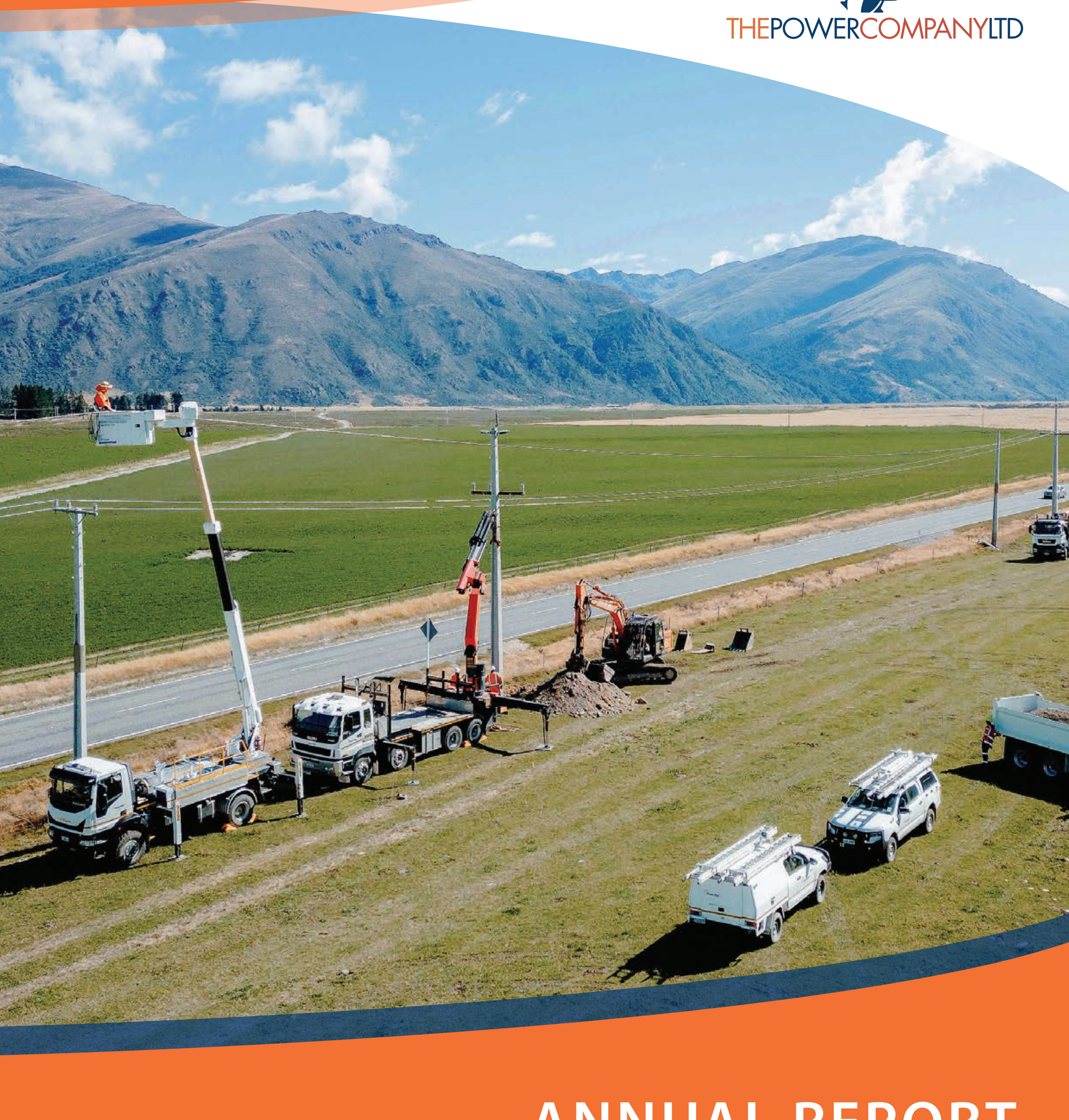
THEPOWERCOMPANYLTD



ANNUAL REPORT
2024

Front cover: Line construction on the Athol-Kingston line upgrade.

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Westpac New Zealand Ltd
Pricoa Private Capital
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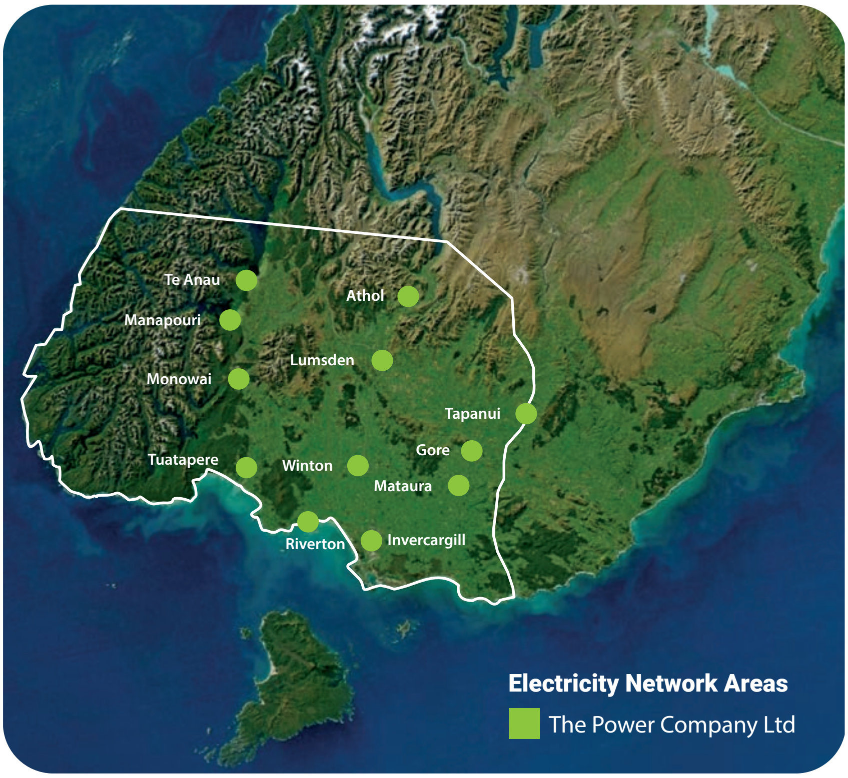
Legal Advisors
AWS Legal
Invercargill

Harmos Horton Lusk
Auckland

Treasury Advisor
Bancorp Treasury Services



About The Power Company Limited

Established in 1991, The Power Company Limited (TPCL) delivers power to over 37,850 homes and businesses across rural Southland and West Otago and is recognised as one of New Zealand's best-performing, primarily rural networks.

TPCL is fully owned by the consumers connected to the network through our Trust owners, the Southland Electric Power Supply Consumer Trust (Southland Power Trust). The Trust ownership structure ensures TPCL remains focused on delivering a safe, efficient and reliable power supply for our connected consumers.

TPCL's asset base is made up of 8,915km of power lines and 11,460 distribution transformers, with a capacity of 483.9 MVA. In 2023-24, we invested $54.7 million on capital and maintenance projects to enhance and improve TPCL's network. TPCL has a Regulatory Value of $464 million.

TPCL owns a 50% share of PowerNet Limited (PowerNet), the asset management company which is also owned 50% by Electricity Invercargill Limited (EIL). We also own 75.1% of the OtagoNet Joint Venture (OJV) network, and 75.1% of Lakeland Network Limited (LNL) in Queenstown-Lakes, Wānaka and Cromwell.

In the reporting period, TPCL also held a 25% share in the Southern Generation Limited Partnership (SGLP). On 17 May 2024, the partners of the Roaring Forties Energy Limited Partnership agreed to sell their 50% share of SGLP (held by TPCL and EIL equally) to Pioneer Energy Limited. The settlement was on 27 June 2024.

TPCL contracts PowerNet to manage, upgrade, and maintain our network and metering assets. PowerNet charges electricity retailers for line and metering services, pays transmission costs, and passes the revenue and expenses through to TPCL. The revenue provides a return on investment for TPCL and recovers our overheads, depreciation and operating costs. PowerNet recovers its costs through a charging regime on capital and maintenance work and through its fee for management services.

TPCL's other revenue is derived from capital contributions made by customers wanting to connect to our network, together with commercial returns from our investments in OJV, LNL and PowerNet, as well as returns in the reporting period from the SGLP assets we owned with EIL and Pioneer Energy Limited.

For TPCL, our role in the community is important to us. We are committed to the strong partnerships we have developed and the results we continue to deliver through managing high-performing critical infrastructure to provide a reliable supply for the regions we serve.

TPCL Statistics as at 31 March 2024	
Total Connected Consumers	**37,850**
Residential	28,234
Industrial	226
Commercial	9,390
Network length	8,915 km
Consumer density	4.2 consumers per km
Number of distribution transformers	11,460
Distribution transformer capacity	483.9 MVA
Maximum demand	164 MW
Total energy conveyed	898 GWh
Regulatory Value	$464 million

The voltage regulator for the Ōtātara reliability improvement project.

The Year in Review

2023-24 saw continued investment in TPCL's network to improve our service and to create the additional capacity required to meet the growth needs of our community. Capital expenditure totalled $41.9 million, with a further $12.8 million spent on maintenance.

Operational Performance

Athol-Kingston Line Upgrade

During the reporting year, we completed the design and commenced construction of the express line from Athol to Kingston as part of our multi-year investment project. These lines are being built for 22kV (with a future 66kV capability) to supply the new Kingston Zone substation.

Kaiwera Downs Wind Farm Connection

Our work with Mercury Energy on its 43MW wind farm at Kaiwera Downs was a significant project for the team during 2023-24. As part of the first stage, we completed the 33kV network connection to Transpower's Gore Grid Exit Point, which involved building overhead lines, installing underground cables and a new feeder circuit breaker. The site was commissioned in November 2023.

Ōtātara Reliability Improvement

To improve the security and reliability of the power supply to the Ōtātara region, we worked on a $400,000 upgrade project to the backup power line, which is now in its final stages. The work to date has involved re-conducting the supply from Bond Street and connecting and livening a voltage regulator at the Ōtātara end of the Stead Street embankment. Once the final associated line work is completed, this upgrade project will increase capacity and mean we can maintain supply if there is an outage on the main power line.

McNab Substation Upgrade

We completed our multi-year project to upgrade the McNab switching station to a 33/11kV substation. This addressed the increased electrical load required (for a High-Pressure Electrode Boiler) at the Mataura Valley Milk dairy factory.

Orawia Zone Substation Upgrade

We continued work to remove earthquake risks from the Orawia Zone substation's overhead equipment. This upgrade project is in its final stages and is due to be completed by mid-2024.

Earth Upgrades

We continued our $3.1 million programme to improve earthing installations and reduce network risks during faults. Upgrade works included the installation of additional earthing rods or banks, replacing surface material (asphalt or gravel) and regularly inspecting and testing all earth locations and conductive fences.

Customer Connections and Asset Replacements

Across the entire TPCL network, we invested $3.8 million in new customer connections during 2023-24, including $900,000 on new subdivisions. We also integrated 145 new connections to the network with the acquisition of the Heritage subdivision in Te Anau.

In total, $6.8 million was invested in line and pole replacements and upgrades as part of TPCL's ongoing commitment to providing a safe and reliable network.

The Power Company Limited Projects

Project	Approximate Expenditure
McNab substation upgrade	$7,100,000
11kV line replacement	$6,800,000
Athol-Kingston line upgrade	$5,400,000
New customer connections and subdivisions	$4,800,000
Kaiwera Downs wind farm connection	$4,100,000
Earth upgrades	$3,100,000

The Year in Review *continued*

SAIDI and SAIFI

As a consumer owned business, TPCL is exempt from the requirement to comply with the Commerce Commission's price quality regime. However, TPCL still calculates and measures itself against the quality limit that would have been in effect had it not been exempt.

There are two reliability metrics that are commonly used by electricity distribution businesses. They are SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index).

SAIDI measures the average outage duration for each customer served and is measured in minutes over the course of a year. SAIFI measures the average number of interruptions that a customer would experience over a year, measured in units of interruptions per customer.

The SAIDI and SAIFI metrics guide a distributor's consideration of investment in quality that reflects consumer expectations of price and quality.

