THEPOWERCOMPANYLTD

ANNUAL REPORT
2021

Front cover: A PowerNet team working on the Riverton township upgrade.

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Auditors
PricewaterhouseCoopers
Christchurch

Solicitors
AWS Legal
Invercargill

About The Power Company Limited

The Power Company Limited (TPCL) continues to be one of New Zealand's best-performing, predominantly rural networks.

Established in 1991, TPCL owns electricity network assets in rural Southland and West Otago, delivering electricity to 36,723 customers.

TPCL is owned by the customers connected to its network. The Southland Electric Power Supply Consumer Trust (Southland Power Trust) exercises ownership rights on behalf of these customers. In the past, the company has operated as the Southland Electric Power Board and Southland Electric Power Supply.

TPCL owns 50% of PowerNet Limited (PowerNet). TPCL also owns 75.1% of the OtagoNet Joint Venture (OJV) network, 75.1% of the Electricity Southland Limited (ESL) network at Frankton, Wanaka, and Cromwell, and has a 25% share in the Southern Generation Limited Partnership (SGLP).

The Regulatory Value of TPCL's network assets is $387 million. This includes 8,850km of lines and 11, 263 distribution transformers with a capacity of 462MVA.

Investment and diversification in new generation assets is an important company strategy. This includes TPCL's 25% share in SGLP. SGLP's acquisition of renewable electricity generation assets is adding significant value to TPCL's balance sheet.

TPCL contracts PowerNet Limited (PowerNet) to develop, manage, construct and maintain its network and metering assets. PowerNet's costs are recovered through a charging regime on capital and maintenance work, and through an agency fee for management services. PowerNet charges line and metering charges to electricity retailers, pays transmission costs and passes the revenue and expenses through to TPCL. The revenue provides a return on investment to TPCL and recovers overheads, depreciation and operating costs.

Other revenue is derived from the capital contributions of customers connecting new installations to the network and the commercial returns from the company's investments in OJV, ESL and PowerNet, as well as returns from the new SGLP assets TPCL owns in conjunction with Electricity Invercargill Limited (EIL) and Pioneer Energy Limited.

In 2020-21, TPCL spent $35.4 million on capital and maintenance works to enhance and improve the network.

TPCL Statistics as at 31 March 2021	
Total Connected Consumers	**36,723**
Residential	27,180
Industrial	204
Commercial	9,339
Network length	8,850km
Consumer density	4.1 consumers/km
Number of distribution transformers	11,263
Distribution transformer capacity	462MVA
Maximum demand	161MW
Total energy conveyed	835GWh
Regulatory Value	$387 million

Aniwhenua hydro-electric power station.

Our Investments

PowerNet Limited (PowerNet)

TPCL has a 50% shareholding in electricity asset management company, PowerNet. The other joint venture partner is Electricity Invercargill Limited (EIL).

PowerNet is contracted to manage the TPCL network—primarily its capital and maintenance works programme—and its metering assets.

PowerNet's performance is judged by the value and efficiency of its network asset management and business development.

As part of its operations, PowerNet operates a local 24-hour, 7 days a week system control facility that closely monitors and controls network operations, and provides a faults call centre service.

Electricity Southland Limited (ESL)

Electricity network asset company, ESL, is based in Central Otago and was established in 1995 by TPCL and EIL. ESL's assets total $34.5 million. TPCL holds a 75.1% share in ESL. The ESL network continues to expand rapidly as the Queenstown-Lakes / Central Otago region develops at pace. The network now has over 3,000 installation connection points in the region.

This growth is mainly due to new connections at the Shotover Country subdivision, Queenstown Country Club retirement village and Queenstown Resort and Spa at Hanley's Farm subdivision. Embedded networks in Wanaka, comprising Northlake, Clearview and Hikuwai subdivisions, as well as the Wooing Tree subdivision in Cromwell, are also part of the ESL network.

OtagoNet Joint Venture (OJV)

OJV was formed in 2002 after the purchase of electricity network assets from shareholders of the consumer co-operative company, Otago Power Limited. OJV is jointly owned by TPCL (75.1%) and EIL (24.9%).

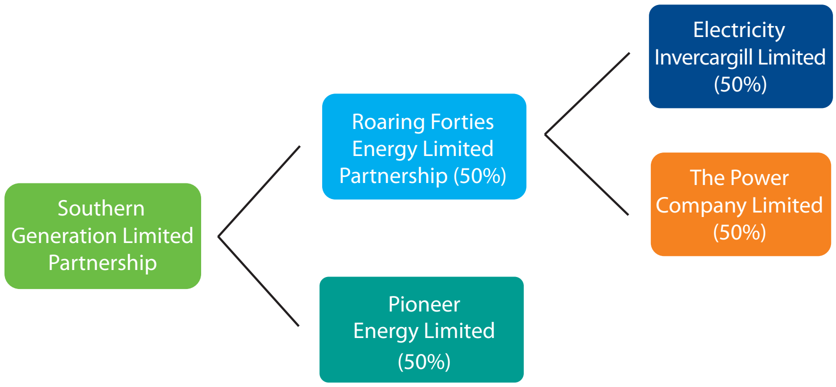
OJV has 15,305 customers spread over a vast area of coastal and inland Otago, from Shag Point in the north-east, through to St Bathans, and south to the Chaslands.

OJV's presence in South Otago is consolidated with the official opening of a new purpose-built $8.5 million PowerNet Balclutha facility in May 2021.

OJV has a Regulatory Value of $193 million.

Our Investments *continued*

Southern Generation Limited Partnership (SGLP)



Southern Generation Limited Partnership structure

Developing renewable energy generation is important for the future. In 2015, TPCL joined with EIL and Pioneer Energy Limited to create the Southern Generation Limited Partnership (SGLP). The partnership owns two wind farms—Mt Stuart near Lawrence, and Flat Hill near Bluff, and three hydro stations—Āniwhenua on the Rangitaiki River in the Bay of Plenty, Upper Fraser in Central Otago, and the Matiri hydro scheme near Murchison commissioned in March 2021.

The total value of SGLP assets is $162 million.

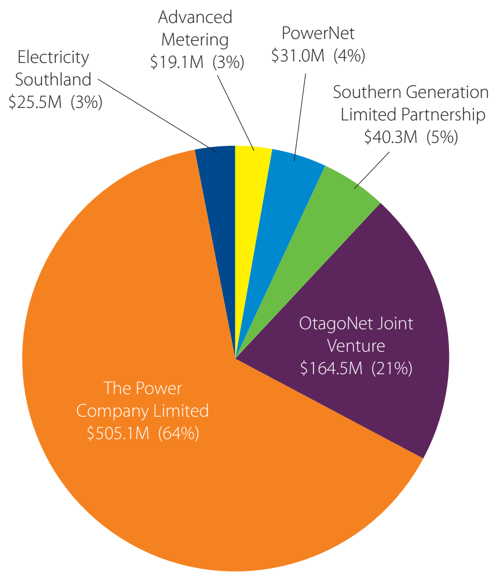
This renewable energy is managed by TPCL's partner, Pioneer Energy Limited. TPCL and EIL jointly own 50% of SGLP through the joint venture, Roaring Forties Energy Limited Partnership (RFELP). Pioneer Energy Limited owns the remaining 50%. The return on investment for RFELP makes this investment by TPCL into distributed renewable energy generation a key strategic asset.

In 2020-21, the generation output of SGLP's two wind generation sites and three hydro power stations was 182.1GWh. Mt Stuart contributed 20.2GWh, Flat Hill 24.8GWh, Aniwhenua 107.8GWh, Upper Fraser 27.8GWh and Matiri 1.5GWh.

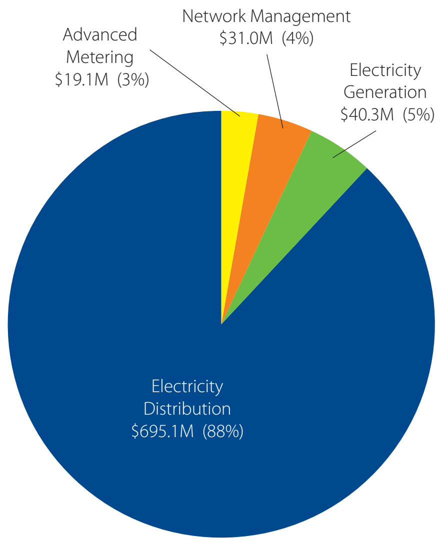
TPCL Group – Asset Breakdown

The investment make-up by asset investment and investment type clearly illustrates TPCL's strategy of diversification being achieved within the electricity sector. Historically, TPCL's predominant investment has been in the TPCL electricity network, and this now makes up 64% of TPCL's investment portfolio. While electricity distribution is by far the predominant investment type accounting for 88% of all investment, advanced metering and network management make up 7% of TPCL's investments, and there is now significant diversification into electricity generation. This diversification is important to secure long-term sustainable investment return.

Asset Investment $785.5 million



Investment Type $785.5 million



The mobile substation onsite at Gorge Road Zone substation.

The Year in Review

Operational Performance

In 2020-21, significant investment continued in new and existing assets on the TPCL network. Many projects were completed to maintain and improve service levels and creating additional network capacity. Capital expenditure totalled $25.1 million with a further $10.3 million spent on maintenance.

The most significant milestones on TPCL's network this year have been completing the Dipton Zone substation replacement as well as the replacement of the transformers and switchgear at the Gorge Road Zone substation. TPCL also began upgrading the Athol 5 feeder supplying Kingston and the surrounding area.

Another important milestone was the commissioning of our first off-the-grid remote area power supply (RAPS) system, the Rowallan Microgrid (with solar power, a battery, and back-up generator) on the edge of the Fiordland National Park on Southland's south coast. We see the potential for similar new energy solutions in future situations where they are more efficient and economical than traditional poles and lines.

Dipton Zone Substation Upgrade

As part of this project, PowerNet replaced two 66kV automated air-break switch units with circuit breakers. The upgrade improved both reliability of the 66kV busbar and the protection functionality of the 66kV ring circuit. During construction, 11kV busbar and outdoor feeder circuit breakers were also replaced with a new 11kV ring main unit.

Earth Upgrades

Ensuring satisfactory and safe ground resistance for an earth system requires regular monitoring. A $2.3 million programme on the TPCL network is focused on improving installations and reducing network risk in fault conditions. Upgrade works can include installation of additional earthing rods or banks, replacing surface material (asphalt or gravel), and regular testing and inspection of all network earth locations and conductive fences.

Gorge Road Zone Substation Upgrade

The capacity of the transformer at Gorge Road Zone substation was increased from 3MVA to 5MVA in November 2020. The project included the removal of two 1.5 MVA transformers and replacing the 11kV switchgear. PowerNet used the TPCL mobile substation to limit network constraints and manage continuous supply for customers while construction was underway. The substation is now fully equipped to interface with the mobile substation during future maintenance work when planned outages are needed.

