

# **Electricity Invercargill Limited**

## **Consolidated Financial Statements** for the year ended 31 March 2023

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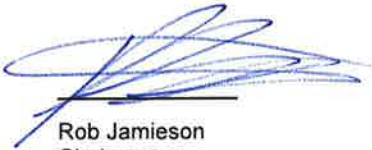
**Electricity Invercargill Limited**  
**Directors' Approval**  
For the year ended 31 March 2023

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**Directors' Approval**

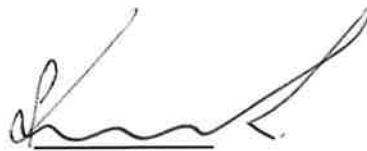
The Directors have approved for issue the Statement of Service Performance and Financial Statements of Electricity Invercargill Ltd for the year ended 31 March 2023 on pages 3 to 28.

For and on behalf of the Board.



Rob Jamieson  
Chairperson

29 June 2023



Paul Kiesanowski  
Director

29 June 2023

**Electricity Invercargill Limited**  
**Statement of Service Performance**  
For the year ended 31 March 2023

**PERFORMANCE INFORMATION**

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

	<b>Target</b>	<b>Achievement</b>	
	<b>Year Ended</b>	<b>Year Ended</b>	<b>Year Ended</b>
	<b>2023</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Financial</u></b>			
Operating Surplus Before Taxation, Subvention and Fair Value			
Amortisation	6,625	7,197	8,585
Net Surplus After Taxation	4,499	4,787	5,731
Earnings Before Taxation, Interest, Subvention and Fair Value			
Amortisation to Total Assets (EBIT%)	4.36 %	4.28 %	5.08 %
Return on Equity %	4.00 %	3.79 %	5.23 %
Equity to Total Assets %	50.45 %	52.04 %	49.14 %

The underlying Net Surplus After Taxation as well as the delivery of other performance measures reflect the achievement of those financial performance targets set for the year ending 31 March 2023.

The Group Operating Surplus Before Taxation, Subvention and Fair Value Amortisation amounted to \$7.20 million, down 16% from 2022 result and is 9% above the 2023 target. The Group results were largely driven by lower realised Capital Contributions, a decrease in Share of Profit of Associates and Joint Ventures, and higher Finance Costs, partially off-set by higher revenue from Electricity Invercargill Ltd.

Share of Profit of Associates and Joint Ventures decreased by 10% from the previous year largely driven by PowerNet lower contracting revenue and lower revenue from OtagoNet Joint Venture due to the impact of the Default Price-Quality Path (DPP3) line price reset, partially off-set by higher generation levels and favourable electricity spot prices from Roaring Forties.

**Supply Quality**

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

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

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

SAIDI (planned)	18.40	15.76	15.11
SAIDI (unplanned)	23.10	17.80	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	0.08	0.11
SAIFI (unplanned)	0.62	0.24	0.32

**Electricity Invercargill Limited**  
**Statement of Service Performance**  
**For the year ended 31 March 2023**  
(continued)

SAIDI and SAIFI for planned and unplanned interruptions are calculated using the methodology defined in the Electricity Distribution Services 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.

Electricity Invercargill Ltd has met the SAIDI and SAIFI target for the year and were well below the supply quality limits set by the Commerce Commission.

The Directors have reasonable assurance that the performance data of the Company is free from material misstatement and is a reliable measure of the network’s performance.

**Health and Safety**

Electricity Invercargill Ltd contracts PowerNet Ltd to manage its Network assets and operations. Electricity Invercargill Ltd employ no staff, therefore the PowerNet Ltd Health and Safety Performance targets are relevant to the Group.

	<b>Target</b>	<b>Achievement</b>	
	<b>Year Ended 31 March 2023</b>	<b>Year Ended 31 March 2023</b>	<b>Year Ended 31 March 2022</b>
Total Recordable Injury Frequency Rate Contractors Target (TRIFR)	3.1	1.0	1.0

PowerNet Ltd safety performance (TRIFR) remained at 1.0 and Electricity Invercargill Ltd network continued to record zero injuries in the 2023 reporting year. These results were maintained despite the constantly increasing volume of critical works undertaken through the year.

The Board has a strong commitment to ensuring PowerNet's employees, contractors and the public remain safe and well. The Board monitors the health, safety and environment aspects of the Group's activities, principally through the Health, Safety and Environment Committee.

