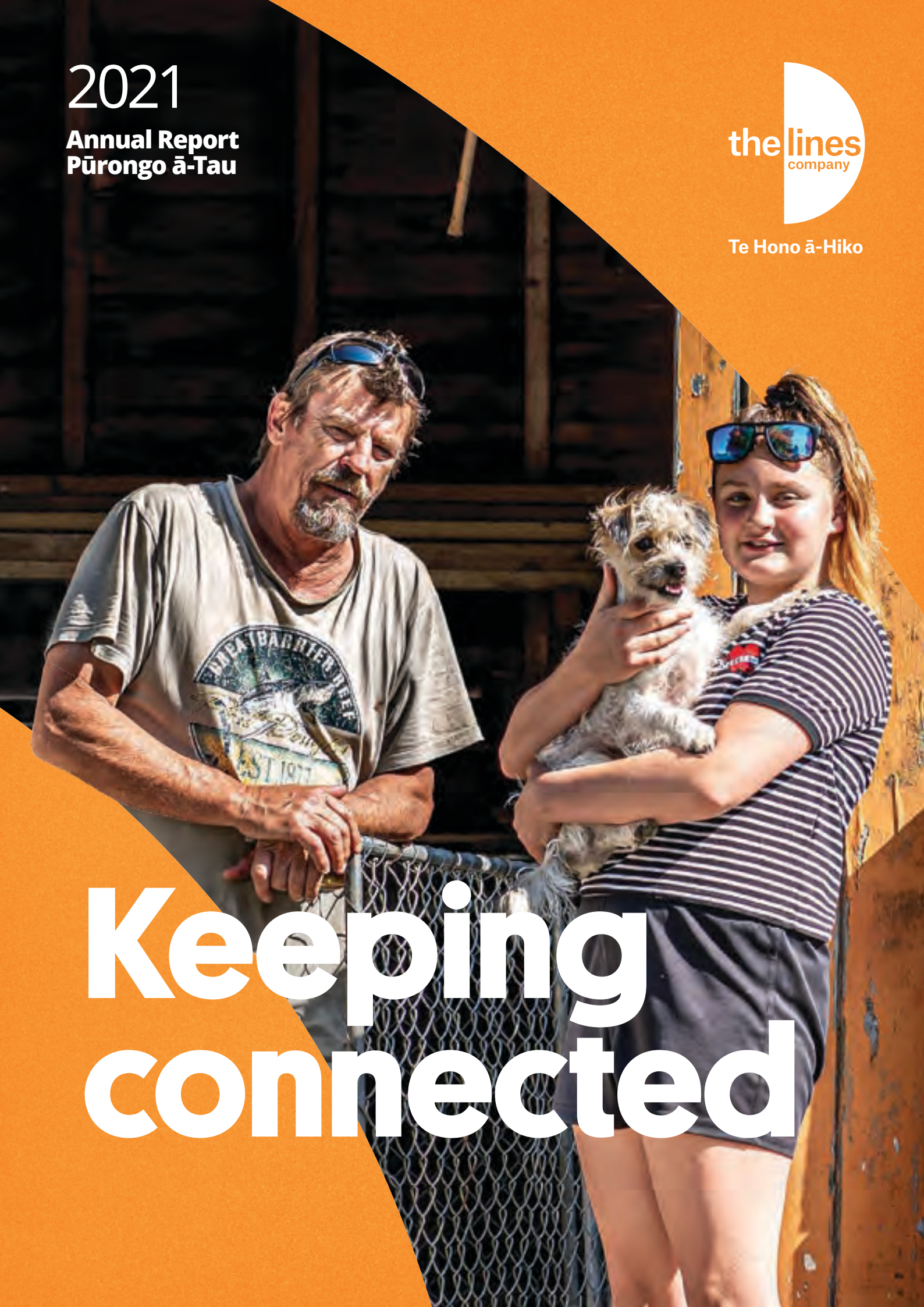
2021

Annual Report
Pūrongo ā-Tau

the lines company

Te Hono ā-Hiko



Keeping connected

Contents

We play a critical role in our communities and contribute to the economic and social wellbeing of the King Country and Central Plateau region.

Fore-word

We do this in a number of ways including providing a safe and reliable electricity supply to 18,000 customers across the network, employing more than 160 people and bringing income from outside the region into the business via our energy data and metering services business.

We are a principal steward of the region's electricity system which supplies 380 gigawatt hours of electricity to businesses and households each year.

