ANNUAL REPORT
2024

Front cover: Hawthorndale Care Village, Electricity Invercargill Ltd network.

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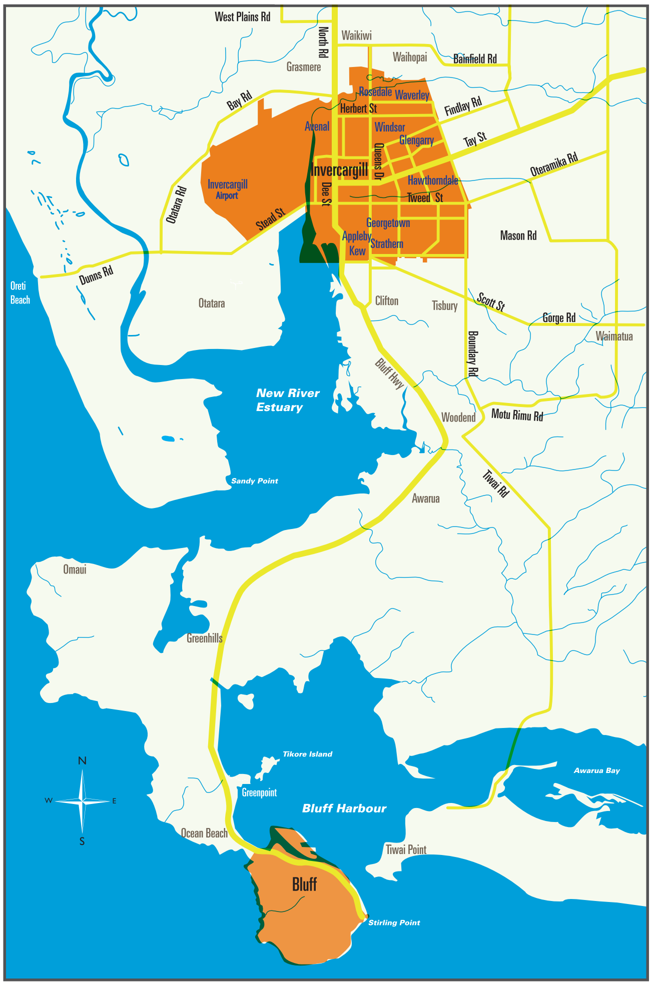
Electricity Invercargill Limited Network Area



About Electricity Invercargill Limited

At Electricity Invercargill Limited (EIL), we are committed to delivering a safe, efficient, and reliable power supply to almost 17,700 homes and businesses across Invercargill City and Bluff. Through ongoing upgrades, renewals and maintenance, we have improved the condition of our assets and delivered innovative approaches to network management to enable the continued development and growth of our region.

Inaugurated in 1991, EIL is fully owned by the Invercargill City Council through its subsidiary company, Invercargill City Holdings Limited. The network has delivered power to customers across Invercargill since 1905 (most notably in the past as the Invercargill Municipal Electricity Department).

EIL remains one of the best-performing networks in New Zealand according to the Commerce Commission's key indicators of reliability and efficiency. With 90% of our connected customers being residential, the decision to underground the majority of EIL's network over a 50-year period from the 1960s has resulted in EIL now being recognised as one of Aotearoa New Zealand's most reliable networks.

Our high performance standards can be attributed to EIL's enduring focus on asset management excellence, customer-centricity, and our team's solutions-based ethos. During 2023-24, we continued our investment in upgrading and maintaining the network and our commitment to finding innovative energy solutions for our communities' future needs.

EIL's 25% share in the Southern Generation Limited Partnership (SGLP) contributed to New Zealand's investment in renewable generation and returned favourable results during the reporting period.

With a Regulatory Value of $102 million in network assets, EIL contracts PowerNet Limited (PowerNet) to manage, operate, upgrade, construct and maintain our network and metering assets. This includes the responsibility of 665 kilometres of predominantly underground cables, some overhead lines, and 450 distribution transformers with a capacity of 158MW.

PowerNet charges electricity retailers for line and metering services, pays transmission costs, and passes the gross revenue and expenses through to EIL. The revenue provides a return on investment to EIL and recovers our overheads, depreciation, and operating costs. PowerNet's costs are recovered through a charging regime on capital and maintenance work and a fee for management services.

Other revenue for EIL is derived from capital contributions made by customers to connect to the network and the commercial returns from our investments in OtagoNet Joint Venture (OJV), Lakeland Network Limited (LNL) and PowerNet, together with the SGLP assets owned in conjunction with The Power Company Limited (TPCL) and Pioneer Generation Limited.

EIL Statistics as at 31 March 2024	
Total Connected Customers	**17,694**
Residential	15,606
Industrial	137
Commercial	1,951
Network Length	665km
Customer Density	26.6 customers/km
Number of Distribution Transformers	450
Distribution Transformer Density	238 kVA/km
Maximum Demand	61MW
Total Energy Delivered	268GWh
Regulatory Value	$102 million

Planned maintenance on the EIL network.

The Year in Review

Operational Performance

During 2023-24, we continued our focus on delivering a high level of service for our customers. Through an unwavering commitment to improved operational performance, we delivered key capital and maintenance projects across the network to enhance the safety and reliability of supply, and to support the continued growth of our region.

Work carried out on the EIL network during the reporting year saw a total capital investment of $7.1 million and a further $2.2 million spent on maintenance.

Invercargill Central Business District (CBD) Redevelopment

EIL cemented its role as a key regional partner through supporting the completion of Invercargill's CBD redevelopment. Being a key part of enabling this revitalisation project for our city has been momentous for the PowerNet team, where the removal of the last underground substation on Tay Street during 2023-24 completed our multi-year involvement with this project.

Hawthorndale Care Facility Development

Supporting the growth of our region has remained integral to our operational planning efforts. This saw us work on the Hawthorndale Care Village development during 2023-24, destined to be a world-class dementia care facility in Invercargill – comprising of 28 villas, a main dementia wing and a hospital wing. We completed the design and, during the year, the customer's contractor installed the main internal cable works and a new 500 KVA transformer - which we connected to the existing EIL underground network to meet the capacity required.

Cable Fault Indicators

EIL's 10-year programme to install cable fault indicators across the 11kV network continued during the reporting year. The indicators, which are used to detect short circuits and earth faults when a cable fault occurs, enable us to efficiently locate and isolate faulted areas. This means we can restore power to unaffected areas, reducing the outage time our customers experience and maintaining our reputation as one of the country's most reliable networks.

Network Automation

We remained focused on implementing a range of innovative initiatives on our Invercargill and Bluff networks, including installing additional remote-controlled switching points and automation technologies. The benefits of this work will extend the life of the cable network – which, coupled with the extensive underground programme and other capital projects, make EIL a modern and young network.

Asset Replacements

During 2023-24, we continued our programme to replace distribution transformers and ring main units reaching the end of their lives. We also continued work to strengthen distribution substations across the network.

Customer Connections

The Invercargill CBD redevelopment drove an elevated level of customer connection activity during 2023-24, with new customer connections to the EIL network reaching $1.0 million, which is significantly above the long-term average.

Electricity Invercargill Ltd Projects

Project	Approximate Expenditure
Ring main units and replacements	$1,300,000
Customer connections and subdivisions	$1,000,000
Transformers replacements	$1,000,000
Earth upgrade	$500,000

The Year in Review *continued*

SAIDI and SAIFI

SAIDI results for planned and unplanned outages are assessed against an overall limit and a revenue incentive target. Annual results that remain within the incentive target allow additional revenue to be available to the EDB based on improved customer service.

