Pylon Limited

Interim Financial Statements

for Six Months Ended 30 September 2020

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Pylon Limited Directors' Approval for Six Months Ended 30 September 2020

Directors' Approval

The Directors have approved for issue the Financial Statements of Pylon Ltd for the six months ended 30 September 2020 presented on pages 3 to 11.

For and on behalf of the Board.

Thomas Campbell Chair

27 November 2020

Aran Joseph O'Connell Director 27 November 2020

Pylon Limited Statement of Financial Performance for Six Months Ended 30 September 2020

	Notes	Six Months Ended 30 September 2020 \$'000	GROUP Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
Other Income		-	-	-
Other Expenses Operating Expenses Share of Profit of Associates and Joint Ventures Operating Surplus Before Taxation	3	2,893 2,893	2,904 2,904	(680)
Taxation Expense Net Surplus After Taxation		(570) 2,323	(700) 2,204	(928) 6,175

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Pylon Limited Statement of Comprehensive Income for Six Months Ended 30 September 2020

			GROUP	
		Six Months Ended 30 September 2020 \$'000	Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
Net Surplus After Taxation		2,323	2,204	6,175
Other Comprehensive Income				
- Revaluation	3		-	2,321
Total Other Comprehensive Income				2,321
Total Comprehensive Income		2,323	2,204	8,496

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Pylon Limited Statement of Changes in Equity for Six Months Ended 30 September 2020

			GROUP	
	Notes	Six Months Ended 30 September 2020 \$'000	Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
Total Comprehensive Income Net Surplus for the Period Other Comprehensive Income	3	2,323	2,204	6,175 <u>2,321</u> 8,496
Distributions to Shareholders Dividend Declared/Paid	2		<u>(2,649</u>) (2,649)	<u>(2,649</u>) (2,649)
Changes in Equity for the Period		2,323	(445)	5,847
Equity at Beginning of the Period		40,861	35,014	35,014
Equity at End of the Period		43,184	34,569	40,861

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Pylon Limited Statement of Financial Position As at 30 September 2020

			GROUP	
		Six Months Ended 30 September 2020	Six Months Ended 30 September 2019	Year Ended 31 March 2020
	Notes	\$'000	\$'000	\$'000
ASSETS Non Current Assets Investment in Associates Investments in Joint Ventures Total Non Current Assets	3	5,070 <u>90,524</u> 95,594	1,599 <u>84,250</u> 85,849	4,966 <u>89,318</u> 94,284
Total Assets		95,594	85,849	94,284
LIABILITIES Current Liabilities Income Tax Payable Trade Payables Total Current Liabilities		828 828	487 370 857	403
Non Current Liabilities Deferred Tax Liabilities Shareholder Advance Total Non Current Liabilities		7,962 <u>43,620</u> 51,582	6,727 <u>43,696</u> 50,423	7,817 <u>45,203</u> 53,020
Total Liabilities		52,410	51,280	53,423
Net Assets		43,184	34,569	40,861
EQUITY Share Capital Reserves Retained Earnings	2	26,901 12,067 4,216	26,901 9,746 (2,078)	26,901 12,067 1,893
Total Equity		43,184	34,569	40,861

Pylon Limited Statement of Cash Flows for Six Months Ended 30 September 2020

	Notes	Six Months Ended 30 September 2020 \$'000	GROUP Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES Cash Was Disbursed To: Payments to Suppliers Income Tax Paid				(370) (806) (806)
Net Cash Outflows From Operating Activities	4	<u> </u>	<u> </u>	<u>(1,176</u>)
CASH FLOWS FROM INVESTING ACTIVITIES Cash Was Provided From: Associate and Joint Venture Investments Cash Was Applied To: Investment in Joint Ventures Investment in Associates Net Cash Flows/ (Outflows) From Investing Activities		2,508 2,508 925 925 925 1,583	<u>2,649</u> 2,649 (6,162) (6,162) (6,162) (3,513)	<u>6,223</u> 6,223 (6,705) (3,362) (10,067) (3,844)
CASH FLOWS FROM FINANCING ACTIVITIES Cash Was Provided From: Shareholder Advance Cash Was Applied To: Dividend Payment Repayment of Shareholder Advance		<u>925</u> 925 (2,508) (2,508)	<u>6,162</u> 6,162 (2,649) (2,649)	<u>11,242</u> 11,242 (2,649) (3,573) (6,222)
Net Cash Flows/ (Outflows) From Financing Activities		(1,583)	3,513	5,020
Net Increase/(Decrease) in Cash and Cash Equivalents Held Add Opening Cash Brought Forward				
Closing Cash and Cash Equivalents Carried Forward				

