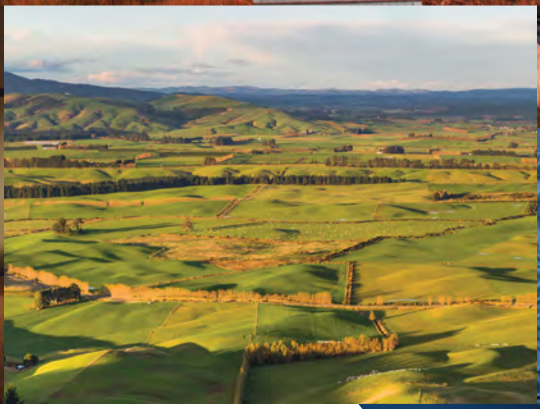
Group Annual Report
2025



THEPOWERCOMPANYLTD

Maintenance work at Heddon Bush.

Contents

Directory

Registered Office
251 Racecourse Road
PO Box 1748
Invercargill 9840
New Zealand
Telephone: 03 2111899
Website: www.tpcl.co.nz
Email: enquiries@powernet.co.nz

Principal Bankers
ANZ Bank New Zealand Ltd
Westpac New Zealand Ltd
Pricoa Private Capital
(United States Private Placement)

Auditors
PricewaterhouseCoopers
Christchurch

Legal Advisors
AWS Legal
Invercargill
Harmos Horton Lusk
Auckland

Treasury Advisor
Bancorp Treasury Services

Telarc. Integrated Systems Certification
ISO 9001
ISO 14001
ISO 45001

Telarc. Registered
Asset Management
ISO 55001

Telarc. Registered
Public Safety
NZS 7901

Cover Images: Hump Ridge Track, Southland. Photo: Great South. Forest Hill Walk, Southland. Photo: Central Otago Image Library.

The Power Company Limited Group

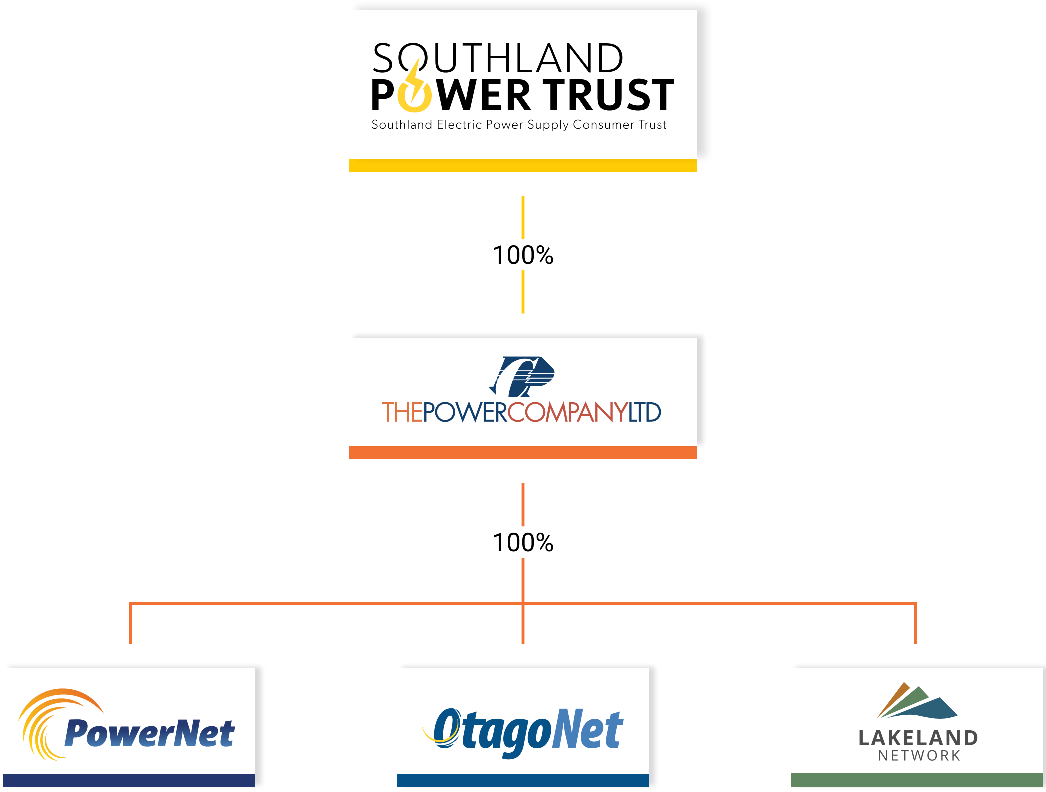
Delivering safe, efficient, and reliable power supply to communities in the southern region through owning high-performing critical infrastructure has always been important to us.

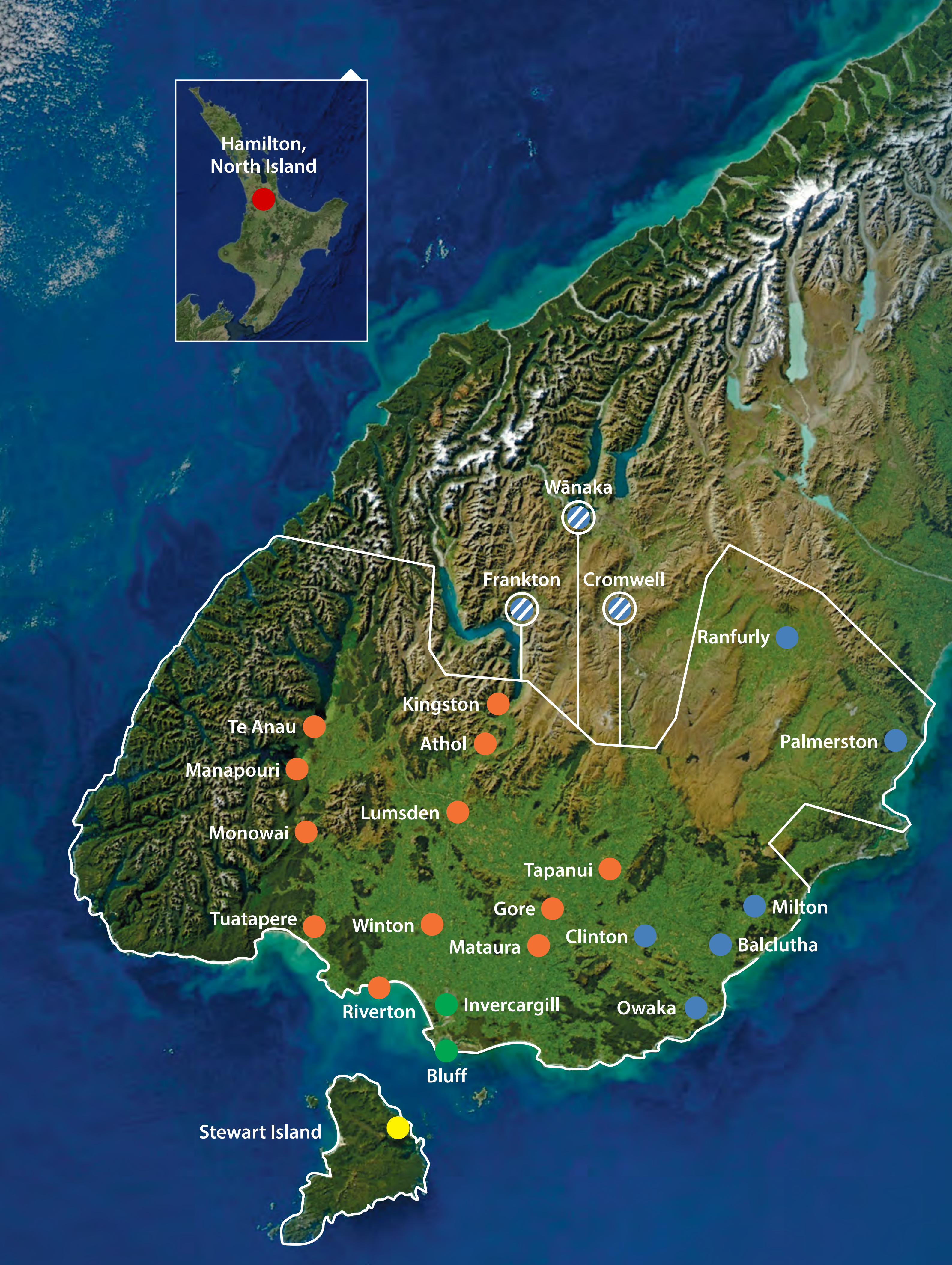
This was reinforced in November 2024 when the owners of The Power Company Limited (TPCL), the Southland Power Trust, announced the 100% ownership of OtagoNet (OJV), Lakeland Network Limited (LNL) and PowerNet Limited (PowerNet) to form TPCL's Group.

The 100% ownership of our investments to form the Group reflects the acquisition of the shares formerly held by Electricity Invercargill Limited (EIL). The new Group structure provides a significantly simplified organisational model with improved governance, management and operational efficiencies.

By consolidating ownership and management of the region's local electricity networks, we are also better positioned to take advantage of growth opportunities that will directly benefit our customers across the southern region.

Our Structure




Hamilton,
North Island
Wānaka
Frankton
Cromwell
Ranfurly
Kingston
Te Anau
Athol
Palmerston
Manapouri
Lumsden
Monowai
Tapanui
Gore
Milton
Tuatapere
Winton
Clinton
Mataura
Balclutha
Riverton
Invercargill
Owaka
Bluff
Stewart Island

Our Electricity Assets

The Group's network manager, PowerNet, builds and maintains the electricity distribution networks owned by the Group - TPCL, OJV, and LNL.

PowerNet also manages the EIL network as part of its long-term network management agreement with Electricity Invercargill Limited, and the Stewart Island Electrical Supply Authority (SIESA) as part of its service agreement with the Southland District Council.

As of June 2024, PowerNet entered into a Management Agreement with Ruakura EDB Limited Partnership (Ruakura Energy) to manage the electricity distribution network for the Ruakura Superhub in the Waikato region - representing the expansion of PowerNet's network management footprint into the North Island.

Electricity Network Areas

- The Power Company Ltd
- Electricity Invercargill Ltd
- Stewart Island Electricity Supply Authority
- OtagoNet Joint Venture
- Lakeland Network Ltd
- Ruakura Superhub

2024-25 Group Performance

Net Profit After Tax
$22.1 million

Capital Expenditure
$72.1 million

$19.4 million
Maintenance Expenditure

$93 million
Distribution and Meter Revenue

Turnover
$109.8 million

Networks We Own and Manage

$852.3 million
in Electricity Distribution Assets (Regulatory Value)

16,454
Transformers

74
Zone Substations

Lines and Cables
14,362 kms

77,522
Customers

Our **Highlights...**

100% TPCL's Group Ownership Structure Announced

In November 2024, the owners of The Power Company Limited (TPCL), the Southland Power Trust, announced the 100% ownership of OtagoNet, Lakeland Network Limited and PowerNet Limited after acquiring shares formerly held by Electricity Invercargill Limited (EIL). Our network manager, PowerNet, will continue to manage the EIL network, and the networks owned and managed by TPCL's Group, as part of its long-term network management agreements.

Expanding Our Operational Footprint

It was rewarding to expand the Group's operational footprint into the North Island in 2024 after PowerNet was appointed by Ruakura Energy to manage the electricity distribution network for the Ruakura Superhub - set to become one of New Zealand's largest inland port and logistics precincts in the Waikato region.

Leading an Electrified Future

TPCL's Group continued to lead the decarbonisation and electrification of our southern region. Through PowerNet, we supported Fonterra in 2024-25 to commission its first site to have an electrode boiler, we continue working with South Pacific Meats to install and commission a 4.5MW electrode boiler, and we are also working alongside Open Country Dairy in its multi-year project to install a 27MW high-pressure electrode boiler and three high-temperature heat pumps at its Awarua site.

New Purpose-Built Depot for Growing Lakeland Network

The fast-paced development of the Queenstown Lakes and Central Otago region continued, with the Lakeland Network reaching over 5,400 connected customers during 2024-25. To support this growth, construction is now underway for the development of a new purpose-built PowerNet depot in Frankton.

Innovations Bring Commercial Opportunities

The commercialisation of two of PowerNet's business system innovations continued to bring value to our peers across the sector. PowerNet's ARC Platform, which was developed in collaboration with Digital Stock, is revolutionising the ease of customer billing management and its uptake across the sector continues. PowerNet also entered into a commercial partnership with Risk Mentor in 2024 to jointly market its multiple award-winning digital safety platform.

Recognised on the National Stage

We were delighted when the Group's network manager, PowerNet, was announced as a finalist in two categories at the 2024 New Zealand Energy Excellence Awards. The ARC Platform was named as a finalist in the 'Innovation in Energy' category, and PowerNet was also recognised as a finalist in the 'Low Carbon Future' category for its thermal fuel stocktake study carried out with Transpower and Energy Efficiency and Conservation Authority (EECA).

Celebrating Success with Our Team

The national accolades also extended to the PowerNet team in 2024. Two field staff, Angelo Obus and Kale Thompson, were winners at the Connexis Excellence Awards. Also, former Electrical Engineer, Matthew Ting, was a finalist for the Electricity Engineers' Association 'Young Engineer of the Year' award.