Unplanned interruptions are also subject to normalisation. Normalisation limits the impact of unpredictable major events, such as severe weather events, being mistaken for signs of deterioration. To ensure we track TPCL's reliability performance according to SAIDI and SAIFI metrics, PowerNet investigates all significant events and outages on the network, on our behalf. This helps to identify failure modes so we can implement improvement plans to mitigate future occurrences.

PowerNet also has a web interface which displays the location of planned and unplanned power interruptions on a map with key information. This means TPCL's customers can easily understand the impact of power disruptions.

	Actual	Target	Cumulative Actual	Cumulative Target
TPCL SAIDI Planned	97.66	144.00	421.58	566.95
TPCL SAIFI Planned	0.660	0.600	2.8014	2.6545
TPCL SAIDI Unplanned	201.35	190.00		
TPCL SAIFI Unplanned	3.152	2.900		

During the reporting period, TPCL met both the annual and cumulative planned SAIDI targets. However, it exceeded the annual and cumulative planned SAIFI targets and the unplanned SAIFI and SAIDI targets. As an exempt business, there are no revenue penalties.

The Year in Review *continued*

Regulatory and Electricity Environment

Through our management agreement with PowerNet, TPCL continues to ensure all business operations are delivered within the scope of relevant regulations and standards.

We ensure our business complies with rules set by our industry regulators, the Commerce Commission and the Electricity Authority, as well as ensuring we conduct our business according to the relevant guidelines of WorkSafe New Zealand.

PowerNet, on behalf of TPCL, also works with the wider industry's representative organisations, such as Electricity Networks Aotearoa (ENA), to engage and contribute to the direction of electricity distribution in New Zealand. We are committed to a proactive approach to applying regulations in our work – through ensuring awareness and understanding of regulations and, where appropriate, input to regulations to ensure they are targeted, efficient and effective, and result in safe outcomes.

TPCL is committed to ensuring that we invest in our assets appropriately, that they are affordable and the costs are shared across different users and generations, and that shareholders can take appropriate risks to invest in the resources needed. Aotearoa, New Zealand is decarbonising and TPCL, as a distributor of electricity, will have an important role in making sure our communities have services and assets that can withstand the impacts of climate change and meet the changing needs of new technologies, such as electric vehicles, and electrification in commercial businesses.

We use electricity every day for heating, cooking, transport and business. It is fundamental to our health and wellbeing. TPCL is committed to achieving the transition to a safe and reliable electrified New Zealand.

Financial Performance

The Group operating surplus before discount, fair value adjustments, and tax was $22.3 million for the year ended 31 March 2024 ($19.1 million in 2023).

Fair value adjustments of $2.88 million provided an unfavourable contribution to the net surplus after tax (last year, a favourable $1.64 million). This was due to the value of interest rate derivatives improving but was offset by an increase in the value of the onerous contract provision from the penny-a-unit contract due to increased consumption under this contract.

The consolidated result for TPCL is:

	31 March 2024 $'000	31 March 2023 $'000
Operating Surplus Before Discount and Fair Value Adjustments	22,259	19,086
Less Discount to Customers	(8,652)	(8,063)
Surplus Before Tax and Fair Value Adjustments	13,607	11,023
Fair Value Adjustments		
Unrealised (Loss)/Gain on Derivatives (NZ)	(707)	3,736
Derivatives Financial Instrument (Loss)/Gain(US)	20	(726)
Loss on Onerous Contract	(2,200)	(1,366)
	(2,887)	1,644
Net Surplus Before Tax	**10,720**	**12,667**
Taxation Expense	(5,330)	(1,537)
Net Surplus After Tax	**5,390**	**11,130**

Acknowledgements

At TPCL, the partnerships we have forged are intrinsic to our success as a business.

We would like to take this opportunity to acknowledge the enduring commitment of the PowerNet team, who remain dedicated to providing our customers with a safe, efficient and reliable power supply. Their network management expertise has contributed to TPCL being one of the best-performing rural networks in New Zealand.

Also, our partnership with EIL continues to be invaluable to the future direction of our greater Southland region and is a relationship we value immensely – where our united approach to strategic goals is integral to ensuring we deliver value for our connected customers, and contribute to the growth of the communities we serve.

Asset Management Plan

TPCL's Asset Management Plan (AMP) outlines how network assets will be managed and developed to provide a safe, efficient and reliable electricity supply and service to our connected customers in the future.

Through its governance and management framework, TPCL's AMP outlines projects and operating expenditure planned for the network over the next 10 years.

We utilise customer input to develop our AMP, enhance our business activities, and assist us in our planning efforts to meet customer needs. As part of this, we work closely with customers and developers wanting to connect to TPCL's network so we can understand their requirements and use that information to assist us in developing our AMP.

TPCL's AMP identifies key short to medium-term projects, alongside service levels that need to be provided and maintained. The projects outlined in our AMP acknowledge the different customers that TPCL services, from small residential properties to major industries. It identifies future requirements, supported by the most suitable options to meet customer needs, and outlines how best to provide capacity for projected network growth.

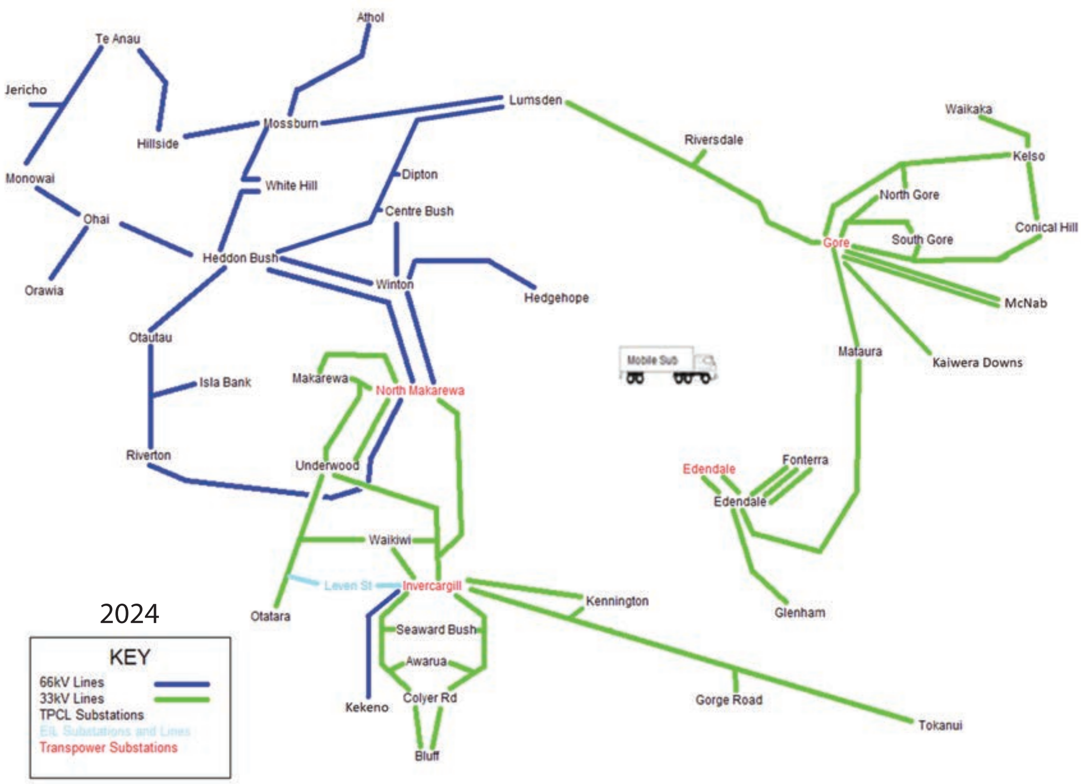
Network capital expenditure outlined in our 10-year AMP is forecast at $60.4 million in 2024-25, $38.1 million in 2025-26, and then $30-$77 million in each consecutive year. It reflects a significant programme of work to mature our asset management capability, support regional growth, and to improve our service provision for customers.

Investments outlined in the 2024-25 AMP include:

- New commercial and domestic connections, plus subdivisions ($4.44 million annually);
- New industrial and generation connections ($18.65 million in 2024-25);
- System growth ($7.63 million in 2024-25);
- Asset replacements and renewals ($21.4 million in 2024-25 and then $16.5-$21.2 million in each following year);
- Quality of supply projects ($0.53-$1.0 million annually); and
- Safety, environmental, and other projects ($2.9-$9.8 million annually).

TPCL's AMP reflects the transformation of our electricity system, primarily to enable process heat decarbonisation. At TPCL, we predict increasing uptake of alternative energy solutions as people embrace new technologies, take control of their energy use, and demand climate change action. Enabling this evolving environment has been an important strategic focus for TPCL and is reflected in our 10-year investment plans.

TPCL's AMP can be viewed at: TPCL Asset Management plan



TPCL's sub-transmission network map.

Supporting Our Community

At TPCL, we know that our success is only possible if the communities we operate in can continue to thrive and develop. Therefore, supporting our communities is intrinsic to our organisational ethos because it enables our region to become stronger.

That's why, together with the Southland Power Trust, we have continued to support our community in 2023-24 by providing:

- A significant discount to consumers connected to our network;
- Insulation and heating installations in the Southland and West Otago region through our support of the Southland Warm Homes Trust;
- The opportunity to access a free Wi-fi Smart Plugs to all TPCL connected consumers;
- Hato Hone St John first aid and mental health first aid training for community groups and supporting the delivery of Hato Hone St John's Whatuia te Wairoa | Weaving Wellbeing programme for students in years 7-8. In addition, our co-sponsorship of the ASB St John in Schools programme for students in years 5-6 has supported the health and wellbeing of children across our region.

Consumer Price Discount

TPCL was again delighted to deliver a price discount in September 2023, as it has done each year since 2001.

Through the price discount, a total of $9.83 million (including GST) was paid to electricity retailers and onto consumers' accounts across Southland and West Otago. This is a significant amount of money returning to southern communities and the largest amount given back to a community by any consumer/community-based entity in the southern region.

All residential consumers (connected at midnight on 31 August 2023) received a price discount of $0.21 cents per kilowatt hour (including GST), based on the power consumption recorded for their property. Eligible general consumers (connected at midnight on 31 August 2023) received a price discount, based on a combination of a percentage of fixed charges and $1.23 cents per kilowatt hour (including GST). Individual consumers (connected at midnight on 31 August 2023) received a price discount on an individually assessed basis (including GST).

Since 2001 our annual price discount has put $145.03 million back into our southern communities, via connected consumers' electricity retailers.

Smart Plug Promotional Scheme

During the reporting year, TPCL supported network consumers by helping them make more energy-efficient choices. In a joint promotion with EIL, we offered all consumers on both networks a free Wi-Fi-enabled Smart Plug.

The initiative was promoted through mail-outs, newspapers, digital advertising on social media, and through online news portals.

The promotion's distribution model allowed consumers to collect their Wi-Fi Smart Plug in-store and online. This resulted in 6,761 Smart Plugs being distributed to TPCL consumers, with over half redeemed online.

Southland Warm Homes Trust

TPCL continued to support PowerNet's administration services to the Southland Warm Homes Trust (SWHT), with our annual contribution (increasing to $150,000 following an increase in homeowner uptake of the Warmer Kiwi Homes programme).

The SWHT, in conjunction with the Energy Efficiency and Conservation Authority (EECA), has completed over 10,000 insulation and heating retrofits in Southland and West Otago since 2008.

The subsidised insulation and heating programme, Warmer Kiwi Homes, is targeted towards homeowners on low incomes or those who live in low socio-economic areas. The programme's success in recent years resulted in the Government committing funding in May 2023 to extend it to June 2027. This funding is administered by EECA through local service providers that meet installation and health and safety standards.

Under the Warmer Kiwi Homes programme, eligible homeowners can have up to 95% of their ceiling and underfloor insulation costs or a new efficient heating unit (heat pump or wood/pellet burner) funded by EECA. This includes the SWHT contributing 5-15% of the subsidy from community funding. To be eligible, homes must have been built prior to 2008, the homeowner (owner-occupier) must have a community services card, or the homeowner must live in an area identified as low-income.

In addition to the EECA/SWHT programme, SWHT and Awarua Synergy offer other subsidies of up to $2,000 to install insulation or an efficient heating unit for households with high health needs, or for those experiencing financial hardship.