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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 27 November 2020.

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 2020.

Impact of COVID-19 on Financial Statements

The COVID-19 pandemic has no material adverse effect on the Group's financial performance. Substantially all of the Group's revenue is derived from electricity distribution and generation activities which were deemed an essential service.

Having considered the potential impact of COVID-19 on the business, we believe no significant changes to the presentation of the financial statements are required.

New Standards Adopted

The Group has applied the following standard for the first time for their annual reporting period commencing 1 April 2019:

- NZ IFRS 16 Leases

The Group has elected to apply NZ IFRS 16 Leases in accordance with the transition provisions in NZ IFRS 16. The new standard has been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 April 2019.

Pylon does not have any agreements or contracts that meet the definition of a lease under NZ IFRS 16. The Group impact of change in accounting policy relating to NZ IFRS 16 are due to contracts held within joint ventures and associate. These joint ventures and associate financial statements are consolidated in the Group financial statements through the equity accounting method, not requiring further lease accounting disclosure.

2 Share Capital and Dividends

The authorised and issued share capital comprises 26,901,000 ordinary shares (30 September 2019 and 31 March 2020: 26,901,000 ordinary shares) which are fully paid up. All shares have the same rights and privileges.

		GROUP	
	Six Months Ended 30 September 2020 \$'000	Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
Share Capital	26,901	26,901	26,901
Dividend Declared/Paid	-	(2,649)	(2,649)

	Cents per	Cents per	Cents per
	Share	Share	Share
Dividend per Share	-	9.8	9.8

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 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 the assets relating to Matiri and Upper Fraser Hydro Stations. The expected generation output of these two hydro stations is approximately 61 GWh, with Upper Fraser contributing 33 GWh and Matiri 28 GWh. On 30 September 2019, the partnership completed the acquisition of the assets relating to the Upper Fraser hydro station. Matiri construction is in progress with an expected completion date in December 2020.

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 2020 is 24.39% (31 March 2020: 24.61%).

In February 2020, the remaining 9.68% shareholding in PowerNet Central Ltd was purchased by PowerNet Ltd. Following the completion of the acquisition, PowerNet Central Ltd was amalgamated in PowerNet Ltd on 31 March 2020.

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 \$2,321,000 (net of the effect of deferred tax) recognised in the Statement of Comprehensive Income.

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 2020 \$'000	Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
Net Surplus After Taxation	2,323	2,204	6,175
Plus/(Less) Non Cash Items: Deferred Taxation Share of Profits of Associates and Joint Ventures	145 (2,893) (2,748)	135 (2,904) (2,769)	322 (7,783) (7,461)
Plus/(Less) Movements in Working Capital: Increase/(Decrease) in Payables (Increase)/Decrease in Provision for Taxation	<u>425</u> 425	<u>565</u> 565	(370) <u>480</u> 110
Net Cash Outflows From Operating Activities			(1,176)

5 Capital Commitments

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

6 Contingent Liabilities

There are no contingent liabilities as at 30 September 2020 (30 September 2019: Nil; 31 March 2020: 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 2020 \$'000	Six Months Ended 30 September 2019 \$'000	Year Ended 31 March 2020 \$'000
Dividends Paid to: Electricity Invercargill Ltd (Parent)	-	2,649	2,649
Advances Provided from (Repaid to): Electricity Invercargill Ltd (Parent)	(1,583)	6,162	7,669

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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