Athol 5 Feeder Upgrade

This project is a multi-year project. The upgrade of the Athol 5 feeder began in January 2021 and the first 5km of line upgrade was completed by March 2021. The second phase includes establishing two voltage regulators within the circuit. It is intended to complete this during the 2021-22 financial year.

Rowallan Microgrid.

The Year in Review *continued*

Kennington Zone Substation Second 33kV Line

The installation of a second 33kV line to Kennington Zone substation began in January 2020 and was completed in March 2021. The work included installing a complete 33kV line bay at Kennington Zone substation and a 33kV cable feed. The project will improve network security for our commercial customers in that region.

New Substation at Open Country Dairy

Construction of the 33kV and 11kV supply from Colyer Road Zone substation to the new Open Country Dairy substation was completed in 2020. The upgraded capacity was completed in time for the start of the new season.

Customer Connections and Asset Replacements

TPCL invested $2.3 million in new customer connections in 2020-21, a similar investment to 2019-20.

In total, $7.5 million was invested in line and pole replacements as part of TPCL's enduring commitment to maintain a reliable and safe network.

The Power Company Limited Projects

Project	Approximate Expenditure
Line and pole replacements	$7,517,000
Earth upgrades	$2,296,000
New customer connections and subdivisions	$2,251,000
Air break switch renewals	$1,102,000
Athol - Kingston 22kV line upgrade	$1,071,000
Transformer replacements	$1,064,000

The Year in Review *continued*

SAIDI and SAIFI

As a consumer owned business, TPCL is exempt from the requirement to comply with the Commerce Commission imposed quality limits. Nonetheless, TPCL calculates and measures itself against the quality limit that would have been in effect had it not been exempt.

There are two reliability metrics that are commonly used by electricity distribution businesses. They are SAIDI (the system average interruption duration index) and SAIFI (system average interruption frequency index).

SAIDI is a measure of the average outage duration for each customer served and is measured in minutes or hours over the course of a year. SAIFI is a measure of the average number of interruptions that a customer would experience over a year, measured in units of interruptions per customer.

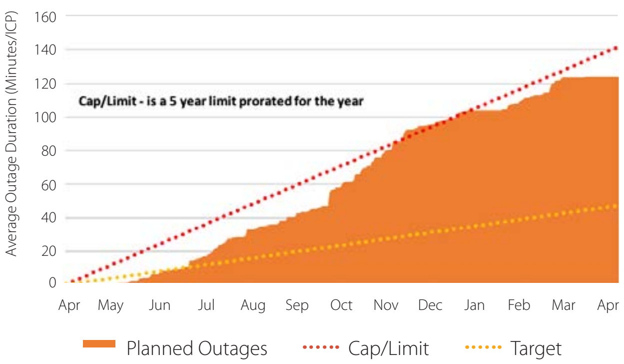
All significant events and outages on the PowerNet managed networks are investigated to identify failure modes. Once identified, improvement plans are implemented.

PowerNet has also developed a web interface which displays the location of planned interruptions on a map with key information. This means customers can easily understand the impact of planned disruptions.

SAIDI are measured against reliability targets and limits that guide distributors consideration of investment in quality that reflects consumer demand, against the ability to earn returns.

Unplanned interruptions are also subject to normalisation. Normalisation limits the impact of unpredictable major events, such as severe weather events, being mistaken for signs of deterioration.

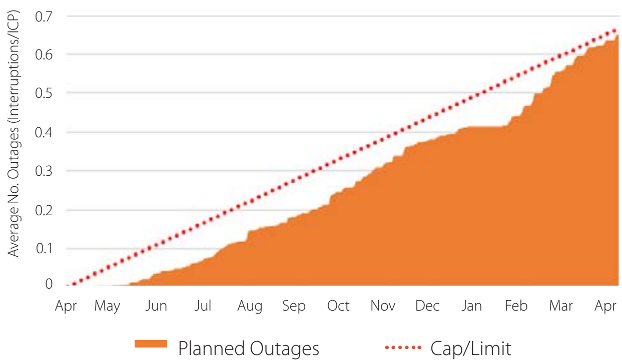
PLANNED SAIDI



Target	Quality Limit	Actual
47.27	141.81	135.56

The SAIDI for TPCL planned interruptions of 135.56 minutes was within the limit of 141.81, but above the 47.27 minute target.

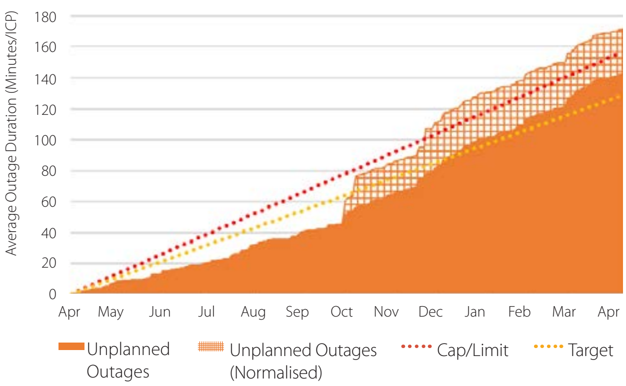
PLANNED SAIFI



Quality Limit	Actual
0.664	0.646

The SAIFI for TPCL planned interruptions positively achieved 0.646 against a limit of 0.664.

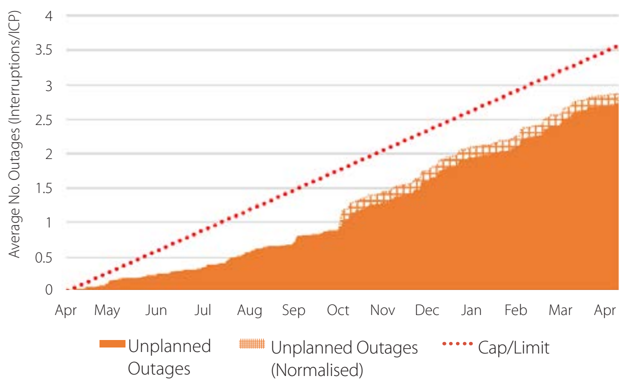
UNPLANNED SAIDI



Target	Quality Limit	Actual
128.66	156.53	141.7

The normalised SAIDI for TPCL unplanned interruptions was within the limit of 156.53, but above the target of 128.66.

UNPLANNED SAIFI



Quality Limit	Actual
3.564	2.730

The normalised unplanned SAIFI was 2.730 against a quality limit of 3.564.

The Year in Review *continued*

Regulatory Environment

TPCL continues to support PowerNet's work in the regulatory environment, both through direct involvement, and through industry associations such as the Electricity Networks Association. The company's involvement in industry working groups provides an opportunity for it to contribute proactively to the direction of the industry, including areas that involve the sector's two regulators, the Commerce Commission and the Electricity Authority.

There are significant complexities involved in managing the regulators' priorities. Examples of these work programmes include proposed changes to distribution pricing, and improved regulations relating to vegetation management and to customer-owned lines.

TPCL looks forward to the implementation in 2023 of the new Transmission Pricing Methodology decision by the Electricity Authority, and the removal of the low fixed charge regulations by the Government, presently being progressed by the Ministry of Business, Innovation and Employment.

As in previous years, TPCL, through PowerNet and the wider industry, continues to work proactively with the Commerce Commission, the Electricity Authority and WorkSafe to ensure regulations are targeted, efficient and effective, and designed to create safe outcomes.

Network Asset Revaluation

The network assets of the Company were revalued on 31 March 2021, in line with the Group accounting policy. This resulted in a $52 million increase in value since the last revaluation performed five years ago. The after tax impact of the revaluation of $37.4 million contributed towards the increase in the Group equity to $397.8 million, up from $350.4 million last year.

Financial Performance

The Group operating surplus before discount, fair value adjustments and tax increased to $19.9 million for the year ended 31 March 2021, up from $19.4 million last year.

The increase was due to improved line charge revenue from growth in customer connections and consumption, and a reduction in interest costs. This was offset by a reduction in capital contribution revenue from the previous year with a large contribution from an industrial customer occurring that year.

Fair value adjustments of $5.5 million provided a favourable contribution to the net surplus after tax (last year an unfavourable $3.2 million). This was due to the value of interest rate derivatives improving but was offset by an increase in the value of the onerous contract provision from the penny-a-unit contract due to increased consumption under this contract.

The consolidated result for TPCL is:

	31 March 2021 $'000	31 March 2020 Restated* $'000
Operating surplus before Discount and Fair Value Adjustments	19,858	19,375
Less Discount to Customers	(8,197)	(7,790)
Surplus before Tax and Fair Value Adjustments	11,661	11,585
Fair Value Adjustments		
Unrealised (Loss)/Gain on Derivatives (NZ)	5,864	(3,723)
Derivatives Financial Instrument (Loss)/Gain(US)	2,237	(393)
Loss on Onerous Contract	(2,553)	903
	5,548	(3,213)
Net Surplus Before Tax	**17,209**	**8,372**
Taxation Expense	(4,164)	(2,138)
Net Surplus After Tax	**13,045**	**6,234**

*The prior period comparative numbers have been restated as set out in Note 10.

COVID-19

The COVID-19 pandemic had minor impacts on our results in 2020-21. TPCL's response to COVID-19 was well managed by PowerNet. As an essential services provider, PowerNet's dedication, hard work and collaboration through the COVID-19 challenges ensured customers on TPCL's network received safe, efficient, and reliable power during lockdowns.

Acknowledgements

The ongoing relationship with the Southland Power Trust is important for TPCL to deliver its strategic goals. Directors also recognise TPCL's ongoing collaboration and affiliation with EIL.

TPCL's success is also due to the excellent work of PowerNet's management. Their expertise and commitment in managing the network continues to help TPCL realise its goal of being one of the best-performing, predominantly rural networks in New Zealand.

Our Community

Asset Management Plan

TPCL's Asset Management Plan (AMP) provides a governance and management framework for the company's customer, community, and regulatory requirements. The plan details projects and operating expenditure for the next 10 years.

TPCL continues to give customers the opportunity to have their say and provide input that enhances its business activities. The feedback from customers is used to develop the AMP and assist in planning to meet their needs.

The company works closely with customers and developers in the installation of new connections to TPCL's network, helping to understand their plans and then feed these back to asset management planning. These customer interactions mean TPCL gains a better understanding of the needs of stakeholders, and their feedback benefits network planning.

TPCL's AMP can be viewed at: www.tpcl.co.nz

In keeping with TPCL's goal of providing a safe, efficient, and reliable electricity supply to customers, the AMP identifies key short to medium-term projects and the service levels that need to be provided and maintained.