Corporate Governance Statement

This statement provides an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Power Company Ltd (TPCL) Board is currently comprised of six non-executive Directors (the "Board") who are appointed by the Southland Electric Power Supply Consumer Trust (SEPSCT).

The Board is responsible for direction and governance, establishing and monitoring the strategic direction of the Company, with day-to-day management delegated to the Group Chief Executive.

The Board's responsibilities include the approval of the Groups overall objectives, overseeing financial and operational performance and ensuring adequate systems for the identification and management of risk. The Board acts within the Company's constitution and is committed to best practice governance, including partaking in ongoing professional development. New Directors undergo an induction process to assist with onboarding, through the joint venture management Company, PowerNet Limited.

The Board meets regularly during the financial year, with additional full meetings as required.

Performance Management

A review of the Group and board performance is undertaken at regular intervals. The reviews aim to identify and set plans for performance improvement and development.

Legislative Compliance

Legislative compliance is monitored through the Comply Watch and Comply With tools which are reviewed regularly and reported on quarterly.

Risk Management

TPCL acknowledges the critical importance of Risk Management within the business and aligns this with its joint venture management company PowerNet's vision of Safe, Efficient and Reliable Power to Communities.

PowerNet (for TPCL) has a risk management policy and framework incorporating the ISO 31000:2009 risk management processes. Risk management programmes are in place to ensure that risks are identified and mitigated, where possible, and that risk is considered when internal policies and procedures are drafted.

TPCL (via PowerNet) has recently achieved ISO 55001 Asset Management Systems – ISO 55001 accreditation. ISO 55001 provides TPCL with a system approach to asset management that meets specific requirements to establish, implement, manage, and continually improve its asset management system.

PowerNet has achieved the following certifications:

- Telarc - Integrated Systems Certificate – ISO 9001, ISO 14001, ISO 45001
- Telarc - Asset Management – ISO 55001
- Telarc - Public Safety – NZS 7901

The Board has overall responsibility for the Company's systems of operational and financial control.

The Board monitors the operational and financial aspects of the Company's activities and considers recommendations and advice of external and internal auditors and other external advisors on the operational and financial risks that face the Company.

The Group insures for liability loss exposures, including Directors & Officers Insurance.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and appropriate action is taken to ensure that the Company has an adequate control environment in place to manage the key risks identified.

Switch Gear replacement, Findlay Road (TPCL network).

Corporate Governance Statement *continued*

Statement of Intent

In accordance with the Company's Constitution, the board submits a draft Statement of Intent (SOI) to the Company's shareholders in March each year. After considering comments from those shareholders, the board approves the final SOI and a copy is placed on the Company's website by the end of April each year.

Health, Safety and Environment Committee

Through the PowerNet Health, Safety and Environment Committee, Directors also consider health, safety and environment risks.

The Board has a strong commitment to ensuring contractors, joint venture entities, PowerNet's employees and the public remain safe and well. The Board monitors the health, safety and environment aspects of the Group's activities, including through various Health, Safety and Environment Committees of joint venture entities.

Regular reports to the Board provide information on accidents, near misses and incidents, together with monthly data on health, safety and environment performance.

Risks are further identified through regular monitoring, using internal and external audits, reporting of accidents and near misses and formal risk reviews. Directors also focus on the management of critical safety risks by undertaking field observation visits using the RiskMentor tool to ensure the controls identified in the crucial control framework are being consistently applied on-site.

The Committee meets four times per year, with additional meetings as required.

The following TPCL Directors held office on the PowerNet Health, Safety and Environment Committee, during the year under review and were paid fees accordingly:

Peter Moynihan	Chair
Wayne Mackey	Member

Management Agreement Working Group (Special Purpose)

The Management Agreement (MA) Working Group (PowerNet) was formed for a finite period to oversee the development of new Management Agreements between PowerNet and its managed Networks. The MA Working Group is comprised of four non-executive Directors each representing PowerNet and the three Electricity Distribution Businesses (EDBs) that PowerNet manages, including a representative of TPCL.

The role of the MA Working Group is to provide support and advice to PowerNet and the EDBs, being Electricity Invercargill Ltd (EIL), TPCL, Lakeland Network Ltd (LNL) (previously Electricity Southland Ltd (ESL)) Boards, and the OtagoNet Joint Venture (OJV) Governing Committee, for the revision and update of new MAs between PowerNet and each of the EDBs.

It is the MA Working Group's role to ensure the MAs are developed in the best interests of the EDBs and PowerNet.

The MA Working Group met three times during the past year.

The following Directors were MA Working Group Members during the year under review:

Wayne Mackey	Member	Representing OJV
Murray Wallace	Member	Representing TPCL

External Auditor

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board. The Company's external auditor is PricewaterhouseCoopers (PwC). Adri Smit has been the Audit Partner since 2019.

The Board has determined that there are no matters that have affected the auditor's independence. PwC provide the Board with the required independence declaration for the financial year ended 31 March 2024.

Refer to Note 4 of the Financial Statements for Auditor remuneration.

Internal Audit

The management Company internal audit functions provide independent and objective assurance on the effectiveness of governance, risk management and internal controls across all business operations.

For external expertise, the Company works closely with Deloitte on outcomes of the internal audit programme to the extent that they are relevant to the financial statements.

Regular internal monitoring and review of controls and processes is also undertaken.


Northlake Subdivision, Wānaka (on the LNL network).

Our Investments

PowerNet Limited

TPCL has a 50% share in the region's network management company, PowerNet. The remaining 50% share is held by TPCL's joint venture partner, Electricity Invercargill Ltd.

PowerNet continues to deliver results for TPCL, with its performance measured by the value and efficiency of its network management, and its commercial growth and business development focus.

The activation of our renewed network management agreement with PowerNet at the start of the reporting year reflects the scale and asset management excellence of PowerNet's shared business model and demonstrates its capability as a network manager. The addition of unit-rate pricing during 2023-24 has enabled standardisation and operational efficiencies and has improved PowerNet's ability to schedule work on TPCL's network and utilise resources effectively and efficiently.

Our long-term agreement with PowerNet has been strengthened by our shared commitment to serving TPCL's customers with a power supply they can rely on. PowerNet has continued to develop TPCL's network – through the use of analytics and automation to future-proof the network, operating a 24/7 network system control and faults centre, and supporting the decarbonisation of our region through investment in new energy solutions.

Lakeland Network Limited (LNL)

TPCL, together with EIL, owns the Lakeland Network Limited (LNL) in the Queenstown-Lakes and Central Otago region. It was formed in 1995 as Electricity Southland Limited and was rebranded in 2021-22 to the Lakeland Network Limited. TPCL holds a 75.1% share, and regulatory reporting is under the Otago Joint Venture (OJV) network.

LNL's modern network has invested over $53 million in electricity infrastructure, where the reticulation utilises the 22kV underground cable backbone, which extends from Frankton Flats to the eastern and southern corridors.

During 2023-24, LNL has continued to enable and support the fast-paced growth of the region. Connections to the network reached 4,738 on 31 March 2024, with an annual increase in active connections of 602. This represents a significant increase in connections on the network in Queenstown, Frankton, Wānaka and Cromwell.

During the reporting period, we also continued to support the Hanley's Farm subdivision, (currently 1400 ICPs of a total of 1750 for that development). Queenstown Country Club is nearing completion with a new Dementia Care facility (350 ICPs in total). Work on the southern corridor strengthening project continued, which, once completed, will provide an alternative feed for Hanley's Farm and provide future reliability and strengthening for the area.

We also completed work at the Wooing Tree subdivision in Cromwell (280 lots). The Northlake subdivision in Wānaka (850 ICPs) is in its final stages, and the Hikuwai subdivision in Wānaka (250 ICPs) is 80% complete.

Looking ahead, the team is due to commence work for the Ginkgo Avenue apartment and hotel precinct at Remarkables Park (15 lots), the Park Ridge subdivision (650 lots), and the Classic (400 lots) and Silver Creek (760 lots) developments in the Wakatipu Basin. The Remarkables Zone substation will remain in its current location (within the Queenstown Airport precinct) to provide an opportunity to supply the Airport in its planned growth. There will also be an opportunity to extend the 22kV network down Frankton Road and provide Transport Hub charging in the future as part of the planned work with the New Zealand Transport Agency on the BP intersection.

Our Investments *continued*

OtagoNet Joint Venture (OJV)

OtagoNet Joint Venture (OJV) was formed in 2002 following the purchase of electricity network assets from the shareholders of the consumer co-operative company, Otago Power Ltd.

The network supplies 15,623 customers over a vast area of coastal and inland Otago - from Shag Point in the northeast through to St Bathans, and then extending south to the Chaslands.

OJV has a Regulatory Value of $239 million and is jointly owned by TPCL (75.1%) and EIL (24.9%).

During 2023-24, $21.6 million was invested in capital projects on the OJV network (which includes the LNL network) and $6.1 million was spent on maintenance. This programme of work included completion of the multi-year Port Molyneux Zone substation conversion project to address the corrosion caused by its coastal location. In addition, OJV continued its focus on installing Neutral Earth Resisters at Zone substations, together with constructing mobile substation sites (as required) to schedule routine maintenance on major equipment.

Southern Generation Limited Partnership (SGLP)

During the 2023-24 year, hydro generation conditions throughout the majority of the year and favourable wind generation over the summer months. This provided SGLP's investment partners with 10% higher income when compared to the previous financial year.

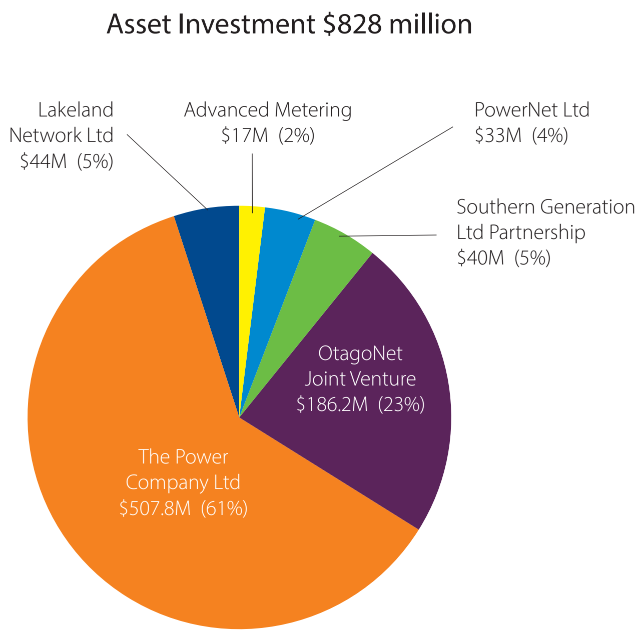
In 2023-24, the total generation output of SGLP's two wind generation sites and the six hydro power stations was 257.0GWh.

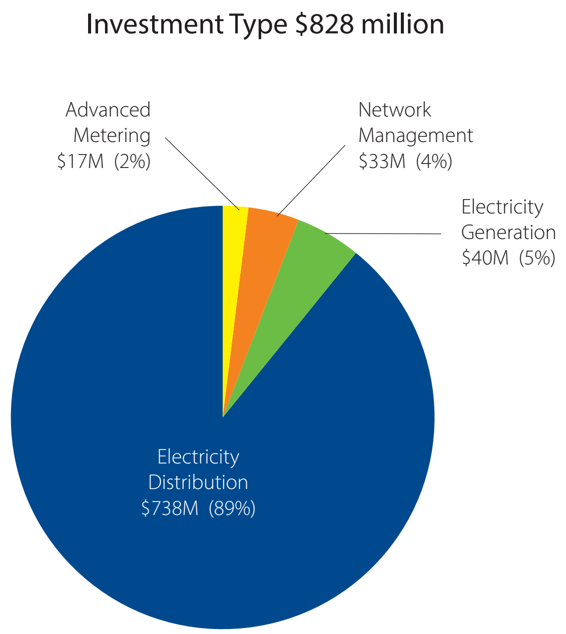
Southern Generation Limited Partnership assets.

Our Investments *continued*

TPCL Group – Asset Breakdown

The investment make-up by asset investment and investment type clearly illustrates TPCL's strategy of diversification being achieved within the electricity sector. TPCL's predominant investment has been in TPCL's electricity network, and this now makes up 89% of TPCL's investment portfolio. While renewable electricity distribution is by far the predominant investment type (at 89% of all investments), advanced metering and network management make up 6% of TPCL's investments, and there is now significant diversification into electricity generation. This diversification is important to secure long-term sustainable investment return.





