

Pylon Limited

Interim Financial Statements
for the Six Months Ended 30 September 2022

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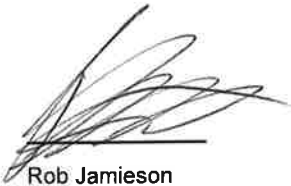
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Pylon Limited
Directors' Approval
for Six Months Ended 30 September 2022

Directors' Approval

The Directors have approved for issue the Financial Statements of Pylon Ltd for the six months ended 30 September 2022 presented on pages 3 to 11.

For and on behalf of the Board.



Rob Jamieson
Chair

25 November 2022



Paul Kiesanowski
Director

25 November 2022

Pylon Limited
Statement of Financial Performance
for Six Months Ended 30 September 2022

	Notes	GROUP		
		Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Other Income		-	-	-
Other Expenses		-	-	(251)
Operating Expenses		(18)	-	-
Share of Profit of Associates and Joint Ventures	3	<u>2,393</u>	<u>3,094</u>	<u>5,670</u>
Operating Surplus Before Taxation		2,375	3,094	5,419
Taxation Expense		<u>(660)</u>	<u>(746)</u>	<u>(1,247)</u>
Net Surplus After Taxation		<u>1,715</u>	<u>2,348</u>	<u>4,172</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 Six Months Ended 30 September 2022

	Notes	GROUP		
		Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Net Surplus After Taxation		1,715	2,348	4,172
Other Comprehensive Income				
- Revaluation	3	-	-	-
Total Other Comprehensive Income		-	-	-
Total Comprehensive Income		<u>1,715</u>	<u>2,348</u>	<u>4,172</u>

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 Changes in Equity
for Six Months Ended 30 September 2022

	Notes	GROUP		
		Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Total Comprehensive Income				
Net Surplus for the Period		1,715	2,348	4,172
Other Comprehensive Income	3	<u>-</u>	<u>-</u>	<u>-</u>
		1,715	2,348	4,172
Distributions to Shareholders				
Dividend Declared/Paid	2	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Equity for the Period		<u>1,715</u>	<u>2,348</u>	<u>4,172</u>
Equity at Beginning of the Period		<u>45,883</u>	<u>43,535</u>	<u>43,535</u>
Equity at End of the Period		<u>47,598</u>	<u>45,883</u>	<u>47,707</u>

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Pylon Limited
Statement of Financial Position
As at 30 September 2022

	Notes	GROUP		
		30 September 2022 \$'000	30 September 2021 \$'000	31 March 2022 \$'000
ASSETS				
Current Assets				
Asset Classified as Held for Sale	5	41,571	-	-
Total Current Assets		<u>41,571</u>	<u>-</u>	<u>-</u>
Non Current Assets				
Investment in Associates		5,346	5,211	5,193
Investments in Joint Ventures	3	54,755	97,863	97,302
Total Non Current Assets		<u>60,101</u>	<u>103,074</u>	<u>102,495</u>
Total Assets		<u>101,672</u>	<u>103,074</u>	<u>102,495</u>
LIABILITIES				
Current Liabilities				
Income Tax Payable		379	1,119	1,366
Total Current Liabilities		<u>379</u>	<u>1,119</u>	<u>1,366</u>
Non Current Liabilities				
Deferred Tax Liabilities		8,713	8,343	8,597
Shareholder Advance		43,156	47,729	44,825
Total Non Current Liabilities		<u>51,869</u>	<u>56,072</u>	<u>53,422</u>
Total Liabilities		<u>52,248</u>	<u>57,191</u>	<u>54,788</u>
Net Assets		<u>49,424</u>	<u>45,883</u>	<u>47,707</u>
EQUITY				
Share Capital	2	26,901	26,901	26,901
Reserves		12,057	12,067	12,056
Retained Earnings		10,466	6,915	8,750
Total Equity		<u>49,424</u>	<u>45,883</u>	<u>47,707</u>

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 Cash Flows
for Six Months Ended 30 September 2022