Planned outage results have annual limits and targets but are ultimately assessed against a cumulative limit set for the full regulatory period – in this case, 2020-2025. The cumulative result is a combination of the assessed results for the first (2020-21), second (2021-22), third (2022-2023), and fourth (2023-2024) years of the regulatory period.

Assessed SAIDI and SAIFI for all EIL planned and unplanned interruptions were within the annual limits.

EIL exceeded the planned SAIDI incentive target, resulting in a revenue penalty. However, assessed SAIDI unplanned results were well inside the incentive target, resulting in a revenue incentive gain.

	Actual	Limit	Incentive Target	Cumulative Actual	Cumulative Limit
EIL SAIDI Planned	13.82	22.90	7.63	58.00	91.54
EIL SAIFI Planned	0.089	0.104		0.35	0.41
EIL SAIDI Unplanned	11.24	25.86	15.39		
EIL SAIFI Unplanned	0.297	0.696			

Regulatory Environment

EIL is a non-exempt electricity distribution business, which means we are regulated under the electricity industry's regulatory framework. This regulation exists as we have a natural monopoly in the distribution of power to our homes and businesses. Regulations ensure that EIL's assets that supply power are invested in appropriately, are priced affordably and shared across different users and generations, and that shareholders can take appropriate risks to invest in the resources needed.

EIL, through its management company PowerNet, delivers services within the scope of relevant regulations. We do this in the most efficient and cost-effective way we can. As Aotearoa New Zealand decarbonises, EIL, as a distributor of electricity, will play an important part in making sure our communities have services and assets that can withstand the impacts of climate change and meet the changing needs of new technologies, such as electric vehicles, and electrification in commercial businesses.

We use electricity every day for heating, cooking, transport, and business. It is fundamental to our health and wellbeing. EIL is committed to achieving the transition to a safe and reliable electrified New Zealand.

The Year in Review *continued*

Financial Performance

The Net Surplus After Taxation was impacted by the 2024 Income Tax Law Change which removed tax depreciation deductions of industrial and commercial buildings. As a result of the removal of tax depreciation, an additional deferred tax liability and corresponding deferred tax expense of $1.33 million has been recognised in the current financial year.

The Group Operating Surplus Before Taxation and Non operating Items (Gain on Sale) amounted to $7.24 million, marginally up from 2023 result. The Group results were largely driven by higher Interest Income, lower Operating Expenses, and an increase in Share of Profit of Associates and Joint Ventures, partially off set by higher Finance Costs.

Share of Profit of Associates and Joint Ventures increased by 18% from the previous year largely driven by higher generation levels from Roaring Forties.

The overall performance of the Group against 2024 financial targets mainly reflected the effect of the delay of the proposed sale of an investment classified as Assets Held for Sale in the Statement of Financial Position. This resulted to higher Operating Surplus Before Taxation and Non operating Items (Gain on Sale) due to continuing revenue generated from the investment but lower Net Surplus after Taxation resulting from there being no recognised gain on sale during the period.

Financial Measures	Year Ended 31 March 2024 $'000	Year Ended 31 March 2023 $'000
Operating surplus before taxation and non-operating items (gain on sale)	7,242	7,197
Net surplus before taxation	7,242	6,466
Taxation expense	(3,211)	(1,679)
Net surplus after taxation	4,031	4,787

Acknowledgements

Operating a reliable, efficient and safe network relies on the contribution of a number of people, and EIL's directors would like to acknowledge all those who have provided input towards the company's continued success.

As a Board, we would like to thank our shareholder, Invercargill City Holdings Ltd (ICHL), for their continued support and contribution to our strategic direction.

The partnership with TPCL has provided significant benefits. Our shared investment portfolio enables collaboration opportunities that continue to strengthen our southern region. We appreciate TPCL's support and recognise our partnership as fundamental to EIL's continued growth and success.

To the team at PowerNet, thank you for your dedication to improving the performance of our network. We remain immensely proud that because of your focus on delivering the highest standards of asset management and your commitment to growing EIL's energy assets, our network remains one of the most reliable in the country.

Ring main unit maintenance on the EIL network.

Asset Management Plan

EIL's Asset Management Plan (AMP) outlines how network assets will be managed and developed to provide a safe, efficient, and reliable electricity supply and service to Invercargill and Bluff communities over the next 10 years.

Our AMP sets out planned capital and maintenance expenditure on the network from 2024-2034. It identifies how we will support growth on the EIL network by working with customers and developers to understand their plans and ensure these are included in our AMP.

Therefore, over the next decade, we have outlined a programme of work in our AMP to mature our asset management capability, support customer growth, and improve our service provision for customers.

Our AMP includes details on how we will:

- Enable growth in our region through supporting major developments – including the Te Puāwai residential housing development (set to be the biggest housing development for Invercargill in decades, creating more than 600 sections and including a commercial hub and retirement village) and the new Hawthorndale Care Facility, destined to be a world-class and leading dementia care village in Invercargill.
- Meet customer requests for new connections.
- Improve safety at zone substations and distribution networks – such as the switchboard replacement at Racecourse Road Zone substation, scheduled for 2026-27 and 2027-28.
- Upgrade network assets across the region where needed to maintain voltage quality.
- Renew those assets at the end of their life and extend the life of assets with replacements (such as the oil-filled cable programme), scheduled in the next 10-year period.
- Improve the efficiency and the reliability of our network by replacing assets with high losses and replace overloaded distribution transformers with units that have sufficient capacity.
- Extend remote monitoring and control to distribution devices through SCADA.
- Carry out routine inspections, testing and maintenance across all assets.
- Ensure safety and environmental compliance and carry out related projects.

Renewals of transformers, ring main units, network automation, cable fault indicators and pillar boxes are expected to be a significant ongoing cost. In 2024-25, capital expenditure is planned to be $7.1 million and is forecasted to be between $6.9 million and $9.2 million per year over the remaining 10-year planning horizon.

The EIL AMP can be viewed at: EIL Asset management plan – PowerNet

Our Community

Partnerships and Sponsorships

Forming strong partnerships across our southern region and participating in our community remains an integral part of EIL's business ethos.

Therefore, marking a decade of PowerNet's partnership with Hato Hone St John in August 2023 was a momentous occasion for EIL as it recognises our shared goal to combine resources to improve the health and safety outcomes of communities in the southern region.

This continued support has provided our southern communities with first aid and mental health first aid training. In addition, the Hato Hone St John Whātuia te Wairoa | Weaving Wellbeing programme for students in years 7-8, and our co-sponsorship of the ASB St John in Schools programme for students in years 5-6 has supported the health and wellbeing of children across our region.

We look forward to continuing our relationship with Hato Hone St John with PowerNet's renewal of the sponsorship partnership for another three years.

Smart Plug Promotional Scheme

During the reporting year, EIL supported our customers by helping them make more energy-efficient choices. In a joint promotion with TPCL, we offered all consumers on both networks a free Wi-Fi-enabled Smart Plug.

The initiative was promoted through mail-outs, newspapers, and digital advertising on social media and online news portals.

The promotion utilised a distribution model which allowed customers to collect their Wi-Fi Smart Plug in-store and online. This resulted in 2,685 Smart Plugs being distributed to EIL customers, with almost half redeemed online.

Southland Warm Homes Trust

EIL continued to support PowerNet's administration services to the Southland Warm Homes Trust (SWHT), with our annual contribution of support (increasing to $150,000 following an increase in homeowner uptake of the Warmer Kiwi Homes programme.).