Partnering with Our Communities

Delivering for our communities also means contributing to what keeps them strong. That's why TPCL's Group is proud to have continued PowerNet's 11-year partnership with Hato Hone St John; a relationship goal to improve the health and safety outcomes throughout the southern region, which has made a significant impact.

Chief Executive and Chair's Report

David Stevens, PowerNet Acting Chief Executive and Peter Moynihan, TPCL's Group Chair.

2024-25 has been a strong year for The Power Company Limited Group. Through the commitment of our network management company, PowerNet, we have continued to stay at the forefront of managing the complex demands of the evolving energy industry. At the same time, we remain firmly focused on our service commitments—always providing a safe, efficient, and reliable power supply to the communities we serve.

Our southern region has remained at the leading edge of advancing Aotearoa New Zealand's decarbonisation efforts. With an increasing focus on the resilience and reliability of infrastructure needed to enable greater electrification of our economies, this report reflects the achievements of the PowerNet team which, as the Group's network manager, is preparing our region for the future.

As we navigate the energy transition, PowerNet has continued to embed a culture that advocates for working smarter; where leveraging technology and striving for innovation has become inherent to the way they work. With a team of over 300 capable and motivated people, PowerNet has once again made the robust investment decisions required for our future - harnessing commercial opportunities for growth and carrying out a significant programme of work. Alongside this, they have matured their operations to deliver optimum results for the Group and all the networks under our ownership.

100% Ownership Structure

We were delighted to secure 100% ownership of OtagoNet Joint Venture, Lakeland Network Limited and PowerNet in November 2024.

Consolidating ownership of the region's electricity networks was part of a strategic decision by the Trust and created the impetus to sell TPCL's 25% shares in the Southern Generation Limited Partnership (SGLP) to Pioneer Energy in June 2024 (to help fund the purchase of OJV, LNL and PowerNet from EIL). We would like to take this opportunity to acknowledge the success of the SGLP, and our former partners – Pioneer Energy and EIL. Spanning a decade, we enjoyed our work together to develop a portfolio of renewable generation assets which will provide enduring benefits to New Zealand's energy landscape. TPCL's Group recognised a gain on the sale of $13.1 million.

TPCL's Group's renewed focus on the region's core electricity assets provides a significantly simplified company structure, with improved governance and management efficiencies. The operations of OJV, LNL, and PowerNet remain unchanged, and PowerNet will continue to manage EIL's network, alongside the other networks as part of TPCL's Group, under its long-term network management agreements. The Group net surplus after tax from continuing operations was $8.5 million ($2.3 million in 2024). A discount of $9.6 million was paid to consumers ($8.7 million 2024).

High-Performing Network Management

The benefits of the scale and operational efficiencies of the Group's asset management model continues, with PowerNet's reputation as a high-performing network manager firmly established. Throughout 2024-25, PowerNet has progressed major capital and maintenance projects to enhance the resilience and capacity of all the networks owned by TPCL's Group.

Continued investment in TPCL's Group network was made to meet demand, progressing with the multi-year project on the new 66kV overhead line between Athol and Kingston Zone substations, and the upgrade of the Orawia Zone substation which is now in its final stages. For EIL, following completion of Invercargill's Central Business District (CBD) redevelopment project, the PowerNet team focused on enabling growth through supporting major developments – including the work on Hawthorndale Care Village development, destined to be a world-class dementia care facility in Invercargill. Steady progress was made throughout the year on projects for OJV, with civil work for the Patearoa Zone substation upgrade completed, and the Milton main street undergrounding project for the Clutha District Council now finished. For the LNL network, PowerNet continued to support the fast-paced growth of the region by providing the extra capacity required, which reached 5,472 customer connections in March 2025. This ongoing growth has driven the need for a purpose-built PowerNet office and depot in Frankton, where construction is now in progress.

Performance Provides Expansion Opportunity

During 2024-25, the Group has also been ready to respond to growth opportunities that leverage PowerNet's expertise in asset management. It was therefore rewarding to expand PowerNet's network management into the North Island after being appointed by Ruakura Energy to manage the electricity distribution network for the Ruakura Superhub.

Located 4km from Hamilton's Central Business District and centred between the cities and seaports of Auckland and Tauranga, the Ruakura Superhub is set to become one of New Zealand's largest inland port and logistics precincts in the Waikato region – with industrial, commercial, retail, and green space included.

Growing our operational footprint across New Zealand is recognition of PowerNet's network management capability, and the team looks forward to supporting our new partners as the Ruakura Superhub reaches full capacity over the next three decades.

Partners in the Energy Future

For TPCL's Group, our ethos to cultivate collaboration and form enduring partnerships has been central to our success. As the move towards clean energy advances throughout our communities, PowerNet has been actively implementing solutions alongside its major customers to support the transition to a decarbonised southern region.

The team was delighted to celebrate with Fonterra when its first site to have an electrode boiler was commissioned at Edendale in late 2024. Now operational, the new boiler is projected to reduce the site's annual overall emissions by approximately 20% – equivalent to 47,500 tonnes of CO_2 each year. We also supported South Pacific Meats to install and commission a 4.5MW electric boiler to reduce approximately 5,450 tonnes of CO_2 from its site per year. Our work to support Open Country Dairy's (OCD's) project to install a 27MW high-pressure electrode boiler and three high-temperature heat pumps at its Awarua site continues. To enable this, PowerNet is constructing a new 66kV distribution line in the Awarua region to support customer decarbonisation efforts, and to future-proof supply for all customers in the area. We are committed to continuing our work with OCD and the local community during the line upgrade project.

Partnering with major industrial customers in their decarbonisation efforts has been supported by PowerNet's own commitment to advancing understanding of new energy technologies. Through leveraging the data and research from PowerNet's microgrid solutions, its smart energy home, and use of electric vehicles and chargers, we have been able to harness the knowledge needed to support customers across our regions as they navigate the energy future.

Commercialising Innovations

Keeping abreast of new and changing developments means PowerNet is well positioned to realise opportunities and share its innovations with the wider sector. This became apparent when we celebrated the commercialisation of two key business platforms during the reporting period - ARC and Risk Mentor.

PowerNet's ARC Platform, developed in collaboration with Digital Stock, has revolutionised the ease of customer billing management across the industry. During 2024, the uptake of ARC's Software as a Service (SaaS) continued to grow, and we now have five New Zealand Electricity Distribution Businesses (EDBs) using the system, with at least two other EDBs in the pipeline for 2025. Meanwhile, in late 2024, PowerNet entered into an agreement with Risk Mentor to jointly market its multiple award-winning digital safety platform. Risk Mentor is a tablet-based application to guide field crews and team leaders through their work processes, systematically identifying and documenting the critical controls essential for effective risk management.

Market readiness for both innovations has demonstrated PowerNet's commitment to embracing technology for the benefit of the sector; where integrating business systems through automation is enabling the maturity and sophistication needed from our operations as the sector continues to evolve.

Celebrating Success

Harnessing innovation for growth is only possible through creating an environment that enables progress. The team at PowerNet has developed a culture where passion is nurtured, where curiosity is cultivated, and where striving for excellence is embraced. And, as a result, the achievements of the team and the depth of talent we have working on our behalf at PowerNet has once again put them on the national awards stage.

We were delighted in 2024 when PowerNet was announced as a finalist in two categories at the New Zealand Energy Excellence Awards. The ARC Platform was a finalist in the 'Innovation in Energy' category for its cutting-edge management of customer billing. PowerNet was also recognised as a finalist in the 'Low Carbon Future' category for its 'Partners in Decarbonisation' programme – which included the thermal fuel stocktake study that was carried out with Transpower and the Energy Efficiency and Conservation Authority (EECA) to understand the decarbonisation and electrification aspirations of our region's major industries.

PowerNet's people have also been recognised for their capabilities during 2024-25. Congratulations to two of our field staff who were winners at the Connexis Excellence Awards; Supply Electrician Angelo Obus won the 'Advanced Trainee of the Year' award and the 'Overall Trainee of the Year' award, and Apprentice Line Mechanic Kale Thompson won the 'Distribution Trainee of the Year' award. We would like to acknowledge former Electrical Engineer, Matthew Ting, who was announced as a finalist in the Electricity Engineers' Association 'Young Engineer of the Year' award in 2024.

Our Communities

As the convergence of reliable, sustainable and affordable energy options gain momentum in a rapidly changing industry, who we are doing it for remains unchanged – our regions' customers.

Part of that unwavering commitment to customers is contributing to the things that matter to them. That's why, through PowerNet, we were proud to celebrate an 11-year partnership in 2024-25 with Hato Hone St John; a relationship that continues to make a significant impact to our communities throughout the southern region.

During this partnership, our financial backing has totalled $1.1 million, helping Hato Hone St John deliver skills and initiatives that enhance the wellbeing and safety of those in need – through the Whātuia Waiora Weaving Wellbeing programme that has equipped 680 students from Southland and West Otago schools with valuable resilience and wellbeing skills; the St John Mental Health First Aid Programme which has trained 122 people in how to respond effectively in times of a mental health crisis; and as co-sponsor of the St John in Schools programme, which teaches essential first aid and lifesaving skills to students nationwide.

PowerNet's Rose Snell and Analise Petas collecting for Hato Hone St John.

Acknowledgements

We would like to acknowledge our former partnership with Electricity Invercargill Limited Joint Venture. Through our investment portfolio that spanned 30 years together we strengthened our southern region for the future.

We also want to acknowledge TPCL retiring director Wayne McCallum, and our retiring PowerNet directors - Chair Bob Taylor and director Paul Kiesanowski. Wayne joined TPCL's Board in 2021 and brought a solid background in industry automation, asset management, lean manufacturing and business decarbonisation. Bob joined the PowerNet board in 2020 and, as Chair, played a significant role in setting the strategic direction for PowerNet, where his reputed experience in the electricity supply industry has been invaluable. Paul joined the PowerNet board in 2019. He brought strong financial management, risk and assurance expertise. We thank them all for their contribution.

Our heartfelt thanks and best wishes to former PowerNet CE, Jason Franklin, who departed at the end of our financial year (31 March 2025). Jason has led PowerNet since 2012 and his commercial acumen, strategic approach and strong collaboration skills will be sorely missed.

During his tenure, Jason's focus on the future has been pivotal to PowerNet's commercial growth and diversification, and his achievements have been vast; most notably enhancing PowerNet's network management model to reach $1 billion in assets under management by 2024. He led the team through the amalgamation of PowerNet and Otago Power Services Limited in 2014-2015; the insourcing of various field contracting services; the formation of the Southern Generation Limited Partnership in 2015 (to its divestment in 2024); the growth of the Lakeland Network to reach over 5,000 connections by 2024; and PowerNet's expansion into the North Island in 2024 with the Ruakura Energy partnership.

His commitment to growing the business has also been reinforced by advancing PowerNet's asset management capability, guiding us through significant industry changes – from driving forward the $24 million smart meter replacement project in 2014, through to progressing the decarbonisation and electrification of our southern region in more recent times. Some of our organisation's largest projects were completed under his leadership, such as the undergrounding of Invercargill's network infrastructure in the CBD as part of the city centre's revitalisation project. The growth of PowerNet during his tenure was also cemented with new depot builds at Racecourse Road in 2015, Balclutha and Lumsden in 2021, and the construction currently underway for a new office, workshop and warehouse in Frankton.

With Jason's direction, we have embedded an ISO-accredited business management system, achieved significant improvements in safety performance, and developed award-winning innovations for our sector – the ARC platform, the Pole Grab and Risk Mentor.

He has been an outstanding leader; his contribution has been significant, and his impact enduring. Thank you, Jason - we wish you all the very best in your move to Wellington and in your new role leading the team at Powerco.

Looking Ahead

With a renewed focus on core electricity infrastructure throughout our southern region, we would like to take this opportunity to thank the Southland Power Trust for their enduring support. It is a relationship that has continued to put the benefit of our local community central to decision-making and we look forward to working with them as our new Group structure drives results for the future.

Looking ahead, TPCL's Group will remain focused on future-proofing its networks through asset management precision, optimal investment decisions, and robust maintenance practices to ensure our southern regions are ready to respond as New Zealand's energy future crystallises. We are confident that PowerNet will continue to provide our Group with the capability needed so that we are well positioned for continued growth, and so we can continue delivering on our commitment to supply safe, efficient, and reliable power to communities and businesses throughout southern New Zealand.

David Stevens
PowerNet Limited
Acting Chief Executive

Peter Moynihan
The Power Company Limited Group Chair

TPCL's Group Directors visiting the Kingston Line Upgrade site on the TPCL network.

Networks
we own and manage

During 2024-25, PowerNet maintained and future-proofed the networks owned by TPCL's Group as well as those under management agreements to deliver long-term value for the Group, and the customers we serve.

Networks we own

THEPOWERCOMPANYLTD

TPCL's Group network delivers power to over 38,000 homes and businesses across rural Southland and West Otago and prides itself on being one of New Zealand's best-performing, predominantly rural networks. Established in 1991, it is owned by TPCL's Group and is managed by PowerNet.

In 2024-25, PowerNet delivered key projects to support the maintenance and upgrade of TPCL's network. Capital expenditure totalled $54.2 million, with a further $16 million spent on maintenance.