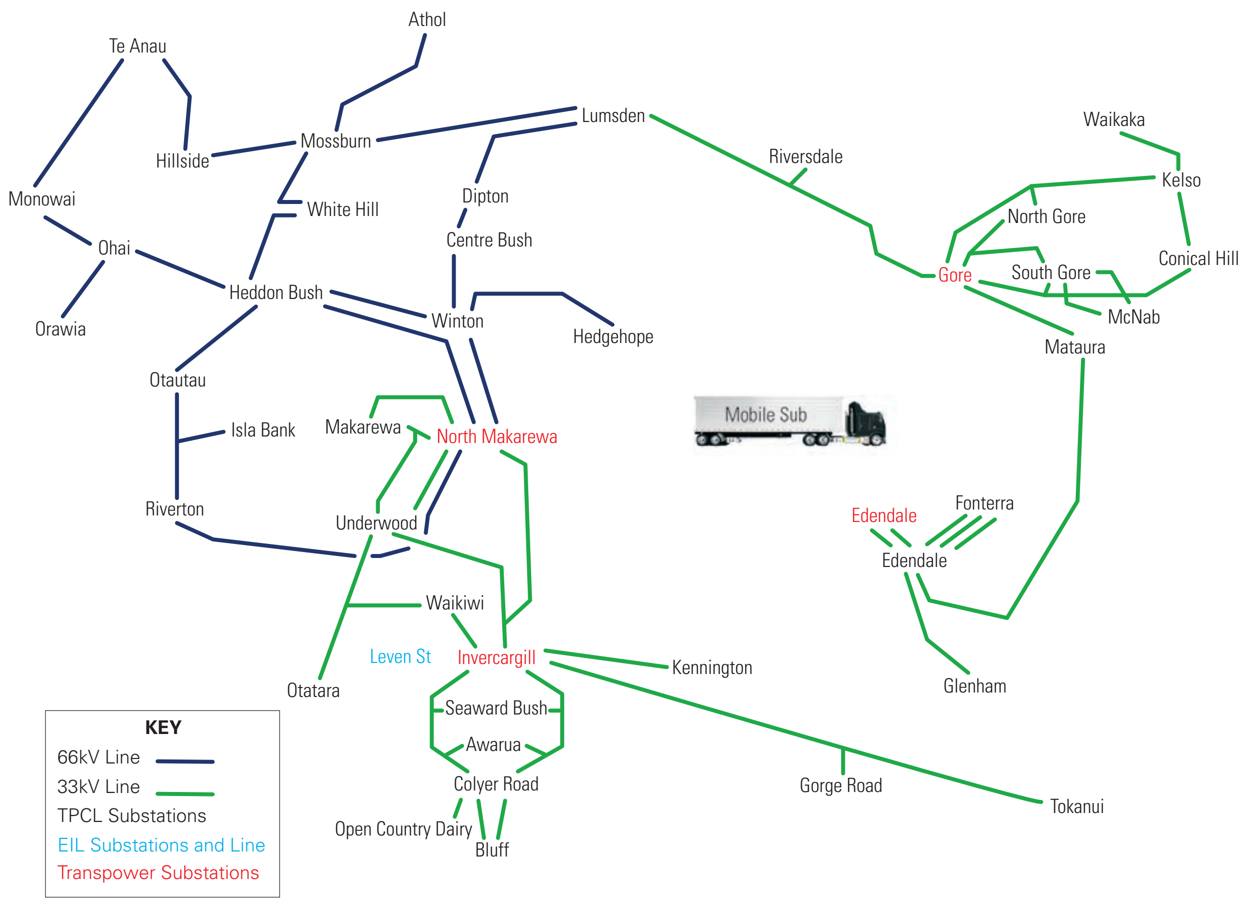
The projects outlined in the AMP acknowledge the different customers that TPCL services, from small residential properties to major industries. The plan identifies future needs, outlining the best options that meet customers' requirements and provide capacity for projected network growth.

The AMP details significant expenditure over the coming decade to ensure service levels are maintained.

Network capital expenditure during the next 10 years is forecast at $22 million in 2021-22 and $21-$26 million in each of the following years.

Investments outlined in the AMP include:

- New customer connections to the network ($2.6 million annually);
- Upgrading distribution lines in the Waimea Plains area to 22kV ($2.7 million);
- The continuation of upgrading the supply to 22kV from Athol to Kingston ($7 million);
- Upgrading supply to 22kV from Athol to Kingston ($7 million);
- Asset replacements ($11.4 million - $17.5 million annually);
- Quality of supply projects ($0.3 million - $0.6 million annually); and
- Safety, environmental, and other projects ($1.5 million - $4 million annually).



Our Community *continued*

Community Support

TPCL and the Southland Power Trust continue to support the community by providing:

- A significant discount to customers connected to the network.
- Supporting the Southland Warm Homes Trust insulation and heating installations in the Southland and West Otago region.
- Providing first aid and mental health first aid training to community groups, and supports the delivery of the St John Whatuia te Wairoa Weaving Wellbeing programme.
- All TPCL customers were offered four free LED light bulbs in 2020 and over 40,000 LED bulbs were gifted. The initiative from the Southland Power Trust, TPCL, and Energy Efficiency Conservation Authority promoted energy efficiency and the need to make Southland and West Otago homes more energy efficient.

David Rose, Southland Power Trust, Gwen Baird, Mitre 10 MEGA Invercargill, and Doug Fraser, Chair, TPCL.

Consumer Price Discount

TPCL was delighted again to deliver a price discount to its consumers in 2020, as it has done each year since 2001. Through the price discount, a total of $8.9 million (including GST) was credited to electricity retailers and onto consumers' accounts across Southland and West Otago. This is a significant amount of money returning to southern communities and the largest amount given back to the community by any consumer/community-based entity in the south.

All residential consumers connected at midnight on 31 August 2020 received a price discount of 2 cents per kilowatt hour (including GST) based on the power consumption recorded for their property.

Eligible general customers connected at midnight on 31 August 2020 received a price discount based on a combination of a percentage of fixed charges and 1.13 cents per kilowatt hour (including GST).

Individual customers connected at midnight on 31 August 2020 received a price discount on an individually assessed basis (including GST).

Since 2001 this annual price discount has put $118 million back through electricity retailers into southern communities.

Southland Warm Homes Trust (SWHT)

TPCL's annual contribution to support the SWHT is $62,500. TPCL supports PowerNet's administration services to the SWHT.

The SWHT, in conjunction with the Energy Efficiency & Conservation Authority (EECA), has completed over 7,500 insulation and heating retrofits in Southland and West Otago homes since 2008.

The Trust is a contracted insulation service provider in the Southland and West Otago area under the current government programme called Warmer Kiwi Homes. The subsidised insulation programme targets homeowners on low incomes, or homeowners who live in a low socio-economic area. The success of this programme in the first three years has encouraged the Government to recently commit further funding of $120 million over the next two years. This funding is administered by EECA through service providers who 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 cost, or a new efficient heating unit (heat pump or wood/pellet burner) funded by EECA. This includes the Trust contributing up to 15% of the subsidy from community funding. To be eligible, homes must be built prior to 2008, the homeowner (owner-occupier) must have a community services card, or own and be living 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 for households to install insulation.

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

The Power Company Ltd Board is comprised of five non-executive directors (the "Board") who are appointed by The Southland Electric Power Supply Consumer Trust.

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 Group's overall objectives, management, stewardship, performance, and reporting. 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 on-boarding through the management company, PowerNet Limited.

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

Risk Management

The Power Company Ltd acknowledges the critical importance of risk management within the business, and aligns this with its management company, PowerNet's vision of safe, efficient and reliable power to communities.

The Power Company Ltd, 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.

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 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 ensuring the Company has an adequate control environment in place to manage the key risks identified.

The Health, Safety and Environment Committee also considers health and safety risks.

Health, Safety and Environment Management

The Board has a strong commitment to ensuring contractors, their employees, and the public remain safe and well. The Board monitors the health, safety and environmental aspects of the Group's activities, including various heath, safety and environment committees of associated 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 Risk Mentor tool to ensure the controls identified in the crucial control framework are being consistently applied onsite.

Line Pricing Methodology

The Board has director representation on the Line Pricing Methodology Committee of PowerNet Limited. The Line Pricing Methodology Committee was established for a finite period to oversee the implementation of a new Line Pricing Methodology and tariff suite. This ensures the Board meets their responsibilities in relation to the appropriate recovery of total revenue while sending clear price signals to consumers about the cost of using the network. This helps consumers decide whether to adjust their use of the network to ensure network investments are efficient, while considering the various stakeholder views including customers, retailers, shareholders, electricity industry regulators and government (policy statements).

External Auditor

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board. The Company's external auditor is PricewatershouseCoopers (PwC). Adri Smit has been the Audit Partner since 2019.

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 2021.

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

Internal Auditor

The management company's 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.

Directors' Profiles

Douglas (Doug) Fraser *(Chair) BSc (Chemistry) CFInstD*

Doug farms sheep and dairy cows on 595 hectares in Western Southland.

He is chair of The Power Company Ltd, a director of PowerNet Ltd and Electricity Southland Ltd and a member of the OtagoNet Joint Venture governing committee. Doug was also chair of Otago Power Services Ltd until its amalgamation with PowerNet Ltd in March 2016. Previous governance roles include NZ Wool Board, Wools of NZ, Woolpro and AgITO.

Doug is a chartered fellow of the Institute of Directors.

Duncan Fea *BCom FCA CFInstD*

Duncan is a managing partner in Findex Queenstown, chartered accountants and business advisors.

He has a number of directorships which include PowerNet Ltd, Electricity Southland Ltd and Southern Generation GP Ltd. He is chair of the OtagoNet Joint Venture governing committee and Electricity Southland Ltd. He is a past director of Peak Power Services Ltd, Pioneer Generation Ltd and Queenstown Airport Corporation Ltd.

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

Don Nicolson

Don joined the board of The Power Company Ltd in 2015. He is chair of PowerNet Ltd and a member of the OtagoNet Joint Venture governing committee.

He is a former trustee of the Southland Electric Power Supply Consumer Trust, the entity holding The Power Company Ltd shares on behalf of consumers connected to The Power Company Ltd network.

Wayne Mackey *BE (Electrical) MIEEE*

Wayne was CEO of Network Tasman Ltd for 18 years. He has also held directorships with Nelson Electricity Ltd and SmartCo Ltd.

From 1991-1998, he was CitiPower's general manager, and prior to that, city energy engineer with the Nelson City Council. Wayne joined the PowerNet Ltd board in September 2017. Wayne is also a member of the Institute of Electrical and Electronic Engineers.

Peter Moynihan *BAgSc*

Peter joined the board of The Power Company Ltd in September 2017. He is also a director of PowerNet Ltd.

Peter brings experience as a director in the Agribusiness sector.

He is currently on the board of Agricultural Cooperative, Ravensdown Ltd, and a director of dairy farming businesses Rathmore Farm Ltd and Aerodrome Farm Ltd.

Since 1993, Peter has held several roles with Westpac NZ Ltd. He is currently the bank's Agribusiness Regional Manager South Island.

Statutory Report

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2021.

Result and Distribution

The Directors report that the Group's Net Profit after tax for the year under review was $13,045,000. No dividends have been paid out or declared during the year by the Group.