The SWHT, in conjunction with the Energy Efficiency and Conservation Authority (EECA), has completed over 10,000 insulation and heating retrofits in Southland and West Otago since 2008.

The subsidised insulation and heating programme, Warmer Kiwi Homes, targets homeowners on low incomes or those who live in low socio-economic areas. The programme's success in recent years resulted in the Government committing funding in May 2023 to extend it to June 2027. This funding is administered by EECA through local service providers that meet installation and health and safety standards.

Under the Warmer Kiwi Homes programme, eligible homeowners can have up to 95% of their ceiling and underfloor insulation costs or a new efficient heating unit (heat pump or wood/pellet burner) funded by EECA. This includes the SWHT contributing 5-15% of the subsidy from community funding. To be eligible, homes must have been built prior to 2008, the homeowner (owner-occupier) must have a community services card, or the homeowner must live in an area identified as low-income.

In addition to the EECA/SWHT programme, SWHT and Awarua Synergy offer other subsidies of up to $2,000 to install insulation or an efficient heating unit for households with high health needs or experiencing financial hardship.

Pole maintenance work on Rockdale Road, on the EIL network.

Corporate Governance Statement

This statement provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

As at 31 March 2024, The Electricity Invercargill Ltd (EIL) Board was comprised of five non-executive Directors (the "Board") who are appointed by Invercargill City Holdings Ltd, a subsidiary of Invercargill City Council. As at printing, the EIL Board is comprised of three non-executive Directors.

The Board is responsible for direction and governance, establishing and monitoring the strategic direction of the Company, with day-to-day management delegated to the Group Chief Executive.

The Board's responsibilities include the approval of the Groups overall objectives, overseeing financial and operational performance and ensuring adequate systems for the identification and management of risk. The Board acts within the Company's constitution and is committed to best practice governance, including partaking in ongoing professional development. New Directors undergo an induction process to assist with onboarding, through the joint venture management Company, PowerNet Ltd.

The Board meets regularly during the financial year, with additional full meetings as required.

Legislative Compliance

Legislative compliance is monitored through the Comply Watch and Comply With tools, which are reviewed regularly and reported on quarterly.

Risk Management

EIL acknowledges the critical importance of Risk Management within the business and aligns this with its joint venture management Company PowerNet's vision of Safe, Efficient and Reliable Power to Communities.

The board oversees and reviews the Group's overall risk context and risk management. This includes providing our community with an understanding of how climate risks and opportunities might impact our business through our climate change management and Risk reporting. The Group insures for potential liability and non-liability loss exposures, in line with good industry practice, however it is not practicable or cost-effective to insure for all potential loss exposures. The Group's liability insurance policies also cover directors and officers, within the limits and requirements of the Companies Act 1993 and the Company's constitution.

EIL has a risk management policy and framework incorporating the ISO 31000:2009 risk management processes. Risk management programmes are in place to ensure that risks are identified and mitigated, where possible, and that risk is considered when internal policies and procedures are drafted.

EIL (via PowerNet) has achieved the following certifications:

- Telarc - Integrated Systems Certificate – ISO 9001, ISO 14001, ISO 45001
- Telarc - Asset Management – ISO 55001
- Telarc - Public Safety – NZS 7901

The Board has overall responsibility for the Company's systems of operational and financial control.

The Board monitors the operational and financial aspects of the Company's activities, and the Board considers the recommendations and advice of external and internal auditors and other external advisors on the operational and financial risks that face the Company.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and appropriate action is taken to ensure that the Company has an adequate control environment in place to manage the key risks identified.

Statement of Intent

In accordance with Section 36 of the Energy Companies Act 1992, the board submits a draft Statement of Intent (SOI) to the Company's shareholders in November each year. After considering comments from the shareholders, the board approves the final SOI and a copy is placed on the Company's website by the end of April each year.

Corporate Governance Statement *continued*

Health, Safety and Environment Management

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

Regular reports to the Board provide information on accidents, near misses and incidents, together with monthly data on 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 RiskMentor tool to ensure the controls identified in the crucial control framework are being consistently applied on-site.

Management Agreement Working Group (Special Purpose)

The Management Agreement (MA) Working Group (PowerNet) was formed for a finite period to oversee the development of new Management Agreements between PowerNet and its managed Networks. The MA Working Group is comprised of four non-executive Directors each representing PowerNet and the three Electricity Distribution Businesses (EDBs) that PowerNet manages, including a representative of EIL.

The role of the MA Working Group is to provide support and advice to PowerNet and the EDBs, being EIL, The Power Company Ltd (TPCL), Lakeland Network Ltd (LNL) (previously Electricity Southland Ltd (ESL) Boards, and the OtagoNet Joint Venture (OJV) Governing Committee, for the revision and update of new NMAs between PowerNet and each of the EDBs.

It is the MA Working Group's role to ensure the MAs are developed in the best interests of the EDBs and PowerNet.

The MA Working Group met six times during the past year.

The following ICHL appointed Directors were MA Working Group Members during the year under review:

Paul Kiesanowski	Member	Representing EIL
Bob Taylor	Chair/Member	Representing PowerNet

External Auditor

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board. The Company's external auditor is the Office of the Auditor-General. The Auditor General has appointed Elizabeth Adriana (Adri) Smit, using the staff and resources of PricewaterhouseCoopers (PwC).

The Board has determined that there are no matters that have affected the auditor's independence. PwC provide the Board with the required independence declaration for the financial year ended 31 March 2024.

Refer to Note 4 of the Financial Statements for Auditor remuneration.

Internal Audit

The joint venture management Company internal audit functions provide independent and objective assurance on the effectiveness of governance, risk management and internal controls across all business operations.

For external expertise, the Company works closely with Deloitte on outcomes of the internal audit programme to the extent that they are relevant to the financial statements.

Regular internal monitoring and review of controls and processes is also undertaken.

Northlake subdivision on the LNL network in Wānaka.

Our Investments

PowerNet Limited (PowerNet)

EIL has a 50% shareholding in PowerNet, the region's electricity asset management company. EIL's partner, TPCL holds the remaining equal share.

EIL and TPCL established PowerNet in 1994 to achieve economies of scale through integrated network management. It is now New Zealand's fourth largest network management company, with a Regulatory Value of $805 million.

EIL contracts PowerNet to manage its network, primarily through capital and maintenance programmes. PowerNet has continued to deliver high service standards for EIL's customers, where PowerNet's overall performance is judged by the value and efficiency of its network asset management, its commercial growth achievements, and its business development focus.

Through our management contract, PowerNet has remained focused on providing a reliable, efficient and safe power supply for our customers through the provision of a 24/7 network system control and faults centre. In addition, PowerNet has continued its commitment to future-proofing our region through ongoing innovation and support of decarbonisation initiatives.

Lakeland Network Limited (LNL)

The Lakeland Network (LNL) in the Queenstown-Lakes and Central Otago region is owned by shareholders EIL and TPCL. Formed in 1995 as Electricity Southland Ltd, it was rebranded in 2021-22 to the Lakeland Network Limited.

LNL's assets now total $58.6 million, and EIL holds a 24.9% share. The modern LNL is built completely underground and has invested over $53 million in electricity infrastructure. Network reticulation utilises the 22kV underground cable backbone, which extends from Frankton Flats to the eastern and southern corridors. Regulatory reporting is under the OJV network.

LNL's Installation Control Points (ICPs) reached 4,738 on 31 March 2024, with an annual increase in active connections of 602.