Monthly reports to the Board provide information on accidents, near misses and incidents, together with monthly data on PowerNet's health, safety, and environment performance

Risks are further identified through regular monitoring, using internal and external audits, reporting of accidents and near misses and formal risk reviews. Directors also focus on the management of critical safety risks by undertaking field observation visits using the Risk Mentor tool to ensure the controls identified in the critical control framework are being consistently applied on-site.

**Supplementary Information (Unaudited)**

**Network Statistics**

Length of overhead line	53 km	53 km
Length of underground cable	612 km	610 km
Total number of interruptions	51	70
Faults per 100km of line	7.67	10.56
Transformer capacity MVA	156	156
Maximum demand MW	72	64
Energy into network GWh	262	261
Total consumers	17,595	17,524

**Electricity Invercargill Limited**  
**Statement of Financial Performance**  
For the year ended 31 March 2023

	Notes	GROUP	
		2023	2022
		\$'000	\$'000
Revenue from Contracts with Customers	2	18,916	19,187
Other Income	3	2,193	1,762
Operating Expenses	4	<u>(16,574)</u>	<u>(16,285)</u>
<b>Operating Surplus</b>		<b>4,535</b>	<b>4,664</b>
Finance Costs	4	(3,182)	(2,752)
Share of Profit of Associates and Joint Ventures	9,10	<u>5,113</u>	<u>5,670</u>
<b>Net Surplus Before Taxation</b>		<b>6,466</b>	<b>7,582</b>
Taxation (Expense)/Benefit	5	<u>(1,679)</u>	<u>(1,851)</u>
<b>Net Surplus After Taxation</b>		<b><u>4,787</u></b>	<b><u>5,731</u></b>

The accompanying notes on pages 10 to 28 form part of and should be read in conjunction with these financial statements.

**Electricity Invercargill Limited**  
**Statement of Comprehensive Income**  
For the year ended 31 March 2023

		GROUP	
		2023	2022
		\$'000	\$'000
<b>Net Surplus After Taxation</b>		4,787	5,731
Other Comprehensive Income			
<b>Items that will not be reclassified to profit or loss:</b>			
- Revaluation	6	12,719	-
<b>Other Comprehensive Income</b>		<b>12,719</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>17,506</b>	<b>5,731</b>

The accompanying notes on pages 10 to 28 form part of and should be read in conjunction with these financial statements.

**Electricity Invercargill Limited**  
**Statement of Changes in Equity**  
For the year ended 31 March 2023

	Notes	GROUP	
		2023 \$'000	2022 \$'000
<b>Total Comprehensive Income</b>			
Net Surplus for the Year		4,787	5,731
Other Comprehensive Income		<u>12,719</u>	<u>-</u>
		17,506	5,731
<b>Distributions to Shareholders</b>			
Dividend Paid/Declared		<u>(1,000)</u>	<u>-</u>
		(1,000)	-
<b>Changes in Equity for the Year</b>		<u>16,506</u>	<u>5,731</u>
<b>Equity at the Beginning of the Year</b>		<u>109,677</u>	<u>103,946</u>
<b>Equity at End of the Year</b>	6	<u><u>126,183</u></u>	<u><u>109,677</u></u>

The accompanying notes on pages 10 to 28 form part of and should be read in conjunction with these financial statements.



**Electricity Invercargill Limited**  
**Statement of Financial Position**  
As at 31 March 2023

	Notes	GROUP	
		2023	2022
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	7	1,036	28
Receivables and Prepayments	8	<u>2,262</u>	<u>1,976</u>
		<b><u>3,298</u></b>	<b><u>2,004</u></b>
Assets Classified as Held for Sale	10	<u>40,110</u>	-
<b>Total current assets</b>		<b><u>43,408</u></b>	<b><u>2,004</u></b>
<b>Non Current Assets</b>			
Investments in Associates	9	6,215	5,193
Advances to Associates	19	5,538	4,109
Investments in Joint Ventures	10	60,208	97,302
Advances to Joint Ventures	19	6,814	7,026
Investments in Other Entities		118	118
Property, Plant and Equipment	12	118,011	105,602
Capital Work in Progress		<u>2,237</u>	<u>1,856</u>
<b>Total Non Current Assets</b>		<b><u>199,141</u></b>	<b><u>221,206</u></b>
<b>Total Assets</b>		<b><u>242,549</u></b>	<b><u>223,210</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors and Accruals	13	3,287	2,990
Income Tax Payable		<u>328</u>	<u>1,610</u>
<b>Total Current Liabilities</b>		<b><u>3,615</u></b>	<b><u>4,600</u></b>
<b>Non Current Liabilities</b>			
Interest Bearing Liabilities	14	84,025	85,225
Deferred Tax Liabilities	15	<u>28,726</u>	<u>23,708</u>
<b>Total Non Current Liabilities</b>		<b><u>112,751</u></b>	<b><u>108,933</u></b>
<b>Total Liabilities</b>		<b><u>116,366</u></b>	<b><u>113,533</u></b>
<b>Net Assets</b>		<b><u>126,183</u></b>	<b><u>109,677</u></b>
<b>EQUITY</b>			
Share Capital	6	13,000	13,000
Reserves	6	51,108	38,398
Retained Earnings	6	<u>62,075</u>	<u>58,279</u>
<b>Total Equity</b>		<b><u>126,183</u></b>	<b><u>109,677</u></b>

