

Pylon Limited

Interim Financial Statements

For the Six Months ended 30 September 2019

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Pylon Limited
Directors' Approval
For the Six Months ended 30 September 2019

Directors' Approval

The Directors have approved for issue the Financial Statements of Pylon Limited for the six months ended 30 September 2019 presented on pages 3 to 11.

For and on behalf of the Board:



Thomas Campbell
Chair

29 November 2019



Sarah Brown
Director

29 November 2019

Pylon Limited
Statement of Financial Performance
For the Six Months ended 30 September 2019

	Notes	GROUP		
		Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
Other Income		-	-	-
Other Expenses		-	-	(370)
Operating Expenses		-	(2)	(2)
Share of Profit of Associates and Joint Ventures	3	<u>2,904</u>	<u>3,332</u>	<u>4,217</u>
Operating Surplus Before Taxation		2,904	3,330	3,845
Taxation Expense		<u>(700)</u>	<u>(847)</u>	<u>(1,154)</u>
Net Surplus After Taxation		<u>2,204</u>	<u>2,483</u>	<u>2,691</u>

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 Comprehensive Income
For the Six Months ended 30 September 2019

	GROUP		
	Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
Net Surplus After Taxation	2,204	2,483	2,691
Other Comprehensive Income			
- Revaluation	-	-	-
Total Other Comprehensive Income	-	-	-
Total Comprehensive Income	<u>2,204</u>	<u>2,483</u>	<u>2,691</u>

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 the Six Months ended 30 September 2019

	Notes	GROUP		
		Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
Total Comprehensive Income				
Net Surplus for the Period		2,204	2,483	2,691
Other Comprehensive Income		-	-	-
		<u>2,204</u>	<u>2,483</u>	<u>2,691</u>
Distributions to Shareholders				
Dividend Declared/Paid	2	(2,649)	(2,876)	(5,460)
		<u>(2,649)</u>	<u>(2,876)</u>	<u>(5,460)</u>
Changes in Equity for the Period		<u>(445)</u>	<u>(393)</u>	<u>(2,769)</u>
Equity at Beginning of the Period		<u>35,014</u>	<u>37,783</u>	<u>37,783</u>
Equity at End of the Period		<u><u>34,569</u></u>	<u><u>37,390</u></u>	<u><u>35,014</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
Statement of Financial Position
As at 30 September 2019

	Notes	GROUP		
		Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
ASSETS				
Non Current Assets				
Investment in Associates		1,599	1,621	1,563
Investments in Joint Ventures	3	<u>84,250</u>	<u>80,231</u>	<u>77,871</u>
Total Non Current Assets		<u>85,849</u>	<u>81,852</u>	<u>79,434</u>
Total Assets		<u>85,849</u>	<u>81,852</u>	<u>79,434</u>
LIABILITIES				
Current Liabilities				
Income Tax Payable/(Receivable)		487	229	(77)
Trade Payables		<u>370</u>	<u>-</u>	<u>370</u>
Total Current Liabilities		<u>857</u>	<u>229</u>	<u>293</u>
Non Current Liabilities				
Deferred Tax Liabilities		6,727	6,418	6,593
Shareholder Advance		<u>43,696</u>	<u>37,815</u>	<u>37,534</u>
Total Non Current Liabilities		<u>50,423</u>	<u>44,233</u>	<u>44,127</u>
Total Liabilities		<u>51,280</u>	<u>44,462</u>	<u>44,420</u>
Net Assets		<u>34,569</u>	<u>37,390</u>	<u>35,014</u>
EQUITY				
Share Capital	2	26,901	26,901	26,901
Reserves		9,746	9,746	9,746
Retained Earnings		<u>(2,078)</u>	<u>743</u>	<u>(1,633)</u>
Total Equity		<u>34,569</u>	<u>37,390</u>	<u>35,014</u>

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 the Six Months ended 30 September 2019

	Notes	GROUP		
		Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Was Provided From:				
Interest Received		-	-	-
Taxation Refunds		-	-	-
Cash Was Disbursed To:				
Interest Paid		-	(2)	(2)
Income Tax Paid		-	(640)	(1,079)
		-	(642)	-
Net Cash Outflows From Operating Activities	4	-	(642)	(1,081)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Was Provided From:				
Associate and Joint Venture Investments		2,649	3,386	6,691
		2,649	3,386	-
Cash Was Applied To:				
Purchase of additional Interest in Joint Ventures		6,162	-	-
		6,162	-	-
Net Cash Flows/ (Outflows) From Investing Activities		(3,513)	3,386	6,691
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Was Provided From:				
Shareholder Advance		6,162	132	(150)
		6,162	132	(150)
Cash Was Applied To:				
Dividend Payment		(2,649)	(2,876)	(5,460)
		(2,649)	(2,876)	(5,460)
Net Cash Flows/ (Outflows) From Financing Activities		3,513	(2,744)	(5,610)
Net Increase/(Decrease) in Cash and Cash Equivalents Held		-	-	-
Add Opening Cash Brought Forward		-	-	-
Closing Cash and Cash Equivalents Carried Forward		-	-	-

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

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Pylon Limited 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 Limited is a wholly owned subsidiary of Electricity Invercargill Limited. The Group consists of Pylon Limited 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 Limited is that of participating in investments in the electricity sector.