Directors' Profiles

Peter Moynihan *(Chair) BAgSc, MInstD*

After completing his Lincoln degree, Peter embarked on a 33-year banking career leading Westpac's South Island Agribusiness team, managing over $5 billion of lending. Peter left the banking sector in June 2021. He has interests in three central Southland dairy farming businesses, and milks around 1,900 cows.

Peter is Chair of the Board of The Power Company Ltd, Lakeland Network Ltd, and the OtagoNet Joint Venture governing committee. He is also a Director of PowerNet Ltd and Chair of the PowerNet Health, Safety, and Environment Committee.

He is also a Member of the Institute of Directors.

Peter's comprehensive understanding of balance sheets, trading performance, risk, strategy and strategy implementation is useful for the governance roles in this industry.

James Carmichael *BE (Engineering), FEngNZ, CMInstD*

James has over 45 years' experience in the development of large infrastructure projects - as a professional engineering consultant, and then with PowerGen PLC in the role of Business Development Director in Southeast Asia.

James is a Director on the Board of The Power Company Limited, Chair of PowerNet, and Chair of PowerNet's Remuneration Committee. He is also a Director of Electra Limited.

He has held several governance roles including directorships on the boards of listed entities, including Ranhill Power (Malaysia) and Vector Ltd (New Zealand). He also provides independent strategic advisory and consulting services to companies seeking to expand their business internationally.

James has a Bachelor of Engineering from Canterbury University, is a Fellow of Engineering NZ (FEngNZ) and is a Chartered Member of the Institute of Directors New Zealand (CMInstD). He is also an alumnus of the Columbia University School of Business.

Wayne Mackey *BE (Electrical), MIEEE*

Wayne was the CEO of Network Tasman Ltd for 18 years. He has also held directorships with Nelson Electricity Ltd and SmartCo Ltd. From 1991-1998, he was CitiPower's General Manager and, prior to that, a City Energy Engineer with the Nelson City Council.

Wayne is a Director on the Boards of The Power Company Ltd, PowerNet Ltd, OtagoNet Joint Venture Governing Committee, and Lakeland Network Ltd. He is also a Member of the Institute of Electrical and Electronic Engineers.

Wayne has extensive industry knowledge through his experience leading an electricity network and related directorships.

Directors' Profiles *continued*

Wayne McCallum *MInstD*

For over 25 years, Wayne has been the Managing Director of McCallums Group – an award-winning group of family-owned companies based in Invercargill, recognised as industry leaders in innovation, service and sustainable business practices.He is also a Member of the Institute of Directors in New Zealand.

Wayne is a Director of The Power Company Limited and an observer on the PowerNet Board. He has a background as an industrial electrician, with experience in industrial automation, asset management, and lean manufacturing. He also has over a decade of practical experience in the successful decarbonisation of business operations.

With a keen interest in all facets of the energy sector, he has also been a member of the Wood Energy South Advisory Group.

Karen Sherry *QSM, BA, MA (Hons), LLB (Hons), C.FInstD*

Karen is a Director and Shareholder of the legal firm Donnell Sherry Ltd, where she specialises in commercial and trust law.

Karen is a Director on the Boards of The Power Company Ltd and PowerNet Ltd. She is also a current Director of the Energy Efficiency and Conservation Authority and of Electra Ltd.

Karen has 30 years' of experience in governance in the electricity industry. Karen was first elected to Entrust (formerly Auckland Energy Consumer Trust) in 1994 and was the longest-serving Trustee (including time as Chair) when she stepped down in 2021. She was one of two Trustees appointed to the Vector Board to represent Entrust's interests from 2006-2019. During her time with Entrust and Vector, Karen was a strong advocate for Entrust's consumer beneficiaries. Karen was also a Director of Mercury Energy Ltd from 1994-1999 and was the Chair of Energy Trusts of New Zealand Inc. from 2009-2022.

Karen was also a former Director of the Auckland SPCA and a Chartered Fellow of the Institute of Directors. In 2014 she was awarded the Queens Service Medal for her services to the electricity industry.

Murray Wallace *BCM CPA*

Murray brings over 15 years' experience from operating in senior management roles in the export-orientated wood manufacturing industries in Southland. He also has extensive commercial experience in international markets.

Murray is a Director of The Power Company Ltd and PowerNet Ltd.

With a BCM (Lincoln) and CPA (Australia), Murray has a strong background in accounting, risk management and financial control. He has a wealth of experience in business management and in the management of industrial manufacturing assets.

Murray undertakes advisory services for several businesses in New Zealand and is a Member of the Institute of Directors.

Statutory Report

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2024.

Result and Distribution

The Directors report that the Group's Net Profit after tax for the year under review was $5,390,000.

No dividends have been paid out or declared during the year by the Company.

Principal Activity

The principal activity of the parent entity TPCL is the provision of electricity distribution services. The Company's shareholder is the Southland Electric Power Supply Consumer Trust. The Group consists of TPCL, its subsidiaries, associates, and joint ventures.

State of Company's Affairs

The Directors consider the state of the Company's affairs to be satisfactory.

Directors Remuneration 2023/24

Remuneration paid or due and payable to Directors for services as a director and in any other capacity for TPCL including Committees, Joint Ventures and Subsidiaries during the year was bulk funded at $575,000:

Director	Appointment Date	Retirement Date	2023/2024
Peter Moynihan (Chair)	06 September 2017	-	$150,000
James Carmichael	1 August 2022	-	$85,000
Wayne Mackey	06 September 2017	-	$85,000
Wayne McCallum	29 September 2021	-	$85,000
Karen Sherry	1 August 2022	-	$85,000
Murray Wallace	1 November 2022	-	$85,000

Directors' Interests

The following entries were made in the Interests Register of the Company with regard to the Directors [Companies Act 1993, Section 189 (1) (c)]:

General

All Directors are interested in transactions with the Company involving the supply of standard network services, on standard terms and conditions, to premises in which they may have one or more of the following interests:

(a) Owner, either alone or jointly with others.

(b) Parent, child or spouse of another person who may have a material interest in a property.

(c) Director, officer or shareholder of a body corporate which may have a material interest in a property.

(d) Trustee or beneficiary of a trust which may have a material interest in a property.

Because the interest which Directors may have in such transactions is no different in kind, quality, benefit or obligation from transactions which the Company has with other network services customers, it is not intended to list such premises or properties in the Interests Register.

Statutory Report *continued*

Directors' Register

The Directors Register for The Power Company Ltd and its subsidiaries is as follows:

	PowerNet Limited	The Power Company Limited	OtagoNet Limited	OtagoNet Joint Venture	OtagoNet Properties Limited	Roaring Forties Energy GP Limited	Southern Generation GP Limited	Lakeland Network Limited	Last Tango Limited
James Carmichael	●	●	●	●	●			●	●
Karen Sherry	●	●							●
Murray Wallace	●	●							●
Peter Moynihan	●	●	●	●	●	●	●	●	●
Wayne McCallum		●							●
Wayne Mackey	●	●	●	●	●			●	●

Statutory Report *continued*

Directors' Disclosure of Interest Interests Register

Interest Register

Register of Directors External interests – for the year ended 31 March 2024 [Companies Act 1993, Section 189 (1) (c)]

James Carmichael

Aku Investments Limited	*Director*
Electra Limited	*Director*
Electra Generation Limited	*Director*
Electra Services Limited	*Director*
Horowhenua Wind Energy Limited	*Director*
PowerNet Limited	*Director*
JC2V Limited	*Director*
Parkwood Body Corporate	*Chairman*
Project Max Limited	*Non-Executive Director*

Karen Sherry

Donnell Sherry Limited	*Director / Shareholder*
Energy Efficiency and Conservation Authority (EECA)	*Member*
Electra Limited	*Director*
Electra Generation Limited	*Director*
Electra Services Limited	*Director*
Horowhenua Wind Energy Limited	*Director*
PowerNet Limited	*Director*

Murray Wallace

Biobiowood Limited	*Director*
Gorton Lumber Macro Limited	*Director / Shareholder*
Jethro & Associates Limtied	*Director / Shareholder*
Maxwell Wood Sdn. Bhd.	*Director*

Peter Moynihan

Aerodrome Farm Limited	*Director / Beneficial Shareholder*
Agristrategy Limited	*Director / Shareholder*
Rathmore Farm Limited	*Director / Shareholder*
Ravensdown Limited	*Director / Shareholder*
Shamrock Dairy Farms Limited	*Director / Shareholder*

Wayne McCallum

J A McCallum & Son Limited	*Director / Shareholder*
Selector Uniforms Limited	*Director*

Employee Remuneration

TPCL has no direct employees, therefore no remuneration declaration is required.

Donations

The Company did not make any donations during the period.

Use of Company Information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been made available to them.

Directors' and Officers' Insurance

Liability insurance was effected for Directors of the Company and its subsidiary companies.

Accounting Policies

There have been no changes in accounting policies during the year. These have been applied on a basis consistent with those used in the previous year.

For and on behalf of the Directors.

Peter William Moynihan
Chair

Murray John Wallace
Director

Southland Power Trust

The Southland Power Trust (SPT) was established in December 1997 to hold shares in TPCL on behalf of all consumers connected to the company's electricity network.

The Trust Deed sets out the rules governing the powers of the Trust. Trustees select board members and are responsible for the company's constitution.

Trustees' duties are to act on behalf of shareholders – that is, the consumers connected to the network who are Trust beneficiaries. Trustees serve a four-year term and elections to fill vacancies are held every two years.

The current SPT Trustees. Back row, L-R: Carl Findlater, David Rose, Wade Devine, Bernice Carlene (Secretary). Front row, L-R: Stuart Baird and Stephen Canny.

Trustees' Report

Governance and Consultation

After 26 years of operation of the Southland Electric Power Supply Consumer Trust (SEPSCT), Trustees are privileged to offer, on behalf of the consumers they represent, comments on the performance outlined in the 2023-24 The Power Company Limited (TPCL) Annual Report.

TPCL is a 100% Trust-owned business that manages investments on behalf of the SEPSCT (The Trust). The role of the Trust is to represent consumers as the owner of TPCL. The Trust ensures the customer is the priority, combined with the efficient use of power. The Company has afforded the Trust the opportunity to comment on the Company's Statement of Intent and Business Plan projections prior to these being finalised by TPCL's Directors. This is achieved through the Letter of Expectation, which the Board is reviewed against annually.

Focus, as always, is placed on the expectation that expenditure through the asset management plan, in regard to the network, will exceed depreciation. Return on capital investments and acquisitions is acceptable to the Trust and meets Board predictions. Debt levels are kept at ratios allowing for contingencies. Most importantly for our network are the price of distribution, quality of service our consumers receive, and the commitment to continuous improvement in the health and safety experience of our consumers and TPCL's joint venture company employees.

It has been a year of change for TPCL with a focus on the consumer. As electrification increases and demand grows, investment in the network becomes paramount to satisfy consumer needs. The rationalisation of investments and building capacity to cope with the change becomes essential.

The ability of a network to respond to change and demand revolves around latent fiscal capacity and the where for all to cope with the expected tsunami of expenditure in providing the required service to consumers. The flexibility of the network must be focused towards accepting changing loads due to wind and solar generation.

The network must cope with peer-to-peer trading and, I would add, a raft of future technologies yet to be operationalised. More than ever before, the consumer will become the driver in network development, a network based around a facilitative platform designed to accept a multitude of needs.

Our network company, similar to many others, is faced with these challenges and new technologies, converting what has historically been a very rigid, long-term planned asset into a dynamic, adaptive and facilitative one. That time has come where responsiveness will be the byword of successful networks.

Consumer-owned networks are built to meet the needs of the consumer, not the other way around. We are in a strong position that affords choices through well-planned maintenance, fiscal management, and futureproofing of our consumers' network.

Metering

Trustees are pleased with the way smart metering is assisting in maintenance planning illustrated by the excellent work being undertaken for Otatara residents.

The next step being "real-time" information for consumers, allowing self-management of their energy use and time of consumption to best fit their Retailer's plan. This was a stipulation related to the original roll-out of smart meters and a necessity in an atmosphere of many options and retail plans.