The accompanying notes on pages 10 to 28 form part of and should be read in conjunction with these financial statements.

**Electricity Invercargill Limited**  
**Statement of Cash Flows**  
For the year ended 31 March 2023

	Notes	GROUP	
		2023 \$'000	2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Receipts from Customers		20,254	20,688
Interest Received		<u>727</u>	<u>385</u>
		<u>20,981</u>	<u>21,073</u>
<b>Cash Was Disbursed To:</b>			
Payments to Suppliers and Employees		(11,955)	(11,601)
Income Tax Paid		(2,528)	(638)
Interest Paid		(3,112)	(2,804)
GST Received/ (Paid)		<u>(42)</u>	<u>45</u>
		<u>(17,637)</u>	<u>(14,998)</u>
<b>Net Cash Flows From Operating Activities</b>	16	<u><b>3,344</b></u>	<u><b>6,075</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Sale of Property, Plant and Equipment		47	1
Dividend Received		6,564	6,326
Advances Repaid by Joint Ventures		<u>212</u>	<u>800</u>
		<u>6,823</u>	<u>7,127</u>
<b>Cash Was Applied To:</b>			
Purchase of Property, Plant and Equipment and Work in Progress Payments		(5,530)	(7,168)
Investment in Associates and Joint Ventures		-	(3,875)
Advances to Associates		<u>(1,429)</u>	<u>(1,633)</u>
		<u>(6,959)</u>	<u>(12,676)</u>
<b>Net Cash Outflows Applied to Investing Activities</b>		<u><b>(136)</b></u>	<u><b>(5,549)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Shareholder Advances Received		-	-
<b>Cash Was Applied To:</b>			
Repayment of Shareholder Advance		(1,200)	(600)
Dividend Payment		<u>(1,000)</u>	<u>(4,000)</u>
		<u>(2,200)</u>	<u>(4,600)</u>
<b>Net Cash Flows/ (Outflows) From Financing Activities</b>		<u><b>(2,200)</b></u>	<u><b>(4,600)</b></u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents Held</b>		1,008	(4,074)
Add Opening Cash Brought Forward		<u>28</u>	<u>4,102</u>
<b>Closing Cash and Cash Equivalents Carried Forward</b>	7	<u><b>1,036</b></u>	<u><b>28</b></u>

The accompanying notes on pages 10 to 28 form part of and should be read in conjunction with these financial statements.

**Electricity Invercargill Limited**  
**Notes to the Financial Statements**  
For the year ended 31 March 2023

## 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 subsidiary and its interest in associates and jointly controlled entities (refer to Notes 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), and comply with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), and other reporting standards as appropriate for profit oriented entities.

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 29 June 2023.

### 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 and assets held for sale recognised at lower of carrying amount and fair value less cost to sell.

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

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

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

### Impact of COVID-19 on Financial Statements

The impact of the COVID-19 pandemic on Group's operations has significantly reduced and the operating environment is more certain with weakness in strains, vaccination approaches and an ongoing framework to manage the impact of the pandemic.

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

### 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:

- Revenue (timing of revenue is assessed under IFRS 15 guidance, Note 2)
- Assets Held for Sale (measured at the lower of its carrying amount and fair value less cost to sell, Note 10)
- Network Assets Valuation (revalued to fair value using discounted cash flow methodology, Note 12)
- Property, Plant and Equipment (includes assumptions around useful life of assets, Note 12)

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.

