

Pylon Limited

Interim Financial Statements

For the six months ended 30 September 2023

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Pylon Limited
Directors' Approval
For the six months ended 30 September 2023

Directors' Approval

The Directors have approved for issue the Financial Statements of Pylon Ltd for the six months ended 30 September 2023 presented on pages 3 to 11.

For and on behalf of the Board.



Robert Datema Jamieson
Chair

24 November 2023



Emma Jane Ihaia
Director

24 November 2023

Pylon Limited
Statement of Financial Performance
For the six months ended 30 September 2023

| | Notes | GROUP | | |
|--|-------|---|---|---|
| | | Six Months Ended 30 September 2023 \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| Other Income | | - | - | - |
| Operating Expenses | | - | (18) | (18) |
| Share of Profit of Associates and Joint Ventures | 3 | <u>3,413</u> | <u>2,393</u> | <u>5,113</u> |
| Operating Surplus Before Taxation | | 3,413 | 2,375 | 5,095 |
| Taxation Expense | | <u>(793)</u> | <u>(660)</u> | <u>(1,296)</u> |
| Net Surplus After Taxation | | <u>2,620</u> | <u>1,715</u> | <u>3,799</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 2023

| | GROUP | | |
|---|--|---|---|
| | Six Months Ended 30 September 2023 Notes \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| Net Surplus After Taxation | 2,620 | 1,715 | 3,799 |
| Other Comprehensive Income | | | |
| - Revaluation | 3 | - | 4,213 |
| Total Other Comprehensive Income | - | - | 4,213 |
| Total Comprehensive Income | <u>2,620</u> | <u>1,715</u> | <u>8,012</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 2023

| | Notes | GROUP | | |
|--|-------|---|---|---|
| | | Six Months Ended 30 September 2023 \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| Total Comprehensive Income | | | | |
| Net Surplus for the Period | | 2,620 | 1,715 | 3,799 |
| Other Comprehensive Income | 3 | <u>-</u> | <u>-</u> | <u>4,213</u> |
| | | 2,620 | 1,715 | 8,012 |
| Distributions to Shareholders | | | | |
| Dividend Declared/Paid | 2 | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in Equity for the Period | | <u>2,620</u> | <u>1,715</u> | <u>8,012</u> |
| Equity at Beginning of the Period | | <u>55,719</u> | <u>47,707</u> | <u>47,707</u> |
| Equity at End of the Period | | <u>58,339</u> | <u>49,422</u> | <u>55,719</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 2023

| | Notes | GROUP | | |
|--------------------------------------|-------|--------------------------------|--------------------------------|----------------------------|
| | | 30 September 2023 \$'000 | 30 September 2022 \$'000 | 31 March 2023 \$'000 |
| ASSETS | | | | |
| Current Assets | | | | |
| Asset Classified as Held for Sale | 5 | 39,953 | 41,571 | 40,110 |
| Total Current Assets | | <u>39,953</u> | <u>41,571</u> | <u>40,110</u> |
| Non Current Assets | | | | |
| Investment in Associates | | 6,389 | 5,346 | 6,215 |
| Investments in Joint Ventures | 3 | 60,992 | 54,753 | 60,208 |
| Total Non Current Assets | | <u>67,381</u> | <u>60,099</u> | <u>66,423</u> |
| Total Assets | | <u>107,334</u> | <u>101,670</u> | <u>106,533</u> |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Income Tax Payable | | 702 | 379 | 685 |
| Total Current Liabilities | | <u>702</u> | <u>379</u> | <u>685</u> |
| Non Current Liabilities | | | | |
| Deferred Tax Liabilities | | 10,268 | 8,713 | 10,161 |
| Shareholder Advance | | 38,025 | 43,156 | 39,968 |
| Total Non Current Liabilities | | <u>48,293</u> | <u>51,869</u> | <u>50,129</u> |
| Total Liabilities | | <u>48,995</u> | <u>52,248</u> | <u>50,814</u> |
| Net Assets | | <u>58,339</u> | <u>49,422</u> | <u>55,719</u> |
| EQUITY | | | | |
| Share Capital | 2 | 26,901 | 26,901 | 26,901 |
| Reserves | | 16,265 | 12,056 | 16,265 |
| Retained Earnings | | 15,173 | 10,465 | 12,553 |
| Total Equity | | <u>58,339</u> | <u>49,422</u> | <u>55,719</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 2023