During the reporting year, LNL continued to support growth across the area with work at the Hanley's Farm subdivision development (currently 1400 ICPs of a total of 1750 for that development). Queenstown Country Club is nearing completion with a new Dementia Care facility (350 ICPs in total). In addition, work on the southern corridor strengthening project continued which, once completed, will provide an alternative supply for Hanley's Farm and provide future reliability and strengthening for the area.

During 2023-24, LNL also completed work at the Wooing Tree subdivision in Cromwell (280 lots). The Northlake subdivision in Wānaka (850 ICPs) is in its final stages, and the Hikuwai subdivision in Wānaka (250 ICPs) is 80% complete.

Looking ahead, the LNL team is due to commence work for the Ginkgo Avenue apartment and hotel precinct at Remarkables Park (15 lots), the Park Ridge subdivision (650 lots), and the Classic (400 lots) and Silver Creek (760 lots) developments in the Wakatipu Basin. The Remarkables Zone substation will remain in its current location (within the Queenstown Airport precinct) to supply the Airport during its planned growth. There will also be an opportunity to extend the 22kV network down Frankton Road and provide Transport Hub charging in the future as part of the planned work with the New Zealand Transport Agency on the BP intersection.

OtagoNet Joint Venture (OJV)

OtagoNet Joint Venture (OJV) was formed in 2002 following the purchase of electricity network assets from the shareholders of the consumer co-operative company, Otago Power Limited.

OJV has a Regulatory Value of $239 million and is jointly owned by EIL (24.9%) and TPCL (75.1%). The network supplies 15,623 customers over a vast area of coastal and inland Otago – from Shag Point in the northeast through to St Bathans and then extending south to the Chaslands.

During 2023-24, $21.6 million was invested in capital projects on the OJV network (which includes the LNL network), and $6.1 million was spent on maintenance. This programme of work included the completion of the multi-year Port Molyneux Zone substation conversion project to address the corrosion caused by its coastal location. In addition, OJV continued its focus on installing Neutral Earth Resistors at Zone substations, together with constructing mobile substation sites (as required) to schedule routine maintenance on major equipment.

Our Investments *continued*

Southern Generation Limited Partnership (SGLP)

During the 2023-24 year, favourable hydro generation conditions throughout the majority of the year and favourable wind generation over the summer months provided SGLP's investment partners with 10% higher income when compared to the previous financial year.

In 2023-24, the total generation output of SGLP's two wind generation sites and the six hydropower stations was 257.0GWh.

On 17 May 2024, the partners of the Roaring Forties Energy Limited Partnership agreed to sell 50% share of the SGLP to Pioneer Energy Limited. The settlement was on 27 June 2024.

Southern Generation Limited Partnership assets.

Subsequent Events

Subsequent to the balance date, the Group has engaged in negotiations on the sale of shares in its 100% owned subsidiary Pylon Limited. As at the date of issue of this annual report the Group's interest in OtagoNet and Lakeland being held in Pylon Limited met the held for sale criteria with a sale expected within the next 12 months.

Our Investments *continued*

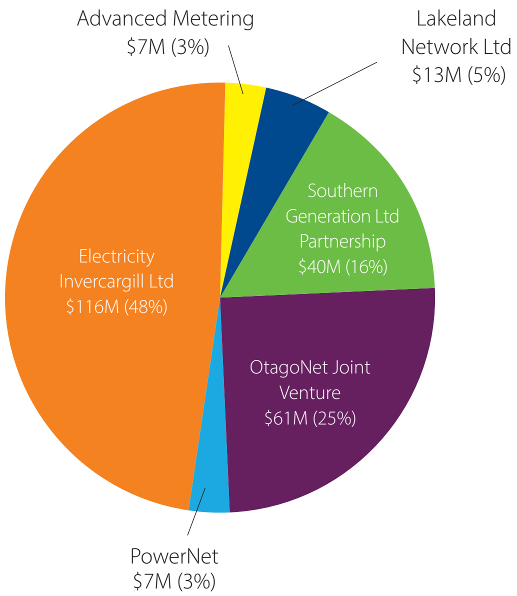
Electricity Invercargill Ltd Group – Asset Breakdown

The investment make-up by asset investment and investment type as at balance date showcases EIL's strategy of diversification in the energy sector being achieved. Investment portfolio has grown steadily now totalling to $244 million (2023: $239 million).

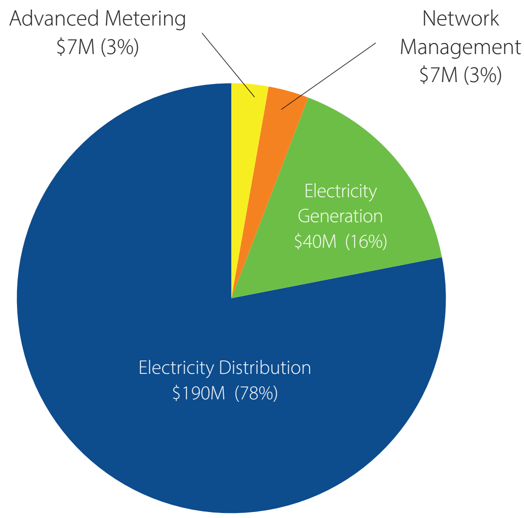
EIL's predominant investment has historically been in the Invercargill and Bluff electricity network, which makes up 47% of EIL's investment portfolio.

EIL Group has delivered another year of strong financial results from its investments. Share of profits of associates and joint ventures increased by 18% to $6.03 million, driven largely by higher revenue from electricity generation.

Asset Investment $244 million



Investment Type $244 million



Directors' Profiles

Simon Young *(Interim Chair) BBS, Dip Hort Sci., M Sci (International Agriculture), M Phil (Econ) (Appointed 31 May 2024)*

Simon is a company director and executive with over 25 years of experience in the electricity industry, having worked throughout the value chain.

Simon was a director on the Board of Electricity Invercargill Limited until his recent appointment to Chair on 31 May 2024. He was also a director on the Board of the Southern Generation Limited Partnership. He is also a non-executive director of Top Energy and its subsidiary, Ngawha Generation. Previously, he was a non-executive director on several electricity-related public and private companies, including the listed entity TrustPower (now known as Manawa Energy).

Simon is currently, or was previously, involved as an executive director of Utilise Limited, Opunake Hydro, and Alliant Energy New Zealand Limited, where he managed significant electricity investments in New Zealand and was the founding executive director of Empower.

With deep commercial experience throughout the electricity value chain, from start-up to sale, and electricity distribution to generation and retail, Simon brings a well-developed judgment to commercial decisions.

Peter Heenan *BCom, FCA, CMIstD*

Peter is part of the senior leadership team of the privately owned transport company, HWR (as the executive director of finance) and holds several governance roles for the group. He is also a director on the Great South Board, Space Operations NZ Limited, and a trustee of the Southland Hospice.

Peter joined the Electricity Invercargill Limited Board as a director in January 2024.

Peter is a Chartered Fellow of Chartered Accountants Australia and New Zealand. He is also a chartered member of the Institute of Directors.

His business background means Peter brings a wealth of financial expertise to the Board, with robust capability in the assessment of opportunities to support business development and growth.

Stephen Lewis *CMInstD, CEng, FIET, MIAM*

Stephen is a company director and business consultant with extensive experience in the electricity supply industry.

Stephen is a director on the Board of Electricity Invercargill Limited. He is also on the boards of Aurora Energy Limited and MainPower NZ Limited.

Stephen is a chartered fellow of the Institute of Directors and a fellow of the Institution of Engineering and Technology.