Principal Activity

The principal activity of the parent entity The Power Company Ltd is the provision of electricity distribution services. The Company's shareholder is the Southland Electric Power Supply Consumer Trust. The Group consists of The Power Company Ltd, 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' Remuneration

Remuneration paid or due and payable to Directors for services as a Director and in any other capacity for The Power Company Ltd, during the year was $240,000 and was distributed as follows:

Director	Appointment Date	Retirement Date	2020/2021
Doug Fraser *(Chair)*	08 September 2004	-	$80,000
Duncan Fea	08 September 2011	-	$40,000
Don Nicolson	24 August 2015	-	$40,000
Wayne Mackey	06 September 2017	-	$40,000
Peter Moynihan	06 September 2017	-	$40,000

Directors' Interests

General

The following entries were made in the Interests Register of the Company with regard to the Directors [Companies Act 1993, Section 189 (1) (c)]:

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:

(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 The Power Company Limited and its subsidiaries is as follows:

	PowerNet Limited	The Power Company Limited	OtagoNet Limited	OtagoNet Joint Venture	OtagoNet Properties Limited	Roaring Forties Energy Limited Partnership	Southern Generation Limited Partnership	Electricity Southland Limited	Last Tango Limited
Doug Fraser	•	•	•	•	•			•	•
Duncan Fea	•	•	•	•	•	•	•	•	•
Don Nicolson	•	•	•	•	•			•	•
Wayne Mackey	•	•							•
Peter Moynihan	•	•							•

Statutory Report *continued*

Directors' Disclosure of Interest

Interests Register

Register of Directors External interests – for the year ended 31 March 2021 [Companies Act 1993, Section 189 (1) (c)]

Duncan Fea

Findex Limited	*Partner*

Donald Nicolson

Environomics (NZ) Trust	*Trustee*

Peter Moynihan

Aerodrome Farm Limited	*Director and Beneficial Shareholder*
Hacienda Lochiel Limited	*Director and Beneficial Shareholder*
Rathmore Farm Limited	*Director*
Ravensdown Limited	*Director*
Westpac (NZ) Limited	*Employee*

Employee Remuneration

No employees or former employees received remuneration to the value of $100,000 or greater during the period.

Donations

The Company did not make any donations during the period.

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 and its subsidiary companies.

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.

Douglas William Fraser
Chair

Southland Power Trust

The Southland Power Trust was established in December 1997 to hold shares in TPCL on behalf of all customers connected to the company's electricity network.

The Trust Deed sets out the rules governing the powers of the Trust. Trustees select board members and are responsible for the company's constitution.

Trustees' duties are to act on behalf of shareholders, that is, the customers connected to the network who are Trust beneficiaries.

Trustees serve a four-year term and elections to fill vacancies are held every two years.

The current trustees are:

Carl Findlater *(Chair)*

Stuart Baird

Stephen Canny

Jim Hargest

David Rose

Trustees' Report

Governance and Consultation

We are again pleased to present the trustees' report for 2020-21, our 22nd year in operation. TPCL is owned by the customers connected to its network. The Southland Electric Power Supply Consumer Trust (the trustees) exercise ownership rights on behalf of these customers.

As in other years, the trustees have had the opportunity to comment on the company's Statement of Intent and Business Plan projections, prior to these being finalised by the TPCL directors.

Of particular focus were TPCL's Asset Management Plan, capital investments, return on investment, and the price and quality of service to customers.

Trustees note the ongoing capital investment in the network, including electricity meters, which is in excess of the annual depreciation.

This year we began a review of the company constitution and all that this brings. The hope is to simplify structures and improve efficiencies. The Trust will work closely with the company to ensure the Trust's vision on behalf of consumers is realised.

The result will be contemporary and fit well with the changing nature of the company over the years, and the environment in which it operates.

The continuous upgrading of metering technology allows consumers real time analysis of their power usage and provides the lines company with information to plan and upgrade the network. In recent years, the Trust has become interested in power quality for consumers, and is eagerly awaiting the reporting to the Trust, of metrics related to quality. Computerised equipment and appliances demand ever-increasing levels of performance from the network. The company is vigilant of quality needs, and works through the data provided by smart meters to correct anomalies. Trustees also note the investments and investment commitments by TPCL, and the associated return on investment in renewable generation during the year. These investments are industry focused, specifically renewable generation.

TPCL's performance is monitored throughout the year in relation to the Statement of Intent and Business Plan. The Trust's Strategic Plan is reviewed annually as an aid to ensure compliance with all aspects of its Trust Deed.

Core Business

TPCL's core business is the ownership and management of assets involved in the electrical energy sector or similar products and associated services. Management of these assets is principally through the joint venture company PowerNet Limited.

Risk

In any enterprise there is risk which may affect the efficacy of investment and the focus on business as usual. Paramount in the lines business is coping with legislative change and regulatory agencies. The lines business is one with a 40 year or longer life cycle, investment is not made lightly, and dramatic change can be disruptive and destructive to investment.

Present government policy to decarbonise the economy will bring many challenges to our network, electric vehicles, embedded generation (solar panels) and many other unknowns.

Predicting what the future might look like can be like crystal ball gazing. Trustees feel comfortable with the company's efforts to understand local and international trends, and a secure path forward for our consumers. Financial ability to react to change is critical, and trustees continue to assert the need for this to a well-briefed board.

Financial

The Group achieved a satisfactory operating surplus of $19.9 million before discount, tax, fair value adjustments and IFRS change (slightly up from $19.4 million in 2020).

Line Charges

The current levels of pricing provide TPCL with a sustainable return on investment. This has enabled the company to carry out the reinvestment on the network required to meet the current and projected load growth, to improve quality of supply, and to provide a high level of service to customers.

Pricing is set to ensure it is in the best long-term interests of its consumer owners and network performance.

Trustees believe that the interests of customers are fully protected by the nature of the consumer trust ownership model with the regular election of trustees by customers. Power distribution is a monopoly business. In relation to this, trustees feel consumer ownership is a necessity for this type of asset, and support the Trust's continuation. Trustees are supportive of the price and quality control exemptions for TPCL due to its customer ownership under the Commerce Act.

Consumers' Discount

An explicit discount of $8.9 million (including GST) was credited to consumers in September 2020. Trustees are keen to ensure that the consumer discount remains relative to the company's growth in asset base and revenue. Discounts totalling $118 million have been returned to consumers since 2001.

Lines Operation

The Trust supports the programme of major investment in its network to meet increases in demand, maintain the required quality of supply and to ensure that the overall value of investment in network assets is maintained.

It is forecast that demand will rise 68% over the next 10 years to cope with government plans to decarbonise the economy. This will provide a challenge to the network going forward, and resources will need to be accumulated for long-term investment.

The normalised System Average Interruption Duration Index (SAIDI) for unplanned interruptions on TPCL was 141.7 minutes; which was within the regulated supply quality limit of 156.53. Planned interruptions had a SAIDI quality limit of 141.81, which TPCL achieved with a result of 135.56 minutes for the year. The normalised System Average Interruption Frequency Index (SAIFI) for unplanned TPCL interruptions was 2.730 events in comparison to the regulated supply quality limit of 3.564 events. SAIFI for planned interruptions was also within the regulated limit of 0.664 events with a result of 0.646 events for the year.

OtagoNet Joint Venture

OtagoNet Joint Venture is a regulated network and continues to provide positive cash flows for TPCL in a challenging environment. Returns have reduced as the weighted average cost of capital has dropped, however, at this stage, returns are positive. The network is a strategic asset and is assisted through synergies achieved by having a single operative company, PowerNet, and integrated control with our network.

Trustees' Report *continued*

Southern Generation Limited Partnership

Southern Generation Limited Partnership, in which TPCL's interest is 25%, has completed the acquisition of the Upper Fraser hydro power station in Central Otago and the Matiri hydro power station near Murchison. Both are new builds, and have been commissioned. They will add to New Zealand's much needed base load generation.

Trustees note with interest the higher return levels of generation investments compared to the relatively low returns of the regulated distribution sector (OtagoNet).

Southland Warm Homes Trust

The trustees continue to support the Southland Warm Homes Trust (SWHT) initiative that provides subsidies to householders in our network to foster warmer, healthier homes. Householders on our network have the ability to receive a subsidised energy assessment, and insulation and heating installation. To date, almost 8,000 homes have been insulated. The SWHT receives funding from local funders and central government via the Energy Efficiency and Conservation Authority (EECA). Warmer Kiwi Homes is delivered through agreements with service providers in each region, such as the SWHT, in our region. Research has shown that every dollar spent on a warmer, drier home equates to a $6 reduction in hospital admissions and health associated problems. Through the Trust's prudent management of funds and a donation, it has been asked to participate in the governance locally of the Healthier Homes initiative.

Energy Trusts Association

Trustees continue to support the Energy Trusts of New Zealand (ETNZ) as an effective voice representing the interests of energy trusts and their customers. Since 2018, the Trust has been represented on the Executive of ETNZ, giving it a voice nationally. ETNZ has been instrumental in preparing submissions on changes to legislation and reviews of the industry undertaken by government. It has been proactive in demonstrating the value of the Trust ownership model. ETNZ has been a valuable contributor in representing Trust owned electricity distributors and SEPSCT respect and appreciate the support received.

ETNZ has also provided in-service training and guidance for trustees of energy trusts. This has kept trustees across changes in trust laws and provided an opportunity for contact with other trusts.

Transparency of Line Charges

Trustees support the transparency of line charges on consumer invoices, and through ETNZ continue to lobby the EA for greater transparency. Trustees continue to be disappointed with the lack of progress in this area. The Trust believes retailers should be open in providing an itemised account to consumers. This would provide consumers with the ability to use power efficiently and to obtain the greatest benefit to themselves.

Directors

Trustees and directors maintain a good working relationship. The Trust appreciates working with a board who has a "no surprises policy". Of course the board's objective is to maximise value through reinvestment, maintenance and acquisitions. The Trust is focused on return to consumers, power quality, and availability. Together, through healthy discussion and debate, the best solution is established for the benefit of Southland consumers. A constructive relationship with the board is paramount to the successful operation of the business. Trustees recognise that this professional relationship with the board is the cornerstone to creating year on year benefits to consumers.

Administration

Trustees wish to acknowledge the work of their secretary, Carole McColl, who retired this year, and Toni Hill who has taken over in this role, and to thank Blair Morris for the financial services he provided during the year.

Carl Findlater
Chair
Southland Electric Power Supply
Consumer Trust

Approval by Directors

The Directors have approved the Consolidated Financial Statements of The Power Company Limited for the year ended 31 March 2021 on pages 18 to 47.

For and on behalf of the Board.