38,063

connected customers

8,947km

network length

4.2

customers per km density

11,488

distribution transformers

Kingston Feeder Upgrade Project Continues

PowerNet continued with this multi-year project in 2024-25, with the completion of a second feeder from Athol to Kingston. Consideration has been made for additional capacity, with the ability to convert the feeder to 22kV if required in future, and the line constructed to provide up to 66kV.

Southland 66kV Expansion

TPCL is committed to the electrification of our southern region. Part of this is ensuring our network has the capacity required to support the region's major customers as they continue to convert to electricity as part of their decarbonisation initiatives. As a result, plans are underway for the Southland 66kV expansion project. The Southland 66kV expansion will be done in multiple stages and the initial stages will include building a 66kV line from the Southland grid exit point (GXP) to Colyer Road and on to Open Country Dairy (OCD) to support them in their decarbonisation efforts. It also entails building the new Kekeno Zone substation, scheduled for completion in 2025-26 on the OCD site. This upgrade is designed to ensure a safe, efficient and reliable electricity supply to Awarua, South Invercargill, and Bluff for the next 50 years.

Earth Upgrades

PowerNet continued its earth upgrade programme on TPCL's network to improve earthing installations and to reduce network risks during faults. Upgrade works included the installation of additional earthing rods or banks, replacing surface material (asphalt or gravel) and regularly testing and inspecting all network earth locations and conductive fences.

Customer Connections, Subdivisions and Asset Replacements

Across the entire TPCL network, $4.1 million was invested in new customer connections during 2024-25, including $1.3 million on new subdivisions.

In addition, $7.1 million was invested in line and pole replacements and upgrades as part of TPCL's ongoing commitment to providing a safe, efficient and reliable network.

The Power Company Ltd Projects

Project	Approximate Expenditure
Kingston Network Project	$3,900,000
Southland 66kV expansion	$16,500,000
Earth upgrades	$2,300,000
Customer connections and subdivisions	$5,400,000
Line replacements	$7,100,000

OtagoNet

Formed in 2002, OJV services over 15,600 customers across 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 is owned by TPCL's Group and is managed by PowerNet.

During 2024-25, PowerNet delivered key projects to support growth and maintenance across the OJV network. $22.3 million was invested in capital projects (which includes the LNL) and $6.6 million was spent on maintenance.

15,686
connected customers

4,503km
network length

3.5
customers per km density

4,361
distribution transformers

Milton Main Street Undergrounding

Improving Milton's main street was a top priority identified by the Clutha District Council. The main street is a busy route for motorists on State Highway 1, as well as a major focal point for the community. Work completed during 2024-25 included undergrounding the power lines to improve the visual amenity of the main street and to ensure safe, efficient and reliable power is delivered to the Milton community.

Patearoa Zone Substation Upgrade

The project to upgrade capacity at the Patearoa Zone substation began during the reporting period, with completion planned for 2025-26. This will provide the additional capacity required to supply irrigation-based load growth in the area.

Patearoa Zone substation upgrade.

Air Break Switch Renewals

In addition to routine replacements of air break switches, PowerNet began an accelerated programme during 2024-25 to replace a model of 11kV switches with porcelain insulators (that have been exhibiting premature breakdown of a sealant cement). The switches affected have been closely inspected and prioritised for replacement based on the condition of the cement.

Customer Connections and Asset Replacements

$2.8 million was invested during 2024-25 in new customer connections across the OJV network, and $7.1 million was spent on pole and line replacements to ensure network security, reliability, and safety.

OtagoNet Projects (including LNL Projects)

Project	Approximate Expenditure
Milton Main Street undergrounding	$1,400,000
Patearoa Zone substation upgrade	$1,600,000
Customer connections and subdivisions	$2,800,000
Line replacements and renewals	$7,100,000
Five Mile development	$1,700,000

LAKELAND NETWORK

The LNL network services over 5,400 customers in the Queenstown Lakes and Central Otago region, utilising a modern underground 22kV network that extends from Frankton Flats to the eastern and southern corridors. Formed in 1995 as Electricity Southland Limited, it was rebranded in 2022 to the 'Lakeland Network'. It is owned by TPCL's Group and is managed by PowerNet. Regulatory reporting is under the OJV network.

5,472

connected customers

194km

network length

28.2

customers per km density

111

distribution transformers

New Purpose-Built Depot

In response to rapid growth on the LNL network, planning for a new PowerNet office and depot in Frankton commenced during 2024-25. The new facility is designed to optimise workflows and will include a two-storey, 536m^2 office, a 195m^2 workshop, and a 300m^2 warehouse. Environmentally sustainable design features such as roof-mounted solar panels have also been integrated into the design. Construction is due to be completed in 2025-26.

Work progressing on the Frankton Depot.

Network Growth Projects

During 2024-25, PowerNet continued to support the development of Hanley's Farm subdivision and the Queenstown Country Club care facility. Work on the southern corridor strengthening project continued, which, once completed, will enable an alternative supply for Hanley's Farm and enhance future reliability and resilience for the area.

During the reporting year, the team also completed work at the Wooing Tree subdivision in Cromwell. The two Wānaka subdivisions—Northlake, which is in its final stages, and Hikuwai, which is 80% completed—are progressing well.

Queenstown Innovation Centre

PowerNet has been involved in a commercial-scale solar system design and build project for the Queenstown Research and Innovation Centre. The system will include 192 rooftop solar panels, and the energy generated will power the commercial office spaces and facilities at the Centre. Installation is expected to begin in July 2025.

Networks we manage

The EIL network delivers power to over 17,700 homes and businesses throughout Invercargill City and Bluff. Established in 1991, it is owned by the Invercargill City Council through its subsidiary company, Invercargill City Holdings Limited. The network is managed by PowerNet as part of a long-term management agreement.

During 2024-25, PowerNet continued to manage EIL's network through ongoing upgrades, renewals and maintenance projects to support safety and network reliability.

17,751

homes & businesses connected to the EIL network

The Stewart Island Electrical Supply Authority (SIESA) network services 550 homes and businesses on Rakiura, Stewart Island. It is owned by the Southland District Council (SDC) and is managed by PowerNet under a service agreement.

During 2024-25, PowerNet continued to manage the SIESA network. Access to PowerNet's network and new energy teams remain of value and, as network manager, PowerNet supports the SDC in its efforts to implement renewable energy generation in Stewart Island.

550

homes & businesses connected to the SIESA network

Ruakura Energy services the Ruakura Superhub, one of Aotearoa New Zealand's largest inland port and logistics precincts, located in the mighty Waikato. Ruakura Energy is owned by Tainui Group Holdings which has appointed PowerNet as Network Manager for the Ruakura Superhub. Ruakura Energy connects directly to the nearby Hamilton GXP (owned by Transpower), and distributes power via a new Ruakura substation. Connected to an underground network, the substation is equipped with a backup transformer to provide network resilience, maintaining a smooth and uninterrupted operation.

PowerNet also works with trusted partners based in the Waikato region to provide network field services. Development of the Ruakura Superhub is expected to continue over the next 30 years to reach its 610ha capacity.

610ha

capacity goal expected to be reached over the next 30 years

Powering Our Southern Region

For TPCL's Group, delivering a safe, efficient and reliable service is the fundamental foundation for powering our southern region. Through PowerNet's robust asset management practices, we are delivering the highest levels of performance across our Group of networks.

Asset Management Plans

Asset Management Plans (AMPs), the disclosure documents that outline planned capital and maintenance expenditure on the TPCL, OJV (including LNL) and EIL networks, have been updated for the 2025-2035 period.

These plans outline how network assets will be managed to meet stakeholder requirements and to ensure the Group's network manager, PowerNet, provides a safe, efficient, and reliable electricity supply to communities across the southern region.

Considerations include cost, equipment, lifecycle drivers, regulatory requirements, demographic changes, environmental impacts, and required service levels.

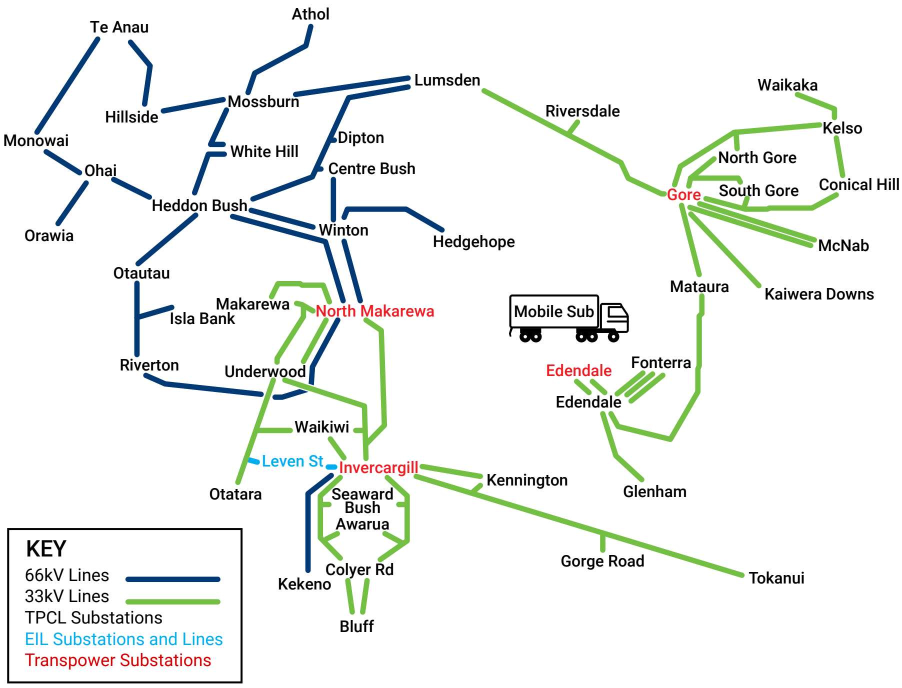
Network capital expenditure outlined in TPCL's 10-year AMP is forecast at $70.1 million in 2025-26, $53.2 million in 2026-27, and then $35-$57 million in each consecutive year. It reflects a significant programme of work to mature our asset management capability, support regional growth, and to improve our service provision for customers.

Investments outlined in TPCL's 2025-35 AMP include:

- New commercial and domestic connections, plus subdivisions ($4.59 million annually);
- New industrial and generation connections ($17.62 million in 2025-26);
- System growth ($18.49 million in 2025-26);
- Asset replacements and renewals ($23.22 million in 2025-26 and then $14.4-$27.6 million in each following year);
- Quality of supply projects ($0.56-$0.86 million annually); and
- Safety, environmental, and other projects ($3.1-$9.9 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.

SAIDI AND SAIFI

Two reliability measures are commonly used by Electricity Distribution Businesses (EDBs). They are SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index). SAIDI is a measure of the average duration of power interruptions for each customer served and is measured in minutes or hours over the course of a year. SAIFI measures the average number of interruptions a customer experiences over a year, measured in units of interruptions per customer.

SAIDI results for planned and unplanned outages are assessed against an overall annual target. For non-exempt businesses like OJV, additional revenue is available for improved customer service through these targets.

Planned outage results have annual limits and targets but are ultimately assessed against a limit set for the full regulatory period – in this case, 2020-2025. The cumulative result is a combination of the assessed results over the full 5-year regulatory period.

Unplanned interruptions are subject to an assessment that limits the impact of unpredictable major events, such as severe weather events, being mistaken for signs of asset deterioration. All significant events and outages are investigated to identify failure modes, mechanisms and causes. Once identified, improvement plans are implemented.

THEPOWERCOMPANYLTD

As a consumer-owned business, TPCL is exempt from the requirement to comply with a quality limit. Nonetheless, TPCL calculates and measures itself against the quality limit that would have been in effect had it not been exempt.

	Actual	Limit	Cumulative Actual	Cumulative Limit
TPCL SAIDI Planned	109.76	144.00	531.34	710.95
TPCL SAIFI Planned	0.730	0.600	3.5307	3.2545
TPCL SAIDI Unplanned	167.57	190.00		
TPCL SAIFI Unplanned	2.652	2.9000		

TPCL met all annual and cumulative Planned SAIDI and Unplanned SAIDI and SAIFI limits. It however exceeded the annual and cumulative Planned SAIFI limits. As an exempt business, there are no revenue penalties.

OtagoNet LAKELAND NETWORK

	Actual	Limit	Incentive Target	Cumulative Actual	Cumulative Limit
OJV SAIDI Planned	177.87	422.89	140.96	828.35	2114.43
OJV SAIFI Planned	0.992	1.924		4.474	9.621
OJV SAIDI Unplanned	126.97	160.35	120.02		
OJV SAIFI Unplanned	1.582	2.417			

Assessed SAIDI and SAIFI for all OJV planned and unplanned interruptions were within the annual and five-year cumulative limits.

However, OJV exceeded the planned and unplanned SAIDI incentive targets, resulting in a revenue penalty.

Keeping our Southern Region Safe

Delivering a safe network service is a key priority for TPCL's Group. Through PowerNet's holistic approach to safety management, we are delivering initiatives to ensure our networks, the people working on them, and the communities they deliver power to, are safe.

Community Safety Marketing

TPCL's Group takes its responsibility to protect the public and anyone working on or near our networks seriously. Therefore, our network manager, PowerNet, focuses on developing and implementing marketing activities to enhance community safety education and awareness.

In March 2025, PowerNet attended the Southland and Wanaka A&P Shows, where the team shared information about how the community can keep safe near electricity network equipment.

