

Electricity Invercargill Limited

Interim Financial Statements

For the six months ended 30 September 2023

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 2023

Directors' Approval

The Directors have approved for issue the Financial Statements of Electricity Invercargill Ltd for the six months ended 30 September 2023 on pages 3 to 14.

For and on behalf of the Board.



Robert Datema Jamieson
Chair

24 November 2023



Emma Jane Ihaia
Director

24 November 2023

Electricity Invercargill Limited
Statement of Service Performance
For the six months ended 30 September 2023

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 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		Achievement	
	Year Ended 31 March 2023 \$'000	Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000

Financial

Operating Surplus Before Taxation, Subvention and Non-operating Items (PPA amortisation & Gain on Sale)

	4,424	4,942	5,008	7,197
Net Surplus After Taxation	8,933	3,712	3,351	4,787

Earnings Before Taxation, Interest, Subvention and Non-operating Items to Total Assets (EBIT%)

	3.40 %	2.82 %	2.87 %	4.28 %
--	--------	--------	--------	--------

Return on Equity %

	6.71 %	2.86 %	2.96 %	3.79 %
--	--------	--------	--------	--------

Equity to Total Assets %

	65.14 %	52.85 %	50.10 %	52.04 %
--	---------	---------	---------	---------

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	32.00	5.42	12.35	15.76
SAIDI Unplanned	41.00	8.36	10.14	17.80

System Average Interruption Frequency Index (SAIFI)

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

SAIFI Planned	0.15	0.03	0.06	0.08
SAIFI Unplanned	0.70	0.19	0.18	0.24

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	1.00	0.80	1.00
-------	------	------	------	------

Supplementary information

Network Statistics

Length of overhead line	53 km	53 km	53 km
Length of underground cable	612 km	611 km	612 km
Total number of interruptions	13	28	51
Faults per 100km of line	1.95	4.22	7.67
Transformer capacity MVA	156	157	156
Maximum demand MW	65	72	72
Energy into network GWh	155	154	262
Total consumers	17,627	17,554	17,595

Electricity Invercargill Limited
Statement of Financial Performance
For the six months ended 30 September 2023

	Notes	GROUP		
		Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000
Revenue from Contracts with Customers		10,473	10,710	18,916
Other Income		1,233	1,033	2,193
Operating Expenses		<u>(8,198)</u>	<u>(8,029)</u>	<u>(16,574)</u>
Operating Surplus		3,508	3,714	4,535
Finance Costs		(1,979)	(1,465)	(3,182)
Share of Profit of Associates and Joint Ventures	3	<u>3,413</u>	<u>2,393</u>	<u>5,113</u>
Net Surplus Before Taxation		4,942	4,642	6,466
Taxation Expense		<u>(1,230)</u>	<u>(1,291)</u>	<u>(1,679)</u>
Net Surplus After Taxation		<u>3,712</u>	<u>3,351</u>	<u>4,787</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 Comprehensive Income
For the six months ended 30 September 2023

	GROUP			
	Notes	Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000
Net Surplus After Taxation		3,712	3,351	4,787
Other Comprehensive Income				
- Revaluation	3,4	-	-	12,719
Other Comprehensive Income		-	-	12,719
Total Comprehensive Income		<u>3,712</u>	<u>3,351</u>	<u>17,506</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 2023

	Notes	GROUP		
		Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000
Total Comprehensive Income				
Net Surplus for the Period		3,712	3,351	4,787
Other Comprehensive Income	4	<u>-</u>	<u>-</u>	<u>12,719</u>
		<u>3,712</u>	<u>3,351</u>	<u>17,506</u>
Distributions to Shareholders				
Dividend Paid/Declared	2	<u>-</u>	<u>-</u>	<u>(1,000)</u>
Changes in Equity for the Period		<u>3,712</u>	<u>3,351</u>	<u>16,506</u>
Equity at the Beginning of the Period		<u>126,183</u>	<u>109,677</u>	<u>109,677</u>
Equity at End of the Period		<u>129,895</u>	<u>113,028</u>	<u>126,183</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 2023