Douglas William Fraser
Chair
23 June 2021

Financial Statements

Statement of Service Performance

For the year ended 31 March 2021

The objectives of The Power Company Limited for this financial year are 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

		GROUP			
	Target	Achievement			
	2021	2021		2020 *Restated	
	Inclusive of Discount	Inclusive of Discount	Exclusive of Discount	Inclusive of Discount	Exclusive of Discount
Financial Measures					
EBIT % - Percentage Earnings Before Tax and Interest on Assets Employed	3.13%	3.34%	4.39%	2.43%	3.50%
NPAT % - Percentage Tax Paid Profit on Equity	2.42%	2.88%	4.84%	2.27%	4.39%
Gearing Ratio	41.71	36.09		39.78	
Interest Cover Ratio	4.70	5.30		4.96	

The Prior period comparative numbers have been restated as set out in Note 10.

Health & Safety

The Power Company Limited contracts PowerNet Limited to manage it's operations. The Power Company Limited employs no staff, therefore PowerNet Limited's Health and Safety Performance targets are relevant.

Total Recordable Injury Frequency Rate

Contractors Target (TRIFR)	4.20	2.70	7.20

Workplace health and safety continues to be a business priority and a critical success factor for the Group. PowerNet Limited safety performance (TRIFR) in 2021 met the target and is lower than the 2020 safety performance level. Achieved through the implementation of the Critical Risk Framework, training and safety observations to mitigate risk and achieve safety targets. No lost time injuries occurred on the The Power Company Limited network during the 2021 reporting year.

Our health and safety environment risk management system is well embedded in our business activities. The system displays all information about incidents, hazards, risks, actions and audits on one platform, presenting incident workflows with ready access to investigation details and resolution actions. All leaders now use the system, which allows for easier management of public and workplace incidents. This system also identifies actions to ensure they are resolved to prevent future harm.

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

System Average Interruption Duration Index (SAIDI)

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

SAIDI	190.70	277.27	255.77

System Average Interruption Frequency Index (SAIFI)

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

SAIFI	2.84	3.38	3.50

Both the SAIDI and SAIFI measure for The Power Company Limited were impacted by high winds and an increased level of planned maintenance. The Power Company Limited exceeded the Statement of Intent quality targets.

SAIDI and SAIFI are calculated using the methodology defined in Electricity Distribution Business DPP3 Determination 2020.

Statement of Service Performance *continued*

For the year ended 31 March 2021

	Achievement 2021	Achievement 2020
Supplementary Information		
Network Statistics		
Length of overhead line*	8,461 km	8,456 km
Length of underground cable	388 km	382 km
Total number of interruptions	1,491	1,241
Faults per 100km of line	16.85	14.04
Transformer capacity MVA	462	456
Maximum demand MVA	161	147
Energy into network GWh	835	787
Total Consumers	36,723	36,436

* Excluding conductor lines under construction.

Consolidated Statement of Financial Performance

For the year ended 31 March 2021

	Notes	GROUP 2021 $'000	GROUP 2020 *Restated $'000
Gross Revenue from Contracts with Customers	2	70,613	70,630
Discount to Consumers		(8,197)	(7,790)
Net Revenue from Contracts with Customers		**62,416**	**62,840**
Other Income	3	5,031	5,260
Operating Expenses	4	(57,501)	(59,058)
Operating Surplus Before Fair Value Gains/(Losses)		**9,946**	**9,042**
Fair Value Adjustments			
Unrealised (Loss)/Gain on Derivatives (NZ)		5,864	(3,723)
(Loss)/Gain on Onerous Contract		(2,553)	903
Derivative Financial Instrument (Loss)/Gain (US)	16	2,237	(393)
Fair Value Gains/(Losses)		**5,548**	**(3,213)**
Operating Surplus		**15,494**	**5,829**
Finance Costs		(9,071)	(9,353)
Share of Profits of Associates and Joint Ventures	11	10,786	11,896
Net Surplus Before Taxation		**17,209**	**8,372**
Taxation Expense	5	(4,164)	(2,138)
Net Surplus After Taxation		**13,045**	**6,234**

*The prior period comparative numbers have been restated as set out in Note 10.

The accompanying notes on pages 22 to 47 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	GROUP 2021 $'000	GROUP 2020 *Restated $'000
Net Surplus After Taxation		**13,045**	**6,234**
Asset Revaluation	7	37,440	6,999
Other Comprehensive Income		**37,440**	6,999
Items that may be Subsequently Reclassified to Profit or Loss:			
Cash Flow Hedges			
Movement in the Cash Flow Hedge Reserve		(3,031)	-
Movement in Cost of Hedging Reserve		(28)	(100)
Tax Effect of Movement in Cost Hedging Reserve		-	28
		(3,059)	**(72)**
Total Comprehensive Income		**47,426**	**13,161**
Total Comprehensive Income Attributable to Minority Interests	13	88	42
Total Comprehensive Income Attributable To Parent		**47,338**	**13,119**

*The prior period comparative numbers have been restated as set out in Note 10.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	GROUP 2021 $'000	GROUP 2020 *Restated $'000
Total Comprehensive Income			
Net Surplus for the Year comprising:			
Parent Interest		47,338	13,119
Minority Interest	13	88	42
		47,426	**13,161**
Transactions with Non-Controlling Interests		-	3,361
Changes in Equity for the Year		**47,426**	**16,522**
Equity at Beginning of Year comprising:			
Parent Interest		345,447	332,328
Minority Interest	13	4,966	1,563
		350,413	**333,891**
Equity at End of Year comprising:			
Parent Interest		392,785	345,447
Minority Interest	13	5,054	4,966
	7	**397,839**	**350,413**

*The prior period comparative numbers have been restated as set out in Note 10.

The accompanying notes on pages 22 to 47 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

As At 31 March 2021

ASSETS	Notes	GROUP 2021 $'000	GROUP 2020 *Restated $'000
Current Assets			
Cash and Cash Equivalents	8	594	185
Receivables and Prepayments	9	8,763	9,783
Inventories		136	161
Provision for Tax		-	990
Total Current Assets		**9,493**	**11,119**
Non-Current Assets			
Advances to Joint Ventures	11	28,843	31,168
Investments in Joint Ventures	11	214,474	203,556
Investment in Other Entities		239	239
Property, Plant and Equipment	12	511,268	451,394
Capital Work in Progress		12,932	11,625
Deferred Tax Asset	17	1,178	209
Right-of-Use Assets	6	307	389
Derivative Financial Instrument	16	-	19,059
Total Non-Current Assets		**769,241**	**717,639**
Total Assets		**778,734**	**728,758**
LIABILITIES			
Current Liabilities			
Creditors and Accruals	14	23,122	21,869
Onerous Contract	18	718	612
Interest Rate Derivatives		478	472
Current Loans	16	104,190	-
Current Tax Liabilities		1,413	-
Contract Liabilities	15	977	1,318
Lease Liabilities	6	33	33
Total Current Liabilities		**130,931**	**24,304**
Non-Current Liabilities			
Term Loans	16	130,775	259,247
Deferred Tax Liabilities	17	83,133	64,804
Onerous Contract	18	13,459	11,012
Interest Rate Derivatives	16	20,186	17,314
Contract Liabilities	15	2,122	1,298
Lease Liabilities	6	289	366
Total Non-Current Liabilities		**249,964**	**354,041**
Total Liabilities		**380,895**	**378,345**
Net Assets		**397,839**	**350,413**
EQUITY			
Contributed Equity	7	70,160	70,160
Other Reserves	7	138,437	104,203
Retained Earnings	7	184,188	171,084
Group Equity		**392,785**	**345,447**
Minority Interest	13	5,054	4,966
Total Equity		**397,839**	**350,413**

*The prior period comparative numbers have been restated as set out in Note 10.

The accompanying notes on pages 22 to 47 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided From:			
Receipts from Customers		67,456	66,560
Interest Received		898	1,310
Income Tax Refunded		1,038	-
		69,392	**67,870**
Cash was Disbursed To:			
Payments to Suppliers and Employees		31,675	36,354
GST Paid/(Received)		(512)	562
Income Tax Paid		-	1,130
Interest Paid		9,680	9,202
		40,843	**47,248**
Net Cash Flows From Operating Activities	20	**28,549**	**20,622**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Provided From:			
Property, Plant and Equipment Sales		35	66
Distributions Received from Joint Ventures		9,963	11,255
Repayment of Advances by Joint Ventures		11,775	11,786
		21,773	23,107
Cash was Applied To:			
Property, Plant and Equipment Purchases		33,173	35,249
Investment in Joint Ventures		10,096	8,100
Advance to Joint Venture		9,450	10,785
		52,719	54,134
Net Cash Flows (Used in) Investing Activities		**(30,946)**	**(31,027)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was Provided From:			
Transactions with Minority Interest		-	3,361
Advance from Term Borrowing		2,838	102,041
		2,838	105,402
Cash was Applied To:			
Repayment of Term Borrowing		-	95,150
Principal Elements of Lease Payments		32	31
		32	95,181
Net Cash Flows (Used in) Financing Activities		**2,806**	**10,221**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		409	(184)
Add Opening Cash Brought Forward		185	369
Closing Cash and Cash Equivalents To Carry Forward	8	**594**	**185**

The accompanying notes on pages 22 to 47 form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2021

1 Statement of Accounting Policies

Reporting Entity

The Power Company Limited, is a profit oriented limited liability company that was incorporated in New Zealand on 30 October 1990 and the address of its registered office is 251 Racecourse Road, Invercargill. The Company is wholly owned by a Consumer Trust (Southland Electric Power Supply Consumer Trust) and is registered under the Companies Act 1993. The Group consists of The Power Company Limited, its subsidiaries, and its interest in jointly controlled entities referred to in Notes 11 and Note 22.

The principal activity of The Power Company Limited is the provision of electricity distribution services.

The financial statements were approved by the Board of Directors on 23 June 2021.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit oriented entities and is stated in New Zealand dollars.

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) on the basis that it has no public accountability and is not a large for profit public sector entity.

In adopting NZ IFRS RDR, the Group has taken advantage of a number of disclosure concessions.

Impact of COVID-19 on Financial Statements

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

As an electricity distribution business, The Power Company Limited is deemed to be an essential service provider and was not largely impacted by the COVID-19 restrictions during the year. New industry operating and health and safety procedures were adopted to enable The Power Company Limited to continue maintaining the network assets and deliver electricity services.

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

Specific Accounting Polices

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

(a) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the Statement of Financial Performance in the period of acquisition. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

(ii) Joint Ventures

Joint Ventures are those entities over which the Group has joint control established by contractual agreement. The 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 that joint control commences to the date that joint control ceases.

(iii) 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 jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(b) Revenue with Contracts with Customers

(i) Electricity Delivery Services

Electricity delivery service revenue relates to the provision of electricity distribution services to both electricity retailers and directly contracted customers in the Southland Region. 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.

Since 2001, the Company has provided a discount to consumers. The discount is typically credited to consumers in or around August each year, when consumers tend to have higher power bills. This discount is based on consumption for the previous 12 months and has been considered variable consideration when determining the transaction price.

Revenue is recognised over time using an output method based on the actual delivery services provided on a daily basis less a portion of the discount allocated overtime.