We play a critical role in maintaining and enhancing the network infrastructure by making sure it is safe, reliable, and secure for generations to come. Alongside our owners, Waitomo Energy Services Customer Trust (WESCT), we provide discounts to customers in the northern area of the network and working with Maru Energy Trust (Maru), we support warmer homes with in-home insulation and heating programs, and work hard to support those experiencing energy hardship.

156

customers helped through TLC's Customer Care model

250k

Influx has a quarter of a million meters installed across New Zealand

Our highlig

$6.0m profit

delivering the second-best financial result on record

$172k

invested in local sponsorships, scholarships, Maru Energy Trust

84%

of Influx revenue was generated outside of the network region

ghts

$1m

in variable charges wiped for customers during April to support them in the wake of the COVID-19 lockdown

#1

we won the 2021 New Zealand Energy Excellence Outcomes Category Award

↓56%

reduction in the total number of workplace injuries

↓78%

reduction in complaints, now at a five-year low

160+

we employ over 160 staff across the organisation

$3.8m

in TLC Discounts paid to WESCT Customers

$20m

invested in network improvements

The Lines Company (TLC) maintains the electricity network connecting around 18,000 customers and 24,000 connection points to the national grid across the King Country and Central Plateau.

Intro-duction

Our network contains assets including power lines, power poles, cables, substations, transformers, electric vehicle (EV) charging stations and other infrastructure. We have a large asset base, vast geographical footprint, and operate in some of the most challenging terrain in the country to deliver a reliable electricity supply to the communities we service.

In addition, we own New Zealand's fourth largest electricity metering services business Influx (formally FCL Metering), which has experienced significant growth in this past year, helping to bolster the Group's overall financial result.

In the 2021 financial year revenue has increased to $55m despite a $4.3m drop in network revenue due to the new regulatory revenue cap. Metering revenue has increased by $7m over the year. Profit for the year is above target at $6m which gives a return on equity of 6.2% (before customer discounts).

It is important to note revenue received from our network customers, and the reliability standards of the electricity we supply, are regulated by the Commerce Commission. Their role is to reflect the best interests of customers, while ensuring a fair rate of return for the assets we own and manage on behalf of our shareholder.

100% owned by the Waitomo Energy Services Customer Trust (WESCT), our business is safeguarded by community ownership. We work for our customers, providing the best possible service to them through operating a robust network and generation of non-regulated income.

Chair's Report

I am sure that we will look back on this last year as a major pivot point for the TLC Group of companies.

Several years ago we set a clear and ambitious strategy to improve the business on a number of fronts, which after some incredibly hard and diligent work by the team, really came together over the 2020 to 2021 financial year.

I would separate this into four key themes;

1. We need to operate an efficient and safe network.

To that end the quality standards which are arguably more difficult for remote EDB's such as TLC were more than met in the year.

Our investment in the network has grown markedly and will continue to grow as we continue to lift the bar, build it more safety, improve quality of supply and build in network resilience.

2. We need to support the Community where and when needed.

We were very proud to be in a position to provide nearly $1m of reduced charges to residential customers at the start of the year as part of a COVID-19 relief package at the time the country was in lockdown and many businesses were stalled.

We are also very proud of the work we help fund through Maru with home insulations and the many other ways we support the community through sponsorships, scholarships and with community projects.

We see business facilitation as one of our core responsibilities. Our aim to create an "EV Highway" through King Country has become a reality, with 45 chargers now installed on the network — fast chargers in the main centers and smaller chargers at many motels. This is about helping businesses and tourism operators attract more traffic given the rising popularity of EV's on New Zealand's roads. I would venture to say we are the most progressive EDB in New Zealand in this regard.

3. We need to simplify the business, avoid distractions, and sell assets that do not meet our hurdle return rates.

In the year we successfully negotiated the sale of our run-of-river generation assets for $15.5m which bolsters cash reserves to fund other investments.

Following the successful transition to Time of Use pricing, we are now well advanced and on track to deliver the "one-bill" project that customers clearly had preference for. This will add significant efficiency to the business.

4. We need to reduce the cost of energy to our customers. Given that EDB returns are regulated we therefore need to grow unregulated revenue and find third party solutions to reduce costs.

The scaling of our metering business, Influx through an aggressive acquisition plan has shown remarkable results. We completed three acquisitions and already working on a fourth, that takes Influx to be the fourth largest metering business in New Zealand. Financial results are well above the business plan and Influx is an exemplar company in the sector providing innovative data solutions to homeowners and businesses, in the metering sector.

We will provide further funding to Maru to expand their energy efficiency work beyond home insulation into areas including energy information and education.

We were delighted and honoured to receive an award at the New Zealand Energy Excellence Awards, that to me demonstrates and exemplifies how the business improvement journey has progressed and gives us cause to briefly pause and celebrate and acknowledge 3 years of incredible work by everyone involved.