PowerNet also proactively championed public safety through marketing activities, media interviews on television, in print and social media channels throughout the year. The team also actively promotes the 'Before U Dig' service to help people and contractors identify underground services before they start excavating.

Safety Management System

The core component of the Group's Public Safety Management System (PSMS) is PowerNet's Safety Management System (SMS), which adheres to the requirements set by NZS 7901:2014 Electricity and Gas Industries - Safety Management System for Public Safety.

TPCL's Group Directors attending a health and safety site visit in Gore.

The Group's PSMS is audited annually by New Zealand's leading business certification body, Telarc, to independently audit and verify PowerNet's SMS, ensuring it is operating effectively. As part of this, during 2024-25, PowerNet continued to ensure that the Group's assets were regularly inspected to confirm compliance with safety and regulatory requirements while gathering data about their condition.

Health and Safety Metrics

In 2024-25, PowerNet introduced a comprehensive set of new reporting metrics designed to enhance health and safety measures beyond traditional metrics such as Total Recordable Injury Frequency Rates. These new metrics complement existing health and safety reports, providing a more complete perspective on overall health and safety performance. The aim is to focus on leading indicators instead of relying solely on traditional lagging indicators.

Decarbonising our Southern Region

TPCL's Group is committed to driving initiatives that support a lower emissions future. PowerNet is working at pace to create a better understanding of new energy solutions to enable a decarbonised southern region.

Supporting Major Industry Decarbonisation

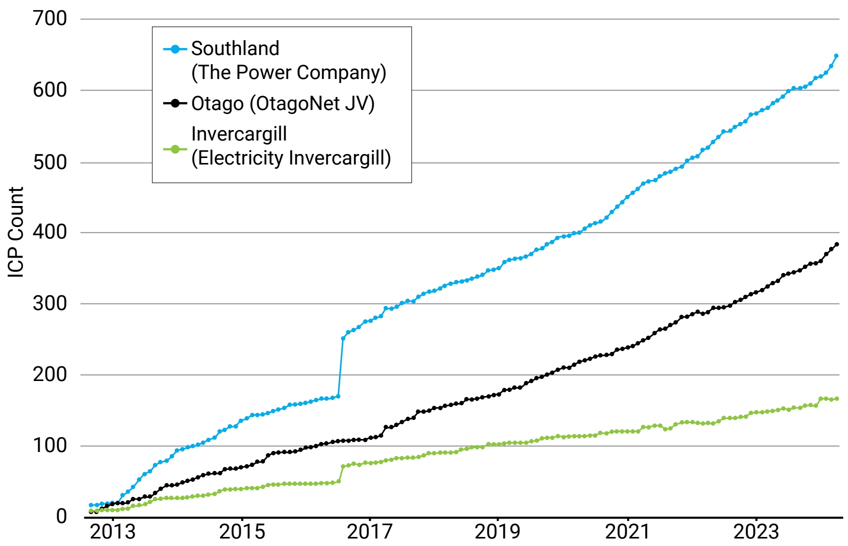
During 2024-25, PowerNet continued its work with commercial and industrial customers to support the decarbonisation of our southern economy. PowerNet worked with Fonterra, South Pacific Meats and Open Country Dairy to convert their processes and space heating from fossil-fuel to electric boilers.

As a result of these continuing efforts, PowerNet has now developed in-house capability in partnership with EECA to support our region's customers with improving energy efficiency by conducting energy audits, analysing carbon emissions and identifying opportunities for decarbonisation at a commercial-scale. This service will build stronger relationships and help deliver sustainable emission reductions for the region.

Distributed Generation Uptake

Solar Photovoltaics (Solar PV) installations have continued as the main type of distributed generation across the networks owned or managed by TPCL's Group over the last ten years. As at year end 31 March 2025, TPCL has 650, OJV has 385 and EIL has 167 solar connections. This accounts for 0.9%, 1.7% and 2.5% of the total connected customers in each of the respective networks.

Our annual customer engagement survey completed in August 2024 indicated that there is increasing interest in solar. However, there is a slight level of caution with some customers. The main barriers to adoption are still largely related to economic reasons, where the projected payback period has a large influence on purchasing decisions.



Distributed Generation Uptake on PowerNet's Managed Networks.

Microgrid Solutions

PowerNet's award-winning microgrid pilot at Rowallan has provided a data-driven system to identify opportunities where cost efficiencies can be achieved through utilising energy from clean and renewable local generation (solar PV generation, battery storage and backup generation). This identification system is now being refined and automated for broader use across TPCL's Group. PowerNet has also assessed the viability of small-scale wind generation and will deploy wind turbines where these form part of an optimal technology mix.

Smart Home Pilot

PowerNet's smart energy home project has continued to provide valuable insights for TPCL's Group as we transition to a more decarbonised future. Equipped with smart energy technologies such as solar, battery storage, and an electric vehicle, PowerNet has been able to harness first-hand learnings about energy technologies, their benefits, and how we can leverage these to create better efficiencies and services for our customers and our networks.

Supporting our Southern Region Communities

TPCL's Group is committed to helping the communities we serve to thrive and develop. Therefore, forming strong partnerships across our southern region and participating in our community remains an integral part of our business ethos.

Price Discount for TPCL Consumers

As a Trust-owned network, the Group was delighted to once again deliver a price discount in September 2024 to those consumers on the TPCL network.

Through the price discount, a total of $10.4 million (including GST) was paid to electricity retailers who passed the price discount 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 to the network at midnight on 31 August 2024) received a price discount of 2.1 cents per kilowatt hour (including GST), based on the power consumption recorded for their property. Eligible general consumers (connected to the network at midnight on 31 August 2024) 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 to the network at midnight on 31 August 2024) received a price discount on an individually assessed basis (including GST).

Since 2001, TPCL's annual price discount has put $155.4 million back into our southern communities, via TPCL's connected consumers' electricity retailers.

Southland Warm Homes Trust

TPCL's Group, through PowerNet, continued to provide administration services to the Southland Warm Homes Trust (SWHT) during the reporting period.

The Trust provides funding in the Southland and West Otago area, in conjunction with the EECA programme called Warmer Kiwi Homes. For more information, visit: Southland Warm Homes Trust | Warmer, Healthier Homes

Hato Hone St John

In 2024-25 TPCL's Group celebrated PowerNet's 11-year partnership in 2024-25 with Hato Hone St John.

During this partnership, financial backing has totalled $1.1 million, helping Hato Hone St John deliver skills and initiatives that enhance the wellbeing and safety of those in need. This has included the Whātuia Waiora Weaving Wellbeing programme, the St John Mental Health First Aid Programme, and the St John in Schools programme. For more information, visit: Supporting St John in Southern Communities – PowerNet

A Hato Hone St John mental health first aid training course in Gore.

Optimising Performance
for our Southern Region

As an owner of critical infrastructure throughout our southern region, it is important for TPCL's Group that our network manager, PowerNet, is supported to innovate and optimise its operational performance – so the Group can maximise opportunities for the future needs of our communities.

Commercialising Innovations

During 2024-25, PowerNet's business innovations provided commercial growth opportunities for TPCL's Group. The uptake of PowerNet and Digital Stock's ARC software as a service continued to grow, and there are now five New Zealand EDBs using the system, with at least two others in the pipeline for 2025. Meanwhile, in late 2024, PowerNet entered into an agreement with Risk Mentor to jointly market its multiple award-winning digital safety platform to the sector.

National Recognition for Performance

TPCL's Group is proud of the depth of talent we have working on our behalf at PowerNet. Congratulations to Angelo Obus and Kale Thompson, who were recognised at the 2024 Connexis Excellence Awards. PowerNet was also named as a finalist in the 'Innovation in Energy' and the 'Low Carbon Future' categories at the 2024 New Zealand Energy Excellence Awards. Congratulations to PowerNet's former Electrical Engineer, Matthew Ting, who was announced as a finalist in the 2024 Electricity Engineers' Association 'Young Engineer of the Year' award.

Angelo Obus (left), winner of the 'Connexis Advanced Trainee of the Year' award, pictured with Geoff Thorburn (right), PowerNet's GM Operations.

Delivering an Enhanced Customer Experience

During 2024-25, PowerNet transitioned to an external call centre, enabling its system control team to focus on critical network management and coordination with field crews. Since its launch on 1 August 2024, the new call centre has managed nearly 10,000 customer calls, with an average wait time of just one minute. This has significantly improved access for customers, delivering faster and more consistent support across TPCL's Group of networks.

Microsoft Business Central

In February 2025, PowerNet implemented and went live with the Microsoft Business Central (BC) financial system. Over 140 users are now working in BC to process purchasing, project work orders, integrations, financial processes and reporting.

We would like to acknowledge software support provider Theta Systems Limited and implementation partner Peritia Limited during the successful implementation.

Our Leadership Team

For information about each senior leader, please visit www.powernet.co.nz/about-us/leadership-team

David Stevens
(Acting Chief Executive April-July 2025)
General Manager People, Safety and Communications

Kewal Bagal
General Manager Business and Customer Growth

Anton Booyzen
General Manager Asset Management

Greg Buzzard
Chief Financial Officer

Geoff Thorburn
General Manager Operations

Rachael Watt
General Manager Business Support and Improvement

2024-25 Executive Leadership Changes

Jason Franklin
(January 2012 - April 2025)
Chief Executive

Kavi Singh
(September 2018 - April 2025)
General Manager New Energy, Development and Strategy

Rangi Solomon
(May 2019 - May 2024)
General Manager Health, Safety and Environment

Paul Blue
(Commences July 2025)
Chief Executive

Corporate Governance Statement

This statement outlines the main corporate governance policies, practices, and processes adopted by the Board of The Power Company Limited Group (TPCL).

Role of the Board of Directors

TPCL's Group Board consists of six non-executive Directors appointed by the Southland Electric Power Supply Consumer Trust (SEPSCT). The Board is responsible for the overall direction and governance of the Group, establishing and monitoring its strategic direction, while day-to-day management is delegated to the Group Chief Executive.

The Board's responsibilities include:

- Approving the Group's overall objectives
- Overseeing financial and operational performance
- Ensuring adequate systems for risk identification and management

The Board functions in accordance with the Company's Constitution and is dedicated to maintaining best practice governance standards, including continuous professional development. New Directors participate in an induction programme coordinated by PowerNet Limited, the management company. The Board holds regular meetings throughout the financial year, with extra meetings convened as necessary.

Performance Management

The performance of both the Group and the Board is reviewed on a regular basis to ensure effectiveness and to identify opportunities for continuous improvement and development. These evaluations help to strengthen governance practices, enhance strategic oversight, and ensure that the board and management are aligned in achieving the Group's objectives.

Legislative Compliance

Legislative compliance is actively monitored using the ComplyWatch and ComplyWith tools, which are subject to regular review and quarterly reporting to ensure adherence to regulatory requirements and prompt identification of any compliance issues.

Risk Management

TPCL recognises the critical importance of risk management and aligns with PowerNet's vision of providing safe, efficient, and reliable power to communities. PowerNet has a risk management policy and framework based on ISO 31000:2009 2018 standards. Risk management programmes ensure risks are identified, monitored, and mitigated appropriately, and internal policies and procedures consider risk factors. Our risk management approach is a way to be prepared for uncertainty, help with decision-making and identify long-term and strategic opportunities.

TPCL, through PowerNet, has achieved ISO 55001 accreditation for asset management systems, ensuring a systematic approach to asset management.

PowerNet holds 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 is responsible for the Group's operational and financial control systems, monitoring activities, and considering recommendations from external and internal auditors. The Group insures against liability loss exposures, including Directors & Officers Insurance.

The Board ensures that recommendations from auditors and advisors are investigated, and appropriate actions are taken to maintain an adequate control environment.

Statement of Intent

As required by the Company's Constitution, the Board receives a letter of expectation from the shareholder and submits a draft Statement of Intent (SOI) to shareholders each March. Following a review of any shareholder feedback, the Board finalises and approves the SOI, which is then published on the Company's website by the end of April.

Health, Safety and Environment Committee

The PowerNet Health, Safety, and Environment Committee is responsible for overseeing health, safety, and environmental (HSE) risks across the organisation. The Board remains firmly committed to protecting the safety and well-being of PowerNet employees, contractors, joint venture partners, and the public. Oversight of HSE matters is maintained through dedicated committees and regular reporting on incidents, including accidents, near hits, and other safety-related events.

Risk identification is carried out through a combination of internal and external audits, systematic reporting of accidents and near hits, and formal risk assessment reviews. In addition, Directors conduct on-site field observations using the RiskMentor tool to ensure the effective and consistent application of safety controls in operational environments.

The Committee convenes quarterly and holds additional meetings as required to address emerging issues or specific areas of focus.

Management Agreement Working Group (Special Purpose – now ceased)

The Management Agreement (MA) Working Group was formed to oversee the development of new management agreements between PowerNet and the electricity distribution businesses (EDBs) it manages. The Group consisted of four non-executive directors representing PowerNet and the three EDBs, including a representative from TPCL. Its role was to provide guidance and support to both PowerNet and the EDBs, ensuring the resulting agreements reflected the best interests of all parties involved. The Working Group concluded its activities and held its final meeting in June 2024.

External Auditor

The Board conducts an annual review of the effectiveness, performance, and independence of the external auditor. For the 2025 financial year, the Company's external auditor is PricewaterhouseCoopers (PwC), with Nick Horwood appointed as the Audit Director.