For directly billed customers, the Group has determined that the new investment and electricity delivery services promises within the contractual arrangement relate to a single performance obligation, to provide the required delivery service to the customer. The performance obligation has been assessed as being satisfied over time based on the duration of the contractual arrangement. The transaction price is fixed per year, billed monthly and includes all charges outlined in the arrangement. Revenue is recognised over time based on an output method, as the performance is satisfied on a straight line basis over the term of the contract commencing when the assets are commissioned.

(ii) Capital Contributions

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

(c) Other Income

(i) Metering Rental Income

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

(ii) Interest Revenue

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

(d) Finance Costs

Finance costs comprise interest expense on borrowings, lease liabilities, changes in the fair value of financial assets through the Statement of Financial Performance, and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in the Statement of Financial Performance using the effective interest method, unless they are directly related to the construction of a qualifying asset when they are capitalised.

(e) Inventories

Inventories are stated at the lower of cost using weighted average cost price, and net realisable value. Obsolete items of inventory (if any) are written off as identified.

(f) Property, Plant and Equipment

(i) Owned Assets

All property, plant and equipment is recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs including borrowing costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if, when that cost is incurred, it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Financial Performance as an expense as incurred.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation at a maximum of every five years, based on discounted cash flow methodology. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying amount of the distribution network is not materially different from its fair value.

Any revaluation increase arising on the revaluation of assets is credited to the Asset Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the 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.

(ii) Easements

Easements obtained in relation to access, construction and maintenance of network assets are capitalised. Such easements represent a right in perpetuity and are not depreciated and are carried at cost.

(iii) Depreciation

Depreciation is charged to the Statement of Financial Performance on a combination of straight line and diminishing value bases on all property, plant and equipment with the exception of land and easements, at rates calculated to allocate the assets' fair value, less any residual value, over their useful lives. The primary annual rates used are:

Buildings	2.0 - 13.5%	Straight line/Diminishing value
Network Assets (excluding land)	1.43 - 13.50%	Straight line/Diminishing value
Metering Assets	6.7 - 22%	Straight line/Diminishing value
Plant and Office Equipment	5.0 - 50.0%	Straight line/Diminishing value

(iv) 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 amounts are 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 Statement of Financial Performance, 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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

(g) 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:

- Property, Plant and Equipment (Includes assumptions around useful life of assets Note 12)
- Derivative Valuation (Refer Note 16)
- Onerous Contract (Revalued to Fair Value, refer Note 18)
- Joint Arrangement Classification (Accounted for using the equity method, refer Note 11)
- Revenue (timing of revenue as assessed under IFRS 15 guidance, refer Note 2)
- Network Asset Valuation (revalued to fair value using discounted cash flow methodology, refer 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.

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.

Every five years, the company obtains a valuation of their electricity distribution network, determined by independent valuers, in accordance with their accounting policy. The valuation of the Company's electricity distribution network was performed as at 31 March 2021. The best evidence of fair value is discounted cash flow methodology. The major assumptions used include discount rate, growth rate and future cash flows. Changes in future cash flows arising from changes in regulatory review may result in the fair value of the electricity distribution network being different from previous estimates. The fair value measurement of the distribution network is categorised under Level 3 of the fair value hierarchy.

Other areas where judgement has been exercised in preparing these financial statements are in relation to calculating the recoverable amounts from Cash Generating Units.

(h) 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 period.

(i) Intangible Assets

All business combinations are accounted for by applying the purchase method. Goodwill (if it exists) has been recognised in the acquisitions of subsidiaries, associates and joint ventures. In respect of business acquisitions since 1 April 2006, Goodwill represents the difference between the cost of the acquisition and the fair value of the net assets acquired.

In respect of acquisitions prior to this date, Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous NZ GAAP at the transition date to NZ IFRS. The classification and accounting treatment of business combinations that occurred prior to transition were not reconsidered in preparing the Group's opening NZ IFRS Balance Sheet as at 1 April 2006.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is no longer amortised but tested annually for impairment. In respect of Associates, the carrying amount of Goodwill is included in the carrying amount of the investment in the associate.

Negative Goodwill arising on an acquisition is recognised directly in the Statement of Financial Performance.

(i) Software

Under NZ IFRS, computer software is classified as an intangible asset and amortised on a straight line/diminishing value basis over its estimated useful life.

(i) Intangible Assets *(continued)*

(ii) Research and Development

Research costs are expensed in the year in which they are incurred. Development costs are capitalised to the extent that future benefits (exceeding the costs) are expected to accrue.

(iii) Amortisation

Amortisation is charged to the Statement of Financial Performance on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated amortisation rates for current and comparative periods are as follows:

Software	12.5 - 48%	Straight line/Diminishing value

(j) Goods and Services Tax (GST)

All amounts in the financial statements are shown exclusive of GST, with the exception of receivables and payables which are shown inclusive of GST.

(k) Taxation

Income tax on the profit or loss for the period presented comprises current tax and additional or reversed deferred tax. Income tax is recognised in the Statement of Financial Performance except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in Equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at Balance Sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised 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 taxation profit or loss.

Deferred 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 tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Seasonality

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

(m) Financial Assets

The Group classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value; and
b) those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies financial assets when, and only when, its business model for managing those assets changes.

(m) Financial Assets *(continued)*

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. There are two measurement categories into which the group classifies its debt instruments:

- 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 a separate line item in the statement of profit or loss.

- Fair Value Recognised in the the Profit and Loss (FVPL): Assets that do not meet the criteria for amortised cost or Fair Value Recognised in Other Comprehensive Income (FVOCI) are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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.

(n) Financial Instruments

(i) Derivative Financial Instruments

The Group uses a variety of financial instruments (hedges) to manage its risks associated with interest rates and foreign currency. Derivative financial instruments are recognised at fair value. A small number of derivatives are designated in hedge accounting relationships (refer to note 16 for further details). The Group does not engage in speculative transactions.

(ii) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value

(iii) Trade and Other Payables

Trade and other payables are stated at amortised cost.

(iv) Receivables

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

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

- Impairment losses
- Individual receivables written off directly
- Movement in provision for impairment

(v) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; using the effective interest method, except borrowings subject to fair value hedges which are adjusted for effective changes in the fair value of the hedging instrument.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after balance date.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

2 Revenue from Contracts with Customers

	GROUP	
	2021 $'000	2020 $'000
Electricity Delivery Services (including discount)	61,151	59,839
Capital Contributions	1,265	3,001
Total Revenue	**62,416**	**62,840**
Timing of Revenue Recognition		
Over time	61,151	59,839
At a Point in Time	1,265	3,001
Total Revenue	**62,416**	**62,840**

3 Other Income

	GROUP	
	2021 $'000	2020 $'000
Interest	898	1,310
Subvention Income	233	255
Rental Income	511	470
Metering Rental Income	3,141	3,079
Sundry Income	248	146
Total Other Income	**5,031**	**5,260**

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

4 Expenses

	GROUP	
	2021 $'000	2020 $'000
Expenses Include:		
Auditors' Fees		
Audit of Financial Report - PwC	69	51
Information Disclosure - PwC	53	74
Regulatory & Advisory - PwC	15	12
Depreciation		
Buildings (refer Note 12)	135	73
Plant and Office Equipment (refer Note 12)	6	6
Metering Assets (refer Note 12)	1,580	1,401
Network Assets (refer Note 12)	21,490	20,854
Depreciation Right-of-Use Assets (refer Note 6)	38	35
Total Depreciation	**23,249**	**22,369**
Bad Debts Written Off	8	3
Directors' Fees	240	282
Finance Expense		
Interest Expense	9,071	9,353
Unrealised Loss/(Gain) on Derivatives	(5,864)	3,723
Total Finance Expense	**3,207**	**13,076**
Loss/(Gain) on Onerous Contract	2,553	(903)
Loss on Disposal of Property, Plant and Equipment	752	491
Network Costs	18,827	18,890
Transmission Costs	12,571	12,960

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

5 Taxation

Current Tax

Current tax expense is the expected tax payable on the taxable income for the year.

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred Tax

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

	GROUP	
	2021 $'000	2020 *Restated $'000
Operating Surplus/(Deficit) Before Income Taxation	17,209	8,372
Prima Facie Taxation at 28%	4,819	2,344
Permanent Differences	(577)	(470)
Prior Period Adjustment	(78)	264
Tax Expense	**4,164**	**2,138**
Made up of:		
Current Tax	1,364	373
Deferred Tax	2,800	1,765
Tax Expense	**4,164**	**2,138**

* The prior period comparative numbers have been restated as set out in Note 10.

6 Leases

	GROUP	
	2021 $'000	2020 *Restated $'000
Right-of-Use Assets Net Book Value		
Equipment	307	389
	307	**389**
Lease Liabilities		
Current	33	33
Non-current	289	366
	322	**399**

Amounts Recognised in the Statement of Financial Performance

The Consolidated Statement of Financial Performance shows the following amounts relating to leases:

	GROUP	
	2021 $'000	2020 $'000
Depreciation Charge of Right-of-Use Assets		
Equipment	38	41
	38	**41**
Interest Expense (included in Finance Cost)	14	21
	14	**21**

The total cash outflow for leases in 2021 was $46,341 (2020: $52,268).

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The Group has leases with Transpower New Zealand Limited, which are New Investment Contracts for the provision and upgrade of assets.

6 Leases *continued*

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

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

The lease payments are discounted using the interest rate implicit in the lease.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

The Group has elected not to recognise a lease liability for leases of low value assets. Payments made under such leases are expensed as incurred. Low value assets comprise of tenancy of network structure and repeater sites.

The expenses relating to payments not included in the measurement of the lease liability is $14,397.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

7 Equity

The authorised and issued share capital comprises 70,160,000 ordinary shares which are fully paid up and are not subject to a par value. All shares have the same rights and privileges.

	GROUP	
	2021 $'000	2020 *Restated $'000
Share Capital		
Opening Balance	70,160	70,160
Shares Issued	-	-
Closing Balance	**70,160**	**70,160**
Minority Interest	**5,054**	**4,966**
Asset Revaluation Reserve		
Opening Balance	104,275	97,394
Asset Revaluation	37,440	6,999
Revaluation Reversal due to Asset Disposal	(147)	(118)
Closing Balance	**141,568**	**104,275**
Cash Flow Hedge Reserve		
Movement in Cash Flow Hedge Reserve	(3,031)	-
Tax Effect of Movements in the Cash Flow Hedge Reserve	-	-
	(3,031)	**-**
Cost of Hedging Reserve		
Opening Balance	(72)	-
Movement in Cost of Hedging Reserve	(28)	(100)
Tax Effect of Movements in the Cost of Hedging Reserve	-	28
Closing Balance	**(100)**	(72)
Total Reserves	**138,437**	**104,203**
Retained Earnings		
Opening Balance	171,084	164,774
Net Surplus/(Deficit) for the Year	12,957	6,192
Revaluation Reversal due to Asset Disposal	147	118
Closing Balance	**184,188**	**171,084**
Total Equity	**397,839**	**350,413**

* The prior period comparative numbers have been restated as set out in Note 10.

