

Pylon Limited

Interim Financial Statements

for the Six Months Ended 30 September 2021

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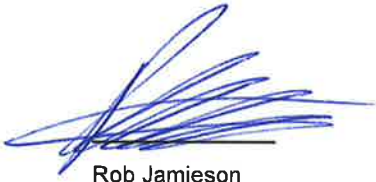
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Pylon Limited
Directors' Approval
for Six Months Ended 30 September 2021

Directors' Approval

The Directors have approved for issue the Financial Statements of Pylon Ltd for the six months ended 30 September 2021 presented on pages 3 to 12.

For and on behalf of the Board.



Rob Jamieson
Chair

26 November 2021



Paul Kiesanowski
Director

26 November 2021

Pylon Limited
Statement of Financial Performance
for Six Months Ended 30 September 2021

	Notes	GROUP		
		Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
Other Income		-	-	33
Other Expenses		-	-	(1,292)
Operating Expenses		-	-	-
Share of Profit of Associates and Joint Ventures	3	<u>3,094</u>	<u>3,151</u>	<u>4,999</u>
Operating Surplus Before Taxation		3,094	3,151	3,740
Taxation Expense		<u>(746)</u>	<u>(570)</u>	<u>384</u>
Net Surplus After Taxation		<u>2,348</u>	<u>2,581</u>	<u>4,124</u>

*The prior period comparative numbers have been restated as set out in Note 5.

The accompanying notes on pages 8 to 11 form part of and should be read in conjunction with these financial statements.

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Pylon Limited
Statement of Comprehensive Income
for Six Months Ended 30 September 2021

	GROUP		
	Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
Net Surplus After Taxation	2,348	2,581	4,124
Other Comprehensive Income			
- Revaluation	3	-	-
Total Other Comprehensive Income	-	-	-
Total Comprehensive Income	<u>2,348</u>	<u>2,581</u>	<u>4,124</u>

*The prior period comparative numbers have been restated as set out in Note 5.

The accompanying notes on pages 8 to 11 form part of and should be read in conjunction with these financial statements.

Pylon Limited
Statement of Changes in Equity
for Six Months Ended 30 September 2021

	Notes	GROUP		
		Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
Total Comprehensive Income				
Net Surplus for the Period		2,348	2,581	4,124
Other Comprehensive Income	3	<u>-</u>	<u>-</u>	<u>-</u>
		2,348	2,581	4,124
Distributions to Shareholders				
Dividend Declared/Paid	2	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Equity for the Period		<u>2,348</u>	<u>2,581</u>	<u>4,124</u>
Equity at Beginning of the Period		<u>43,535</u>	<u>39,411</u>	<u>39,411</u>
Equity at End of the Period		<u>45,883</u>	<u>41,992</u>	<u>43,535</u>

*The prior period comparative numbers have been restated as set out in Note 5.

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Pylon Limited
Statement of Financial Position
As at 30 September 2021

	Notes	GROUP		
		Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
ASSETS				
Non Current Assets				
Investment in Associates		5,211	5,070	5,054
Investments in Joint Ventures	3	<u>97,863</u>	<u>89,332</u>	<u>94,222</u>
Total Non Current Assets		<u>103,074</u>	<u>94,402</u>	<u>99,276</u>
Total Assets		<u>103,074</u>	<u>94,402</u>	<u>99,276</u>
LIABILITIES				
Current Liabilities				
Income Tax Payable		<u>1,119</u>	<u>828</u>	<u>559</u>
Total Current Liabilities		<u>1,119</u>	<u>828</u>	<u>559</u>
Non Current Liabilities				
Deferred Tax Liabilities		8,343	7,962	8,157
Shareholder Advance		<u>47,729</u>	<u>43,620</u>	<u>47,025</u>
Total Non Current Liabilities		<u>56,072</u>	<u>51,582</u>	<u>55,182</u>
Total Liabilities		<u>57,191</u>	<u>52,410</u>	<u>55,741</u>
Net Assets		<u>45,883</u>	<u>41,992</u>	<u>43,535</u>
EQUITY				
Share Capital	2	26,901	26,901	26,901
Reserves		12,067	12,067	12,067
Retained Earnings		<u>6,915</u>	<u>3,024</u>	<u>4,567</u>
Total Equity		<u>45,883</u>	<u>41,992</u>	<u>43,535</u>

*The prior period comparative numbers have been restated as set out in Note 5.