Following its review, the Board has confirmed that no matters have arisen that would compromise the auditor's independence. PwC has provided the required independence declaration for the financial year ended 31 March 2025.

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

Internal Audit

The internal audit function delivers independent and objective assurance regarding the effectiveness of governance, risk management, and internal controls across the Company's operations. The Company also engages Deloitte to provide external expertise on internal audit findings that impact the financial statements. In addition, ongoing internal monitoring and reviews of controls and processes are carried out regularly.

Board Of Directors

The following Directors held office during the year under review and were paid fees accordingly.

Peter Moynihan	Chair
Carmen Blackler	Member
James Carmichael	Member
Wayne Mackey	Member
Wayne McCallum	Member - ceased 05/09/24
Karen Sherry	Member
Murray Wallace	Member

Our Board

The TPCL Board is responsible for the direction, governance and strategic direction of the Group. For more information about each member of the Board, please visit www.powernet.co.nz/about-us/networks-we-manage/the-power-company/directors/

Peter Moynihan (Chair)
BAgSc

Carmen Blackler
M.TF (Tech Futures), B.E. (Electrical & Electronic), Dip. Int.Mktg

James Carmichael
BE (Engineering), FEngNZ, CMInstD

Wayne Mackey
B.E.(Electrical), MIEEE

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

Murray Wallace
BCM, CPA

Retired Directors

Bob Taylor
(PowerNet)

Wayne McCallum
(The Power Company Limited)

Paul Kiensanowski
(PowerNet and Electricity Invercargill Limited)

Statutory Report

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2025.

Result and Distribution

The Directors report that the Group's Net Profit after tax for the year under review was $22,143 million.

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 2024/25

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 by the Southland Electric Power Supply Consumer Trust.

Director	Appointment Date to TPCL Board	Retirement Date	2024/2025
Peter Moynihan - Chair	06/09/17		$163,988.93
Carmen Blackler	01/10/24		$44,882.71
James Carmichael	01/08/22		$122,359.89
Wayne Mackey	06/09/17		$91,397.56
Wayne McCallum	29/09/21	05/09/24	$36,348.17
Karen Sherry	01/08/22		$96,614.66
Murray Wallace	01/11/22		$96,614.66

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.

Directors' Disclosure of Interest

Interests Register

Register of Directors External interests – for the year ended 31 March 2025 [Companies Act 1993, Section 189 (1) (c)]

James Carmichael

Aku Investments Limited	*Director*
Electra Limited	*Director*
Electra Generation Limited	*Director*
Electra Services Limited	*Director*
JC2V Limited	*Director*
Lakeland Network Limited	*Director*
Last Tango Limited	*Director*
OtagoNet Joint Venture	*Member, Governing Committee*
OtagoNet Limited	*Director*
OtagoNet Properties Limited	*Director*
Parkwood Body Corporate	*Chairman*
Parkwood Management Limited	*Director*
PowerNet Limited	*Chair*
Project Max Limited	*Non-Executive Director*
Pylon Limited	*Director*

Peter Moynihan

Aerodrome Farm Ltd	*Director and Beneficial Shareholder*
Agristrategy Limited	*Director/Shareholder*
Farmers Mutual Group	*Shareholder*
Farmlands Limited	*Shareholder*
Fonterra Limited	*Shareholder*
Lakeland Network Limited	*Director*
Last Tango Limited	*Chair*
OtagoNet Joint Venture	*Chair, Governing Committee*
OtagoNet Limited	*Director*
OtagoNet Properties Limited	*Director*
PowerNet Limited	*Director*
Pylon Limited	*Director*
Rathmore Farm Ltd	*Director/Shareholder*
Ravensdown Ltd	*Director/Shareholder*
Roaring Forties Energy GP Limited	*Chair*
Shamrock Dairy Farms Limited	*Director/Shareholder*
Southern Generation GP Limited	*Director*

Carmen Blackler

Blackler Family Trust	*Trustee*
Blackyard Consulting Limited	*Director/Shareholder*
Blackyard Investments Limited	*Director*
Blackyard Trustees Limited	*Director/Shareholder*
Lakeland Network Limited	*Director*
Last Tango Limited	*Director*
OtagoNet Joint Venture	*Member, Governing Committee*
OtagoNet Limited	*Director*
PowerNet Limited	*Director*
Pylon Limited	*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*
Lakeland Network Limited	*Director*
Last Tango Limited	*Director*
OtagoNet Joint Venture	*Member, Governing Committee*
OtagoNet Limited	*Director*
PowerNet Limited	*Director*
Pylon Limited	*Director*
Watercare Services Limited	*Director*

Wayne McCallum *(resigned 05/09/24)*

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

Directors' Disclosure of Interest *continued*

Interests Register

Register of Directors External interests – for the year ended 31 March 2025 [Companies Act 1993, Section 189 (1) (c)]

Murray Wallace

Biobiowood Limited	*Director*
Findlater Sawmilling Limited	*Consultant*
Gorton Lumber Macro Limited	*Director/Shareholder*
Jethro & Associates Limited	*Director/Shareholder*
Lakeland Network Limited	*Director*
Last Tango Limited	*Director*
Maxwell Wood Sdn. Bhd.	*Director*
OtagoNet Joint Venture	*Member, Governing Committee*
OtagoNet Limited	*Director*
PowerNet Limited	*Director*
Pylon Limited	*Director*

Wayne Mackey

Lakeland Network Limited	*Director*
Last Tango Limited	*Director*
OtagoNet Joint Venture	*Member, Governing Committee*
OtagoNet Limited	*Director*
OtagoNet Properties Limited	*Director*
PowerNet Limited	*Director*
Pylon Limited	*Director*

Employee Remuneration

One hundred and seventy-eight continuing or former employees received remuneration in the following bands:

$100,000 - $110,000	33	$200,000 - $210,000	1
$110,000 - $120,000	39	$210,000 - $220,000	2
$120,000 - $130,000	27	$260,000 - $270,000	1
$130,000 - $140,000	27	$280,000 - $290,000	2
$140,000 - $150,000	14	$380,000 - $390,000	1
$150,000 - $160,000	11	$390,000 - $400,000	1
$160,000 - $170,000	8	$400,000 - $410,000	1
$170,000 - $180,000	3	$700,000 - $710,000	1
$180,000 - $190,000	6		178

There are 309.08 full time equivalent employees at PowerNet, with a headcount of 314.

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.

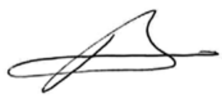
Directors' and Officers' Insurance

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

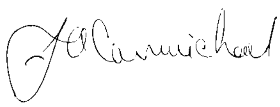
Accounting Policies

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



James Albert Carmichael
Director

Southland Power Trust

The Power Company Limited is fully owned by the consumers connected to the network through our Trust owners, the Southland Electric Power Supply Consumer Trust (The Southland Power Trust).

The Trustees of the Southland Power Trust are responsible for TPCL's company constitution. They act on behalf of their shareholders; all consumers connected to the network who are beneficiaries of the Trust.

For information about each Trustee, please visit www.southlandpowertrust.nz/about/

Our Trustees

Carl Findlater
Chair

Stuart Baird
Trustee

Stephen Canny
Trustee

Wade Devine
Trustee

David Rose
Trustee

Bernice Carlene
Secretary (October 2021 - February 2025)

Taylor Stuart
Secretary (March 2025)

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 2024-25 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, the quality of service our consumers receive, and the commitment to continuous improvement in the health and safety experience of our consumers, the company's employees and contractors.

The year has been focused on consolidation of assets with the sale of Southern Generation and the purchase of Invercargill City Council's share of OtagoNet, PowerNet, and Lakeland Network which were owned by Electricity Invercargill Limited (EIL).

The joint venture which existed with Electricity Invercargill Limited before TPCL purchased EIL's share of the assets, had been a productive and long term association. It afforded both parties opportunities to grow and benefit from each others capital, to bring returns to our combined customers, and additional income to provide our customers a discount.

The Trust recognises the value created by the association and perhaps there will be opportunities again in the future. This change based around reviewing the company's asset structure, and the decision to focus on our electrical distribution businesses, is to enable the ramp up of electrification in Southern industry. It also provides the economy of scale required to be a major network company, drawing top talent to our province, and the capability needed in a fast changing environment.

As I mentioned at the end of the prior year, 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.

We have seen the extraordinary expansion of the network both in generation entering, and vast amounts of energy leaving, destined for industrial heat.

As with any change in operating a business there are difficulties, PowerNet has seen a change in focus from being predominantly a maintenance company to a business involved in major capital work. This new normal has not been without challenges, the Trust is to quote a phrase "Watching this Space". A change in public perception and new technologies are converging with what has historically been a rigid, inward looking network centric model.

In times where resources are under strain, it is gratifying that the less prestigious projects, such as red tag pole replacement have had the same attention as major project work, and I compliment PowerNet on this.

Consumer owned networks are built to meet the needs of the consumer not the other way around. The driver in network development, the new normal, is one based around a facilitative platform designed to accept a multitude of needs. One which listens to our consumers at the planning stage, one where large developments are paid for by the consumer requesting them, and one where the domestic consumer is not burdened by the costs of large industrial consumers. Lastly one that embraces and able to cope with consumers generating their own energy and sharing it through peer to peer trading.

Metering

In a world of immediate information, it is a contradiction to not be able, with Smart metering, to see at any time, a consumers real time energy usage.

The Trust is pleased the company is using the Smart Meter information more every day for asset management and maintenance planning.

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 PowerNet Limited. PowerNet is the operative company providing asset management and administrative services to TPCL. These services are supplied to TPCL and EIL.

Lines Operation

TPCL's network is of critical importance to the continuing development of the district (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 and Financial Metrics Supply

The assessed System Average Interruption Duration Index (SAIDI) for unplanned interruptions on TPCL was 167.57 minutes, below the supply quality limit of 190.00. Planned interruptions had a SAIDI quality limit of 144.00, which TPCL achieved with a result of 109.76 minutes for the year.

The assessed System Average Interruption Frequency Index (SAIFI) for unplanned TPCL interruptions was 2.652 events in comparison to the 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 0.730 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 depth to the information.

Consumers Price Discount

An explicit price discount of $10.4 million (including GST) was paid to consumers in September 2024. 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 $155.4 million have been returned to consumers since 2001.

Financial

The Group achieved a satisfactory operating surplus of $36.2 million before discount, tax, and fair value adjustment ($22.3 million in 2024), and a Net Surplus After Tax of $22.1 million ($5.4 million in 2024). This increase in profit was the result of a gain from the sale of investment in joint venture. This gain is recognised within profit from discontinued operation.

Directors

With the retirement of Wayne McCallum, the Trust has appointed Carmen Blackler to the Board. Carmen has extensive experience in the N.Z. energy sector including emerging technologies and decarbonisation of industry.

Trustees value the professional relationship with the Board, based around a "No surprises Policy", and focused on the company's success and the obligation to our beneficiaries (the consumers). The Trust thanks the Board for their efforts in the last year.

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. 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 Neil McAra, our Accountant.

Lastly but certainly not least, our consumers, whom it is our privilege to serve.

Carl Findlater
Chair
Southland Electric Power Supply Consumer Trust

Financial Statements

Approval by Directors

The Directors have approved the Consolidated Statement of Service Performance and Consolidated Financial Statements of The Power Company Ltd for the year ended 31 March 2025 on pages 32 to 71.

For and on behalf of the Board.

Peter William Moynihan
Chairperson
30 July 2025

Murray John Wallace
Director
30 July 2025

CONSOLIDATED STATEMENT OF SERVICE PERFORMANCE

For the year ended 31 March 2025

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.

TPCL Group Performance Targets

	Target	GROUP Achievement			
	2025	2025		2024	
	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	3.33%	3.13%	4.05%	2.65%	3.62%
NPAT % - Percentage Tax Paid Profit on Equity	2.23%	4.57%	6.34%	1.68%	3.42%
Gearing Ratio (%)	39.87	39.19		34.68	
Interest Cover Ratio (Times Covered)	4.22	4.24		3.94	

The Group financial performance measures achieved during the year were impacted by the sale of the Southern Generation Limited Partnership investment in June 2024 and the purchase of the remaining joint venture interests in PowerNet Limited, the OtagoNet Joint Venture and Lakeland Network Limited in November 2024.

TPCL Network Reliability Performance:
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 2025	2025 Achievement	2024 Achievement
Contractors Target (TRIFR)	3.10	4.00	1.00

Workplace health and safety continues to be a business priority and a critical success factor for the Group. This occurs through the implementation of the Critical Risk Framework, training, and safety observations to mitigate risk and to meet safety targets. The TRIFR target of 3.1 times was not achieved during the 2025 reporting year, being exceeded by 0.9 times.

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 subsidiaries and joint venture entities, principally through the Health, Safety and Environment Committee.

CONSOLIDATED STATEMENT OF SERVICE PERFORMANCE *continued*

For the year ended 31 March 2025

TPCL Network Reliability Performance (continued)

	Target	Achievement	
	Year Ended 31 March 2025	Year Ended 31 March 2025	Year Ended 31 March 2024
System Average Interruption Duration Index (SAIDI) - TPCL Network			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI Planned	90.8	109.76	97.66
SAIDI Unplanned	171.8	167.57	201.18
System Average Interruption Frequency Index (SAIFI) - TPCL Network			
The average number of times each customer connected to the network is without supply.			
SAIFI Planned	0.63	0.73	0.67
SAIFI Unplanned	2.61	2.65	3.15

Increases in planned work resulted in the Planned SAIFI and SAIDI measures achieved being above target for the year. Unplanned SAIDI and SAIFI measures achieved were both within 2% of the targets, with SAIFI being over target and SAIDI under target.