		GROUP		
		30 September 2023 \$'000	30 September 2022 \$'000	31 March 2023 \$'000
	Notes			
ASSETS				
Current Assets				
Cash and Cash Equivalents		1,972	848	1,036
Receivables and Prepayments		<u>2,518</u>	<u>2,453</u>	<u>2,262</u>
		4,490	3,301	3,298
Assets Classified as Held for Sale	7	<u>39,953</u>	<u>41,571</u>	<u>40,110</u>
Total Current Assets		44,443	44,872	43,408
Non Current Assets				
Investments in Associates		6,389	5,346	6,215
Advances to Associates		6,055	4,424	5,538
Investments in Joint Ventures	3	60,992	54,753	60,208
Advances to Joint Ventures		6,564	8,539	6,814
Investments in Other Entities		118	118	118
Property, Plant and Equipment	4	117,823	104,774	118,011
Capital Work in Progress		<u>3,410</u>	<u>2,784</u>	<u>2,237</u>
Total Non Current Assets		201,351	180,738	199,141
Total Assets		245,794	225,610	242,549
LIABILITIES				
Current Liabilities				
Creditors and Accruals		2,855	3,029	3,287
Income Tax Payable		<u>728</u>	<u>645</u>	<u>328</u>
Total Current Liabilities		3,583	3,674	3,615
Non Current Liabilities				
Interest Bearing Liabilities		83,525	85,025	84,025
Deferred Tax Liabilities		<u>28,791</u>	<u>23,883</u>	<u>28,726</u>
Total Non Current Liabilities		112,316	108,908	112,751
Total Liabilities		115,899	112,582	116,366
Net Assets		129,895	113,028	126,183
EQUITY				
Share Capital	2	13,000	13,000	13,000
Reserves		51,108	38,398	51,108
Retained Earnings		<u>65,787</u>	<u>61,630</u>	<u>62,075</u>
Total Equity		129,895	113,028	126,183

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 2023

		GROUP		
		Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000
	Notes			
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Was Provided From:				
Receipts from Customers		10,904	11,141	20,254
Interest Received		519	274	727
		<u>11,423</u>	<u>11,415</u>	<u>20,981</u>
Cash Was Disbursed To:				
Payments to Suppliers and Employees		(6,158)	(5,981)	(11,955)
Income Tax Paid		(762)	(2,077)	(2,528)
Interest Paid		(1,968)	(1,438)	(3,112)
GST Received/ (Paid)		(12)	36	(42)
		<u>(8,900)</u>	<u>(9,460)</u>	<u>(17,637)</u>
Net Cash Flows From Operating Activities	5	<u>2,523</u>	<u>1,955</u>	<u>3,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Was Provided From:				
Sale of Property, Plant and Equipment		2	2	47
Advances Repaid by Subsidiary		2,613	3,215	6,564
Advances Repaid by Joint Ventures		250	-	212
		<u>2,865</u>	<u>3,217</u>	<u>6,823</u>
Cash Was Applied To:				
Purchase of Property, Plant and Equipment		(3,435)	(2,324)	(5,530)
Advances to Joint Ventures		-	(1,512)	-
Advances to Associates		(517)	(316)	(1,429)
		<u>(3,952)</u>	<u>(4,152)</u>	<u>(6,959)</u>
Net Cash Flows/ (Outflows) from Investing Activities		<u>(1,087)</u>	<u>(935)</u>	<u>(136)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Was Provided From:				
Shareholder Advances Received		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
Cash Was Applied To:				
Repayment of Shareholder Advance		(500)	(200)	(1,200)
Dividend Payment		-	-	(1,000)
		<u>(500)</u>	<u>(200)</u>	<u>(2,200)</u>
Net Cash Flows/ (Outflows) From Financing Activities		<u>(500)</u>	<u>(200)</u>	<u>(2,200)</u>
Net Increase in Cash and Cash Equivalents Held		936	820	1,008
Add Opening Cash Brought Forward		1,036	28	28
Closing Cash and Cash Equivalents Carried Forward		<u>1,972</u>	<u>848</u>	<u>1,036</u>

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



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 24 November 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.