The accompanying notes on pages 8 to 11 form part of and should be read in conjunction with these financial statements.

Pylon Limited
Statement of Cash Flows
for Six Months Ended 30 September 2021

	GROUP			
	Notes	Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 \$'000	Year Ended 31 March 2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest Received		-	-	33
Taxation Refunds		-	-	880
		<u>-</u>	<u>-</u>	<u>913</u>
Cash Was Disbursed To:				
Payments to Suppliers		-	-	-
Income Tax Paid		-	-	(1,292)
		<u>-</u>	<u>-</u>	<u>(1,292)</u>
Net Cash Outflows From Operating Activities	4	<u>-</u>	<u>-</u>	<u>(379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Was Provided From:				
Associate and Joint Venture Investments		3,171	2,508	5,731
		<u>3,171</u>	<u>2,508</u>	<u>5,731</u>
Cash Was Applied To:				
Investment in Joint Ventures		(3,875)	(925)	(7,174)
		<u>(3,875)</u>	<u>(925)</u>	<u>(7,174)</u>
Net Cash Flows/ (Outflows) From Investing Activities		<u>(704)</u>	<u>1,583</u>	<u>(1,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Was Provided From:				
Shareholder Advance		3,875	925	7,553
		<u>3,875</u>	<u>925</u>	<u>7,553</u>
Cash Was Applied To:				
Dividend Payment		-	-	-
Repayment of Shareholder Advance		(3,171)	(2,508)	(5,731)
		<u>(3,171)</u>	<u>(2,508)</u>	<u>(5,731)</u>
Net Cash Flows/ (Outflows) From Financing Activities		<u>704</u>	<u>(1,583)</u>	<u>1,822</u>
Net Increase/(Decrease) in Cash and Cash Equivalents Held		-	-	-
Add Opening Cash Brought Forward		-	-	-
Closing Cash and Cash Equivalents Carried Forward		<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes on pages 8 to 11 form part of and should be read in conjunction with these financial statements.

Pylon Limited
Notes to and forming part of the Financial Statements
for Six Months Ended 30 September 2021

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Pylon Ltd is a profit oriented limited liability company that was incorporated in New Zealand on 10 June 2002, is registered under the Companies Act 1993, and whose registered office is at 251 Racecourse Road, Invercargill. Pylon Ltd is a wholly owned subsidiary of Electricity Invercargill Ltd. The Group consists of Pylon Ltd and its interest in associates and jointly controlled entities.

The financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992, the Companies Act 1993 and the Financial Reporting Act 2013. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and comply with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR), and other reporting standards as appropriate for profit oriented entities.

The principal activity of Pylon Ltd is that of participating in investments in the electricity sector.

The financial statements were approved by the Board of Directors on 26 November 2021.

Basis of Preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand. The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Group, with the exception that certain property, plant and equipment has been revalued to fair value.

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's Financial Statements for the year ended 31 March 2021.

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 and generation business, the Group is deemed to be an essential service provider and is not largely impacted by the COVID-19 restrictions to date. Industry operating and health and safety procedures enable the Group to continue maintaining the network assets and deliver electricity services.

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



2 Share Capital and Dividends

The authorised and issued share capital comprises 26,901,000 ordinary shares (30 September 2020 and 31 March 2021: 26,901,000 ordinary shares) which are fully paid up. All shares have the same rights and privileges.

	GROUP		
	Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 \$'000	Year Ended 31 March 2021 \$'000
Share Capital	26,901	26,901	26,901
Dividend Declared/Paid	-	-	-
	Cents per Share	Cents per Share	Cents per Share
Dividend per Share	-	-	-

No dividend was paid during the period, this was substituted by shareholder advance repayment.

3 Investments in Joint Ventures

In 2015, Roaring Forties Energy Ltd Partnership was formed in which the Group owns a 50% interest.

The Group holds a 25% interest in the Southern Generation Ltd Partnership. This partnership was formed to invest in electricity generation opportunities. The partnership owns two wind farms, Mt. Stuart near Lawrence and Flat Hill near Bluff and three hydro stations, Aniwhenua Hydro Station on the Rangitaiki River in the Bay of Plenty, Upper Fraser Hydro Station near Alexandra and Matiri Hydro Station near Murchison.