Core Business

The core business of TPCL is the ownership and management of assets in the electrical energy sector. The management of the assets is principally done through the joint venture company PowerNet Limited. PowerNet is the operative company providing asset management and administrative services to TPCL. These services are supplied to TPCL's partner in PowerNet, Electricity Invercargill Ltd (EIL).

Trustees' Report *continued*

Joint Ventures

Assets outside the Line Business

These joint venture businesses are partly owned by TPCL and are distinctly separate from the Southland and West Otago lines network. The Trust, although owning TPCL, has no input as shareholder, into these businesses. These businesses are PowerNet Limited, Roaring Forties Energy Limited Partnership (Roaring Forties), Southern Generation Limited Partnership, with OtagoNet Joint Venture and the Lakeland network.

Lines Operation

The TPCL Network is of critical importance to the continuing development of the districts (Southland and West Otago) local industries and competitiveness on the world market. We are a monopoly business tempered through consumer ownership through the Trust. Quality is critical in electrical power supply, metrics for this are listed later in the comment.

Line Charges

The current levels of pricing provide TPCL with a sustainable return on investment. This has enabled the Company to carry out the reinvestment on the network required, to meet the current and projected growth in load, to improve the quality of supply, and to provide a high level of service to customers.

Pricing is set to ensure it is in the best long-term interests of its consumer owners and network performance.

Trustees believe that the interests of customers are fully protected by the nature of the Consumer Trust Ownership model, with the regular election of Trustees by consumers. Power distribution is a monopoly business. Trustees feel the Trust Ownership model is a necessity for this type of asset and support the Trust's continuation. Trustees are supportive of the price and quality control exemptions for TPCL due to its consumer ownership under the Commerce Act.

Quality of Supply and Financial Metrics

The normalised System Average Interruption Duration Index (SAIDI) for unplanned interruptions on TPCL was 201.35 minutes, above the target supply quality limit of 190.00. Planned interruptions had a SAIDI quality limit of 144.00, which TPCL achieved with a result of 97.66 minutes for the year.

The normalised System Average Interruption Frequency Index (SAIFI) for unplanned TPCL interruptions was 3.15 events in comparison to the target supply quality limit of 2.90 events. SAIFI for planned interruptions was also above the target limit of 0.60 events, with a result of 0.67 events for the year.

Weather events are always a factor in these metrics, along with vegetation encroaching on lines and assets. The Trust realises these are average figures and individual experiences of consumers vary. This has prompted the Trust to consider other metrics, such as Standard Deviation, that will afford greater recognition of consumer experience.

Consumers Price Discount

An explicit price discount of $9.83 million (including GST) was paid to consumers in September 2023. Trustees believe the consumer price discount should remain relative to the company's growth in asset base and revenue. The price discounts totalling more than $145 million have been returned to consumers since 2001.

Financial

The Group achieved a satisfactory operating surplus of $22.3 million before discount, tax, and fair value adjustment ($19.1 million In 2023), and a Net Surplus After Tax of $5.4 million ($11.1 million in 2023). This reduction in profit was the result of the onerous contract (Gore penny a unit) and interest rate derivates locally and overseas.

Directors

There have been no changes to the Board since 2023. The Trust has received a resignation from Wayne McCallum, and he will be retiring at this AGM. We thank Wayne for his service to the Board. Wayne will be missed, and we wish him the very best in future endeavours.

Trustees and Directors maintain a sound and constructive working relationship, focused on the company's success and the obligation to our beneficiaries (the consumers).

We thank a very competent and well-respected Board for their work.

Trustees' Report *continued*

Southland Warm Homes Trust

Trustees continue to support the Southland Warm Homes Trust (SWHT) since 2008, which provides subsidies to householders in our network to foster warmer, healthier homes. Homeowners on our network have the ability to receive a subsidised energy assessment and insulation and heating installation if they meet the required criteria. The SWHT receives funding from local funders and the Central Government via the Energy Efficiency and Conservation Authority (EECA) through their many programmes over the years. Presently, the SWHT subsidises the EECA Grant homeowners receive and, by so doing, increasing the uptake of insulation and heating appliances in our region. Research has shown that every dollar spent on a warmer, drier home equates to $6.70 through savings in energy costs and hospital admissions. An extremely successful year for the Trust has been underwritten by TPCL and EIL. The Trust was very appreciative for their generosity. Thanks, must go to Allan Beck from PowerNet for administration services and contributing to the management of the SWHT.

Administration

Trustees wish to acknowledge the work of our Secretary, Bernice Carlene, Ben Nettleton, the Trust's Solicitor, and Chris Checketts, our Accountant.

Lastly but certainly not least, our consumers, whom it is our privilege to serve. This year will bring a new website, which the Trustees hope will assist in representing and staying in contact with our consumers.

Carl Findlater
Chair
Southland Electric Power Supply Consumer Trust

Approval by Directors

The Directors have approved the Consolidated Financial Statements of The Power Company Limited for the year ended 31 March 2024 on pages 23 to 51.

For and on behalf of the Board.

Peter William Moynihan
Chairperson

27 June 2024

Murray John Wallace
Director

27 June 2024

One of the three promotional signs for The Power Company Ltd along the Athol-Kingston line upgrade route.

Consolidated Financial Statements

Consolidated Statement of Service Performance (unaudited)

For the year ended 31 March 2024

The objectives of The Power Company Ltd for this financial year are specified in the Statement of Intent, which was set in consultation with the Shareholders. The performance targets and measures identified in the Statement of Intent, along with the performance achieved during the financial year, are detailed below.

Performance Targets

	Target	GROUP Achievement			
	2024	2024		2023	
	Inclusive of Discount	Inclusive of Discount	Exclusive of Discount	Inclusive of Discount	Exclusive of Discount
Financial Measures					
EBIT % - Percentage Earnings Before Tax and Interest on Assets Employed	3.18%	2.65%	3.62%	3.03%	4.05%
NPAT % - Percentage Tax Paid Profit on Equity	2.08%	1.68%	3.42%	1.95%	3.73%
Gearing Ratio	37.73	34.68		35.73	
Interest Cover Ratio	4.39	3.94		4.13	

Health & Safety

The Power Company Ltd contracts PowerNet Ltd to manage its operations. The Power Company Ltd employs no staff, therefore PowerNet Ltd's Health and Safety Performance targets are relevant.

Total Recordable Injury Frequency Rate	Target 2024	2024 Achievement	2023 Achievement
PowerNet Target (TRIFR)	3.10	1.00	1.00

Workplace health and safety continues to be a business priority and a critical success factor for the Group. PowerNet Ltd safety performance (TRIFR) in 2024 met the target. This was achieved through the implementation of the Critical Risk Framework, training and safety observations to mitigate risk and achieve safety targets. Two lost time injuries occurred on the The Power Company Ltd network during the 2024 reporting year.

Our health and safety environment risk management system is well embedded in our business activities. The system displays all information about incidents, hazards, risks, actions and audits on one platform, presenting incident workflows with ready access to investigation details and resolution actions. All leaders now use the system, which allows for easier management of public and workplace incidents. This system also identifies actions to ensure they are resolved to prevent future harm.

The Board has a strong commitment to ensuring employees, contractors and the public remain safe and well. The Board monitors the health, safety and environment aspects of the Group's joint venture entities, principally through the Health, Safety and Environment Committee.

Consolidated Statement of Service Performance (unaudited) *continued*

For the year ended 31 March 2024

	Target	Achievement	
	Year Ended 31 March 2024	Year Ended 31 March 2024	Year Ended 31 March 2023
System Average Interruption Duration Index (SAIDI)			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI Planned	144.00	97.66	90.78
SAIDI Unplanned	190.00	201.18	199.33
System Average Interruption Frequency Index (SAIFI)			
The average number of times each customer connected to the network is without supply.			
SAIFI Planned	0.60	0.67	0.64
SAIFI Unplanned	2.90	3.15	2.88

Planned SAIDI remained under the target due to the SAIDI reduction available for early notification of planned work to customers. Unplanned SAIDI and SAIFI were above target due to an increase in the number of outages due to adverse weather events. Planned work resulted in a small increase of SAIFI planned measure above target.

SAIDI and SAIFI are calculated using the methodology defined in Electricity Distribution Services Default Price Quality Path Determination 2020.

	Achievement	
	2024	2023
Supplementary Information		
Network Statistics		
Length of overhead line*	8,488 km	8,474 km
Length of underground cable	427 km	408 km
Total number of interruptions	1,996	1,867
Faults per 100km of line and cable	22.39	22.03
Transformer capacity MVA	484	477
Maximum demand MVA	164	160
Energy into network GWh	898	865
Total Consumers	37,850	37,590

* Excluding conductor lines under construction.

Consolidated Statement of Financial Performance

For the year ended 31 March 2024

	Notes	GROUP 2024 $'000	2023 $'000
Gross Revenue from Contracts with Customers		84,062	76,878
Discount to Consumers		(8,652)	(8,063)
Net Revenue from Contracts with Customers	2	**75,410**	**68,815**
Other Income	3	6,695	6,389
Operating Expenses	4	(61,989)	(59,238)
Operating Surplus Before Fair Value Gains/(Losses)		**20,116**	**15,966**
Fair Value Adjustments			
Unrealised Gain/(Loss) on Derivatives (NZ)	4	(707)	3,736
(Loss)/Gain on Onerous Contract	4	(2,200)	(1,366)
Derivative Financial Instrument Gain/(Loss) (US)	15	20	(726)
Fair Value Gains/(Losses)		**(2,887)**	**1,644**
Operating Surplus		**17,229**	**17,610**
Finance Costs	4	(15,841)	(13,416)
Share of Profits of Joint Ventures	10	9,332	8,473
Net Surplus Before Taxation		**10,720**	**12,667**
Taxation Expense	5	(5,330)	(1,537)
Net Surplus After Taxation		**5,390**	**11,130**

The accompanying notes on pages 29 to 51 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Notes	GROUP 2024 $'000	2023 $'000
Net Surplus After Taxation		5,390	11,130
Asset Revaluation	7	-	46,187
Other Comprehensive Income		-	46,187
Items that may be Subsequently Reclassified to Profit or Loss:			
Cash Flow Hedges			
Movement in the Cash Flow Hedge Reserve		(182)	695
Movement in Cost of Hedging Reserve		182	161
		-	856
Total Comprehensive Income		5,390	58,173
Total Comprehensive Income Attributable to Minority Interests	12	68	1,022
Total Comprehensive Income Attributable To Parent		5,322	57,151

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Notes	GROUP 2024 $'000	2023 $'000
Total Comprehensive Income			
Net Surplus for the Year Comprising:			
Parent Interest		5,322	57,151
Minority Interest	12	68	1,022
		5,390	58,173
Changes in Equity for the Year		5,390	58,173
Equity at Beginning of Year Comprising:			
Parent Interest		466,738	409,587
Minority Interest	12	6,215	5,193
		472,953	414,780
Equity at End of Year Comprising:			
Parent Interest		472,060	466,738
Minority Interest	12	6,283	6,215
	7	478,343	472,953

The accompanying notes on pages 29 to 51 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2024

	Notes	GROUP 2024 $'000	2023 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	421	304
Receivables and Prepayments	9	11,356	10,318
Inventories		87	87
Provision for Tax		2,456	-
Derivative Financial Instruments	15	200	94
Assets Classified as Held for Sale	10	39,570	-
Total Current Assets		**54,090**	**10,803**
Non-Current Assets			
Advances to Joint Ventures	10	26,556	25,806
Investments in Joint Ventures	10	195,391	232,788
Investment in Other Entities		222	239
Property, Plant and Equipment	11	602,863	579,107
Capital Work in Progress		21,919	21,478
Right-of-Use Assets	6	264	254
Derivative Financial Instruments	15	1,879	2,692
Total Non-Current Assets		**849,094**	**862,364**
Total Assets		**903,184**	**873,167**
LIABILITIES			
Current Liabilities			
Creditors and Accruals	13	19,600	21,378
Onerous Contract	17	926	814
Current Loans	15	103,660	-
Current Tax Liabilities		488	810
Contract Liabilities	14	9,171	3,056
Lease Liabilities	6	37	36
Total Current Liabilities		**133,882**	**26,094**
Non-Current Liabilities			
Term Loans	15	153,097	241,691
Deferred Tax Liabilities	16	101,872	99,218
Onerous Contract	17	17,338	15,250
Derivative Financial Instruments	15	8,178	9,906
Contract Liabilities	14	10,217	7,812
Lease Liabilities	6	257	243
Total Non-Current Liabilities		**290,959**	**374,120**
Total Liabilities		**424,841**	**400,214**
NET ASSETS		**478,343**	**472,953**
EQUITY			
Contributed Equity	7	70,160	70,160
Other Reserves	7	185,453	185,618
Retained Earnings	7	216,447	210,960
Group Equity		**472,060**	**466,738**
Minority Interest	12	6,283	6,215
Total Equity		**478,343**	**472,953**