Stephen has held governance positions in New Zealand's electricity supply industry for over 15 years, and also for a wide range of not-for-profit organisations, including the arts sector. His previous experience has included executive directorships, senior executive roles, and senior operation and strategic planning roles in the electricity supply industry in the United Kingdom, the United States of America, Australia, and South America.

Retired Directors'

Emma Ihaia *MA First Class Hons (Economics) (Retired 11 June 2024)*

Emma was a company director with 25 years of experience in economic regulation. As an economics consultant, she has advised utilities in New Zealand, Australia, Europe, the Caribbean and the Pacific Islands on network regulations and pricing.

Emma was a director on the Board of Electricity Invercargill Limited. She is on the board of Nelson Airport Limited, a self-employed director of Link Economics, and a trustee of a charitable trust. She previously spent four years on the executive team of Network Tasman as the regulatory and commercial manager. She has also chaired working groups for the ENA.

Emma has a Bachelor of Arts and Master of Arts from the University of Auckland (in Economics) and is a member of the Institute of Directors. In addition to her detailed knowledge of electricity network regulation, she brings commercial analysis and stakeholder engagement skills.

Robert (Rob) Jamieson *(Chair) MEng (Electrical), MBA (Retired 31 May 2024)*

Rob has worked in the New Zealand electricity industry for over 35 years, including as chief executive of Orion NZ Limited and as chair of Connetics Limited. He has also been a long-term board member of Electricity Networks Aotearoa (ENA).

Rob was chair of Electricity Invercargill Limited and a director on the Board of Lakeland Network Limited till his retirement on 31 May 2024. He was also a member of the OtagoNet Joint Venture governing committee and a chartered member of the Institute of Directors.

With a master's degree in both electrical engineering and business administration, Rob brought a wealth of knowledge and expertise to EIL. His academic background, coupled with his experience in electricity distribution and contracting, energy retailing, and electricity generation provided a valuable contribution to the Board.

Paul Kiesanowski *BCom, FCA, CMInstD (Retired 31 October 2023)*

Paul retired as a director on the Board of Electricity Invercargill Limited on 31 October 2023. He remains a director of PowerNet Limited. His other directorships include Black Holdings Limited and Amalgamated Holdings Limited. Paul was also a former partner of KPMG.

Paul is a fellow chartered accountant of the Chartered Accountants Australia and New Zealand, and a chartered member of the Institute of Directors.

Statutory Report

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2024.

Result and Distribution

The Directors report that the Group's Net Profit After Tax for the year under review was $4,031,000 below the Statement of Intent target of $14,293,000.

Dividends of $2,000,000 were paid during the year.

Principal Activity

The principal activity of the parent entity EIL is the provision of electricity distribution services. The Company's shareholder is Invercargill City Holdings Ltd. The Group consists of EIL, its subsidiaries, associates, and joint ventures.

State of Company's Affairs

The Directors consider the state of the Company's affairs to be satisfactory.

Directors/Directors' Remuneration

The Directors are appointed by the Shareholder. The following Directors held office during the year under review. Renumeration paid or due and payable to Directors for services as a Director and in any other capacity for EIL, during the year was $185,175 and was distributed as follows:

Director	Appointment Date	Retirement Date	2023/2024
Rob Jamieson (Chair)	01 November 2021	31 May 2024	$65,000
Emma Ihaia	01 November 2021	11 June 2024	$32,000
Paul Kiesanowski	28 March 2019	31 October 2023	$18,667
Stephen Lewis	01 November 2020		$32,000
Simon Young (Chair from 01 June 2024)	01 November 2021		$32,000
Peter Heenan	30 January 2024		$5,508

Directors' Interests

General

All Directors are interested in transactions with the Company involving the supply of standard network services, on standard terms and conditions, to premises in which they may have one or more of the following interests [Companies Act 1993, Section 189 (1) (c)]:

(a) Owner, either alone or jointly with others.

(b) Parent, child or spouse of another person who may have a material interest in a property.

(c) Director, officer or shareholder of a body corporate which may have a material interest in a property.

(d) Trustee or beneficiary of a trust which may have a material interest in a property.

Because the interest which Directors may have in such transactions is no different in kind, quality, benefit or obligation from transactions which the Company has with other network services customers, it is not intended to list such premises or properties in the Interests Register.

Directors' Register

The Directors register for EIL and its subsidiaries for the financial year 2024 is as follows:

	PowerNet Limited	Electricity Invercargill Limited	OtagoNet Limited	OtagoNet Joint Venture	OtagoNet Properties Limited	Roaring Forties Energy GP Limited	Southern Generation GP Limited	Lakeland Network Limited	Pylon Limited
Emma Ihaia		●							●
Paul Kiesanowski	●	●							●
Peter Heenan		●							●
Rob Jamieson		●	●	●	●			●	●
Simon Young		●				●	●		●
Stephen Lewis		●							●

Statutory Report *continued*

Directors' Disclosure of Interest

Interests Register

Register of Directors external interests – for the year ended 31 March 2024 [Companies Act 1993, Section 189 (1) (c)].

Robert (Rob) Jamieson *(Retired 31 May 2024)*

Marlborough Lines Limited	*Director*
Electricity Ashburton Limited	*Director*

Emma Ihaia *(Retired 11 June 2024)*

Fifeshire Foundation Charitable Trust	*Trustee*
Link Economics Limited	*Director*
Nelson Airport Limited	*Director*

Paul Kiesanowski

Amalgamated Holdings Limited	*Director*
Black Forest Investments NZ Limited	*Director*
Black Holdings (NZ) Limited	*Director*
Paul Kiesanowski Advisory Limited	*Director / Shareholder*

Stephen Lewis

Aurora Energy Limited	*Director*
Greenpower New Zealand Limited	*Director*
MainPower New Zealand Limited	*Director*
Mount Cass Windfarm Limited	*Director*

Simon Young

Carbon One Limited	*Director*
Jimmi Holdings Limited	*Director / Shareholder*
Jimmi Interests Limited	*Director*
Jimmi Limited	*Director*
Ngawha Generation Limited	*Director*
On Farm Energy Limited	*Director*
Top Energy Limited	*Director*
Smith & Young Nominees Limited	*Director / Shareholder*
The Karo Group Limited	*Director / Shareholder*
Top Energy Ngawha Spa Limited	*Director*
Utilise Limited	*Director*

Directors' Disclosure of Interest *continued*

Peter Heenan

Allied Concrete Limited	*Director*
Allied FH Limited	*Director*
Allied Petroleum Limited	*Director*
Allied Queenstown Concrete Limited	*Director*
Blue Sky Meats (NZ) Limited	*Director*
Bond Contracts Limited	*Director*
HWR Property Limited	*Director*
International Speciality Aggregates Limited	*Director*
My Transport Innovations Limited	*Director*
Rangitikei Aggregates Limited	*Director*
Southern Aggregates Limited	*Director*
Southroads Limited	*Director*
Space Operations New Zealand Limited	*Director*

Employee Remuneration

EIL has no direct employees therefore no remuneration declaration is required.

Donations

There were no donations made during the year.

Use of Company Information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been made available to them.

Directors' and Employees' Indemnity and Insurance

Liability insurance was effected for Directors of the Company.

Accounting Policies

There have been no changes in accounting policies during the year. These have been applied on a basis consistent with those used in the previous year.

For and on behalf of the Directors.

Simon Venn Young
Interim Chair

Peter James Heenan
Director

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 2024 on pages 17 to 41.