The financial statements were approved by the Board of Directors on 29 November 2019.

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 2019.

New Standards Adopted

The Group has applied the following standards for the first time for their annual reporting period commencing 1 April 2018:

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers

The Group had to change its accounting policies but the adoption have no material effects on the financial statements. The financial statements have a reclassification of prior year balances to align with the current year classification under the new accounting standards for comparability. These reclassifications have not resulted in a change to opening retained earnings.

Standards or Interpretations not yet Effective

NZ IFRS 16, 'Leases' replaces the current guidance in NZ IAS 17. It requires a lessee recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short term leases and leases of low-value assets; however, this exemption can only be applied by lessees. Early adoption is permitted but only in conjunction with NZ IFRS 15. The group intends to adopt NZ IFRS 16 on its effective date and is currently assessing its full impact.

2 Share Capital and Dividends

The authorised and issued share capital comprises 26,901,000 ordinary shares (30 September 2018 and 31 March 2019: 26,901,000 ordinary shares) which are fully paid up. All shares have the same rights and privileges.

	GROUP		
	Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
Share Capital	26,901	26,901	26,901
Dividend Declared/Paid	(2,649)	(2,876)	(5,460)
	Cents per Share	Cents per Share	Cents per Share
Dividend per Share	9.8	10.7	20.3

3 Investments in Joint Ventures

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

In April 2015 the Group took a 25% interest in the Southern Generation Limited 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. On 29 April 2016, the partnership completed the acquisition of the assets relating to the Aniwhenua Hydro Station on the Rangitaiki River in the Bay of Plenty.

On 15 August 2017, the partners also entered in a conditional agreement to purchase assets relating to two hydro stations, Upper Fraser near Alexandra and Mariti near Murchison. The expected generation output of these two hydro stations is about 58 GWh, with Upper Fraser contributing 30 GWh and Matiri 28 GWh. On 30 September 2019, the partnership completed the acquisition of the assets relating to the Upper Fraser Hydro Station.

Effective from 1 April 2016 the Group equity accounted its share of profits from the 50% owned joint venture entity, PowerNet Limited Group to be consistent with the economic benefits the Group receives based on the PowerNet dividend policy. The equity accounted share of profit in PowerNet in 2019 is 25.23% (2018: 23.48%).

In October 2019 PowerNet Limited agreed to purchase the final remaining shares (9.68%) of PowerNet Central Limited from Ian Boud. The date of acquisition is expected to take place at the start of the next financial year.

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 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
Net Surplus After Taxation	2,204	2,483	2,691
Plus/(Less) Non Cash Items:			
Deferred Taxation	135	151	326
Share of Profits of Associates and Joint Ventures	<u>(2,904)</u>	<u>(3,332)</u>	<u>(4,217)</u>
	<u>(2,769)</u>	<u>(3,181)</u>	<u>(3,891)</u>
Plus/(Less) Movements in Working Capital:			
Increase/(Decrease) in Payables	-	-	370
(Increase)/Decrease in Provision for Taxation	<u>565</u>	<u>56</u>	<u>(251)</u>
	<u>565</u>	<u>56</u>	<u>119</u>
Net Cash Outflows From Operating Activities	<u>-</u>	<u>(642)</u>	<u>(1,081)</u>

5 Capital Commitments

On 15 August 2017, the Group entered into a conditional agreement with the partners of Southern Generation Limited Partnership to purchase the assets of a hydro generation development upon completion of construction. The Matiri hydro power station located at 15km north of Murchinson, with a capacity of 7MW is due to be commissioned on May 2020.

6 Contingent Liabilities

There are no contingent liabilities as at 30 September 2019 (30 September 2018: Nil; 31 March 2019: Nil).

7 Transactions with Related Parties

Pylon Limited is 100% owned by Electricity Invercargill Limited.

Pylon Limited has an interest in PowerNet Limited joint venture, OtagoNet Joint Venture, Electricity Southland Limited, and PowerNet Central Limited.

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

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

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

	GROUP		
	Six Months Ended 30 September 2019 \$'000	Six Months Ended 30 September 2018 \$'000	Year Ended 31 March 2019 \$'000
Dividends Paid to:			
Electricity Invercargill Limited (Parent)	2,649	2,876	5,460
Advances Provided from (Repaid to):			
Electricity Invercargill Limited (Parent)	6,162	132	(150)

Other Related Parties

There have been no material transactions with Directors.

8 Subsequent Events

In October 2019 PowerNet Limited agreed to purchase the final remaining shares (9.68%) of PowerNet Central Limited from Ian Boud. The date of acquisition is expected to take place at the start of the next financial year.

A \$13.5 million increase in share capital of Electricity Southland Limited was approved in October 2019. The Group's contribution of the share capital increase is \$3.4 million to be settled in November 2019.

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.