***Property, plant and equipment***

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.

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 Statement of Financial Performance, in which case the increase is credited to the Statement of Financial Performance to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense in the Statement of Financial Performance to the extent that it exceeds the balance, if any, held in the Asset Revaluation Reserve relating to a previous revaluation of that asset.

When a revalued asset is sold or retired the attributable revaluation surplus remaining in the Asset Revaluation Reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

The carrying amounts of the property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

***Revenue estimation***

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 determining the classification of joint arrangements.

**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 Statement of Financial Performance in the period of acquisition. The financial statements of subsidiaries are included in the 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.

**(b) Revenue from Contracts with Customers**

**(i) Electricity Delivery Services**

Electricity delivery service revenue relates to the provision of electricity distribution services to electricity retailers through its electricity network in Invercargill City and the Bluff area. Electricity retailer delivery services are performed on a daily basis and considered a series of distinct goods and services provided over time. Prices are regulated and retailers are charged based on the published schedule and quantities delivered. Revenue is recognised over time using an output method based on the actual delivery services provided on a daily basis.

**(ii) Capital Contributions**

Capital contributions revenue relates to contributions received from customers, excluding delivery service customers who are directly billed, for construction activities relating to the establishment of new connections or upgrades of an existing connection. The subsequent electricity distribution is contracted separately, interposed through a retailer, and is therefore not considered to impact the assessment of the customer or performance of the obligations of the capital contribution contracts. Pricing is fixed and contributions are paid prior to an assets being connected to the network. Capital contributions are recognised as revenue at the point in time when construction activities are completed and the asset is connected to the network.

**(c) Other Income**

**(i) Meter Rental Income**

Meter rental income represents amounts invoiced to customers based on their usage of the metering assets owned by the Group.

**(ii) Interest Income**

Interest income is recognised on a time-proportion basis using the effective interest method.

**(d) 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.

**(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**


Distribution Assets	1.4 – 50%	Straight Line
Metering Assets	6.7%	Straight Line
Fibre Assets	2.2 – 6.7%	Straight Line

**(iii) Impairment**

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

**(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.

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**(g) 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.

**(h) Goods and Services Tax (GST)**

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.

**(i) Financial Assets**

**Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for such financial assets are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The group has classified its debt instruments into the following category:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Financial liabilities at amortised cost consist of trade and other payables and borrowings. Financial liabilities at amortised cost are measured using the effective interest rate method. Due to their short term nature, trade and other payables are not discounted.

The Group has not designated any derivatives as hedges for financial reporting purposes. Derivatives are subsequently measured at fair value, with movements recognised in profit or loss.

**(j) Receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

During the year, the following gains/(losses) were recognised in profit or loss in other expenses in relation to impaired receivables:

- Impairment losses
- Individual receivables written off directly
- Movement in expected loss provision

**(k) 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.

**(l) Trade and Other Payables**

Trade and other payables are stated at amortised cost.

**(m) 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.

**(n) Dividend**

A dividend payable is recognised when a dividend is declared and approved by the Board.

**(o) Seasonality**

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



## 2 Revenue from Contracts with Customers

	GROUP	
	2023 \$'000	2022 \$'000
Electricity Delivery Services	18,498	17,736
Capital Contributions	418	1,451
<b>Total Revenue</b>	<b><u>18,916</u></b>	<b><u>19,187</u></b>

### Timing of Revenue Recognition

Over time	18,498	17,736
At a point in time	418	1,451
<b>Total Revenue</b>	<b><u>18,916</u></b>	<b><u>19,187</u></b>

## 3 Other Income

	GROUP	
	2023 \$'000	2022 \$'000
Metering Rental Income	1,337	1,334
Interest Income	852	424
Other Income	4	4
<b>Total Other Income</b>	<b><u>2,193</u></b>	<b><u>1,762</u></b>

## 4 Expenses

	GROUP	
	2023 \$'000	2022 \$'000
<b>Expenses Include</b>		
Auditors' Remuneration - PricewaterhouseCoopers		
- Audit of Financial Report	66	49
- Audit of Default Price Path	36	32
- Audit of Regulatory Disclosures	49	39
Consulting Fees - PricewaterhouseCoopers	24	-
<i>* Consulting fees include fees for Regulatory Forecasting and Price Setting Compliance Statement</i>		
Depreciation		
- Fibre Assets	39	31
- Metering Assets	714	696
- Network Assets	3,732	3,824
<b>Total Depreciation</b>	<b><u>4,485</u></b>	<b><u>4,551</u></b>
Directors' Fees	193	159
Interest Expense	3,164	2,752
Loss on Disposal of Property, Plant & Equipment	23	89
Network Costs	9,917	9,670
Transmission Costs	5,762	5,486
Subvention Payment	-	250