For and on behalf of the Board.

Simon Venn Young
Interim Chair

27 June 2024

Peter James Heenan
Director

27 June 2024

Statement of Service Performance

For the year ended 31 March 2024

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	Target	Achievement	
	Year Ended 31 March 2024 $'000	Year Ended 31 March 2024 $'000	Year Ended 31 March 2023 $'000
Financial			
Operating Surplus Before Taxation and Non-operating Items (Gain on Sale)	4,592	7,242	7,197
Net Surplus After Taxation	14,293	4,031	4,787
Earnings Before Taxation, Interest and Non-operating Items (Gain on Sale) to Total Assets (EBIT%)	3.42%	4.55%	4.28%
Return on Equity %	10.34%	3.14%	3.79%
Equity to Total Assets %	68.33%	51.87%	52.04%

The Net Surplus After Taxation was impacted by the 2024 Income Tax Law Change which removed tax depreciation deductions of industrial and commercial buildings. As a result of the removal of tax depreciation, an additional deferred tax liability and corresponding deferred tax expense of $1.33 million has been recognised in the current financial year.

The Group Operating Surplus Before Taxation and Non operating Items (Gain on Sale) amounted to $7.24 million, marginally up from 2023 result. The Group results were largely driven by higher Interest Income, lower Operating Expenses, and an increase in Share of Profit of Associates and Joint Ventures, partially off set by higher Finance Costs.

Share of Profit of Associates and Joint Ventures increased by 18% from the previous year largely driven by higher generation levels from Roaring Forties.

The overall performance of the Group against 2024 financial targets mainly reflected the effect of the delay of the proposed sale of an investment classified as Assets Held for Sale in the Statement of Financial Position. This resulted to higher Operating Surplus Before Taxation and Non operating Items (Gain on Sale) due to continuing revenue generated from the investment but lower Net Surplus after Taxation resulting from there being no recognised gain on sale during the period.

Statement of Service Performance *continued*

For the year ended 31 March 2024

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.

	Target	Achievement	
	Year Ended 31 March 2024	Year Ended 31 March 2024	Year Ended 31 March 2023
System Average Interruption Duration Index (SAIDI)			
SAIDI (planned)	32.00	13.82	15.76
SAIDI (unplanned)	41.00	11.24	17.80
System Average Interruption Frequency Index (SAIFI)			
SAIFI (planned)	0.15	0.09	0.08
SAIFI (unplanned)	0.70	0.30	0.24

Note on SAIDI: SAIDI is a measure of the average duration of power interruptions for each customer served and is measured in minutes or hours over the course of a year.

Note on SAIFI: The average number of times each customer connected to the network is without supply.

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 planned SAIFI and SAIDI figures are shown for comparison with annual targets, but are ultimately assessed against a limit set for the full regulatory period - in this case, 2020-2025.

Assessed SAIDI and SAIFI for all EIL planned and unplanned interruptions were within the annual limits.

EIL exceeded the planned SAIDI incentive target of 7.63, resulting in a revenue penalty. However, assessed SAIDI unplanned results were well inside the incentive target of 15.39, resulting in a revenue incentive gain.

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.

Statement of Service Performance *continued*

For the year ended 31 March 2024

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.

	Target	Achievement	
	Year Ended 31 March 2024	Year Ended 31 March 2024	Year Ended 31 March 2023
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 2024 reporting year.

PowerNet Ltd health, safety, and environment risk management system is now firmly embedded across the Group's activities. It efficiently manages public and workplace incidents through presenting all information about incidents, hazards, risk, actions and audits on one platform - with workflows detailing investigations, actions and resolutions to mitigate future harm.

The Board are actively committed to a 'safety always' culture and, during 2023-24, through the Health and Safety Environment committee, continued to identify a number of initiatives to support safety leadership, training, and competency.

	Achievement	
Supplementary Information (Unaudited)	Year Ended 31 March 2024	Year Ended 31 March 2023
Length of overhead line	53km	53km
Length of underground cable	612km	612km
Total number of interruptions	60	51
Faults per 100km of line	9.02	7.67
Transformer capacity MVA	158	156
Maximum demand MW	61	72
Energy into network GWh	268	262
Total consumers	17,694	17,595

Statement of Financial Performance

For the year ended 31 March 2024

	Notes	GROUP 2024 $'000	GROUP 2023 $'000
Revenue from Contracts with Customers	2	18,925	18,916
Other Income	3	2,501	2,193
Operating Expenses	4	(16,215)	(16,574)
Operating Surplus		**5,211**	**4,535**
Finance Costs	4	(3,999)	(3,182)
Share of Profit of Associates and Joint Ventures	9, 10	6,030	5,113
Net Surplus Before Taxation		**7,242**	**6,466**
Taxation Expense	5	(3,211)	(1,679)
Net Surplus After Taxation		**4,031**	**4,787**

Statement of Comprehensive Income

For the year ended 31 March 2024

		GROUP 2024 $'000	GROUP 2023 $'000
Net Surplus After Taxation		**4,031**	**4,787**
Other Comprehensive Income		-	-
Items that will not be reclassified to profit or loss:			
- Revaluation	6	-	12,719
Other Comprehensive Income		**-**	**12,719**
Total Comprehensive Income		**4,031**	**17,506**

The accompanying notes on pages 24 to 41 form part of and should be read in conjunction with these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2024

	Notes	GROUP 2024 $'000	GROUP 2023 $'000
Total Comprehensive Income			
Net Surplus for the Year		4,031	4,787
Other Comprehensive Income		-	12,719
		4,031	17,506
Distributions to Shareholders			
Dividend Paid/Declared	6	(2,000)	(1,000)
		(2,000)	(1,000)
Changes in Equity for the Year		**2,031**	**16,506**
Equity at the Beginning of the Year		**126,183**	**109,677**
Equity at the End of the Year	6	**128,214**	**126,183**

The accompanying notes on pages 24 to 41 form part of and should be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2024

	Notes	GROUP 2024 $'000	GROUP 2023 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	892	1,036
Receivables and Prepayments	8	2,627	2,262
		3,519	**3,298**
Assets Classified as Held for Sale	10	39,570	40,110
Total Current Assets		**43,089**	**43,408**
Non Current Assets			
Investments in Associates	9	6,283	6,215
Advances to Associates	18	6,690	5,538
Investments in Joint Ventures	10	61,172	60,208
Advances to Joint Ventures	18	7,064	6,814
Investments in Other Entities		247	118
Property, Plant and Equipment	11	119,263	118,011
Capital Work in Progress		3,371	2,237
Total Non Current Assets		**204,090**	**199,141**
Total Assets		**247,179**	**242,549**
LIABILITIES			
Current Liabilities			
Creditors and Accruals	12	3,373	3,287
Income Tax Payable		864	328
Total Current Liabilities		**4,237**	**3,615**
Non Current Liabilities			
Interest Bearing Liabilities	13	84,525	84,025
Deferred Tax Liabilities	14	30,203	28,726
Total Non Current Liabilities		**114,728**	**112,751**
Total Liabilities		**118,965**	**116,366**
Net Assets		**128,214**	**126,183**
EQUITY			
Share Capital	6	13,000	13,000
Reserves	6	51,017	51,108
Retained Earnings	6	64,197	62,075
Total Equity		**128,214**	**126,183**

The accompanying notes on pages 24 to 41 form part of and should be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2024