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

	Achievement	
	2025	2024
Supplementary Information (TPCL Network only)		
Network Statistics		
Length of overhead line*	8,508 km	8,488 km
Length of underground cable	440 km	427 km
Total number of interruptions	1,713	1,996
Interruptions per 100km of line and cable	19.14	22.39
Transformer capacity MVA	493	484
Maximum demand MW	191	164
Energy into network GWh	1,016	898
Total Consumers	38,063	37,850

* Excluding conductor lines under construction.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2025

		GROUP	
	Notes	2025 $'000	2024 (Restated) $'000
Gross Revenue from Contracts with Customers		109,847	84,062
Discount to Consumers		(9,566)	(8,652)
Net Revenue from Contracts with Customers	2	**100,281**	**75,410**
Other Income	3	6,058	6,695
Operating Expenses	4	(81,233)	(61,989)
Operating Surplus Before Fair Value Gains/(Losses)		**25,106**	**20,116**
Fair Value Adjustments			
Unrealised Gain/(Loss) on Derivatives (NZ)	4	(2,683)	(707)
Gain on Step Acquisition	21	971	-
Gain/(Loss) on Onerous Contract	4	1,195	(2,200)
Derivative Financial Instrument Gain/(Loss) (US)	19	(314)	20
Fair Value Gains/(Losses)		**(831)**	**(2,887)**
Operating Surplus		**24,275**	**17,229**
Finance Costs	4	(16,184)	(15,841)
Share of Profits of Joint Ventures*	10	4,100	6,287
Net Surplus Before Taxation from Continuing Operations		**12,191**	**7,675**
Taxation Expense	5	(3,674)	(5,330)
Net Surplus After Taxation from Continuing Operations		**8,517**	**2,345**
Profit after Tax from Discontinued Operations	12	13,626	3,045
Profit for the Year		**22,143**	**5,390**

* Prior period comparative values have been restated resulting from the re-classification as Discontinued Operations, as set out in Note 12.

The accompanying notes on pages 39-71 form part of and should be read in conjunction with these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Notes	GROUP 2025 $'000	GROUP 2024 $'000
Profit for the Year		**22,143**	**5,390**
Asset Revaluation	6	17,990	-
Other Comprehensive Income		**17,990**	**-**
Items that may be Subsequently Reclassified to Profit or Loss:			
Cash Flow Hedges			
Movement in the Cash Flow Hedge Reserve		388	(182)
Movement in Cost of Hedging Reserve		30	182
		418	-
Total Comprehensive Income		**40,551**	**5,390**
Total Comprehensive Income Attributable to Minority Interests	15	324	68
Total Comprehensive Income Attributable To Parent		**40,227**	**5,322**

The accompanying notes on pages 39-71 form part of and should be read in conjunction with these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2025

	Notes	GROUP 2025 $'000	GROUP 2024 $'000
Total Comprehensive Income			
Net Surplus for the Year Comprising:			
Parent Interest		40,227	5,322
Minority Interest	15	324	68
		40,551	**5,390**
Purchase of Non-Controlling Interest	21	(10,259)	-
Dividend Declared/Paid		(4,000)	-
Changes in Equity for the Year		**26,292**	**5,390**
Equity at Beginning of Year Comprising:			
Parent Interest		472,060	466,738
Minority Interest	15	6,283	6,215
		478,343	**472,953**
Equity at End of Year Comprising:			
Parent Interest		504,635	472,060
Minority Interest	15	-	6,283
	6	**504,635**	**478,343**

The accompanying notes on pages 39-71 form part of and should be read in conjunction with these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

		GROUP	
	Notes	2025 $'000	2024 $'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	1,954	421
Receivables and Prepayments	8	23,663	11,356
Inventories	9	2,846	87
Provision for Tax		-	2,456
Derivative Financial Instruments	19	-	200
Assets Classified as Held for Sale	10	-	39,570
Total Current Assets		**28,463**	**54,090**
Non-Current Assets			
Advances to Joint Ventures	10	-	26,556
Investments in Joint Ventures	10	-	195,391
Investment in Other Entities		222	222
Property, Plant and Equipment	11	928,793	602,863
Capital Work in Progress		50,077	21,919
Intangible Assets	13	29,161	-
Right-of-Use Assets	14	657	264
Derivative Financial Instruments	19	759	1,879
Total Non-Current Assets		**1,009,669**	**849,094**
Total Assets		**1,038,132**	**903,184**
LIABILITIES			
Current Liabilities			
Creditors and Accruals	16	28,906	19,600
Onerous Contract	22	945	926
Employee Entitlements	18	4,715	-
Current Loans	19	-	103,660
Current Tax Liabilities		3,523	488
Derivative Financial Instruments	19	36	-
Contract Liabilities	17	11,135	9,171
Lease Liabilities	14	30	37
Total Current Liabilities		**49,290**	**133,882**
Non-Current Liabilities			
Term Loans	19	355,482	153,097
Deferred Tax Liabilities	20	122,446	101,872
Onerous Contract	22	16,124	17,338
Derivative Financial Instruments	19	634	8,178
Contract Liabilities	17	9,225	10,217
Lease Liabilities	14	296	257
Total Non-Current Liabilities		**484,207**	**290,959**
Total Liabilities		**533,497**	**424,841**
NET ASSETS		**504,635**	**478,343**
EQUITY			
Contributed Equity	6	70,160	70,160
Other Reserves	6	203,625	185,453
Retained Earnings	6	230,850	216,447
Group Equity		**504,635**	**472,060**
Minority Interest	15	-	6,283
Total Equity		**504,635**	**478,343**

The accompanying notes on pages 39-71 form part of and should be read in conjunction with these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2025

	Notes	2025 $'000	2024 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was Provided From:			
Receipts from Customers		118,991	87,603
Interest Received		2,632	2,222
		121,623	89,825
Cash was Disbursed To:			
Payments to Suppliers and Employees		60,035	41,385
GST Paid/(Received)		1,593	69
Income Tax Paid		2,841	5,453
Interest Paid		14,631	12,849
		79,100	59,756
Net Cash Flows From Operating Activities	24	42,523	30,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was Provided From:			
Property, Plant and Equipment Sales		-	123
Sale of Investments	21	52,900	16
Distributions Received from Joint Ventures		-	7,160
Repayment of Advances by Joint Ventures		-	25,200
		52,900	32,499
Cash was Applied To:			
Property, Plant and Equipment Purchases		72,120	49,844
Acquisition of Non-Controlling Interest		10,259	-
Business Combinations Net of Cash Acquired		67,833	-
Advance to Joint Venture		9,784	25,950
		159,996	75,794
Net Cash Flows From Investing Activities		(107,096)	(43,295)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was Provided From:			
Shareholder Advance		3,698	-
Drawdown of Term Borrowing	19	73,168	13,379
		76,866	13,379
Cash was Applied To:			
Repayment of Term Borrowing	19	6,690	-
Principal Elements of Lease Payments	14	70	36
Dividends Paid to Owners of the Parent		4,000	-
		10,760	36
Net Cash Flows From Financing Activities		66,106	13,343
Net Increase/(Decrease) in Cash and Cash Equivalents Held		1,533	117
Add Opening Cash Brought Forward		421	304
Closing Cash and Cash Equivalents To Carry Forward	7	1,954	421

The accompanying notes on pages 39-71 form part of and should be read in conjunction with these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2025

1 About this Report

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 26.

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

The consolidated financial statements were approved by the Board of Directors on 30 July 2025.

Basis of Preparation

The consolidated 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 Financial Reporting Standards 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 liability position as at 31 March 2025 with current liabilities exceeding current assets by $20.8 million. 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.

When a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the Statement of Financial Performance. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

1 About this Report *Continued*

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

(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) 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 19)
- Onerous Contract (Revalued to Fair Value, refer Note 22)
- 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)
- Fair Value of assets and liabilities acquired (refer Note 21)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

1 About this Report *Continued*

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 2025. 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.

(c) 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.

(d) Seasonality

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

(e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

1 About this Report *Continued*

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 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.

(f) New and Amended Standards Adopted

FRS-44 New Zealand

Additional disclosures came into effect from 1 April 2024. This standard has impacted on the disclosure of fees for audit firms' services. This standard has impacted on the disclosure of disbursements paid to audit firms such as travel and accommodation which are now included as part of the total fees. See Note 4

No other new or amended standards have been adopted by the company during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

2 Revenue from Contracts with Customers

	GROUP	
	2025 $'000	2024 $'000
Electricity Delivery Services (including discount)	89,901	72,473
Capital Contributions	4,637	2,937
Electricity Network Contracting Services (Works Programme)	4,154	-
External Contracting Revenue	822	-
Management Fees Received	767	-
Total Revenue	**100,281**	**75,410**
Timing of Revenue Recognition		
Over time	95,644	72,473
At a Point in Time	4,637	2,937
Total Revenue	**100,281**	**75,410**

The Group derives the following types of revenue by operating segment:

Electricity Delivery 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

2 Revenue from Contracts with Customers *Continued*

Electricity Network Contracting Services (Works Programme)

PowerNet Limited earned revenue on the capital works performed on a network in which the work is derived from the asset management plan. Capital Revenue is calculated based on either an applied fixed unit rate, or costs incurred with an agreed mark-up applied. Revenue from capital works is recognised over time using an input methodology based on the costs incurred when the company's performance creates or enhances an asset that the customer controls as the Network companies control Work in Progress of any assets created or enhanced.

Revenue from Maintenance services is earned for work carried out on the network assets that maintains the assets to a reliability driven standard which is based on the asset management plan.

The transaction price is designed to recover network costs incurred to maintain assets based on the Asset Management Plan. The price charged to the network is either based on a fixed unit price or marked up time and materials. The fixed unit price reflects agreed standard resources and materials required to perform a specific task. The unit prices are approved by the networks during the business planning process in accordance with the Management Agreement. Revenue from maintenance is recognised over time using an input methodology based on costs incurred as the customer simultaneously receives and consumes the benefit from the delivery of maintenance undertaken on assets that the Network owns.

External Contracting Revenue

Revenue from External Contracting is earned on work carried out for non-network customers and includes contracts for services provided for the power supply of Stewart Island and district councils for street lighting. Revenue is recognised over time using an input methodology based on the costs incurred with the customer simultaneously receiving and consuming the benefit from the services performed. Invoices are produced on a monthly basis.

Management Service Fixed Fee

Revenue from Management services is earned for work carried out relating to the business management and administration function of different contracts held.

Revenue is recognised evenly over time with the customer simultaneously receives and consumes the benefit from the delivery of Management and Business Administration services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

3 Other Income

	GROUP	
	2025 $'000	2024 $'000
Interest Received	1,631	2,222
Subvention Income	-	300
Rental Income	586	554
Metering Rental Income	3,311	3,384
Sundry Income	530	235
Total Other Income	**6,058**	**6,695**

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 CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

4 Expenses

	GROUP	
	2025 $'000	2024 $'000
Expenses Include:		
Auditors' Remuneration - PricewaterhouseCoopers		
Audit of Financial Statements	294	88
Assurance over Information Disclosure	123	63
Assurance over Default Price Quality Path Annual Compliance Statement	39	-
Assurance over s53ZD Compliance	34	-
Other Services*	58	14
Total Regulatory & Advisory	**548**	**165**
**2024 Consulting services included Regulatory Forecasting assistance; 2025 Consulting services included work performed over the DPP4 Forecasting Model and Price Setting Compliance Statement.*		
Depreciation		
Buildings (refer Note 11)	186	114
Plant and Office Equipment (refer Note 11)	619	6
Metering Assets (refer Note 11)	2,012	1,941
Network Assets (refer Note 11)	26,860	22,882
Motor Vehicles (refer Note 11)	410	-
Depreciation Right-of-Use Assets (refer Note 14)	91	41
Total Depreciation	**30,178**	**24,984**
Bad Debts Written Off	-	-
Directors' Fees	652	575
Finance Expenses		
Interest Expense	16,184	15,841
Unrealised (Gain)/Loss on Derivatives	2,683	707
Total Finance Expenses	**18,867**	**16,548**
(Gain)/Loss on Onerous Contract	(1,195)	2,200
Loss on Disposal of Property, Plant and Equipment	528	634
Network Costs	16,324	20,992
Transmission Costs	16,253	12,153

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 Consolidated Statement of Financial Performance using the effective interest method, unless they are directly related to the construction of a qualifying asset that are capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

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 Consolidated 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	
	2025 $'000	2024 $'000
Net Surplus Before Taxation	12,191	10,720
Prima Facie Taxation at 28%	3,413	3,001
Permanent Differences	19	(443)
Tax Law Change in Building Depreciation	-	3,420
Prior Period Adjustment	242	(648)
Tax Expense	**3,674**	**5,330**
Made up of:		
Current Tax	2,056	2,676
Deferred Tax	1,618	(766)
Tax Law Change in Building Depreciation in respect of Deferred Tax Impact	-	3,420
Tax Expense	**3,674**	**5,330**

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 CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

6 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	
	Notes	2025 $'000	2024 $'000
Share Capital		**70,160**	**70,160**
Minority Interest	15	-	**6,283**
Asset Revaluation Reserve			
Opening Balance		186,354	186,519
Asset Revaluation		17,990	-
Revaluation Reversal due to Asset Disposal		(236)	(165)
Closing Balance		**204,108**	**186,354**
Cash Flow Hedge Reserve			
Opening Balance		(809)	(991)
Movement in Cash Flow Hedge Reserve		388	182
		(421)	**(809)**
Cost of Hedging Reserve			
Opening Balance		(92)	90
Movement in Cost of Hedging Reserve		30	(182)
Closing Balance		**(62)**	**(92)**
Total Reserves		**203,625**	**185,453**
Retained Earnings			
Opening Balance		216,447	210,960
Net Surplus for the Year		21,819	5,322
Purchase of Non-Controlling Interest		(3,652)	-
Dividend Declared/Paid		(4,000)	-
Revaluation Reversal due to Asset Disposal		236	165
Closing Balance		**230,850**	**216,447**
Total Equity		**504,635**	**478,343**

The asset revaluations relate to the network assets of OtagoNet Joint Venture, Lakeland Network Ltd and The Power Company Ltd as at March 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

7 Cash and Cash Equivalents

	GROUP	
	2025 $'000	2024 $'000
Current Account	1,954	421
Total Cash and Cash Equivalents	**1,954**	**421**

Cash and cash equivalents comprise cash on hand, 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.