The accompanying notes on pages 29 to 51 form part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 $'000	2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided From:			
Receipts from Customers		87,603	79,961
Interest Received		2,222	1,922
		89,825	**81,883**
Cash was Disbursed To:			
Payments to Suppliers and Employees		41,385	35,773
GST Paid/(Received)		69	54
Income Tax Paid		5,453	7,715
Interest Paid		12,849	11,084
		59,756	**54,626**
Net Cash Flows From Operating Activities	19	**30,069**	**27,257**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Provided From:			
Property, Plant and Equipment Sales		123	39
Sale of Investments		16	-
Distributions Received from Joint Ventures		7,160	9,127
Repayment of Advances by Joint Ventures		25,200	31,850
		32,499	41,016
Cash was Applied To:			
Property, Plant and Equipment Purchases		49,844	40,883
Advance to Joint Venture		25,950	31,213
		75,794	72,096
Net Cash Flows From Investing Activities		**(43,295)**	**(31,080)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was Provided From:			
Drawdown of Term Borrowing	15	13,379	3,893
		13,379	3,893
Cash was Applied To:			
Repayment of Term Borrowing	15	-	-
Principal Elements of Lease Payments	6	36	34
		36	34
Net Cash Flows From Financing Activities		**13,343**	**3,859**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		117	36
Add Opening Cash Brought Forward		304	268
Closing Cash and Cash Equivalents To Carry Forward	8	**421**	**304**

The accompanying notes on pages 29 to 51 form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2024

1 Statement of Accounting Policies

Reporting Entity

The Power Company Ltd, is a profit oriented limited liability company that was incorporated in New Zealand on 30 October 1990 and the address of its registered office is 251 Racecourse Road, Invercargill. The Company is wholly owned by a Consumer Trust (Southland Electric Power Supply Consumer Trust) and is registered under the Companies Act 1993. The Group consists of The Power Company Ltd, its subsidiaries, and its interest in jointly controlled entities referred to in Notes 10 and Note 21.

The principal activity of The Power Company Ltd is the provision of electricity distribution services.

The financial statements were approved by the Board of Directors on 27 June 2024.

Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as applicable for profit oriented entities and is stated in New Zealand dollars.

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) on the basis that it has no public accountability and is not a large for profit public sector entity.

In adopting NZ IFRS RDR, the Group has taken advantage of a number of disclosure concessions.

Going Concern

The Group is in a net current liablity position as at 31 March 2024 with $120 million of debt facilities falling due within the next 12 months. As referred to in the subsequent event note, asset sales have occurred and new facilities are in place. The Directors believe there is a sufficient future funding in place to support the going concern assumptions

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

(a) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired, exceeds the cost of acquisition, the difference is credited to the Statement of Financial Performance in the period of acquisition. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

(ii) Joint Ventures

Joint Ventures are those entities over which the Group has joint control established by contractual agreement. The financial statements include the Group's share of the joint venture entities' total recognised gains and losses on an equity accounted basis, from the date that joint control commences to the date that joint control ceases.

(iii) Transactions Eliminated on Consolidation

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(b) Inventories

Inventories are stated at the lower of cost using weighted average cost price, and net realisable value. Obsolete items of inventory (if any) are written off as identified.

(c) Use of Estimates and Judgements

The preparation of financial statements to conform to NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. In particular estimates and assumptions have been used in the following areas:

- Property, Plant and Equipment (Includes assumptions around useful life of assets Note 11)
- Derivative Valuation (Refer Note 15)
- Onerous Contract (Revalued to Fair Value, refer Note 17)
- Revenue (Timing of revenue as assessed under IFRS 15 guidance, refer Note 2)
- Network Asset Valuation (Revalued to fair value using discounted cash flow methodology, refer Note 11)
- Assets Held for Sale Classification (refer Note 10)

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements.

The Group operates extensive integrated electricity distribution networks comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved network asset management plans. The costs associated with recording and tracking all individual components replaced and removed from the networks substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the networks in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net surpluses or carrying values of the networks.

At a maximum of every five years, the Company obtains a valuation of their electricity distribution network, determined by independent valuers, in accordance with their accounting policy. The valuation of the Company's electricity distribution network was performed as at 31 March 2023. The best evidence of fair value is discounted cash flow methodology. The major assumptions used include discount rate, growth rate and future cash flows. Changes in future cash flows arising from changes in regulatory review may result in the fair value of the electricity distribution network being different from previous estimates. The fair value measurement of the distribution network is categorised under Level 3 of the fair value hierarchy.

The carrying amounts of the property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

(d) Goods and Services Tax (GST)

All amounts in the financial statements are shown exclusive of GST, with the exception of receivables and payables which are shown inclusive of GST.

(e) Seasonality

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

(f) Financial Assets

The Group classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value and

b) those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for such financial assets are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair Value Recognised in the the Profit and Loss (FVPL): Assets that do not meet the criteria for amortised cost or Fair Value Recognised in Other Comprehensive Income (FVOCI) are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Financial liabilities at amortised cost consist of trade and other payables and borrowings. Financial liabilities at amortised cost are measured using the effective interest rate method. Due to their short term nature, trade and other payables are not discounted.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

2 Revenue from Contracts with Customers

	GROUP	
	2024 $'000	2023 $'000
Electricity Delivery Services (including discount)	72,473	66,430
Capital Contributions	2,937	2,385
Total Revenue	**75,410**	**68,815**
Timing of Revenue Recognition		
Over time	72,473	66,430
At a Point in Time	2,937	2,385
Total Revenue	**75,410**	**68,815**

Electricity Revenue Services

Electricity delivery service revenue relates to the provision of electricity distribution services to both electricity retailers and directly contracted customers in the Southland Region. Electricity retailer delivery services are performed on a daily basis and considered a series of distinct goods and services provided over time. Prices are regulated and retailers are charged based on the published schedule and quantities delivered.

Since 2001, the Company has provided a discount to consumers. The discount is typically credited to consumers in or around August each year, when consumers tend to have higher power bills. This discount is based on consumption for the previous 12 months and has been considered variable consideration when determining the transaction price. Revenue is recognised over time using an output method based on the actual delivery services provided on a daily basis less a portion of the discount allocated overtime.

For directly billed customers, the Group has determined that the new investment and electricity delivery services promises within the contractual arrangement relate to a single performance obligation, to provide the required delivery service to the customer. The performance obligation has been assessed as being satisfied over time based on the duration of the contractual arrangement. The transaction price is fixed per year, billed monthly and includes all charges outlined in the arrangement. Revenue is recognised over time based on an output method, as the performance is satisfied on a straight line basis over the term of the contract commencing when the assets are commissioned.

Capital Contributions

Capital contributions revenue relates to contributions received from customers, excluding delivery service customers who are directly billed, for construction activities relating to the establishment of new connections or upgrades of an existing connection. The subsequent electricity distribution is contracted separately, interposed through a retailer, and is therefore not considered to impact the assessment of the customer or performance of the obligations of the capital contribution contracts. Pricing is fixed and contributions are paid prior to an assets being connected to the network. Capital contributions are recognised as revenue at the point in time when construction activities are completed and the asset is connected to the network.

3 Other Income

	GROUP	
	2024 $'000	2023 $'000
Interest	2,222	1,922
Subvention Income	300	132
Rental Income	554	539
Metering Rental Income	3,384	3,267
Sundry Income	235	529
Total Other Income	**6,695**	**6,389**

Metering Rental Income
Metering rental income represent amounts invoiced to customers based on their usage of the metering assets owned by the Group.

Interest Revenue
Interest income is recognised on a time proportion basis using the effective interest method.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

4 Expenses

	GROUP	
	2024 $'000	2023 $'000
Expenses Include:		
Auditors' Fees		
Audit of Financial Report - PwC	88	98
Information Disclosure - PwC	63	86
Regulatory & Advisory - PwC*	14	14
**2024 services include ReglatoryForecasting and 2023 servicesinclude fees for the Regulatory Forecasting and Price Setting*		
Depreciation		
Buildings (refer Note 11)	114	113
Plant and Office Equipment (refer Note 11)	6	7
Metering Assets (refer Note 11)	1,941	1,870
Network Assets (refer Note 11)	22,882	21,200
Depreciation Right-of-Use Assets (refer Note 6)	41	39
Total Depreciation	**24,984**	**23,229**
Bad Debts Written Off	-	5
Directors' Fees	575	384
Finance Expenses		
Interest Expense	15,841	13,416
Unrealised (Gain)/Loss on Derivatives	707	(3,736)
Total Finance Expenses	**16,548**	**9,680**
Loss/(Gain) on Onerous Contract	2,200	1,366
Loss on Disposal of Property, Plant and Equipment	634	805
Network Costs	20,992	18,971
Transmission Costs	12,153	13,824

Finance Costs

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets through the Statement of Financial Performance. All borrowing costs are recognised in the Statement of Financial Performance using the effective interest method, unless they are directly related to the construction of a qualifying asset that are capitalised.

5 Taxation

Current Tax

Income tax on the profit or loss for the period presented comprises current tax and additional or reversed deferred tax. Income tax is recognised in the Statement of Financial Performance except to the extent that it relates to items recognised directly in Equity, in which case it is recognised in Equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at Balance Sheet date, and any adjustments to tax payable in respect of previous years. Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred Tax

Deferred tax expense arises from the origination and reversal of temporary differences.

	GROUP	
	2024 $'000	2023 $'000
Operating Surplus/(Deficit) Before Income Taxation	10,720	12,667
Prima Facie Taxation at 28%	3,001	3,547
Permanent Differences	(443)	(340)
Tax Law Change in Building Depreciation	3,420	-
Prior Period Adjustment	(648)	(1,670)
Tax Expense	**5,330**	**1,537**
Made up of:		
Current Tax	2,676	2,746
Deferred Tax	(766)	(1,209)
Tax Law Change in Building Depreciation in respect of Deferred Tax Impact	3,420	-
Tax Expense	**5,330**	**1,537**

In March 2024, The New Zealand Government enacted the Taxation (Annual Rates for the 2023-24, Multinational Tax and Remedial Matters) Bill. As a result, from the 2024-25 income year onwards, the Group can no longer claim any tax depreciation on their buildings with estimated useful lives of 50 years or more in New Zealand. The Company assessed the accounting impact of this change, which resulted in an increased deferred tax liability recognised on property, plant and equipment.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

6 Leases

	GROUP	
	2024 $'000	2023 $'000
Right-of-Use Assets Net Book Value		
Equipment	264	254
	264	**254**
Lease Liabilities		
Current	37	36
Non-current	257	243
	294	**279**

Amounts Recognised in the Consolidated Statement of Financial Performance

The Consolidated Statement of Financial Performance shows the following amounts relating to leases:

	GROUP	
	2024 $'000	2023 $'000
Depreciation Charge of Right-of-Use Assets		
Equipment	41	39
	41	**39**
Interest Expense (included in Finance Cost)	14	13
	14	**13**

The total cash outflow for leases in 2024 was $50,574 (2023:$47,822).

6 Leases *continued*

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. The Group has leases with Transpower New Zealand Ltd, which are New Investment Contracts for the provision and upgrade of assets.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- any restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has elected not to recognise a lease liability for leases of low value assets. Payments made under such leases are expensed as incurred. Low value assets comprise of tenancy of network structure and repeater sites.

The expenses relating to payments not included in the measurement of the lease liability is $19,198 (2023:$20,286).

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

7 Equity

The authorised and issued share capital comprises 70,160,000 ordinary shares which are fully paid up and are not subject to a par value. All shares have the same rights and privileges.