In July 2021, the partners completed the acquisition of three Hydro Stations (Mangapehi, Matawai and Speedy's Road) from The Lines Company Ltd in the Eastland and King Country area.

Effective from 1 April 2016 the Group equity accounted its share of profits from the 50% owned joint venture entity, PowerNet Ltd to be consistent with the economic benefits the Group receives based on the PowerNet Ltd dividend policy. The equity accounted share of profit in PowerNet Ltd in 30 September 2021 is 24.39% (31 March 2021: 24.81%).

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

The following is a reconciliation between the net surplus after taxation shown in the Statements of Financial Performance and the Net Cash Flows From Operating Activities.

	GROUP		
	Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 Restated* \$'000	Year Ended 31 March 2021 \$'000
Net Surplus After Taxation	2,348	2,581	4,124
Plus/(Less) Non Cash Items:			
Deferred Taxation	186	145	340
Share of Profits of Associates and Joint Ventures	<u>(3,094)</u>	<u>(3,151)</u>	<u>(4,999)</u>
	<u>(2,908)</u>	<u>(3,006)</u>	<u>(4,659)</u>
Plus/(Less) Movements in Working Capital:			
(Increase)/Decrease in Provision for Taxation	560	425	156
	<u>560</u>	<u>425</u>	<u>156</u>
Net Cash Outflows From Operating Activities	<u>-</u>	<u>-</u>	<u>(379)</u>

*The prior period comparative numbers have been restated as set out in Note 5.

5 Restatement of Investment in Southern Generation Limited Partnership

The investment in joint ventures for the six months ended 30 September 2020, the opening Retained Earnings balance and the Share of Profit of Associates and Joint Ventures for 30 September 2020 have been restated. The adjustment reflects the impact on the historic share of the result of joint ventures from a restatement associated with a change in accounting treatment of power purchase and off-take agreements within the financial statements of the joint venture Southern Generation Ltd Partnership.

Within the joint venture, the nature of the power purchase and off-take agreements entered into was reconsidered during the previous 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 did 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 accounting treatment change on the financial statements in the prior period. There has been no impact on cash flows:

30 September 2020 Restatement:

Statement of Comprehensive Income	Previously Reported	Six Months Ended September 2020 Adjustment	Restated
	\$'000	\$'000	\$'000
Share of Profit of Associates and Joint Ventures	2,893	258	3,151
Net Surplus After Taxation	2,323	258	2,581
Total Comprehensive Income	2,323	258	2,581

30 September 2020 Restatement:

Statement of Financial Position	Previously Reported	Six Months Ended September 2020 Adjustment	Restated
	\$'000	\$'000	\$'000
Investment in Joint Ventures	90,524	(1,192)	89,332
Retained Earnings	4,216	(1,192)	3,024

31 March 2020 Restatement

Statement of Financial Position	Previously Reported	Year Ending March 2020 Adjustment	Restated
	\$'000	\$'000	\$'000
Investment in Joint Ventures	89,318	(1,450)	87,868
Retained Earnings	1,893	(1,450)	443

6 Contingent Liabilities

There are no contingent liabilities as at 30 September 2021 (30 September 2020: Nil; 31 March 2021: Nil).

7 Transactions with Related Parties

Pylon Ltd is 100% owned by Electricity Invercargill Ltd.

Electricity Invercargill Ltd is 100% owned by Invercargill City Holdings Ltd. Invercargill City Holdings Ltd is a wholly owned subsidiary of the Invercargill City Council.

Pylon Ltd has an interest in PowerNet Ltd, OtagoNet Joint Venture, Electricity Southland Ltd, and Roaring Forties Ltd Partnership.

All transactions between Pylon Ltd and related parties relate to the normal trading activities of Pylon Ltd.

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

Material transactions between Pylon Ltd and the above-mentioned parties during the period are as follows:

	GROUP		
	Six Months Ended 30 September 2021 \$'000	Six Months Ended 30 September 2020 \$'000	Year Ended 31 March 2021 \$'000
Advances Provided from (Repaid to):			
Electricity Invercargill Ltd (Parent)	704	(1,583)	1,822

Other Related Parties

There have been no material transactions with Directors.

8 Subsequent Events

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

9 Seasonality

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

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