## 5 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.

	GROUP	
	2023	2022
	\$'000	\$'000
<b>Operating Surplus Before Income Tax</b>	<b>6,466</b>	<b>7,582</b>
Prima Facie taxation at 28%	1,810	2,123
Income Not Taxable		
- Equity Accounting Earnings of Associates and Joint Ventures	(128)	(208)
Under/(Over) Provision in Prior Years	2	126
Subvention Payment and Loss Offset made in respect of Prior Period	-	(251)
Expenses not Deductible	(5)	61
<b>Taxation Expense for Year</b>	<b>1,679</b>	<b>1,851</b>
Made up of:		
Current Tax	1,247	1,178
Prior Year Over Provision of Current Tax	(1)	(121)
Deferred Tax	430	798
Prior Year Over Provision of Deferred Tax	3	(4)
<b>Taxation Expense for Year</b>	<b>1,679</b>	<b>1,851</b>
Effective Tax Rate	25.9%	24.4%

### Tax Losses Transferred Within the Group

The current tax expense is calculated on the assumption that:

- On 31 March 2022, the Group tax liability in relation to income tax year 2021 was reduced by tax losses of \$895,924 transferred from Invercargill City Council wholly owned group of entities by subvention payment of \$250,858 and loss offset of \$645,066.
- During the 2023 income year, no tax losses were received and no tax benefit recognised from Invercargill City Holdings Limited Group by way of subvention payment or group loss offset.

## 6 Equity

The authorised and issued share capital comprises 13 million ordinary shares (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	
	2023	2022
	\$'000	\$'000
<b>Contributed Capital</b>		
<b>Share Capital</b>	13,000	13,000
<b>Reserves</b>		
General Reserve	2,800	2,800
Revaluation Reserve Opening Balance	35,598	35,623
Asset Revaluation	12,719	-
Revaluation Reversal due to Asset Disposal	(9)	(25)
Closing Balance	<u>48,308</u>	<u>35,598</u>
<b>Total Reserves</b>	<u>51,108</u>	<u>38,398</u>
<b>Retained Earnings</b>		
Opening Balance	58,279	52,523
Net Surplus	4,787	5,731
Revaluation Reversal due to Asset Disposal	9	25
Dividend Declared	(1,000)	-
<b>Total Retained Earnings</b>	<u>62,075</u>	<u>58,279</u>
<b>Total Equity</b>	<u>126,183</u>	<u>109,677</u>

Asset revaluations relate to the network assets of Electricity Invercargill Ltd, OtagoNet Joint Venture and Lakeland Network Ltd net of the effect of deferred tax.

	Cents per Share	Cents per Share
Dividend per Share	7.69	0.00

There was no dividend declared at balance sheet date for financial year 2022.

## 7 Cash and Cash Equivalents

	GROUP	
	2023	2022
	\$'000	\$'000
Current Account	76	18
Bank Deposits (Short Term)	<u>960</u>	<u>10</u>
<b>Total Cash and Cash Equivalents</b>	<u>1,036</u>	<u>28</u>

**8 Receivables and Prepayments**

	<b>GROUP</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Debtors	2,001	1,877
Prepayments	182	92
GST Receivable	79	7
<b>Total Receivables and Prepayments</b>	<b><u>2,262</u></b>	<b><u>1,976</u></b>

**9 Investments in Associates**

<b>Associate Companies</b>	<b>Country of Incorporation</b>	<b>Balance Date</b>	<b>Percentage Held By Group</b>	
			<b>2023</b>	<b>2022</b>
			<b>2023</b>	<b>2022</b>
Lakeland Network Ltd*	New Zealand	31 March	24.9 %	24.9 %

\*In December 2021 Electricity Southland Ltd name was changed to Lakeland Network Ltd.