On behalf of my Board colleagues our thanks and congratulations to Sean and the whole TLC and Influx team for their commitment, diligence, hard work and sheer heart they have applied over this landmark year; our thanks to Peter Keeling and his fellow Trustees at WESCT for the encouragement and support as we navigated through what have been major changes to the business.

On a personal note my thanks and absolute admiration to Board colleagues Craig Richardson, Bella Takiari-Brame and Andrew Johnson. For most of this incredibly busy year we operated with just four Directors and want to acknowledge their extra efforts, the wisdom they have shared, and skills applied, as we re-shaped the business.

It is a year everyone should be immensely proud of, and, sets us up well for the future.

He waka eke noa
Ngā mihi nui

Mark Darrow
Chair, on behalf of the Board of Directors

Chief Executive's Report

2020/21 was an extraordinary year for TLC. We have created a solid foundation, lifted the bar in several areas, grown off network revenue — creating a strong basis for our future.

E ngā mana, e ngā hau e whā, tēnā koutou katoa

Last year continued to be a challenging one as we operated our business alongside the ongoing threat of COVID-19.

Following on from the national lockdown, I have remained extremely proud of the professionalism and commitment displayed by everyone at TLC. Our people adapted quickly to new working requirements and have continued to deliver an essential service to our wider community with care and compassion.

Our connection to those living and working in our region continued to strengthen during the year. We were, and remain, determined to do our very best for local people, some of whom have been hit hard by the global pandemic. We take our responsibility to our community seriously and occasionally we were able to use our essential workers status to provide additional support.

In parts of our region, our staff delivered groceries and ready-made meals to vulnerable people unable to leave their homes during periods of lockdown. And as the economic impacts of the pandemic became evident, we worked alongside struggling tourism operators to encourage our customers to access substantial discounts at local visitor attractions. Going forward, we will continue to think laterally about what we might do to support our wider community.

We delivered

Despite COVID-19, we delivered $20m of capital projects during the year. We are now seeing the benefits of a considerable investment in data and systems to better understand the network and customers, automation to create a more customer responsive network, future technology to drive sustainability and building assets that support growth.

Major projects undertaken during the past year included investment into a new substation at Waitete to meet growing demand in Te Kūiti. The project, the biggest new-build outlay by TLC since the 1950s, is part of a wider program over the next five years. That program will see us spend around $85 million to improve energy reliability across our network and prepare for regional growth. It was a pleasure in January to be part of the official Waitete ground-breaking ceremony and I thank all staff and external parties who contributed to the project.

Work on the Te Waireka substation upgrade, which will ensure a reliable supply at Ōtorohanga and surrounding areas, also continued last year. The first of two new switch rooms arrived in December and a second — the final stage of the project — is due to be installed in 2023. We were also pleased to deliver progress in other parts of our network in places like Tūrangi, Taumarunui, Tokaanu, Arohena and National Park.

Quality targets

We completed the year within our regulated quality of supply targets as defined by the Commerce Commission — a result of a specific effort to address vegetation and other legacy issues on the network. Improving our SAIFI (average interruptions per customers) and SAIDI (average length of interruption) performance will continue to be a strong focus in the upcoming years.

Finance

Financially, we have had a strong year and will record our second highest ever operating profit (less discounts and dividends). This is despite being in the first year of a five-year regulatory period which has driven a 10% drop in our allowable network revenue.

Much of our financial year-end result has come from a purposeful strategy put in place over the last three years. That strategy seeks to offset a drop in our allowed regulated returns by investing in activities that create additional, off-network revenue streams.

Strategic investments and divestments

Our wholly-owned subsidiary, Influx, continued to perform extremely well on the back of acquisitions of legacy assets from Trustpower, Northpower and the Legacy Metering Group.

These acquisitions mean Influx is now the fourth largest metering company

in New Zealand. It is continuing to perform strongly in an increasingly complex and technical sector. These strategic purchases mean that over 80 per cent of our metering revenue is now off-network, up from 56% per cent in FY19. We expect Influx to continue to deliver strong results into the future.

In the coming years, we will continue to look for opportunities to further create additional revenue streams.

At the same time as we looked for new opportunities for our business, we continued to assess our existing operations. During the year, with the support of our shareholder WESCT, we sold our three, small electricity generation assets. Revenue from those assets has been volatile and, based on support from our community, we will look to complete the sale in the 2021/22 financial year.

Retailer billing

September 2020 saw a Company decision to move away from direct billing our customers and instead join the rest of New Zealand to bill through electricity retailers.