	GROUP	
	2024 $'000	2023 $'000
Share Capital	**70,160**	**70,160**
Minority Interest	**6,283**	**6,215**
Asset Revaluation Reserve		
Opening Balance	186,519	141,515
Asset Revaluation	-	45,259
Revaluation Reversal due to Asset Disposal	(165)	(255)
Closing Balance	**186,354**	**186,519**
Cash Flow Hedge Reserve		
Opening Balance	(991)	(1,686)
Movement in Cash Flow Hedge Reserve	182	695
	(809)	**(991)**
Cost of Hedging Reserve		
Opening Balance	90	(71)
Movement in Cost of Hedging Reserve	(182)	161
Closing Balance	**(92)**	**90**
Total Reserves	**185,453**	**185,618**
Retained Earnings		
Opening Balance	210,960	199,669
Net Surplus/(Deficit) for the Year	5,322	11,036
Revaluation Reversal due to Asset Disposal	165	255
Closing Balance	**216,447**	**210,960**
Total Equity	**478,343**	**472,953**

Asset revaluations relate to the network assets of OtagoNet Joint Venture, Lakeland Network Ltd and The Power Company Ltd Group in 2023

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

8 Cash and Cash Equivalents

	GROUP	
	2024 $'000	2023 $'000
Current Account	421	304
Total Cash and Cash Equivalents	**421**	**304**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.

9 Receivables and Prepayments

	GROUP	
	2024 $'000	2023 $'000
GST Receivable	58	341
Trade Debtors	10,247	9,324
Prepayments	1,051	653
Total Receivables and Prepayments	**11,356**	**10,318**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

10 Investments in Joint Ventures

The Group has a participating interest in the following joint ventures through its wholly owned subsidiary Last Tango Ltd.

Joint Ventures	Country of Residence	Percentage Held By Group 2024	Percentage Held By Group 2023	Balance Date
PowerNet Ltd Group*	New Zealand	50%	50%	31 March
OtagoNet Joint Venture**	New Zealand	75.1%	75.1%	31 March
Roaring Forties Energy Ltd Partnership***	New Zealand	50%	50%	31 March

*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 2024 is 73.16% (2023: 72.39%).

**The Group holds a 75.1% voting right over OtagoNet Joint Venture.

*** Roaring Forties Energy Ltd Partnership has a 50% interest in 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 near Murchison and three Hydro Stations in the Eastland and King Country area.

	GROUP 2024 $'000	GROUP 2023 $'000
Interests in Joint Venture Entities are as follows:		
Carrying Amount at Beginning of Year	232,788	219,681
Revaluation Gain on Network Assets	-	13,761
Share of Equity Accounted Earnings of Joint Ventures	9,332	8,473
Drawings	(7,159)	(9,127)
Assets Classified as Held for Sale	(39,570)	-
Carrying Amount at End of Year	**195,391**	**232,788**

The Group's advances to joint ventures of $26,556,000 (31 March 2023: $25,806,000) are repayable on demand but with a 13 month notice period. The advances incur interest 3% above the 90 day bank bill rate.

Assets Classified as Held for Sale

The directors of Last Tango Ltd began negotiations to sell the interest in Roaring Forties Energy Limited Partnership to Pioneer Energy Ltd in November 2023. On the 15 May 2024, the sale was approved, with the transaction completing on the 27 June 2024. At 31 March 2024 TPCL's investment in RFELP has been reclassified as Assets Classified as Held for Sale. The investment held for sale was measured at the lower of its carrying amount or fair value less costs to sell at the time of 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.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

11 Property, Plant and Equipment

	Network Assets	Metering Assets	Land	Buildings	Plant and Office Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or Valuation						
Balance at 1 April 2022	626,768	29,470	483	5,641	107	662,469
Additions	29,828	1,248	-	48	-	31,124
Revaluation	15.065	-	-	-	-	15,065
Disposals	(1,120)	(11)	-	-	-	(1,131)
Balance at 31 March 2023	**670,541**	**30,707**	**483**	**5,689**	**107**	**707,527**
Balance at 1 April 2023	670,541	30,707	483	5,689	107	707,527
Additions	47,908	1,105	-	396	-	49,409
Revaluation	15,065	-	-	-	-	-
Disposals	(1,053)	(6)	-	-	-	(1,059)
Balance at 31 March 2024	**717,396**	**31,806**	**483**	**6,085**	**107**	**755,877**
Depreciation and Impairment Losses						
Balance at 1 April 2022	(130,457)	(9,659)	-	(674)	(50)	(140,840)
Depreciation for Year	(21,200)	(1,870)	-	(113)	(7)	(23,190)
Revaluation	35,324	-	-	-	-	35,324
Disposals	281	5	-	-	-	286
Balance at 31 March 2023	**(116,052)**	**(11,524)**	**-**	**(787)**	**(57)**	**(128,420)**
Balance at 1 April 2023	(116,052)	(11,524)	-	(787)	(57)	(128,420)
Depreciation for Year	(22,882)	(1,941)	-	(114)	(6)	(24,943)
Revaluation	-	-	-	-	-	-
Disposals	346	3	-	-	-	349
Balance at 31 March 2024	**(138,588)**	**(13,462)**	**-**	**(901)**	**(63)**	**(153,014)**
Carrying Amount/Book Value						
Book Value at 31 March 2023	554,489	19,183	483	4,902	50	579,107
Book Value at 31 March 2024	578,808	18,344	483	5,184	44	602,863

Capital Work in Progress is stated at cost and is not depreciated. It includes an accrual for the proportion of work completed at the end of the period.

Carrying amounts of property, plant and equipment had they been recognised under the cost model:

31 March 2023	432,848	19,184	482	4,901	48	457,463
31 March 2024	457,167	18,345	482	5,183	42	481,219

11 Property, Plant and Equipment *continued*

Owned Assets

All property, plant and equipment is recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs including borrowing costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if, when that cost is incurred, it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Financial Performance as an expense as incurred.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation at a maximum of every five years, based on discounted cash flow methodology. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying amount of the distribution network is not materially different from its fair value.

Any revaluation increase arising on the revaluation of assets is credited to the Asset Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the Statement of Financial Performance, in which case the increase is credited to the Statement of Financial Performance to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense in the Statement of Financial Performance to the extent that it exceeds the balance, if any, held in the Asset Revaluation Reserve relating to a previous revaluation of that asset.

When a revalued asset is sold or retired the attributable revaluation surplus remaining in the Asset Revaluation Reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

Valuation

The network assets of The Power Company Ltd and Lakeland Network Ltd were revalued to fair value using discounted cash flow methodology on 31 March 2023 by Ernst & Young who are an independent valuer. This resulted in a revaluation movement of $50.39 million. The valuation is based on a seven years forecast free cashflows and a calculated terminal value beyond the discrete cash flow period.

The following valuation assumptions were adopted;

- The free cash flows were based on the Company's three year business plan and asset management plan adjusted for non recurring or non arms length transactions and for transactions that arose from expansionary growth in the network after the date of the valuation.
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 6.10%.
- Annual inflation based on forecast from the New Zealand Treasury.
- RAB multiple range of 1.05 times for the terminal value.

Easements

Easements obtained in relation to access, construction and maintenance of network assets are capitalised. Such easements represent a right in perpetuity and are not depreciated and are carried at cost.

Depreciation

Depreciation is charged to the Statement of Financial Performance on a combination of straight line and diminishing value bases on all property, plant and equipment with the exception of land and easements, at rates calculated to allocate the assets' fair value, less any residual value, over their useful lives. The primary annual rates used are:

Buildings	2.00-13.50%	Straight line/Diminshing value
Network Assets (excluding land)	1.43-25.00%	Straight line/Diminshing value
Metering Assets	6.70-22.00%	Straight line/Diminshing value
Plant and Office Equiupment	5.00-50.00%	Straight line/Diminshing value

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

11 Property, Plant and Equipment *continued*

Impairment

At each reporting date the Group reviews the carrying amounts of its assets and assesses them for indications of impairment. If indications of impairment exist, then the assets' recoverable amounts are estimated in order to determine the extent of the impairment. The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects the market assessments of the time value of money and the risks specific to the assets involved. If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the Statement of Financial Performance, except to the extent that the impairment loss reverses a previous revaluation increase for that asset to the extent of that revaluation increase. When the asset does not generate cash flows independent of other assets, the cash generating unit (CGU) to which the asset belongs is tested for impairment.

12 Minority Interest

	GROUP	
	2024 $'000	2023 $'000
Opening Balance	6,215	5,193
Minority Interest Share of Revaluation	-	928
Minority Interest Share of Net Surplus	68	94
Closing Balance	**6,283**	**6,215**

The Minority Interest relates to the 24.9% interest in the Lakeland Network Ltd.

13 Creditors and Accruals

	GROUP	
	2024 $'000	2023 $'000
Trade Creditors	9,803	11,424
Accruals	9,797	9,954
Total Creditors and Accruals	**19,600**	**21,378**

Trade and other payables are stated at amortised cost.

14 Contract Liabilities

	GROUP	
	2024 $'000	2023 $'000
Contract Liabilities are as follows:		
Carrying Amounts at the Beginning of Year	10,868	3,334
Received in Current Year	12,060	10,244
Recognised as Revenue in Current Year	(3,540)	(2,710)
Carrying Amount at End of Year	**19,388**	**10,868**
Made up of:		
Current Contract Liabilities	9,171	3,056
Non-Current Contract Liabilities	10,217	7,812

Contract Liabilities are capital contributions received but not yet recognised as the asset has not yet been commissioned or the contractual obligation spans multiple years.

15 Term Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; using the effective interest method, except borrowings subject to fair value hedges which are adjusted for effective changes in the fair value of the hedging instrument.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after balance date.

	GROUP	
	2024 $'000	2023 $'000
ANZ Committed Cash Advance	40,000	40,000
Westpac Revolving Cash Advance	63,660	51,381
US Private Placement US$	94,810	92,976
US Private Placement NZ$	50,000	50,000
Advance – Southland Electric Power Supply Consumer Trust	1,597	1,797
Advance – Electricity Invercargill Ltd	6,690	5,537
	256,757	**241,691**

Bank Facilities

The Group has a Cash Advance Facility of $80 million (31 March 2023: $70 million) with Westpac. The facility has revolving two and three year terms and is extendable annually by agreement between the Group and Westpac and includes a $40 million Green loan tranche which has a green asset requirement covenant. $50 million of this facility matures in July 2024 with the remainder maturing in November 2024 and has been classified as a current liability.

The Group has a Cash Advance Facility of $40 million (31 March 2023: $40 million) with ANZ. The facility matures in July 2024 and has been classified as a current liability.

Prior to the preparation of these financial statements, replacement Cash Advance Facilities of $120 million for a three year term are in place.

The facilities provide for drawdowns to be made ranging from overnight to six months and are subject to interest rates at Bank Bill Buy Rates plus a margin. The facilities are unsecured and subject to a Deed of Negative Pledge.

At balance date the Group had active interest rate swaps on the above facilities which total $92 million (31 March 2023: $102 million) at interest rates between 1.43% and 4.75%, excluding bank margins.

US Private Placement Notes

The Group completed a USPP Note issuance in February 2020, securing US$65 million of long term debt. The USPP comprised two tranches, US$40 million 10 year Notes with a coupon of 3.23% and US$25 million 11 year Notes with a coupon of 3.28%. In conjunction with the USPP issuance, the Group entered into cross currency interest rate swaps (CCIRS) to formally hedge the exposure of interest rate and foreign currency risk over the term of the notes and is described in more detail below.

At 31 March 2024, the US$ USPP Notes had a fair value of $94.8 million (31 March 2023 $92.9 million). This debt is carried in the consolidated statement of financial position at amortised cost plus a fair value adjustment under hedge accounting requirements and the translation to New Zealand dollars using foreign exchange rates at balance date. The fair value adjustment amounted to ($7.2 million) (31 March 2023 ($9.6 million)).

The Group completed a further USPP Note issuance on 20 May 2021, securing NZ$50 million of long term debt. The NZ$ USPP comprised of one tranche for 12 year Notes at a fixed interest rate of 3.80%.

This facility is unsecured and subject to a Deed of Negative Pledge.