	<b>GROUP</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
The Group's interests in associate entities are as follows:		
Carrying Amount at Beginning of Year	5,193	5,054
Total Recognised Revenues and Expenses	94	139
Revaluation Gain on Network Assets	928	-
<b>Carrying Amount at End of Year</b>	<b><u>6,215</u></b>	<b><u>5,193</u></b>

The network assets of Lakeland Network Ltd were revalued using discounted cash flow methodology on 31 March 2023 by an independent valuer. This resulted in a favourable gain, with the Group share of \$928,000 (net of deferred tax) recognised in the Statement of Comprehensive Income.

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

Share of Surplus before Taxation	163	231
Less Taxation Expense	<u>(69)</u>	<u>(92)</u>
<b>Total Recognised Revenues and Expenses of Associates After Tax</b>	<b><u>94</u></b>	<b><u>139</u></b>

## 10 Investments in Joint Ventures

The Group has a participating interest in the following joint ventures through its wholly owned subsidiary Pylon Ltd.

Joint Ventures	Country of Residence	Balance Date	Percentage Held By Group	
			2022	2021
PowerNet Ltd*	New Zealand	31 March	50.0 %	50.0 %
OtagoNet Joint Venture**	New Zealand	31 March	24.9 %	24.9 %
Roaring Forties Energy Ltd Partnership***	New Zealand	31 March	50.0 %	50.0 %

\*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 in 2023 is 27.61% (2022: 26.42%).

\*\*The Group holds a 25% voting right over OtagoNet Joint Venture.

\*\*\* Roaring Forties Energy Ltd Partnership has a 50% interest in Southern Generation Ltd Partnership.

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 in 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.

### GROUP

	2023	2022
	\$'000	\$'000

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

Carrying Amount at Beginning of Year	97,302	94,222
Investment in Joint Ventures	-	3,875
Total Recognised Revenues and Expenses	5,019	5,531
Revaluation Gain on Network Assets	4,562	-
Distributions/Dividends Received	(6,565)	(6,326)
Assets Classified as Held for Sale	(40,110)	-
<b>Carrying Amount at End of Year</b>	<b>60,208</b>	<b>97,302</b>

The network assets of OtagoNet Joint Venture were revalued using discounted cash flow methodology on 31 March 2023 by an independent valuer. This resulted in a favourable gain, with the Group share of \$4,562,000 recognised in the Statement of Comprehensive Income.

### Assets Classified as Held for Sale

Invercargill City Holdings Ltd (ICHL) 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.

In August 2022, the directors of Pylon Limited approved in principle the board resolution to sell its interest in RFELP to ICHL. 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 in July 2023.

At 31 March 2023 the EIL's investment in RFELP has been reclassified as an Assets Classified as Held for Sale. The investment held for sale 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.

## 11 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of property, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group has elected to apply the practical expedient not to apply to requirements of NZ IFRS 16 to leases for which the lease terms ends within 12 months of the date of initial application.

EIL does not have any agreements or contracts that meet the definition of a lease under NZ IFRS 16.

## 12 Property, Plant and Equipment

	Distribution Assets \$'000	Metering Assets \$'000	Fibre Assets \$'000	Total \$'000
<b>At 1 April 2021</b>				
Cost or fair value	117,685	10,524	1,055	129,264
Accumulated Depreciation	<u>(24,056)</u>	<u>(2,782)</u>	<u>(271)</u>	<u>(27,109)</u>
Net book amount	93,629	7,742	784	102,155
<b>Year ended 31 March 2022</b>				
Opening net book amount	93,629	7,742	784	102,155
Additions	7,589	500	-	8,089
Disposals	(102)	(19)	-	(121)
Reversal of depreciation on asset disposed	21	9	-	30
Depreciation charge (note 4)	<u>(3,824)</u>	<u>(696)</u>	<u>(31)</u>	<u>(4,551)</u>
Closing net book amount	97,313	7,536	753	105,602
<b>At 31 March 2022</b>				
Cost or fair value	125,172	11,005	1,055	137,232
Accumulated depreciation	<u>(27,859)</u>	<u>(3,469)</u>	<u>(302)</u>	<u>(31,630)</u>
Net book amount	97,313	7,536	753	105,602
<b>Year ended 31 March 2023</b>				
Opening net book amount	97,313	7,536	753	105,602
Additions	4,955	194	-	5,149
Disposals	(97)	(8)	-	(105)
Reversal of depreciation on asset disposed	32	4	-	36
Depreciation charge (note 4)	<u>(3,732)</u>	<u>(714)</u>	<u>(39)</u>	<u>(4,485)</u>
Revaluation surplus	<u>11,673</u>	<u>-</u>	<u>141</u>	<u>11,814</u>
Closing net book amount	110,144	7,012	855	118,011
<b>At 31 March 2023</b>				
Cost or fair value	132,902	11,191	1,055	145,148
Accumulated depreciation	<u>(22,758)</u>	<u>(4,179)</u>	<u>(200)</u>	<u>(27,137)</u>
Net book amount	110,144	7,012	855	118,011

