of Electricity Invercargill Ltd for the six months ended 30 September 2022 on pages 3 to 14.

For and on behalf of the Board.



Rob Jamieson  
Chair

25 November 2022



Paul Kiesanowski  
Director

25 November 2022

**Electricity Invercargill Limited**  
**Statement of Service Performance**  
For the Six Months ended 30 September 2022

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 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Achievement Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
<b><u>Financial</u></b>				
Operating Surplus Before Taxation, Subvention and Non-operating Items (PPA amortisation & Gain on Sale)	8,247	5,008	4,780	8,585
Net Surplus After Taxation	13,108	3,351	3,299	5,731
Earnings Before Taxation, Interest, Subvention and Non-operating Items to Total Assets (EBIT%)	4.49 %	2.87 %	2.83 %	5.08 %
Return on Equity %	10.73 %	2.96 %	3.08 %	5.23 %
Equity to Total Assets %	66.60 %	50.10 %	47.94 %	49.14 %

**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	18.40	22.56	5.95	15.11
SAIDI Unplanned	23.10	10.14	7.49	15.38

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

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

SAIFI Planned	0.09	0.06	0.05	0.11
SAIFI Unplanned	0.62	0.18	0.21	0.32

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. The annual planned SAIFI and SAIDI figures are shown for comparison with targets, but planned SAIFI and SAIDI are assessed at the end of the five year DPP3 period.

**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	0.80	1.00
-------	------	------	------	------

**Supplementary information**

**Network Statistics**

Length of overhead line	53 km	53 km	53 km
Length of underground cable	611 km	610 km	610 km
Total number of interruptions	28	37	70
Faults per 100km of line	4.22	5.58	10.56
Transformer capacity MVA	157	153	156
Maximum demand MW	72	64	64
Energy into network GWh	154	156	261
Total consumers	17,554	17,500	17,524



**Electricity Invercargill Limited**  
**Statement of Financial Performance**  
For the Six Months ended 30 September 2022

	Notes	GROUP		
		Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Revenue from Contracts with Customers		10,710	10,194	19,187
Other Income		1,033	857	1,762
Operating Expenses		<u>(8,029)</u>	<u>(8,188)</u>	<u>(16,285)</u>
<b>Operating Surplus</b>		<b>3,714</b>	<b>2,863</b>	<b>4,664</b>
Finance Costs		(1,465)	(1,543)	(2,752)
Share of Profit of Associates and Joint Ventures	3	<u>2,393</u>	<u>3,094</u>	<u>5,670</u>
<b>Net Surplus Before Taxation</b>		<b>4,642</b>	<b>4,414</b>	<b>7,582</b>
Taxation Expense		<u>(1,291)</u>	<u>(1,115)</u>	<u>(1,851)</u>
<b>Net Surplus After Taxation</b>		<b><u>3,351</u></b>	<b><u>3,299</u></b>	<b><u>5,731</u></b>

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

*PK*  
*ROJ*

**Electricity Invercargill Limited**  
**Statement of Comprehensive Income**  
For the Six Months ended 30 September 2022

	GROUP		
	Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
	Notes		
<b>Net Surplus After Taxation</b>	3,351	3,299	5,731
Other Comprehensive Income			
- Revaluation	4	-	-
<b>Other Comprehensive Income</b>	-	-	-
<b>Total Comprehensive Income</b>	<u>3,351</u>	<u>3,299</u>	<u>5,731</u>

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 2022

	Notes	GROUP		
		Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
<b>Total Comprehensive Income</b>				
Net Surplus for the Period		3,351	3,299	5,731
Other Comprehensive Income	4	<u>-</u>	<u>-</u>	<u>-</u>
		3,351	3,299	5,731
<b>Distributions to Shareholders</b>				
Dividend Paid/Declared	2	<u>-</u>	<u>-</u>	<u>-</u>
		-	-	-
<b>Changes in Equity for the Period</b>		<u>3,351</u>	<u>3,299</u>	<u>5,731</u>
<b>Equity at the Beginning of the Period</b>		<u>107,245</u>	<u>103,946</u>	<u>103,946</u>
<b>Equity at End of the Period</b>		<u>110,596</u>	<u>107,245</u>	<u>109,677</u>