	Notes	GROUP 2024 $'000	GROUP 2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts from Customers		20,191	20,254
Interest Received		1,103	727
		21,294	20,981
Cash Was Disbursed To:			
Payments to Suppliers and Employees		(11,423)	(11,955)
Income Tax Paid		(1,194)	(2,528)
Interest Paid		(3,979)	(3,112)
GST Paid		(43)	(42)
		(16,639)	(17,637)
Net Cash Flows From Operating Activities	15	**4,655**	**3,344**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Provided From:			
Sale of Property, Plant and Equipment		27	47
Dividend Received		5,539	6,564
Advances Repaid by Joint Ventures		-	212
		5,566	6,823
Cash Was Applied To:			
Purchase of Property, Plant and Equipment and Work in Progress Payments		(7,332)	(5,530)
Investment in Other Entities		(130)	-
Advances to Associates and Joint Ventures		(1,403)	(1,429)
		(8,865)	(6,959)
Net Cash Outflows Applied to Investing Activities		**(3,299)**	**(136)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Provided From:			
Shareholder Advances Received		500	-
		500	**-**
Cash Was Applied To:			
Repayment of Shareholder Advance		-	(1,200)
Dividend Payment		(2,000)	(1,000)
		(2,000)	(2,200)
Net Cash Outflows From Financing Activities		**(1,500)**	**(2,200)**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(144)	1,008
Add Opening Cash Brought Forward		1,036	28
Closing Cash and Cash Equivalents Carried Forward	7	**892**	**1,036**

The accompanying notes on pages 24 to 41 form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2024

1 About this Report

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 orientated 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 27 June 2024.

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.

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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

Specific Accounting Policies

Goods and Services Tax (GST)

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

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.

Seasonality

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

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

2 Revenue from Contracts with Customers

	GROUP	
	2024 $'000	2023 $'000
Electricity Delivery Services	18,617	18,498
Capital Contributions	308	418
Total Revenue	**18,925**	**18,916**
Timing of Revenue Recognition		
- Over time	18,617	18,498
- At a point in time	308	418
Total Revenue	**18,925**	**18,916**

Revenue from Contracts with Customers

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

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 asset 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.

3 Other Income

	GROUP	
	2024 $'000	2023 $'000
Metering Rental Income	1,346	1,337
Interest Income	1,151	852
Other Income	4	4
Total Other Income	**2,501**	**2,193**

Meter Rental Income

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

Interest Income

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

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

4 Expenses

	GROUP	
	2024 $'000	2023 $'000
Expenses Include		
Auditors' Remuneration - PricewaterhouseCoopers		
- Audit of Financial Statements	57	66
- Assurance over Default Price Quality Path Annual Compliance Statement	38	36
- Assurance over Information Disclosures	57	49
Consulting Fees - PricewaterhouseCoopers	14	24
Depreciation		
- Fibre Assets	42	39
- Metering Assets	728	714
- Network Assets	4,072	3,732
Total Depreciation	4,842	4,485
Directors' Fees	185	193
Interest Expense	3,999	3,164
Loss on Disposal of Property, Plant and Equipment	78	23
Network Costs	10,523	9,917
Transmission Costs	4,580	5,762

* *2024 Consulting fees include fees for the preparation of benchmark study and consultation on regulatory settings for Electricity Distributors*

* *2023 Consulting fees include fees for regulatory forecast models and procedures over the price setting compliance statement*

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.

5 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

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.

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.

	GROUP	
	2024 $'000	2023 $'000
Operating Surplus Before Income Tax	**7,242**	**6,466**
Prima Facie Taxation at 28%	2,028	1,810
Income Not Taxable		
- Equity Accounting Earnings of Associates and Joint Ventures	(136)	(128)
Under/(Over) Provision in Prior Years	(4)	2
Tax Law Change in Building Depreciation	1,328	-
Expenses not Deductible	(5)	(5)
Taxation Expense for Year	**3,211**	**1,679**
Made up of:		
Current Tax	1,727	1,247
Prior Year Over Provision of Current Tax	7	(1)
Deferred Tax	160	430
Prior Year Over Provision of Deferred Tax	(11)	3
Building Depreciation Tax Law Change in Respect of Deferred Tax Impact	1,328	-
Taxation Expense for Year	**3,211**	**1,679**
Effective Tax Rate	44.3%	25.9%

In March 2024, the New Zealand Government enacted the Taxation (Annual Rates for 2023 24, Multinational Tax and Remedial Matters) Bill. As a result, from the 2024-25 income tax year onwards, the Group can no longer claim any tax depreciation on their buildings with estimated useful lives of 50 years or more in New Zealand. The Company assessed the accounting impact of this change, which resulted in an increased deferred tax liability recognised on property, plant, and equipment.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

6 Equity

The authorised and issued share capital comprises 13 million ordinary shares (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	
	2024 $'000	2023 $'000
Contributed Capital		
Share Capital	**13,000**	**13,000**
Reserves		
General Reserve	2,800	2,800
Revaluation Reserve Opening Balance	48,308	35,598
Asset Revaluation	-	12,719
Revaluation Reversal due to Asset Disposal	(91)	(9)
Closing Balance	48,217	48,308
Total Reserves	**51,017**	**51,108**
Retained Earnings		
Opening Balance	62,075	58,279
Net Surplus	4,031	4,787
Revaluation Reversal due to Asset Disposal	91	9
Dividend Declared	(2,000)	(1,000)
Total Retained Earnings	**64,197**	**62,075**
Total Equity	**128,214**	**126,183**

Asset revaluations in 2023 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 2024	Cents per Share 2023
Dividend per Share	15.38	7.69

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

7 Cash and Cash Equivalents

	GROUP	
	2024 $'000	2023 $'000
Current Account	292	76
Bank Deposits (Short Term)	600	960
Total Cash and Cash Equivalents	**892**	**1,036**

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.

8 Receivables and Prepayments

	GROUP	
	2024 $'000	2023 $'000
Trade Debtors	2,345	2,001
Prepayments	213	182
GST Receivable	69	79
Total Receivables and Prepayments	**2,627**	**2,262**

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.

9 Investments in 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 significant influence ceases.

Associate Companies	Country of Incorporation	Balance Date	Percentage Held By Group	
			2024	2023
Lakeland Network Ltd	New Zealand	31 March	24.9%	24.9%

9 Investments in Associates *continued*

	GROUP	
	2024 $'000	2023 $'000
The Group's interests in associate entities are as follows:		
Carrying Amount at the Beginning of the Year	6,215	5,193
Total Recognised Revenues and Expenses	68	94
Revaluation Gain on Network Assets	-	928
Carrying Amount at the End of the Year	**6,283**	**6,215**

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	213	163
Less Taxation Expense	(145)	(69)
Total Recognised Revenues and Expenses of Associates After Tax	**68**	**94**

10 Investments in 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.

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

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.

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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

10 Investments in Joint Ventures *continued*

Joint Ventures	Country of Residence	Balance Date	Percentage Held By Group	
			2024	2023
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 2024 is 26.84% (2023: 27.61%).

**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	
	2024 $'000	2023 $'000
The Group's interests in Joint Venture entities are as follows:		
Carrying Amount at Beginning of Year	60,208	97,302
Total Recognised Revenues and Expenses	5,962	5,019
Revaluation Gain on Network Assets	-	4,562
Distributions/Dividends Received	(5,538)	(6,565)
Movement on Assets Classified as Held for Sale	540	(40,110)
Carrying Amount at End of Year	**61,172**	**60,208**

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.

On 17 May 2024 the directors of Pylon Ltd approved the sale of its interest in RFELP to Pioneer Energy Ltd with a settlement date of 27 June 2024.