	GROUP		
	Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Disbursed To:			
Interest Paid	(18)	-	-
Income Tax Paid	(1,528)	-	(251)
	<u>(1,546)</u>	<u>-</u>	<u>(251)</u>
Net Cash Outflows From Operating Activities	4 <u>(1,546)</u>	<u>-</u>	<u>(251)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Provided From:			
Associate and Joint Venture Investments	3,215	3,171	6,326
	<u>3,215</u>	<u>3,171</u>	<u>6,326</u>
Cash Was Applied To:			
Investment in Joint Ventures	-	(3,875)	(3,875)
	<u>-</u>	<u>(3,875)</u>	<u>(3,875)</u>
Net Cash Flows/ (Outflows) From Investing Activities	<u>3,215</u>	<u>(704)</u>	<u>2,451</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Provided From:			
Shareholder Advance	-	3,875	-
	<u>-</u>	<u>3,875</u>	<u>-</u>
Cash Was Applied To:			
Dividend Payment	-	-	-
Repayment of Shareholder Advance	(1,669)	(3,171)	(2,200)
	<u>(1,669)</u>	<u>(3,171)</u>	<u>(2,200)</u>
Net Cash Flows/ (Outflows) From Financing Activities	<u>(1,669)</u>	<u>704</u>	<u>(2,200)</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.

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Pylon Limited
Notes to and forming part of the Financial Statements
for Six Months Ended 30 September 2022

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 25 November 2022.

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 2022.

Impact of COVID-19 on Financial Statements

The Group has overall been resilient to the continuing impact of COVID-19. Adopted pandemic measures by the Group has limited the health impact of the virus while the more permissible New Zealand COVID-19 Protection Framework allows increased activities on the wider business and network operations.

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 2021 and 31 March 2022: 26,901,000 ordinary shares) which are fully paid up. All shares have the same rights and privileges.

	GROUP		
	Six Months Ended 30 September 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
	Share Capital	26,901	26,901
Dividend Declared/Paid	-	-	-

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 six hydro stations, Aniwhenua Hydro Station on the Rangitaiki River in the Bay of Plenty, Upper Fraser Hydro Station near Alexandra, Matiri Hydro Station located at 15km north of Murchison, Matawai Hydro Station in Eastland area and, Mangapehi and Speedy's Road Hydro Stations located both in King Country area.

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 2022 is 24.25% (31 March 2022: 26.24%).

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 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Net Surplus After Taxation	1,715	2,348	4,172
Plus/(Less) Non Cash Items:			
Deferred Taxation	119	186	440
Share of Profits of Associates and Joint Ventures	<u>(2,393)</u>	<u>(3,094)</u>	<u>(5,670)</u>
	<u>(2,274)</u>	<u>(2,908)</u>	<u>(5,230)</u>
Plus/(Less) Movements in Working Capital:			
Increase/(Decrease) in Provision for Taxation	<u>(987)</u>	<u>560</u>	<u>807</u>
	<u>(987)</u>	<u>560</u>	<u>807</u>
Net Cash Outflows From Operating Activities	<u>(1,546)</u>	<u>-</u>	<u>(251)</u>

5 Asset Classified as Held for Sale

Invercargill City Holdings Ltd (ICHL) has notified Electricity Invercargill Ltd (EIL) it will undergo a strategic review of EIL's investment in Roaring Forties Energy Ltd Partnership (RFELP). On 11 May 2022, Invercargill City Council (ICC) released a consultation on a proposed purchase of the investment in RFELP that outlined a number of potential options for public submission. The preferred option being to transfer the 50% interest held by subsidiary Pylon Ltd, to ICHL on behalf of ICC.

As at the date of finalising these Consolidated Financial Statements, the negotiation on the terms and conditions of the sale agreement are still ongoing. It is intended the transaction will occur before year-end.

Investment in Joint Ventures classified as held for sale during the reporting period was measured at lower of its carrying amount and fair value less costs to sell at the time of the reclassification. There was no decrease in the carrying value of the investment arising from the reclassification and therefore no expense was recognised in the Statement of Financial Performance.

6 Contingent Liabilities

There are no contingent liabilities as at 30 September 2022 (30 September 2021: Nil; 31 March 2022: 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, Lakeland Network 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 2022 \$'000	Six Months Ended 30 September 2021 \$'000	Year Ended 31 March 2022 \$'000
Advances Provided from (Repaid to):			
Electricity Invercargill Ltd (Parent)	(1,669)	704	(2,200)

Other Related Parties

There have been no material transactions with Directors.

8 Subsequent Events

There are no 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.