The Group has term deposits of $146,000 held as prudential security from Electricity Retailers. These term deposits are being reinvested for terms not longer than 6 months and any interest earned is paid to the retailers on a yearly basis. These funds are held as a guarantee in the event of the retailers being unable to meet their obligations under their Use of System Agreements. The carrying amount of these guarantees are not included in the cash and cash equivalents balances.

8 Receivables and Prepayments

	GROUP	
	2025 $'000	2024 $'000
GST Receivable	-	58
Trade Debtors	21,413	10,247
Prepayments	2,236	1,051
Deferred Revenue	14	-
Total Receivables and Prepayments	**23,663**	**11,356**

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.

9 Inventories

	GROUP	
	2025 $'000	2024 $'000
Network Spares and Sundry Network Consumables	2,846	87
	2,846	**87**

Network Spares includes Smart Meters totalling $1,344,000.

Inventories are stated at the lower of cost at weighted average cost price, and net realisable value. Cost in the case of constructed goods includes: direct materials, labour and production overheads. Obsolete items of inventory (if any) have been written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

10 Investments in Joint Ventures

The Group has a participating interest in the following joint ventures through its wholly owned subsidiaries Pylon Limited and Last Tango Limited.

Joint Ventures	Country of Residence	Percentage Held By Group		Balance
		2025	2024	Date
PowerNet Limited Group*	New Zealand	100%	50%	31 March
OtagoNet Joint Venture**	New Zealand	100%	75.1%	31 March
Roaring Forties Energy Limited Partnership	New Zealand	-	50%	31 March

The Group through its subsidiary Last Tango Limited acquired 100% of the shares of Pylon Limited from Electricity Invercargill Limited, effective 29 November 2024. As part of this transaction the Group through Pylon Limited and Last Tango Limited has a 100% interest in the OtagoNet Joint Venture (2024: 75.1%) and PowerNet Limited (2024: 50%).

* Effective from 1 April 2016 the Group equity accounted its share of profits from the 50% owned joint venture entity, PowerNet Limited to be consistent with the economic benefits the Group receives based on the PowerNet Limited dividend policy. The equity accounted share of profit in PowerNet Limited was 76.24% up to 29 November 2024 (2024: 73.16%).

** The Group through subsidiaries Pylon Limited and Last Tango Limited as parties to the OtagoNet Joint Venture holds a 100% (2024: 75.1%) voting rights over the OtagoNet Joint Venture.

At 31 March 2024, TPCL's investment in RFELP was classified as an Asset Classified as Held for Sale. On 27 June 2024, RFELP sold its interest in SGLP and the Group's share of profit including the $13.1 million gain on sale were recognised with profit from discontinued operations. RFELP was deregistered on 10 May 2025. Refer Note 12 - Discontinued Operations.

	GROUP	
	2025 $'000	2024 $'000
Interests in Joint Venture Entities are as follows:		
Carrying Amount at Beginning of Year	195,391	232,788
Share of Equity Accounted Earnings of Joint Ventures	4,100	9,332
Drawings	-	(7,159)
Assets Classified as Held for Sale	-	(39,570)
Disposal of Joint Venture investment	-	-
Change in Interest due to Acquisition	(199,491)	-
Carrying Amount at End of Year	**-**	**195,391**

The Group's advances to joint ventures have this year been eliminated (refer Note 21 Business Combinations) (31 March 2024: $26,556,000). The terms of the advance have not changed and they are repayable on demand but with a 13 month notice period. The advances incur interest 3% above the 90 day bank bill rate however this is also eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

11 Property, Plant and Equipment

	Network Assets	Metering Assets	Land	Buildings	Plant and Office Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or Valuation							
Balance at 1 April 2023	670,541	30,707	483	5,689	107	-	707,527
Additions	47,908	1,105	-	396	-	-	49,409
Disposals	(1,053)	(6)	-	-	-	-	(1,059)
Balance at 31 March 2024	**717,396**	**31,806**	**483**	**6,085**	**107**	**-**	**755,877**
Balance at 1 April 2024	717,396	31,806	483	6,085	107	-	755,877
Additions from Step Acquisition	298,973	-	2,362	13,705	27,408	18,508	360,956
Additions	49,319	1,115	4,279	649	313	2,219	57,894
Revaluation	3,451	-	-	-	-	-	3,451
Disposals	(887)	(8)	-	-	(336)	(273)	(1,504)
Balance at 31 March 2025	**1,068,252**	**32,913**	**7,124**	**20,439**	**27,492**	**20,454**	**1,176,674**
Depreciation and Impairment Losses	-		-		-		
Balance at 1 April 2023	(116,052)	(11,524)	-	(787)	(57)	-	(128,420)
Depreciation for Year	(22,882)	(1,941)	-	(114)	(6)	-	(24,943)
Disposals	346	3	-	-	-	-	349
Balance at 31 March 2024	**(138,588)**	**(13,462)**	**-**	**(901)**	**(63)**	**-**	**(153,014)**
Balance at 1 April 2024	(138,588)	(13,462)	-	(901)	(63)	-	(153,014)
Additions Related to Step Acquisition	(56,716)	-	-	(3,052)	(18,253)	(10,521)	(88,542)
Depreciation for Year	(26,860)	(2,012)	-	(186)	(619)	(410)	(30,087)
Revaluation	22,676	-	-	214	-	-	22,890
Disposals	307	-	-	-	323	242	872
Reclassification	(19)	19	-	-	659	(659)	-
Balance at 31 March 2025	**(199,200)**	**(15,455)**	**-**	**(3,925)**	**(17,953)**	**(11,348)**	**(247,881)**
Carrying Amount:							
Book Value at 31 March 2024	578,808	18,344	483	5,184	44	-	602,863
Book Value at 31 March 2025	869,052	17,459	7,124	16,514	9,539	9,105	928,793

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:

Cost Model Carrying Amounts:							
31 March 2024	457,164	18,344	483	5,184	44	-	481,219
31 March 2025	777,616	17,459	7,124	16,514	9,539	9,105	837,357

The above note is to be read in conjunction with Note 21 Business Combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

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, OtagoNet Joint Venture and Lakeland Network Ltd were revalued to fair value using discounted cash flow methodology on 31 March 2025 by Deloitte who are an independent valuer. The valuation is based on a 10 year 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 6.5%.
- Annual inflation based on forecast from the New Zealand Treasury.
- RAB multiple range of 1.0 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

11 Property, Plant and Equipment *Continued*

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/Diminishing value
Network Assets (excluding land)	1.43-25.00%	Straight line/Diminishing value
Metering Assets	6.70-22.00%	Straight line/Diminishing value
Plant and Office Equipment	5.00-50.00%	Straight line/Diminishing value
Motor Vehicles	5.00-48.00%	Straight line/Diminishing value

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

12 Discounted Operations

On 17 May 2024, the parties of Roaring Forties Energy Ltd Partnership (RFELP) agreed to sell their 50% interest in Southern Generation Ltd Partnership (SGLP) to Pioneer Energy Ltd. The associated investment in RFELP was consequently presented as an Asset Held for Sale in the 2024 financial statements.

On 27 June 2024, RFELP sold its interest in SGLP and the transaction was reported in the current period as a discontinued operation.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

Financial Performance and Cash Flow Information

The financial performance and cash flow information are for the three months ended 30 June 2024 (2025 column) and the year ended 31 March 2024.

	GROUP	
	2025 $'000	2024 $'000
Share of Profit of Joint Venture	-	4,229
Net Surplus Before Taxation	**-**	**4,229**
Income Tax Expense	-	1,184
Net Surplus After Taxation	**-**	**3,045**
Gain on Sale of Joint Venture After Tax	13,626	-
Profit After Taxation from Discontinued Operations	**13,626**	**3,045**
Net Cash Inflow from Investing Activities		
Dividends Received	586	4,770
Proceeds from Disposal of Joint Venture	52,900	-
Net Increase in Cash Generated by the Joint Venture	**53,486**	**4,770**
Details of the Sales of the Joint Venture		
Consideration Received	52,900	-
Carrying Amount of Net Asset Sold	(38,964)	-
Gain on Sale Before Income Tax	**13,936**	**-**
Income Tax Expense on Gain	310	-
Gain on Sale After Income Tax	**13,626**	**-**

Accounting Policy for Discontinued Operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

13 Intangible Assets

	Goodwill $'000	Customer Contracts $'000	Computer Software $'000	Total $'000
Cost				
Balance At 1 April 2024	-	-	-	-
Acquired from Step Acquisition	25,860	2,034	1,246	**29,140**
Additions	-	-	208	**208**
Disposals	-	-	(452)	**(452)**
Balance at 31 March 2025	**25,860**	**2,034**	**1,002**	**28,896**
Amortisation and Impairment				
Balance at 1 April 2024	-	-	-	**-**
Amortisation Charge	-	-	186	**186**
Disposals	-	-	(451)	**(451)**
Balance at 31 March 2025	**-**	**-**	**(265)**	**(265)**
Book Value at 31 March 2025	**25,860**	**2,034**	**1,267**	**29,161**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, and the acquisition-date fair value of the identifiable net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill in respect of acquisition is stated at cost. Goodwill is not amortised but tested for impairment annually. Key assumptions in the impairment testing include:

- WACC sourced from Commerce Commission mid point post tax EDB WACC
- EBITDA, capital expenditure and depreciation based on the current year business plan
- No allowance made for growth

The Goodwill above is in respect of the step acquisition of PowerNet Limited and OtagoNet Joint Venture.

Computer Software

Under NZ IFRS computer software (non-Software-as-a-Service) is classified as an intangible asset and is amortised on a straight line or diminishing value basis over its estimated useful life.

Customer Contracts

Customer contracts are acquired through the step acquisition of PowerNet Limited. These were recognised at the fair value at the date of acquisition.

Amortisation

Amortisation is charged to the Statement of Comprehensive Income on a straight line or diminishing value basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated amortisation rates for current and comparative periods are as follows:

Computer Software	8.0%-50.0%	Straight line/Diminishing value
Customer Contracts	8.0%-20.0%	Straight line/Diminishing value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

14 Leases

	GROUP	
	2025 $'000	2024 $'000
Right-of-Use Assets Net Book Value		
Equipment	657	264
	657	**264**
Lease Liabilities		
Current	30	37
Non-current	296	257
	326	**294**

Amounts Recognised in the Consolidated Statement of Financial Performance

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

	GROUP	
	2025 $'000	2024 $'000
Depreciation Charge of Right-of-Use Assets		
Equipment	91	41
	91	**41**
Interest Expense (included in Finance Cost)	4	14
	4	**14**

The total cash outflow for leases in 2025 was $70,000 (2024: $51,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

14 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; and leases for office equipment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

15 Minority Interest

	GROUP	
	2025 $'000	2024 $'000
Opening Balance	6,283	6,215
Change in Minority Interest due to sale of investment	(6,607)	-
Minority Interest Share of Net Surplus	324	68
Closing Balance	**-**	**6,283**

The Minority Interest previously related to the 24.9% interest in the Lakeland Network Limited. On 29 November 2024 Electricity Invercargill Limited sold its ownership interest in OtagoNet Joint Venture, Lakeland Network Limited and PowerNet Limited through the sale of its subsidiary Pylon Limited to Last Tango Limited.

16 Creditors and Accruals

	GROUP	
	2025 $'000	2024 $'000
Trade Creditors	15,697	9,803
Accruals	13,204	9,797
Other Payables	5	-
Total Creditors and Accruals	**28,906**	**19,600**

Trade and other payables are stated at amortised cost.