At 31 March 2024 the EIL's investment in RFELP has been classified as an Asset 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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

11 Property, Plant and Equipment

	Distribution Assets $'000	Metering Assets $'000	Fibre Assets $'000	Total $'000
At 1 April 2022				
Cost or fair value	125,172	11,005	1,055	137,232
Accumulated depreciation	(27,859)	(3,469)	(302)	(31,630)
Net book amount	97,313	7,536	753	105,602
Year ended 31 March 2023				
Opening net book amount	97,313	7,536	753	105,602
Revaluation	11,673	-	141	11,814
Additions	4,955	194	-	5,149
Disposals	(97)	(8)	-	(105)
Reversal of depreciation on asset disposed	32	4	-	36
Depreciation charge (Note 4)	(3,732)	(714)	(39)	(4,485)
Closing net book amount	110,144	7,012	855	118,011
At 31 March 2023				
Cost or fair value	132,902	11,191	1,055	145,148
Accumulated depreciation	(22,758)	(4,179)	(200)	(27,137)
Net book amount	110,144	7,012	855	118,011
Year ended 31 March 2024				
Opening net book amount	110,144	7,012	855	118,011
Additions	5,944	253	-	6,197
Disposals	(196)	(4)	-	(200)
Reversal of depreciation on asset disposed	94	3	-	97
Depreciation charge (Note 4)	(4,072)	(728)	(42)	(4,842)
Closing net book amount	111,914	6,536	813	119,263
At 31 March 2024				
Cost or fair value	138,650	11,440	1,055	151,145
Accumulated depreciation	(26,736)	(4,904)	(242)	(31,882)
Net book amount	111,914	6,536	813	119,263

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

31 March 2023	*66,970*	*7,012*	*658*	*74,640*
31 March 2024	*68,740*	*6,536*	*616*	*75,892*

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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

11 Property, Plant and Equipment *continued*

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.

Depreciation

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

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.

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.

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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

12 Creditors and Accruals

	GROUP	
	2024 $'000	2023 $'000
Trade Payables	2,789	2,556
Accruals	240	564
Revenue in Advance	344	167
Total Creditors and Accruals	**3,373**	**3,287**

Trade and other payables are stated at amortised cost.

13 Shareholder Advance

	GROUP	
	2024 $'000	2023 $'000
Invercargill City Holdings Ltd		
- Non Current Portion	84,525	84,025
Total Shareholder Advance	**84,525**	**84,025**

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 2025.

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 2026.

The weighted average interest rate for the loan is 4.80% (2023: 3.72%).

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.

14 Deferred Tax Liabilities

	Revaluation $'000	Depreciation $'000	Contributions $'000	Other $'000	Total $'000
Balance at 1 April 2022	13,882	9,014	807	5	23,708
Charged to Income Statement	-	385	59	(11)	433
Charged to Equity	4,585	-	-	-	4,585
Balance at 31 March 2023	**18,467**	**9,399**	**866**	**(6)**	**28,726**
Balance at 1 April 2023	18,467	9,399	866	(6)	28,726
Charged to Income Statement	-	1,474	7	(4)	1,477
Charged to Equity	-	-	-	-	-
Balance at 31 March 2024	**18,467**	**10,873**	**873**	**(10)**	**30,203**

Deferred tax expense arises from the origination and reversal of temporary differences.
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 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.

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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

15 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	
	2024 $'000	2023 $'000
Net Surplus After Taxation	4,031	4,787
Plus/(Less) Non Cash Items:		
Depreciation	4,842	4,485
Deferred Taxation	1,477	433
Loss on Sale of Property, Plant and Equipment	78	23
Share of Profit of Associates and Joint Ventures	(6,030)	(5,113)
	367	(172)
Plus/(Less) Movements in Working Capital:		
Increase in Payables and Accruals	86	297
Increase in Receivables and Prepayments	(365)	(286)
Increase/(Decrease) in Provision for Taxation	536	(1,282)
	257	(1,271)
Net Cash Flows From Operating Activities	**4,655**	**3,344**

16 Commitments

Capital Commitments

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

	GROUP	
	2024 $'000	2023 $'000
Capital Commitments	2,053	1,548
Total Capital Commitments	**2,053**	**1,548**

17 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, short term investments and advances.

An increase/(decrease) in the interest rate of 1% is estimated to increase/(decrease) the net profit before tax and equity by $128,000 (2023: $121,000).

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 facilites, the Group is required to comply with agreed financial covenants. The Group has complied with the covenants throughout the reporting period.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

18 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:

	GROUP	
	2024 $'000	2023 $'000
Goods and Services Supplied to:		
PowerNet Ltd (Joint Venture)	586	509
Lakeland Network Ltd (Associate)	534	329
Receivables Outstanding at Balance Date		
PowerNet Ltd (Joint Venture)	146	134
Lakeland Network Ltd (Associate)	143	107
Goods and Services Supplied by:		
PowerNet Ltd (Joint Venture)*	12,034	10,013
Invercargill City Holdings Ltd (Parent)	4,164	3,329
Creditors Outstanding at Balance Date		
PowerNet Ltd (Joint Venture)	2,381	2,009
Invercargill City Holdings Ltd (Parent)	230	210
Dividends Paid to:		
Invercargill City Holdings Ltd (Parent)	2,000	1,000
Advances Provided to (Repaid by):		
PowerNet Ltd (Joint Venture)	250	(212)
Lakeland Network Ltd (Associate)	1,153	1,429
Advances Provided from (Repaid to):		
Invercargill City Holdings Ltd (Parent)	500	(1,200)

**This relates to asset maintenance and construction of $9,916 (2023: $8,017) and management services of $2,118 (2023: $1,996).*

Key Management Personnel

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

	GROUP	
	2024 $'000	2023 $'000
Directors Fees	185	193

19 Subsequent Events

On the 17 May 2024, the parties of Roaring Forties Energy Partnership agreed to sell their 50% share of Southern Generation Ltd Partnership to Pioneer Energy Ltd. Settlement has been agreed on 27 June 2024 at a sale price of $106 million. Following the settlement date the intention is to distribute the surplus funds to the respective partners and dissolve the Roaring Forties Energy entities.

Subsequent to balance date, the Company has engaged in negotiations on the sale of shares in its 100% owned subsidiary Pylon Limited. As at the date of issue of these financial statements the investment in Pylon Limited met the held for sale criteria with a sale expected within the next 12 months.

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

Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Readers of Electricity Invercargill Limited's Consolidated Financial Statements and Performance Information for the Year Ended 31 March 2024.

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.

Opinion

We have audited:

- the financial statements of the Group on pages 20 to 41, that comprise the statement of financial position as at 31 March 2024, 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 17 to 19.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2024; 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 2024.

Our audit was completed on 27 June 2024. 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.

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.

Auditor's Report *continued*

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.

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.

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.

Auditor's Report *continued*

- 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.

Other Information

The Board of Directors is responsible for the other information included within the Annual Report. The other information comprises the supplementary information included on pages 1-16 and 19, but does not include the financial statements and the performance information, and our auditor's report thereon.

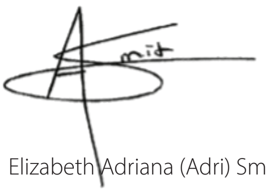
Our opinion on the financial statements and the performance information does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

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.

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
Christchurch, New Zealand
On behalf of the Auditor-General
27 June 2024

Christmas Decorations being erected in the Invercargill CBD.

Electricity Invercargill Ltd