Asset revaluations relate to the revaluations of the network assets of The Power Company Limited recognised during the period and the OtagoNet Joint venture in 2020 net of the effect of deferred tax.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

8 Cash and Cash Equivalents

	GROUP	
	2021 $'000	2020 $'000
Current Account	594	185
Total Cash and Cash Equivalents	**594**	185

9 Receivables and Prepayments

	GROUP	
	2021 $'000	2020 $'000
GST Receivable	702	987
Trade Debtors	7,495	7,989
Prepayments	566	807
Total Receivables and Prepayments	**8,763**	**9,783**

10 Restatement of Investment in Southern Generation Limited Partnership

The investment in joint ventures for the 2020 and 2019 opening balance sheet and the share of result of associate for 2020 have been restated. The adjustment reflects the impact on the historic share of the result of joint ventures from a restatement associated with the incorrect accounting treatment of power purchase and off-take agreements within the financial statements of the joint venture Southern Generation Limited Partnership.

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

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

31 March 2020 Restatement:

Statement of Comprehensive Income	Previously Reported $'000	Year Ending March 2020 Adjustment $'000	Restated $'000
Share of Profits and Joint Ventures	14,346	(2,450)	11,896
Net Surplus after Taxation	8,684	(2,450)	6,234

31 March 2020 Restatement:

Statement of Financial Position	Previously Reported $'000	Year Ending March 2020 Adjustment $'000	Restated $'000
Investment in Joint Ventures	205,006	(1,450)	203,556
Retained Earnings	172,534	(1,450)	171,084

31 March 2019 Restatement:

Statement of Financial Position	Previously Reported $'000	Year Ending March 2019 Adjustment $'000	Restated $'000
Investment in Joint Ventures	184,092	1,000	185,092
Retained Earnings	163,774	1,000	164,774

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

11 Investments in Joint Ventures

The Group has a participating interest in the following joint ventures through its wholly owned subsidiary Last Tango Limited.

Joint Ventures	Country of Residence	Percentage Held By Group 2021	2020	Balance Date
PowerNet Limited Group	New Zealand	50%	50%	31 March
OtagoNet Joint Venture	New Zealand	75.1%	75.1%	31 March
Roaring Forties Energy Limited Partnership (i)	New Zealand	50%	50%	31 March

(i) Roaring Forties Energy Limited Partnership has a 50% interest in Southern Generation Limited Partnership.

	GROUP 2021 $'000	*Restated 2020 $'000
Interests in Joint Venture Entities are as follows:		
Carrying Amount at Beginning of Year	203,556	185,092
Investment in Joint Ventures	10,096	8,100
Revaluation Gain on Network Assets	-	9,721
Share of Equity Accounted Earnings of Joint Ventures	10,786	11,896
Less Drawings	(9,964)	(11,253)
Carrying Amount at End of Year	**214,474**	**203,556**

* The prior period comparative numbers have been restated as set out in Note 10.

The Group's advances to joint ventures of $28,843,000 (31 March 2020: $31,168,000) are repayable on demand but with a 13 month notice period. The advances incur interest 3% above the 90 day bank bill rate.

The Group holds a 25% interest in the Southern Generation Limited Partnership. This partnership was formed in 2015 to invest in electricity generation opportunities. The partnership owns Mount Stuart and Flat Hill wind farms and Upper Fraser Hydro Station in Otago and Southland and the Aniwhenua and Matiri Hydro Stations in the Bay of Plenty and Tasman respectively.

In March 2021, the Group entered into a conditional agreement to purchase three small Hydro Stations from The Lines Company Limited in the Eastland and King Country area. Settlement is expected to occur in July 2021.

The network assets of OtagoNet Joint Venture were revalued using discounted cash flow methodology on 31 March 2020 by an independent valuer. This resulted in a favourable gain, with the Group share of $9,721,000 recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

12 Property, Plant and Equipment

	Network Assets	Metering Assets	Land	Buildings	Plant and Office Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or Valuation						
Balance at 1 April 2019	520,515	21,548	483	4,844	107	547,497
Additions	37,227	3,100	-	665	-	40,992
Revaluation	-	-	-	-	-	-
Disposals	(568)	(120)	-	(77)	-	(765)
Balance at 31 March 2020	**557,174**	**24,528**	**483**	**5,432**	**107**	**587,724**
Balance at 1 April 2020	557,174	24,528	483	5,432	107	587,724
Additions	29,020	2,678	-	168	-	31,866
Revaluation	8,707	-	-	-	-	8,707
Disposals	(1,063)	(57)	-	-	-	(1,120)
Balance at 31 March 2021	**593,838**	**27,149**	**483**	**5,600**	**107**	**627,177**
Depreciation and Impairment Losses						
Balance at 1 April 2019	(108,849)	(5,006)	-	(323)	(32)	(114,210)
Depreciation for Year	(20,854)	(1,401)	-	(73)	(6)	(22,334)
Revaluation	-	-	-	-	-	-
Disposals	170	44	-	-	-	214
Balance at 31 March 2020	**(129,533)**	**(6,363)**	**-**	**(396)**	**(38)**	**(136,330)**
Balance at 1 April 2020	(129,533)	(6,363)	-	(396)	(38)	(136,330)
Depreciation for Year	(21,490)	(1,580)	-	(135)	(6)	(23,211)
Revaluation	43,293	-	-	-	-	43,293
Disposals	319	20	-	-	-	339
Balance at 31 March 2021	**(107,411)**	**(7,923)**	**-**	**(531)**	**(44)**	**(115,909)**
Carrying Amount/Book Value						
Book Value at 31 March 2020	427,641	18,165	483	5,036	69	451,394
Book Value at 31 March 2021	486,427	19,226	483	5,069	63	511,268

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

31 March 2020	408,388	18,165	482	5,036	67	432,138
31 March 2021	415,176	19,226	482	5,069	61	440,014

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

12 Property, Plant and Equipment *continued*

Valuation

The network assets of The Power Company Limited were revalued to fair value using discounted cash flow methodology on 31 March 2021 by Ernst & Young who are an independent valuer. This resulted in a revaluation movement of $52 million. The valuation is based on a nine years forecast free cashflows and a calculated terminal value beyond the discrete cash flow period.

The following valuation assumptions were adopted;

- The free cash flows were based on the Company's three year business plan and asset management plan adjusted for non-recurring or non-arms length transactions and for transactions that arose from expansionary growth in the network after the date of the valuation.
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 4.80%.
- Estimated forward inflation range of 1.5% to 2.0% on capital expenditure.
- RAB multiple range of 1.0 times for the terminal value.

The next valuation is due to be performed during the year ended 31 March 2026

13 Minority Interest

	GROUP	
	2021 $'000	2020 $'000
Opening Balance	4,966	1,563
Transactions with Non-Controlling Interests	-	3,361
Minority Interest Share of Net Surplus	88	42
Closing Balance	**5,054**	**4,966**

The Minority Interest relates to Electricity Southland Limited. In 2020 additional share capital was issued with existing ownership percentages being retained.

14 Creditors and Accruals

	GROUP	
	2021 $'000	2020 $'000
Trade Creditors	12,013	13,200
Accruals	11,109	8,669
Total Creditors and Accruals	**23,122**	**21,869**

15 Contract Liabilities

	GROUP	
	2021 $'000	2020 $'000
Contract Liabilities are as follows:		
Carrying Amounts at the Beginning of Year	2,616	2,618
Received in Current Year	2,094	3,191
Recognised as Revenue in Current Year	(1,611)	(3,193)
Carrying Amount at End of Year	**3,099**	**2,616**
Made up of:		
Current Contract Liabilities	977	1,318
Non-Current Contract Liabilities	2,122	1,298

Contract Liabilities are capital contributions received but not yet recognised as the asset has not yet been commissioned or the contractual obligation spans multiple years.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

16 Term Borrowings

	GROUP 2021 $'000	GROUP 2020 $'000
ANZ Committed Cash Advance	59,870	59,870
Westpac Revolving Cash Advance	76,000	74,100
US Private Placement	94,473	121,593
Advance – Southland Electric Power Supply Consumer Trust	2,147	2,179
Advance – Electricity Invercargill Limited	2,475	1,505
	234,965	**259,247**

Bank Facilities

The Group has a Cash Advance Facility of $90 million (31 March 2020: $90 million) with Westpac. The facility has a revolving three year term and is extendable annually by agreement between the Group and Westpac.

The Group has a Cash Advance Facility of $60 million (31 March 2020: $60 million) with ANZ. The facility has a revolving three year term and is extendable annually by agreement between the Group and ANZ.

The facilities provide for drawdowns to be made ranging from overnight to six months and are subject to interest rates at Bank Bill Buy Rates plus a margin. The facilities are unsecured and subject to a Deed of Negative Pledge. Of the facilities $110 million mature on 31 July 2021. The Group has in place a further United States Private Placement (USPP) of NZ$50 million, issued on 20 May 2021, mentioned below. In addition, the Group has committed to Cash Advance Facility extensions with ANZ and Westpac for a further three years from July 2021 totaling $70 million each.

At balance date the Group had active interest rate swaps on the above facilities which total $137 million (31 March 2020: $147 million) at interest rates between 2.57% and 4.78%, excluding bank margins.

US Private Placement Notes

The Group completed a USPP Note issuance in February 2020, securing US$65 million of long term debt. The USPP comprised two tranches, US$40 million 10 year Notes with a coupon of 3.23% and US$25 million 11 year Notes with a coupon of 3.28%. In conjunction with the USPP issuance, the Group entered into cross currency interest rate swaps (CCIRS) to formally hedge the exposure of interest rate and foreign currency risk over the term of the notes and is described in more detail below.

At 31 March 2021, the USPP Notes had a fair value of $94.5 million (31 March 2020: $121.6 million). This debt is carried in the consolidated statement of financial position at amortised cost plus a fair value adjustment under hedge accounting requirements and the translation to New Zealand dollars using foreign exchange rates at balance date. The fair value adjustment amounted to $27.1 million (31 March 2020: $19.6 million).

The Group completed a further USPP Note issuance on 20 May 2021, securing NZ$50 million of long term debt. The USPP comprised of one tranche for 12 year Notes at a fixed interest rate of 3.80%.

Advance - Southland Electric Power Supply Consumer Trust

The Group has an unsecured, interest bearing Advance with the Southland Electric Power Supply Consumer Trust which is repayable on demand with a 13 month notice period. Interest is payable at 7% and if demanded is added to the loan.

Advance - Electricity Invercargill Limited

The Minority Interest share of the Advance that Electricity Southland Limited has with Electricity Invercargill Limited is repayable on demand but with a 13 month notice period. Interest on the Advance is paid quarterly at 3.00% above the 90 day bank bill

16 Term Borrowings *continued*

rate.