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 2022

	Notes	GROUP		
		30 September 2022 \$'000	30 September 2021 \$'000	31 March 2022 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents		848	1,411	28
Receivables and Prepayments		<u>2,454</u>	<u>2,129</u>	<u>1,976</u>
		<b><u>3,302</u></b>	<b><u>3,540</u></b>	<b><u>2,004</u></b>
Assets Classified as Held for Sale	7	<u>41,571</u>	<u>-</u>	<u>-</u>
<b>Total Current Assets</b>		<b><u>44,873</u></b>	<b><u>3,540</u></b>	<b><u>2,004</u></b>
<b>Non Current Assets</b>				
Investments in Associates		5,346	5,211	5,193
Advances to Associates		4,424	3,045	4,109
Investments in Joint Ventures	3	54,755	97,863	97,302
Advances to Joint Ventures		8,539	8,051	7,026
Investments in Other Entities		118	118	118
Property, Plant and Equipment	4	104,774	100,956	105,602
Capital Work in Progress		<u>2,784</u>	<u>4,919</u>	<u>1,856</u>
<b>Total Non Current Assets</b>		<b><u>180,740</u></b>	<b><u>220,163</u></b>	<b><u>221,206</u></b>
<b>Total Assets</b>		<b><u>225,613</u></b>	<b><u>223,703</u></b>	<b><u>223,210</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Creditors and Accruals		3,029	3,940	2,990
Dividend Payable		-	2,700	-
Income Tax Payable		<u>645</u>	<u>1,519</u>	<u>1,610</u>
<b>Total Current Liabilities</b>		<b><u>3,674</u></b>	<b><u>8,159</u></b>	<b><u>4,600</u></b>
<b>Non Current Liabilities</b>				
Interest Bearing Liabilities		85,025	85,225	85,225
Deferred Tax Liabilities		<u>23,883</u>	<u>23,074</u>	<u>23,708</u>
<b>Total Non Current Liabilities</b>		<b><u>108,908</u></b>	<b><u>108,299</u></b>	<b><u>108,933</u></b>
<b>Total Liabilities</b>		<b><u>112,582</u></b>	<b><u>116,458</u></b>	<b><u>113,533</u></b>
<b>Net Assets</b>		<b><u>113,031</u></b>	<b><u>107,245</u></b>	<b><u>109,677</u></b>
<b>EQUITY</b>				
Share Capital	2	13,000	13,000	13,000
Reserves		38,399	38,423	38,398
Retained Earnings		<u>61,632</u>	<u>55,822</u>	<u>58,279</u>
<b>Total Equity</b>		<b><u>113,031</u></b>	<b><u>107,245</u></b>	<b><u>109,677</u></b>

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

R.  
BJ



**Electricity Invercargill Limited**  
**Statement of Cash Flows**  
For the Six Months ended 30 September 2022

	GROUP		
	Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Receipts from Customers	11,141	11,538	20,688
Interest Received	274	166	385
	<u>11,415</u>	<u>11,704</u>	<u>21,073</u>
<b>Cash Was Disbursed To:</b>			
Payments to Suppliers and Employees	(5,981)	(5,916)	(11,601)
Income Tax Paid	(2,077)	(375)	(638)
Interest Paid	(1,438)	(1,590)	(2,804)
GST Received	36	72	45
	<u>(9,460)</u>	<u>(7,809)</u>	<u>(14,998)</u>
<b>Net Cash Flows From Operating Activities</b>	<b>5</b> <u>1,955</u>	<b>3,895</b>	<b>6,075</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Sale of Property, Plant and Equipment	2	-	1
Advances Repaid by Subsidiary	3,215	3,171	6,326
Advances Repaid by Associates and Joint Ventures	-	-	800
	<u>3,217</u>	<u>3,171</u>	<u>7,127</u>
<b>Cash Was Applied To:</b>			
Purchase of Property, Plant and Equipment	(2,324)	(3,187)	(7,168)
Purchase of additional Interest in Joint Ventures	-	(3,875)	(3,875)
Advances to Associates and Joint Ventures	(1,828)	(795)	(1,633)
	<u>(4,152)</u>	<u>(7,857)</u>	<u>(12,676)</u>
<b>Net Cash Flows/ (Outflows) from Investing Activities</b>	<b>(935)</b>	<b>(4,686)</b>	<b>(5,549)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Shareholder Advances Received	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Was Applied To:</b>			
Repayment of Shareholder Advance	(200)	(600)	(600)
Dividend Payment	-	(1,300)	(4,000)
	<u>(200)</u>	<u>(1,900)</u>	<u>(4,600)</u>
<b>Net Cash Flows/ (Outflows) From Financing Activities</b>	<b>(200)</b>	<b>(1,900)</b>	<b>(4,600)</b>
<b>Net Increase in Cash and Cash Equivalents Held</b>	<b>820</b>	<b>(2,691)</b>	<b>(4,074)</b>
Add Opening Cash Brought Forward	<u>28</u>	<u>4,102</u>	<u>4,102</u>
<b>Closing Cash and Cash Equivalents Carried Forward</b>	<b>848</b>	<b>1,411</b>	<b>28</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 2022

**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 25 November 2022.

**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 2022.

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

The Group has overall been resilient to the continuing impact of COVID-19. Adopted pandemic measures by the Group has limited the health impact of the virus while the more permissible New Zealand COVID-19 Protection Framework allows increased activities on the wider business and network operations.