| | GROUP | | |
|---|---|---|---|
| | Six Months Ended 30 September 2023 \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| Notes | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Was Disbursed To: | | | |
| Interest Paid | - | (18) | (18) |
| Income Tax Paid | (670) | (1,528) | (1,689) |
| | <u>(670)</u> | <u>(1,546)</u> | <u>(1,707)</u> |
| Net Cash Outflows From Operating Activities | 4 <u>(670)</u> | <u>(1,546)</u> | <u>(1,707)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash Was Provided From: | | | |
| Associate and Joint Venture Investments | 2,613 | 3,215 | 6,564 |
| | <u>2,613</u> | <u>3,215</u> | <u>6,564</u> |
| Net Cash Flows From Investing Activities | <u>2,613</u> | <u>3,215</u> | <u>6,564</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash Was Applied To: | | | |
| Repayment of Shareholder Advance | (1,943) | (1,669) | (4,857) |
| | <u>(1,943)</u> | <u>(1,669)</u> | <u>(4,857)</u> |
| Net Cash Outflows From Financing Activities | <u>(1,943)</u> | <u>(1,669)</u> | <u>(4,857)</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.

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 24 November 2023.

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 2023.

2 Share Capital and Dividends

The authorised and issued share capital comprises 26,901,000 ordinary shares (30 September 2022 and 31 March 2023: 26,901,000 ordinary shares) which are fully paid up. All shares have the same rights and privileges.

| | GROUP | | |
|-------------------------------|---|---|---|
| | Six Months Ended 30 September 2023 \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| Share Capital | 26,901 | 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 2023 is 22.03% (31 March 2023: 27.61%).

The network assets of OtagoNet Joint Venture were revalued using discounted cash flow methodology on 31 March 2023 by an independent valuer. This resulted in a favourable gain, with the Group share of \$4,562,000 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 2023 \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| | Net Surplus After Taxation | 2,620 | 1,715 |
| Plus/(Less) Non Cash Items: | | | |
| Deferred Taxation | 106 | 119 | 288 |
| Share of Profits of Associates and Joint Ventures | <u>(3,413)</u> | <u>(2,393)</u> | <u>(5,113)</u> |
| | <u>(3,307)</u> | <u>(2,274)</u> | <u>(4,825)</u> |
| Plus/(Less) Movements in Working Capital: | | | |
| Increase/(Decrease) in Provision for Taxation | <u>17</u> | <u>(987)</u> | <u>(681)</u> |
| | <u>17</u> | <u>(987)</u> | <u>(681)</u> |
| Net Cash Outflows From Operating Activities | <u>(670)</u> | <u>(1,546)</u> | <u>(1,707)</u> |

5 Asset Classified as Held for Sale

Invercargill City Holdings Ltd (ICHL) 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.

In August 2022, the directors of Pylon Limited approved in principle the board resolution to sell its interest in RFELP to ICHL. 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 within the next twelve months.

The EIL investment in RFELP recognised as Assets Classified as Held for Sale was measured at lower of its carrying amount and fair value less costs to sell at balance sheet dates or 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 2023 (30 September 2022: Nil; 31 March 2023: 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 2023 \$'000 | Six Months Ended 30 September 2022 \$'000 | Year Ended 31 March 2023 \$'000 |
| Advances Provided from (Repaid to): | | | |
| Electricity Invercargill Ltd (Parent) | (1,943) | (1,669) | (4,857) |

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.