15 Term Borrowings *continued*

Advance - Southland Electric Power Supply Consumer Trust

The Group has an unsecured, interest bearing Advance with the Southland Electric Power Supply Consumer Trust which is repayable on demand with a 13 month notice period. Interest is payable at 7% and if demanded is added to the loan.

Advance - Electricity Invercargill Ltd

Lakeland Network Ltd has an advance with Electricity Invercargill Ltd is repayable on demand but with a 13 month notice period. Interest on the Advance is paid quarterly at 3.00% above the 90 day bank bill rate and totaled to $534,000 in the current year (2023:$509.000).

Hedging Activity and Derivatives

The Group makes limited use of hedge accounting, doing so only for USD borrowings and the CCIRS financial instruments that are used to economically hedge these exposures.

The CCIRS's transform a series of known fixed interest rate cash flows in a foreign currency to floating rate NZD cash flows, mitigating exposure to the interest rate and foreign currency risks that arise from the Group's USPP notes.

The USD borrowings are fixed rate liabilities and thus present interest rate risk, should benchmark interest rates change. The fair value hedge component of the CCIRS hedges US fixed interest rates to US floating interest rates.

The change in the fair value of the hedged risk is attributed to the carrying value of the USPP debt. This debt revaluation is recognised in the statement of financial performance to offset the mark-to-market revaluation of the hedging derivative. Any residual difference is referred to as hedge ineffectiveness.

The combination of USD borrowings and CCIRS economically results in the Group having floating NZD borrowings. This represents a risk of variability in future cash flows. As such, the Group designates the risks into cash flow hedge relationships. The fair value of the hedged risks are recognised in the Statement of Financial Performance with the effective portions of the hedges moved from the Statement of Financial Performance to the cash flow hedge reserve within equity. As noted earlier, there may be small differences between the above entries which result in hedge ineffectiveness in the Statement of Financial Performance.

Changes in the fair value of the cost to convert foreign currency to NZD of CCIRS are excluded from the designation and are seperately recognised in other comprehesive income in a cost of hedging reserve.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The Power Company Ltd determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors, repricing dates, maturities and notional amounts. The Power Company Ltd assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedged relationships the main source of ineffectiveness is the effect of the counterparty and The Power Company Ltd's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

All hedging instruments can be found in the derivative financial instruments's assets and liabilities in the statement of financial position. Items taken to the Statement of Financial Performance have been recognised in the derivative financial instrument (gain)/loss (US).

The cash flow hedge reserve records the effective portion of the fair value of interest rate swaps that are designated as cash flow hedges. Amounts transferred to the income statement are included in interest expense and other finance costs.

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

16 Deferred Taxation

Deferred Taxation 2023	$'000 Balance as at 1 April 2022	$'000 Charged to the Income Statement	$'000 Charged to Equity	$'000 Balance as at 31 March 2023
Depreciation	81,908	(2,167)	17,962	97,703
Capital Contributions	3,970	234	-	4,204
Onerous Contract	(4,115)	382	-	(3,733)
Tax Losses	(134)	(170)	-	(304)
Right of Use Assets	35	9		44
Lease Liabilities	(38)	(10)		(48)
Discount	1,296	28		1,324
Other	(949)	724		(225)
Hedging Movement	492	(239)	-	253
	82,465	**(1,209)**	**17,962**	**99,218**

Deferred Taxation 2024	$'000 Balance as at 1 April 2023	$'000 Charged to the Income Statement	$'000 Charged to Equity	$'000 Balance as at 31 March 2024
Depreciation	97,703	4,294	-	101,997
Capital Contributions	4,204	(991)	-	3,213
Onerous Contract	(3,733)	(616)	-	(4,349)
Tax Losses	(304)	11	-	(293)
Right of Use Assets	44	(6)	-	38
Lease Liabilities	(48)	(14)	-	(62)
Discount	1,324	(28)	-	1,296
Other	(225)	4	-	(221)
Hedging Movement	253	-	-	253
	99,218	**2,654**	**-**	**101,872**

The primary component of the deferred tax balance is related to property, plant and equipment assets. There is not expected to be any significant reversal of deferred taxation in the next 12 months.

Deferred tax is recognised using the Balance Sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxation profit or loss.

Deferred tax is recorded using tax rates enacted or substantially enacted at the Balance Sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

17 Provision for Onerous Contract

	GROUP	
	2024 $'000	2023 $'000
Current Portion	926	814
Non-Current Portion	17,338	15,250
Provision for Onerous Contract	**18,264**	**16,064**

A liability had been recognised in relation to the Group's obligations under an onerous contract agreement. A provision of $18,264,000 (2023: $16,064,000) has been established for this onerous contract. A Deferred Tax Asset of $5,113,000 (2023: $4,497,000) has also been recognised in relation to this onerous contract.

The following valuation assumptions were adopted;

- The discount rate used was 6.41% being derived from the long term nominal risk free rate provided by Treasury for accounting valuation purposes used as an input into a weighted average cost of capital calculation.
- The CPI increases used were 1.99%
- The corporate tax rate used was 28%
- The sustainable growth adjustment used was 0.5%

18 Commitments

(a) Capital Commitments

The Group has capital expenditure contracted for but not provided for in the Consolidated Financial Statements.

	GROUP	
	2024 $'000	2023 $'000
Capital Commitments	26,249	21,549
Total Capital Commitments	**26,249**	**21,549**

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

The following is reconciliation between the Net Surplus After Taxation shown in the Consolidated Statement of Financial Performance and the Net Cash Flows From Operating Activities.

	GROUP	
	2024 $'000	2023 $'000
Net Surplus After Taxation	**5,390**	**11,130**
Plus/(Less) Non Cash Items:		
Depreciation	24,985	23,228
Deferred Taxation	2,654	(1,209)
Interest Rate Derivatives (US$)	106	1,229
Interest Rate Derivatives (NZ$)	707	(3,736)
Net SEPSCT Transactions	(200)	(177)
Onerous Contract	2,200	1,366
Share of Profit of Associates and Joint Ventures	(9,332)	(8,473)
	21,120	12,228
Items not Classified as Operating Activities		
Loss on Disposal of Property, Plant and Equipment	633	805
	633	805
Plus/(Less) Net Movements in Working Capital:		
Creditors and Accruals	(1,780)	1,571
Receivables and Prepayments	(1,037)	(1,092)
Contract Liabilities	8,520	7,534
Inventories	-	49
Income Tax Payable	(2,777)	(4,968)
	2,926	3,094
Net Cash Flows From Operating Activities	**30,069**	**27,257**

20 Financial Instruments

The Group uses a variety of financial instruments to manage its risks associated with interest rates and foreign currency. Derivative financial instruments are recognised at fair value. A small number of derivatives are designated in hedge accounting relationships (refer to Note 15 for further details). The Group does not engage in speculative transactions.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

20 Financial Instruments *continued*

Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and short term investments, hedging instruments and trade receivables. Cash, short term investments, hedging instruments are placed with banks with high credit ratings assigned by international credit rating agencies, or other high credit quality financial institutions.

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Group is exposed to a concentration of credit risk with regard to the amounts owing by energy retailers at balance date for Line Charges as disclosed in Note 9 Receivables and Prepayments (amongst Trade Debtors). However, these entities are considered to be high credit quality entities.

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations.

The Group evaluates its liquidity requirements on an ongoing basis. To reduce concentration risk on any lender or funding type the Group uses a range of different funding sources and currencies. In general the Group generates sufficient cash flows from its operating activities to meet its contractual obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

The Group uses interest rate swap agreements to manage its exposure to interest rate movements on its borrowings. The treasury policy set by the Board requires that interest rate swap agreements are in place to ensure adequate hedging is maintained within a series of time periods.

Where the Group borrows in foreign currency it uses CCIRS to swap all foreign currency demoninated interest and principal repayments to reporting currency. This results in floating rate borrowings in the entity's reporting currency.

The interest rate agreements are held with independent and high credit quality financial institutions. The credit risk is limited because the counterparties are banks with high quality credit ratings assigned by international credit rating agencies.

Foreign Exchange Risk

The Group is subject to foreign exchange risk due to exposure to the US Dollar from USPP borrowings.

This exposure has been fully hedged by way of cross currency interest rate swap, hedging US Dollar exposure on both principle and interest.

The cross currency interest rate swaps correspond in amount and maturity to the relavent US Dollar borrowings with no residual foreign currency risk exposure.

Fair Value

The estimated fair value of the Group's financial instruments are represented by the carrying values.

Capital Management

The Group's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

21 Transactions With Related Parties

The Power Company Ltd has an interest in the PowerNet Ltd Joint Venture, the OtagoNet Joint Venture, Lakeland Network Ltd, and the Southern Generation Ltd Partnership through their wholly owned subsidiary company Last Tango Ltd.

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

Material transactions the Group have had with the abovementioned parties during the year are as follows:

	GROUP	
	2024 $'000	2023 $'000
Goods and Services Supplied to:		
PowerNet Limited (Joint Venture)	3,395	2,597
OtagoNet Joint Venture	60	60
Receivables Outstanding at Balance Date (GST incl):		
PowerNet Limited (Joint Venture)	652	558
OtagoNet Joint Venture	6	6
Goods and Services Supplied by:		
PowerNet Limited (Joint Venture)*	69,640	58,230
Creditors Outstanding at Balance Date (GST incl):		
PowerNet Limited (Joint Venture)	9,384	11,267
Advances Provided to:		
Southland Electric Power Supply Consumer Trust	126	138
PowerNet Limited (Joint Venture)	25,950	31,213
Advances Repaid to:		
Southland Electric Power Supply Consumer Trust	326	315
PowerNet Limited (Joint Venture)	25,200	31,850

* This relates to asset maintenance and construction of $64,302 (2023: $53,293) and management services of $5,338 (2023: $4,937).

Notes to the Financial Statements *continued*

For the year ended 31 March 2024

21 Transactions With Related Parties *continued*

Other Related Parties

There have been no material transactions between The Power Company Ltd Group and Directors.

The Southland Electric Power Supply Consumer Trust owns 100% of the shares in The Power Company Ltd. The Power Company Ltd has a $1,597,000 (2023: $1,797,000) unsecured interest bearing loan with the Southland Electric Power Supply Consumer Trust.

During the year expenses were paid out on behalf of the Trust totalling $326,000 (31 March 2023: $315,000). The expenses paid by The Power Company Ltd on behalf of the Southland Electric Power Supply Consumer Trust have been deducted from the loan and interest of $126,000 (31 March 2023: $138,000) has been added to the loan.

All capital commitments disclosed are with PowerNet Ltd.

Key Management Personnel

Compensation to the Directors of The Power Company Ltd, appointed to the board of it's Joint Ventures and subsidiaries is included in the total 2024 Directors fees for The Power Company Ltd paid below.

	GROUP	
	2024 $'000	2023 $'000
Directors Fees	575	384

There have been no other transactions with the Directors.

22 Subsequent Events

On the 17 May 2024 the parties of Roaring Forties Energy Partnership agreed to sell their 50% share of Southern Generation Limited Partnership to Pioneer Energy Limited. Settlement has been agreed for 27th June 2024 at a sale price of $106m. Following the settlement date the intention is to distribute the surplus funds to the respective partners and dissolve the Roaring Forties Energy entities.

A dividend of $4,000,000 was paid by the Company to its shareholder SEPSCT on 30 April 2024. On the same date $3,722,000 was loaned back on the same terms and conditions as the existing loan to the Company, being 7.0% per annum and with a 13 month notice period for repayment.

On 25 June 2024, the Cash Advance Facility Agreements with $120 million maturing on the next 12 months were extended, with $90 million of facilities extended for a term of three years. There were no changes to the terms, and conditions. The remaining facility of $30 million will be repaid before it matures in November 2024.

There were no other material events subsequent to balance date.

Auditor's Report

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Independent Auditor's Report

To the Shareholder of The Power Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of The Power Company Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2024;
- the consolidated statement of financial performance for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012 and other regulatory requirements of the Commerce Act 1986. Our firm also provides regulatory training and advisory services. The provision of these other services have not impaired our independence as auditor of the Group.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report (but does not include the consolidated financial statements and our auditor's report thereon). The other information we obtained prior to the date of this auditor's report comprised the consolidated statement of service performance. The remaining other information is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants
27 June 2024
Christchurch

THEPOWERCOMPANYLTD