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

31 March 2022	65,812	7,692	697	74,201
31 March 2023	66,970	7,167	658	74,795

## 12 Property, Plant and Equipment (continued)

### Valuation

The network assets of Electricity Invercargill Ltd were revalued to fair value using discounted cash flow methodology on 31 March 2023 by Ernst & Young, who is an independent valuer. This resulted in a favourable revaluation movement of \$11,814,000.

The valuation is based on seven years forecast free cash flows and a calculated terminal value beyond the discrete cash flow period. The following valuation assumptions were adopted:

- The free cash flows was based on the Company's three year business plan and asset management plan adjusted for transactions that arise from expansionary growth in the network after the date of the valuation.
- Annual inflation based on forecast from the New Zealand Treasury
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 6.1%.
- RAB multiple range of 1.05 times for the terminal value

### Review of Asset Estimated Useful Life

During 2023, PowerNet Engineers reviewed and updated the estimated useful life of the Electricity Invercargill Ltd network assets. The review applied consistency across all of the Group network assets and aligned with Regulatory Asset reporting.

The review of asset estimated useful life led to a change in the network asset depreciation rates applied within each asset category. This resulted in the range of depreciation rates applied across the network asset categories changing to 1.4%-50% (2022: 2.0%-6.7%)

The underground cable installed post 1985 and cables classified as PILC was most impacted by the change, with the estimated useful life increased from 45 years to 55 and 70 years, respectively.

The new rates applied from 1 April 2022 across the network assets resulted to a decrease in the 2023 depreciation cost by \$225,000, with the average annual depreciation rate decreasing to 3.68% (2022: 3.91%).

## 13 Creditors and Accruals

	<b>GROUP</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Payables	2,556	2,206
Accruals	564	612
Revenue in Advance	167	172
<b>Total Creditors and Accruals</b>	<b><u>3,287</u></b>	<b><u>2,990</u></b>



**14 Shareholder Advance**

	<b>GROUP</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Invercargill City Holdings Ltd - Non Current Portion	<u>84,025</u>	<u>85,225</u>
<b>Total Shareholder Advance</b>	<b><u>84,025</u></b>	<b><u>85,225</u></b>

The Electricity Invercargill Ltd's (EIL) shareholder Invercargill City Holdings Ltd (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.

A general facility agreement for \$42 million was entered into with ICHL in 2017, for a five year term and is available for extension from time to time in accordance with the agreement. From 30 March 2021, the facility level was raised to \$57 million. EIL extended the general facility for two years maturing on October 2024.

Another loan facility agreement for \$29 million was entered into with ICHL on 28 April 2016, for a five year term and is available for extension from time to time in accordance with the agreement. EIL extended the loan facility for two years maturing on April 2025.

The weighted average interest rate for the loan is 3.72% (2022: 3.41%).

**15 Deferred Tax Liabilities**

	<b>Revaluation</b>	<b>Depreciation</b>	<b>Contributions</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 April 2021	13,882	8,621	403	8	<b>22,914</b>
Charged to Income Statement	-	393	404	(3)	794
<b>Balance at 31 March 2022</b>	<b><u>13,882</u></b>	<b><u>9,014</u></b>	<b><u>807</u></b>	<b><u>5</u></b>	<b><u>23,708</u></b>
Balance at 1 April 2022	13,882	9,014	807	5	23,708
Charged to Income Statement	-	385	59	(11)	433
Charged to Equity	<u>4,585</u>	-	-	-	<u>4,585</u>
<b>Balance at 31 March 2023</b>	<b><u>18,467</u></b>	<b><u>9,399</u></b>	<b><u>866</u></b>	<b><u>(6)</u></b>	<b><u>28,726</u></b>