Hedging Activity and Derivatives

The Group makes limited use of hedge accounting, doing so only for USD borrowings and the CCIRS financial instruments that are used to economically hedge these exposures.

The CCIRS's transform a series of known fixed interest rate cash flows in a foreign currency to floating rate NZD cash flows, mitigating exposure to the interest rate and foreign currency risks that arise from the Group's USPP notes.

The USD borrowings are fixed rate liabilities and thus present interest rate risk, should benchmark interest rates change. The fair value hedge component of the CCIRS hedges US fixed interest rates to US floating interest rates.

The change in the fair value of the hedged risk is attributed to the carrying value of the USPP debt. This debt revaluation is recognised in the statement of financial performance to offset the mark to market revaluation of the hedging derivative. Any residual difference is referred to as hedge ineffectiveness.

The combination of USD borrowings and CCIRS economically results in the Group having floating NZD borrowings. This represents a risk of variability in future cash flows. As such, the Group designates the risks into cash flow hedge relationships. The fair value of the hedged risks are recognised in the Statement of Financial Performance with the effective portions of the hedges moved from the Statement of Financial Performance to the cash flow hedge reserve within equity. As noted earlier, there may be small differences between the above entries which result in hedge ineffectiveness in the Statement of Financial Performance.

Changes in the fair value of the cost to convert foreign currency to NZD of CCIRS are excluded from the designation and are separately recognised in other comprehensive income in a cost of hedging reserve.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The Power Company Limited determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors, repricing dates, maturities and notional amounts. The Power Company Limited assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedged relationships the main source of ineffectiveness is the effect of the counter-party and The Power Company Limited's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

	GROUP	
	2021 $'000	2020 $'000
Gains/(Losses) on the USPP notes	7,084	(7,084)
Gains/(Losses) on the Derivatives	(4,847)	6,691
	2,237	**(393)**

All hedging instruments can be found in the derivative financial instruments' assets and liabilities in the statement of financial position. Items taken to the income statement have been recognised in the derivate financial instrument (gain)/loss (US).

The cash flow hedge reserve records the effective portion of the fair value of interest rate swaps that are designated as cash flow hedges. Amounts transferred to the income statement are included in interest expense and other finance costs.

17 Deferred Taxation

	GROUP	
	2021 $'000	2020 $'000
The Balance Comprises Temporary Differences Attributable to:		
Opening Balance	64,595	60,135
Charged to Income Statement:		
Fixed Assets	1,131	1,091
Capital Contributions Received	(159)	310
Line Charge Discount	(93)	-
Leases	(4)	-
Prior Period Adjustment	1,292	246
Provisions	(714)	228
Tax Losses Utilised/(carried forward)	462	(137)
	1,915	**1,738**
Charged to Equity:		
Effect of Revaluation	14,560	2,722
Hedging Movement	885	-
Subtotal other	**15,445**	2,722
Balance at the End of the Year	**81,955**	**64,595**
Represented by:		
Total Deferred Tax Asset	(1,178)	(209)
Total Deferred Tax Liability	83,133	64,804
Balance at the End of the Year	**81,955**	**64,595**

The primary component of the deferred tax balance is related to property, plant and equipment assets and software assets. There is not expected to be any significant reversal of deferred taxation in the next 12 months.

18 Provision for Onerous Contract

	GROUP	
	2021 $'000	2020 $'000
Current Portion	718	612
Non-Current Portion	13,459	11,012
Provision for Onerous Contract	**14,177**	**11,624**

A liability had been recognised in relation to the Group's obligations under an onerous contract agreement. A provision of $14,177,000 (2020: $11,624,000) has been established for this onerous contract. A Deferred Tax Asset of $3,970,000 (2020: $3,255,000) has also been recognised in relation to this onerous contract.

The following valuation assumptions were adopted;

- The discount rate used was 6.20% being derived from the long term nominal risk free rate provided by Treasury for accounting valuation purposes used as an input into a weighted average cost of capital calculation.
- The CPI increases used were 1.99%
- The corporate tax rate used was 28%
- The sustainable growth adjustment used was 0.5%

19 Commitments

(a) Capital Commitments

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

	GROUP	
	2021 $'000	2020 $'000
Capital Commitments	11,310	12,860
Total Capital Commitments	**11,310**	**12,860**

(b) Investment Commitments

In March 2021, the Group entered into a conditional agreement to purchase three small Hydro Stations from The Lines Company Limited in the Eastland and King Country area. Settlement is expected to occur in July 2021.

(c) Other Commitments

The Group has a conditional commitment as at 31 March 2021 of $825,000 (2020: $825,000). This relates to an agreement with SmartCo Limited, for the Group to provide a subordinated loan to SmartCo Limited once a number of terms have been met.

20 Reconciliation of Net Surplus After Taxation with Net Operating Cash Flows

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

	GROUP	
	2021 $'000	2020 *Restated $'000
Net Surplus After Taxation	**13,045**	**6,234**
Plus/(Less) Non-Cash Items:		
Depreciation	23,247	22,369
Deferred Taxation	1,925	1,765
Interest Rate Derivatives (US$)	(2,378)	393
Interest Rate Derivatives (NZ$)	(5,864)	3,723
Net SEPSCT Transactions	(32)	(85)
Onerous Contract	2,553	(903)
Share of Profit of Associates and Joint Ventures	(10,786)	(11,896)
	8,665	15,366
Items not Classified as Operating Activities		
Loss on Disposal of Property, Plant and Equipment	747	489
Plus/(Less) Net Movements in Working Capital:		
Creditors and Accruals	1,277	631
Receivables and Prepayments	1,020	(1,338)
Contract Liabilities	483	(2)
Inventories	25	-
Income Tax Payable	3,287	(758)
	6,092	(1,467)
Net Cash Flows From Operating Activities	**28,549**	**20,622**

*The prior period comparative numbers have been restated as set out in Note 10.

21 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, hedging instruments and trade receivables. Cash, short term investments, and hedging instruments 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 regard to the amounts owing by energy retailers at balance date for Line Charges as disclosed in Note 9 Receivables and Prepayments (amongst Trade Debtors). 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. To reduce concentration risk on any lender or funding type the Group uses a range of different funding sources and currencies. 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 uses interest rate swap agreements to manage its exposure to interest rate movements on its borrowings. The treasury policy set by the Board requires that interest rate swap agreements are in place to ensure adequate hedging is maintained within a series of time periods.

Where the Group borrows in foreign currency it uses CCIRS to swap all foreign currency denominated interest and principal repayments to reporting currency. This results in floating rate borrowings in the entity's reporting currency.

The interest rate agreements are held with independent and high credit quality financial institutions. The credit risk is limited because the counterparties are banks with high quality credit ratings assigned by international credit rating agencies.

Foreign Exchange Risk

The Group is subject to foreign exchange risk due to exposure to the US Dollar from USPP borrowings.

This exposure has been fully hedged by way of cross currency interest rate swap, hedging US Dollar exposure on both principle and interest.

The cross currency interest rate swaps correspond in amount and maturity to the relevant US Dollar borrowings with no residual foreign currency risk exposure.

Fair Value

The estimated fair value of the Group's financial instruments are represented by the carrying values.

Capital Management

The Group's capital includes share capital and retained earnings. The Company'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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

22 Transactions With Related Parties

The Power Company Limited has an interest in the PowerNet Limited Joint Venture, the OtagoNet Joint Venture, Electricity Southland Limited, and the Southern Generation Limited Partnership through their wholly owned subsidiary company Last Tango Limited.

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

Material transactions the Group have had with the above mentioned parties during the year are as follows:

	GROUP	
	2021 $'000	2020 $'000
Goods and Services Supplied to:		
PowerNet Limited (Joint Venture)	1,694	2,042
Receivables Outstanding at Balance Date (GST incl):		
PowerNet Limited (Joint Venture)	267	349
OtagoNet Joint Venture	6	-
Goods and Services Supplied by:		
PowerNet Limited (Joint Venture)	50,024	52,050
OtagoNet Joint Venture	-	5
Creditors Outstanding at Balance Date (GST incl):		
PowerNet Limited (Joint Venture)	14,744	13,299
Advances Provided to:		
Southland Electric Power Supply Consumer Trust	185	244
PowerNet Limited (Joint Venture)	9,450	9,955
OtagoNet Joint Venture	-	830
Advances Provided from:		
Southland Electric Power Supply Consumer Trust	153	159
PowerNet Limited (Joint Venture)	11,775	10,956
OtagoNet Joint Venture	-	830

Notes to the Financial Statements *continued*

For the year ended 31 March 2021

22 Transactions With Related Parties *continued*

Other Related Parties

There have been no material transactions between The Power Company Limited Group and Directors with the exception of the following:

PowerNet Limited and The Power Company Limited use Findex as their tax advisors of which Duncan Fea is a Principal. The Power Company Limited's share of fees for taxation advice paid to Findex during the year amounted to $9,000 excl. GST (31 March 2020: $7,000) of which $3,000 incl GST (31 March 2020: $0) is owing at balance date.

All transactions between The Power Company Limited, PowerNet Limited, OtagoNet Joint Venture, and Findex relate to normal activities.

The Southland Electric Power Supply Consumer Trust owns 100% of the shares in The Power Company Limited. The Power Company Limited has a $2,147,000 (2020: $2,179,000) unsecured interest bearing loan with the Southland Electric Power Supply Consumer Trust.

During the year expenses were paid out on behalf of the Trust totaling $185,000 (31 March 2020: $244,000). The expenses paid by The Power Company Limited on behalf of the Southland Electric Power Supply Consumer Trust have been deducted from the loan and interest of $153,000 (31 March 2020: $159,000) has been added to the loan.

All capital commitments disclosed are with PowerNet Limited.

Key Management Personnel

Compensation of the Directors, being the key management personnel of the entities, is set out below:

	GROUP	
	2021 $'000	2020 $'000
Directors Fees	240	283

There have been no other transactions with the Directors.

23 Subsequent Events

The Group completed a further USPP note issuance, on 20 May 2021, securing NZ$50 million of debt for a period of 12 years. Refer Note 16 Term Borrowings.

The Group is not aware of any other subsequent events impacting on these financial statements.

Auditor's Report

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Independent Auditor's Report

To the Shareholder of The Power Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of The Power Company Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of financial performance for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with 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 and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of industry updates, regulatory advisory services, compliance with the Electricity Distribution (Information Disclosure) determination 2012 and other regulatory requirements of the Commerce Act 1986. The provision of these other services has not impaired our independence as auditor of the Group.

Auditor's Report *continued*

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report (but does not include the consolidated financial statements and our auditor's report thereon). The other information we obtained prior to the date of this auditor's report comprised the consolidated statement of service performance. The remaining other information is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, 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 is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's Shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholder for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants
24 June 2021

Christchurch

Back cover: PowerNet line mechanics working on the TPCL network.

THEPOWERCOMPANYLTD