17 Contract Liabilities

	GROUP	
	2025 $'000	2024 $'000
Contract Liabilities are as follows:		
Carrying Amounts at the Beginning of Year	19,388	10,868
Received in Current Year	15,049	12,060
Recognised as Revenue in Current Year	(14,077)	(3,540)
Carrying Amount at End of Year	**20,360**	**19,388**
Made up of:		
Current Contract Liabilities	11,135	9,171
Non-Current Contract Liabilities	9,225	10,217

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

18 Employee Entitlements

	GROUP	
	2025 $'000	2024 $'000
Opening Balance	-	-
Acquired through Business Combination	4,604	-
Additional Accrued	4,593	-
Amount Utilised	(4,482)	
Total Employee Entitlements	**4,715**	**-**

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave when it is probable that they will be required and they are capable of being measured reliably.

Employee entitlements include bonuses, accrued holiday pay, and long service leave where settlement is expected to be less than one year. The item(s) are discounted using PowerNet Limited's weighted average cost of capital.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by PowerNet Limited in respect of services provided by employees up to balance date.

The Directors' consider that the carrying amount of the employee entitlements approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

19 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	
	2025 $'000	2024 $'000
ANZ Committed Cash Advance	75,000	40,000
Westpac Revolving Cash Advance	61,858	63,660
US Private Placement US$	103,328	94,810
US Private Placement NZ$ Fixed	50,000	50,000
US Private Placement NZ$ Floating	40,000	-
Advance – Southland Electric Power Supply Consumer Trust	5,296	1,597
Advance – Electricity Invercargill Ltd	-	6,690
	335,482	**256,757**

Bank Facilities

The Group has a Cash Advance Facility of $105 million (31 March 2024: $80 million) with Westpac. The facility has three and four year terms and includes a $35 million (31 March 2024: $40 million) Green loan tranche which has a green asset requirement covenant.

The Group has a Cash Advance Facility of $75 million (31 March 2024: $40 million) with ANZ. The facility has three and four year terms. In 2024 the facility was classified as a current liability as it matured in July 2024.

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 $67 million (31 March 2024: $92 million) at interest rates between 3.75% and 4.14%, excluding bank margins.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

19 Term Borrowings *Continued*

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 2025, the US$ USPP Notes had a fair value of $103.3 million (31 March 2024 $94.8 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 $1.29 million (31 March 2024 ($7.2 million)).

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

A private shelf facility with PGIM Inc (Pricoa Private Capital) of US$125 million was put in place on 29 November 2024. A USPP Note issuance was completed under the facility by the Group on 18 December 2024 for NZ$40 million comprising of one tranche of 8-year floating Notes with a margin of 2.10%.

These USPP facilities are unsecured and subject to a Deed of Negative Pledge.

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 7.0% and if demanded is added to the loan.

Advance - Electricity Invercargill Ltd

The advance to TPCL subsidiary Lakeland Network Ltd by Electricity Invercargill Ltd was repaid during the year. The advance was repayable on demand but with a 13 month notice period. Interest on the Advance was paid quarterly at 3.00% above the 90-day Bank Bill Rate and totalled to $392,000 in the current year (2024: $534.000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

19 Term Borrowings *Continued*

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 separately recognised in other comprehensive 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 Limited 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 Limited 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 Limited'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 instrument'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 CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

20 Deferred Taxation

Deferred Taxation 2024	$'000 Balance as at 1 April 2023	$'000 Acquired in Business Combination/ Disposal of Subsidiary	$'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**

Deferred Taxation 2025	$'000 Balance as at 1 April 2024	$'000 Acquired in Business Combination/ Disposal of Subsidiary	$'000 Charged to the Income Statement	$'000 Charged to Equity	$'000 Balance as at 31 March 2025
Depreciation	101,997	8,124	2,385	9,905	122,411
Capital Contributions	3,213	-	905	-	4,118
Onerous Contract	(4,349)	-	(430)	-	(4,779)
Tax Losses	(293)	-	214	-	(79)
Right-of-Use Assets	38	-	146	-	184
Lease Liabilities	(62)	-	54	-	(8)
Discount	1,296	-	(193)	-	1,103
Intangible Assets	-	927	-	-	927
Other	(221)	-	(1,346)	-	(1,567)
Hedging Movement	253	-	(117)	-	136
	101,872	**9,051**	**1,618**	**9,905**	**122,446**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

21 Business Combinations

On 29 November 2024, the Group acquired 100% of the issued share capital of Pylon Limited, obtaining control of Pylon Limited. Pylon Limited has interests in PowerNet Limited and OtagoNet Joint Venture, which combined with the Group's existing share interests, results in the Group also obtaining control over these entities.

The OtagoNet Joint Venture operates the electricity distribution business in the rural Otago region. PowerNet is an electricity distribution network management company and provides contracting services to the electricity distribution sector. The Pylon Limited Group was acquired by TPCL's Group through the opportunity to increase its existing investment to 100%, the opportunity arose from the intention of the Invercargill City Holdings Limited Group to divest its interest in various investments that resulted in the purchase of Pylon Limited shares by TPCL's Group. The acquisition simplifies governance, and management structures and improves efficiencies in the businesses.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	OtagoNet Joint Venture	PowerNet Limited	Total
	$'000	$'000	$'000
Financial Assets	2,639	32,919	35,558
Cash and Cash Equivalents	23	674	697
Inventory	88	2,590	2,678
Property, Plant and Equipment	251,439	20,975	272,414
Right-of-Use Assets	-	17,159	17,159
Capital Work-in-Progress	7,429	2,517	9,946
Customer Contracts	-	2,034	2,034
Other Tangible Assets	-	1,246	1,246
Other Assets	418	6,948	7,366
Financial Liabilities	(5,313)	(59,001)	(64,314)
Deferred Tax Assets/(Liabilities)	(10,419)	(927)	(11,346)
Current Tax Assets/(Liabilities)	-	(894)	(894)
Other Liabilities	(1,312)	(8,168)	(9,480)
Lease Liabilities	-	(16,948)	(16,948)
Total Identifiable Assets Acquired and Liabilities Assumed	**244,992**	**1,124**	**246,116**
Goodwill	11,878	13,980	25,858
Total Consideration	**256,870**	**15,104**	**271,974**
Satisfied by:			
Cash	61,106	7,425	68,531
Fair Value of Previously Held Equity Interest	192,909	7,552	200,461
Pylon Liabilities Assumed	2,855	127	2,982
Total Consideration Transferred	**256,870**	**15,104**	**271,974**
Net Cash Outflow Arising on Acquisition			
Cash Consideration	61,106	7,425	68,531
Less: Cash and Cash Equivalent Balances Acquired	(23)	(674)	(697)
	61,083	**6,751**	**67,834**

21 Business Combinations *Continued*

The fair value of the financial assets includes receivables with a fair value of $35.6 million and a gross contractual value of $35.6 million. The best estimate at acquisition date of the contractual cash flows not to be collected is $0.17 million.

No contingent liabilities were identified in respect of the acquisition.

The goodwill of $25.9 million arising from the acquisition consists of governance and management synergies, economies of scale and future growth and operational benefits. The goodwill is not deductible for income tax purposes as it arose through the purchase of shares.

Acquisition-related costs (included in operating expenses) amount to $0.6 million.

Pylon Limited, PowerNet Limited and the OtagoNet Joint Venture contributed $16.6 million revenue and $1.0 million to the Group's profit before tax from continuing operations for the period between the date of acquisition and the reporting date.

If the acquisition of Pylon Limited, PowerNet Limited and OtagoNet Joint Venture had been completed on the first day of the financial year, Group revenues for the year would have been $131.7 million and Group profit would have been $14.1 million.

The acquisition date fair value of the investments in PowerNet Limited and OtagoNet Joint Venture immediately before the acquisition date was $7.6 million and $192.9 million respectively. As a result of remeasuring these investments to their fair value at acquisition date, a gain of $1.0 million has been recognised in Gain on Step Acquisition in profit or loss.

Through the acquisition of Pylon Limited, the Group has also gained 100% control of Lakeland Network Limited. Lakeland Network Limited was previously a subsidiary with a non-controlling interest held by Pylon Limited. At acquisition date, the difference between the fair value of the consideration paid for acquiring the non-controlling interest and the carrying amount of the non-controlling interest is $3.6 million and is charged to retained earnings.

The cash consideration allocated to the acquisition of the non-controlling interest in Lakeland Network Limited is $10.3 million, together with the cash consideration allocated to the purchase of PowerNet Limited share and OtagoNet Joint Venture interest of $68.5 million gives the total cash consideration of $78.8 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

22 Provision for Onerous Contract

	GROUP	
	2025 $'000	2024 $'000
Current Portion	945	926
Non-Current Portion	16,124	17,338
Provision for Onerous Contract	**17,069**	**18,264**

A liability has been recognised in relation to the Group's obligations under an onerous contract agreement. A provision of $17,069,000 (2024: $18,264,000) has been established for this onerous contract. A Deferred Tax Asset of $4,779,000 (2024: $5,113,000) has also been recognised in relation to this onerous contract.

The following valuation assumptions were adopted;

- The discount rate used was 6.59% 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 increase used was 1.97%
- The corporate tax rate used was 28%
- The sustainable growth adjustment used was 0.5%

23 Commitments

(a) Capital Commitments

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

	GROUP	
	2025 $'000	2024 $'000
Capital Commitments	48,019	26,249
Total Capital Commitments	**48,019**	**26,249**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

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

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

	GROUP	
	2025 $'000	2024 $'000
Net Surplus After Taxation	**22,143**	**5,390**
Plus/(Less) Non Cash Items:		
Depreciation	30,161	24,985
Deferred Taxation	1,618	2,654
Interest Rate Derivatives (US$)	3,167	106
Interest Rate Derivatives (NZ$)	(389)	707
Net SEPSCT Transactions	-	(200)
Purchase of Minority Interest	1,977	-
Onerous Contract	(1,195)	2,200
Lease Liability	(489)	-
Share of Profit of Associates and Joint Ventures	(17,726)	(9,332)
	17,124	21,120
Items not Classified as Operating Activities		
Loss on Disposal of Property, Plant and Equipment	-	633
	-	633
Plus/(Less) Net Movements in Working Capital:		
Creditors and Accruals	(7,910)	(1,780)
Receivables and Prepayments	9,921	(1,037)
Contract Liabilities	-	8,520
Inventories	(81)	-
Work in Progress	2,594	-
Income in Advance	511	-
Deferred Contribution	(992)	-
Income Tax Payable	(787)	(2,777)
	3,256	2,926
Net Cash Flows From Operating Activities	**42,523**	**30,069**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

25 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 19 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.

Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash, shortterm investments, hedging instruments and trade receivables. Cash, short-term investments and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

25 Financial Instruments *Continued*

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 relevant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

26 Transactions With Related Parties

On 29 November 2024, the Group acquired 100% of the issued share capital of Pylon Limited. Pylon has interests in PowerNet Limited, the OtagoNet Joint Venture and Lakeland Network Limited, which combined with the Group's existing share interests held through their wholly owned subsidiary company Last Tango Limited resulted in the Group owning 100% of these entities.

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

Material transactions the Group had with the above mentioned parties during the year are as follows:

	GROUP	
	2025 $'000	2024 $'000
Goods and Services Supplied to:		
PowerNet Limited (Joint Venture)	1,840	3,395
OtagoNet Joint Venture	40	60
Goods and Services Supplied by:		
PowerNet Limited (Joint Venture)*	52,634	69,640
Advances Provided to:		
Southland Electric Power Supply Consumer Trust	375	126
PowerNet Limited (Joint Venture)	26,464	25,950
Lakeland Network Limited	1,569	3,478
Advances Repaid to:		
Southland Electric Power Supply Consumer Trust	381	326
PowerNet Limited (Joint Venture)	16,680	25,200
Lakeland Network Limited	969	-

* This relates to asset maintenance and construction of $48,678,000 (2024 $64,302,000) and management services of $3,956,000 (2024: $5,338,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 March 2025

26 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 $5,319,000 (2024: $1,597,000) 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 $381,000 (31 March 2024: $326,000). 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 $352,000 (31 March 2024 $126,000) has been added to the loan. This year a dividend was paid of $3,722,000.

All capital commitments disclosed are with PowerNet Ltd.

This Note is to be read in conjunction with Note 21 Business Combinations.

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 2025 Directors fees for The Power Company Ltd paid below.

	GROUP	
	2025 $'000	2024 $'000
Directors Fees	652	575

There have been no other transactions with the Directors.

27 Subsequent Events

There were no material events subsequent to balance date.

AUDITORS' REPORT

For The Year Ended 31 March 2025

PricewaterhouseCoopers
PwC Centre
60 Cashel Street
PO Box 13-244
Christchurch 8141
New Zealand
T: +64 3 374 3000
F: +64 3 374 3001
www.pwc.co.nz

Independent auditor's report

To the shareholder of The Power Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements (the 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 2025, 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 financial statements comprise:

- the consolidated statement of financial position as at 31 March 2025;
- 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;
- consolidated statement of cash flows for the year then ended; and
- the notes to the 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 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 Company 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.

In our capacity as auditor and assurance practitioner, our firm provides other assurance services. Our firm carries out other assignments in the areas of consulting services. The firm has no other relationship with, or interests in, 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 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 comprising the Annual report is expected to be made available to us after that date.

Our opinion on the 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.

AUDITORS' REPORT *continued*

For The Year Ended 31 March 2025

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

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

In preparing the 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-7-1/

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 leader on the audit resulting in this independent auditor's report is Nicholas Horwood.

For and on behalf of:

PricewaterhouseCoopers Christchurch
30 July 2025

THEPOWERCOMPANYLTD