*PL*  
*BT*

## 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.

	<b>GROUP</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Surplus After Taxation</b>	4,787	5,731
<b>Plus/(Less) Non Cash Items:</b>		
Depreciation	4,485	4,551
Deferred Taxation	433	794
Loss on Sale of Property, Plant and Equipment	23	89
Share of Profit of Associates and Joint Ventures	<u>(5,113)</u>	<u>(5,670)</u>
	(172)	(236)
<b>Plus/(Less) Movements in Working Capital:</b>		
Increase/(Decrease) in Payables and Accruals	297	(771)
(Increase)/Decrease in Receivables and Prepayments	(286)	681
Increase/(Decrease) in Provision for Taxation	<u>(1,282)</u>	<u>670</u>
	(1,271)	580
<b>Net Cash Flows From Operating Activities</b>	<u><b>3,344</b></u>	<u><b>6,075</b></u>

## 17 Commitments

### a) Capital Commitments

The Group has capital expenditure contracted for but not provided for in the financial statements. All capital commitments are with PowerNet Ltd.

	<b>GROUP</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital Commitments	<u>1,548</u>	<u>1,770</u>
<b>Total Capital Commitments</b>	<u><b>1,548</b></u>	<u><b>1,770</b></u>

### b) Other Commitments

The Group has a conditional commitment as at 31 March 2023 of \$415,000 (2022: \$415,000). This relates to an agreement with Smart Co, for the Group to provide a subordinated loan to Smart Co once a number of terms have been met.

K.  
ADJ

## 18 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.

### 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.

### 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 Ltd) is partially hedged and managed by the Group's parent company, thus reducing the Group's exposure to interest rate variation.

### 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 \$121,000 (2022: \$108,000).

### 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.

Under the terms of the loan facilities, the Group is required to comply with agreed financial covenants. The Group has complied with the covenants throughout the reporting period.

PC  
ABJ

## 19 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 the PowerNet Ltd, OtagoNet Joint Venture, Lakeland Network Ltd and Southern Generation 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>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Goods and Services Supplied to:</b>		
PowerNet Ltd (Joint Venture)	509	288
Lakeland Network Ltd (Associate)	329	120
<b>Receivables Outstanding at Balance Date</b>		
PowerNet Ltd (Joint Venture)	134	77
Lakeland Network Ltd (Associate)	107	40
<b>Goods and Services Supplied by:</b>		
PowerNet Ltd (Joint Venture)*	10,013	11,379
Invercargill City Holdings Ltd (Other Related Party)	3,329	2,917
<b>Creditors Outstanding at Balance Date</b>		
PowerNet Ltd (Joint Venture)	2,009	1,886
Invercargill City Holdings Ltd (Other Related Party)	210	138
<b>Revenue Recognised from:</b>		
Invercargill City Council (Other Related Party)	-	1,041
<b>Dividends Paid to:</b>		
Invercargill City Holdings Ltd (Other Related Party)	1,000	4,000
<b>Advances Provided to (Repaid by):</b>		
PowerNet Ltd (Joint Venture)	(212)	(800)
Lakeland Network Ltd (Associate)	1,429	1,633
<b>Advances Provided from (Repaid to):</b>		
Invercargill City Holdings Ltd (Other Related Party)	(1,200)	(600)
<b>Subvention Payment Provided to:</b>		
Invercargill City Council (Other Related Party)	-	251

\*This relates to asset maintenance and construction of \$8,017 (2022: \$9,450) and management services of \$1,996 (2022: \$1,929).

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**Key Management Personnel**

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

	GROUP	
	2023 \$'000	2022 \$'000
Directors Fees	193	159

**20 Subsequent Events**

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





## Independent Auditor's Report

To the Readers of Electricity Invercargill Limited's Consolidated Financial Statements and Performance Information for the year ended 31 March 2023

The Auditor-General is the auditor of Electricity Invercargill Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Elizabeth Adriana (Adri) Smit, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information (as set out in the statement of service performance) of the Group on his behalf.

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### Opinion

#### We have audited:

- the financial statements of the Group on pages 5 to 28, that comprise the statement of financial position as at 31 March 2023, the statement of financial performance, statement of comprehensive income, 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 performance information, as set out in the statement of service performance, of the Group on pages 3 to 4.

#### In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR); and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2023.

Our audit was completed on 29 June 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

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### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.



The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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### **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

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### Other Information

The Board of Directors is responsible for the other information. The other information comprises the supplementary information included on page 4, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2022, other regulatory requirements of the Commerce Act 1986, and regulatory training and advisory services which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Elizabeth Adriana (Adri) Smit  
PricewaterhouseCoopers  
On behalf of the Auditor-General  
29 June 2023

Christchurch, New Zealand