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 2023.



2 Share Capital and Dividends

The authorised and issued share capital comprises 13 million ordinary shares (30 September 2022 and 31 March 2023: 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		
	Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000
Share Capital	13,000	13,000	13,000
Dividend Declared/Paid	-	-	(1,000)
	Cents per Share	Cents per Share	Cents per Share
Dividend per Share	-	-	7.69

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 2023 is 22.03% (31 March 2023: 27.61%).

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.

Electricity Invercargill Limited
Notes to the Financial Statements
For the six months ended 30 September 2023
(continued)

4 Property, Plant and Equipment - Additions and Disposals

	GROUP		
	Six Months	Six Months	Year
	Ended	Ended	Ended
	30 September	30 September	31 March
	2023	2022	2023
	\$'000	\$'000	\$'000
Additions	2,262	1,396	5,149
Disposals	(40)	(13)	(105)

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 (\$8,506,000 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	Six Months	Year
	Ended	Ended	Ended
	30 September	30 September	31 March
	2023	2022	2023
	\$'000	\$'000	\$'000
Net Surplus After Taxation	3,712	3,351	4,787
Plus/(Less) Non Cash Items:			
Depreciation and Amortisation	2,409	2,225	4,485
Deferred Taxation	65	176	433
Loss on Sale of Property, Plant and Equipment	38	-	23
Share of Profit of Associates and Joint Ventures	<u>(3,413)</u>	<u>(2,393)</u>	<u>(5,113)</u>
	<u>(901)</u>	<u>8</u>	<u>(172)</u>
Plus/(Less) Movements in Working Capital:			
Increase/(Decrease) in Payables and Accruals	(432)	39	297
(Increase)/Decrease in Receivables	(256)	(478)	(286)
Increase/(Decrease) in Provision for Taxation	400	(965)	(1,282)
	<u>(288)</u>	<u>(1,404)</u>	<u>(1,271)</u>
Net Cash Flows From Operating Activities	<u>2,523</u>	<u>1,955</u>	<u>3,344</u>

efl

6 Commitments

a) Capital Commitments

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

	GROUP		
	30 September 2023 \$'000	30 September 2022 \$'000	31 March 2023 \$'000
Capital Commitments	2,362	2,207	1,548

b) Other Commitments

The Group has a conditional commitment as at 30 September 2023 of \$415,000 (30 September 2022 and 31 March 2023: \$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) 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 within the next twelve months.

The EIL's investment in RFELP recognised as Assets Classified as Held for Sale was measured at lower of its carrying amount and fair value less costs to sell at balance sheet dates or 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:

	GROUP		
	Six Months Ended 30 September 2023 \$'000	Six Months Ended 30 September 2022 \$'000	Year Ended 31 March 2023 \$'000
Goods and Services Supplied to:			
PowerNet Ltd (Joint Venture)	315	224	509
Lakeland Network Ltd (Associate)	254	133	329
Receivables Outstanding at Balance Date			
PowerNet Ltd (Joint Venture)	177	129	134
Lakeland Network Ltd (Associate)	130	73	107
Goods and Services Supplied by:			
PowerNet Ltd (Joint Venture)	5,958	4,593	10,013
Invercargill City Holdings Ltd (Other Related Party)	2,062	1,530	3,329
Creditors Outstanding at Balance Date			
PowerNet Ltd (Joint Venture)	1,722	1,737	2,009
Invercargill City Holdings Ltd (Other Related Party)	221	167	210
Dividends Paid to:			
Invercargill City Holdings Ltd (Other Related Party)	-	-	1,000
Advances Provided to (Repaid by):			
PowerNet Ltd (Joint Venture)	(250)	1,513	(212)
Lakeland Network Ltd (Associate)	517	316	1,429
Pylon Ltd (Subsidiary)	(2,613)	(3,215)	(6,564)
Advances Repaid to (Provided from):			
Invercargill City Holdings Ltd (Other Related Party)	500	200	1,200

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.