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 2021 and 31 March 2022: 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.

	<b>GROUP</b>		
	<b>Six Months</b>	<b>Six Months</b>	<b>Year</b>
	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>30 September</b>	<b>30 September</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Share Capital</b>	<b>13,000</b>	<b>13,000</b>	<b>13,000</b>
<b>Dividend Declared/Paid</b>	-	-	-

Dividends for the reporting periods have not been declared at balance sheet dates.

## 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 six hydro stations, Aniwhenua Hydro Station on the Rangitaiki River in the Bay of Plenty, Upper Fraser Hydro Station near Alexandra, Matiri Hydro Station located at 15km north of Murchison, Matawai Hydro Station in Eastland area and, Mangapehi and Speedy's Road Hydro Stations located both in 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 2022 is 24.25% (31 March 2022: 26.24%).



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

	GROUP		
	Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Additions	1,396	1,045	8,089
Disposals	(13)	-	(121)

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		
	Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
<b>Net Surplus After Taxation</b>	3,351	3,299	5,731
<b>Plus/(Less) Non Cash Items:</b>			
Depreciation and Amortisation	2,225	2,244	4,551
Deferred Taxation	176	160	794
Loss on Sale of Property, Plant and Equipment	-	-	89
Share of Profit of Associates and Joint Ventures	(2,393)	(3,094)	(5,670)
	<u>8</u>	<u>(690)</u>	<u>(236)</u>
<b>Plus/(Less) Movements in Working Capital:</b>			
Increase/(Decrease) in Payables and Accruals	39	179	(771)
(Increase)/Decrease in Receivables	(478)	528	681
Increase in Provision for Taxation	(965)	579	670
	<u>(1,404)</u>	<u>1,286</u>	<u>580</u>
<b>Net Cash Flows From Operating Activities</b>	<u><b>1,955</b></u>	<u><b>3,895</b></u>	<u><b>6,075</b></u>

## 6 Commitments

### a) Capital Commitments

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

	<b>GROUP</b>		
	<b>30 September</b>	<b>30 September</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Capital Commitments	2,207	3,488	1,770

### b) Other Commitments

The Group has a conditional commitment as at 30 September 2022 of \$415,000 (30 September 2021 and 31 March 2022: \$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 Asset Classified as Held for Sale

Invercargill City Holdings Ltd (ICHL) has notified Electricity Invercargill Ltd (EIL) it will undergo a strategic review of EIL's investment in Roaring Forties Energy Ltd Partnership (RFELP). On 11 May 2022, Invercargill City Council (ICC) released a consultation on a proposed purchase of the investment in RFELP that outlined a number of potential options for public submission. The preferred option being to transfer the 50% interest held by subsidiary Pylon Ltd, to ICHL on behalf of ICC.

As at the date of finalising these Consolidated Financial Statements, the negotiation on the terms and conditions of the sale agreement are still ongoing. It is intended the transaction will occur before year-end.

Investment in Joint Ventures classified as held for sale during the reporting period was measured at lower of its carrying amount and fair value less costs to sell at the time of the reclassification. There was no decrease in the carrying value of the investment arising from the reclassification and therefore, no expense was recognised in the Statement of Financial Performance.

## 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, Lakeland Network 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 2022 \$'000</b>	<b>Six Months Ended 30 September 2021 \$'000</b>	<b>Year Ended 31 March 2022 \$'000</b>
<b>Goods and Services Supplied to:</b>			
PowerNet Ltd (Joint Venture)	224	133	288
Lakeland Network Ltd (Associate)	133	49	120
<b>Receivables Outstanding at Balance Date</b>			
PowerNet Ltd (Joint Venture)	129	71	77
Lakeland Network Ltd (Associate)	73	26	40
<b>Goods and Services Supplied by:</b>			
PowerNet Ltd (Joint Venture)	4,593	5,631	11,379
Invercargill City Holdings Ltd (Other Related Party)	1,530	1,625	2,917
<b>Creditors Outstanding at Balance Date</b>			
PowerNet Ltd (Joint Venture)	1,737	2,215	1,886
Invercargill City Holdings Ltd (Other Related Party)	167	144	138
<b>Dividends Paid to:</b>			
Invercargill City Holdings Ltd (Other Related Party)	-	1,300	4,000
<b>Advances Provided to (Repaid by):</b>			
PowerNet Ltd (Joint Venture)	1,513	225	(800)
Lakeland Network Ltd (Associate)	316	570	1,633
Pylon Ltd (Subsidiary)	(3,215)	(3,171)	(6,326)
<b>Advances Repaid to (Provided from):</b>			
Invercargill City Holdings Ltd (Other Related Party)	200	600	600

### Other Related Parties

There have been no material transactions with Directors.

K.  
RDS

## **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.