An enormous amount of work went into this decision, including consulting widely with our community and shareholder, WESCT. I wish to thank the wider community, including our Customer Service Panel, for their willingness to engage with us prior to this key decision being made.

This change will come into effect in October 2021 and our focus now is on ensuring a smooth transition for staff, customers, and retailers as we move into this new world.

Our community

The priority we place upon building robust relationships with our community continued during the year. We have made an unflinching commitment to advocate both locally and nationally for our community and have worked harder than ever to better support our most vulnerable customers.

As part of our customer care model, we worked closely with 156 customers and in doing so have seen a dramatic reduction in disconnections as well as an increase in the number of arrears recovered. This reinforces my own view that looking after our community is both the right thing to do and makes good business sense.

We continue to support our region by way of community funding and in October 2020 awarded scholarships to four outstanding school leavers. We also continued to work alongside Iwi on projects of potential mutual interest.

It was also pleasing to see a dramatic fall in the number of customer complaints this year. Our levels of customer satisfaction are now on a par with other electricity distribution businesses. While that is a significant improvement from where we have been in the past, we remain committed to ongoing improvement.

TLC was named the winner of the New Zealand Energy Excellence Award in the Outcomes category. The award recognises outstanding initiatives that celebrate better energy outcomes for New Zealanders. Our three initiatives to address energy hardship included our Customer Care Model, the Maru Energy Trust, and the work we did to provide COVID-19 relief. I am proud to see these initiatives recognised and to see the sector valuing good community outcomes in addition to more traditional performance indicators.

One of our team, Jared Murrell, was also a finalist in the Young Energy Professional of the Year and I extend my very warm congratulations to him.

I'd like to acknowledge our Board of Directors for their ongoing advice, guidance, and wisdom as they continue to challenge and support us to develop our business. Thanks also to the WESCT Trustees for their continued contribution, encouragement, and direction as we maintain, innovate, and grow for the benefit of all customers on our network. I look forward to continuing our work together as we head into a promising future.

Looking ahead

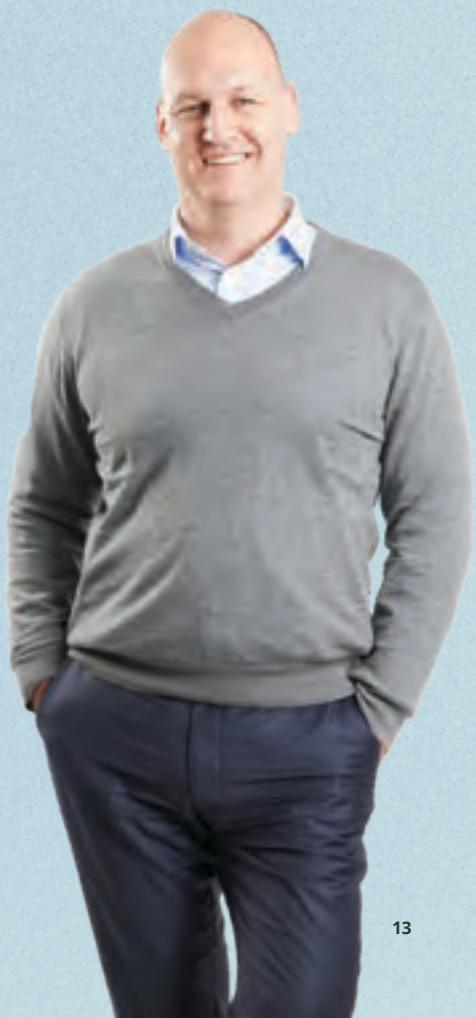
The year ahead sees us continue to invest in upgrading and replacing aging assets as well as continuing our focus on both our team and our community. As we head into a new financial year, the future offers a number of interesting but complex opportunities. For an electricity distribution company, we are uniquely close to our customers. We have done a great deal of work on issues around energy hardship and we look forward to extending the service we offer via our team of qualified Home Energy Assessors.

We will also continue to keep a watchful eye on initiatives around decarbonisation and opportunities presented by renewable energy and storage. We are already working alongside customers on opportunities which are likely to be reflected in asset management plans over the next 12 months.

I wish to end by thanking the entire team across The Lines Company's group of businesses. To the senior leadership team for their unwavering support, to the staff who continue to support us to achieve outstanding results under often challenging circumstances. Our results have only been achieved because of the effort put in by everyone, at all levels of the organisation. It is a privilege to lead such a dedicated team.

Ngā mihi

Sean Horgan
Chief Executive



Our team of local people work hard in some of the most idyllic, yet most geographically challenging parts of New Zealand — in all weather extremes, every day of the year.

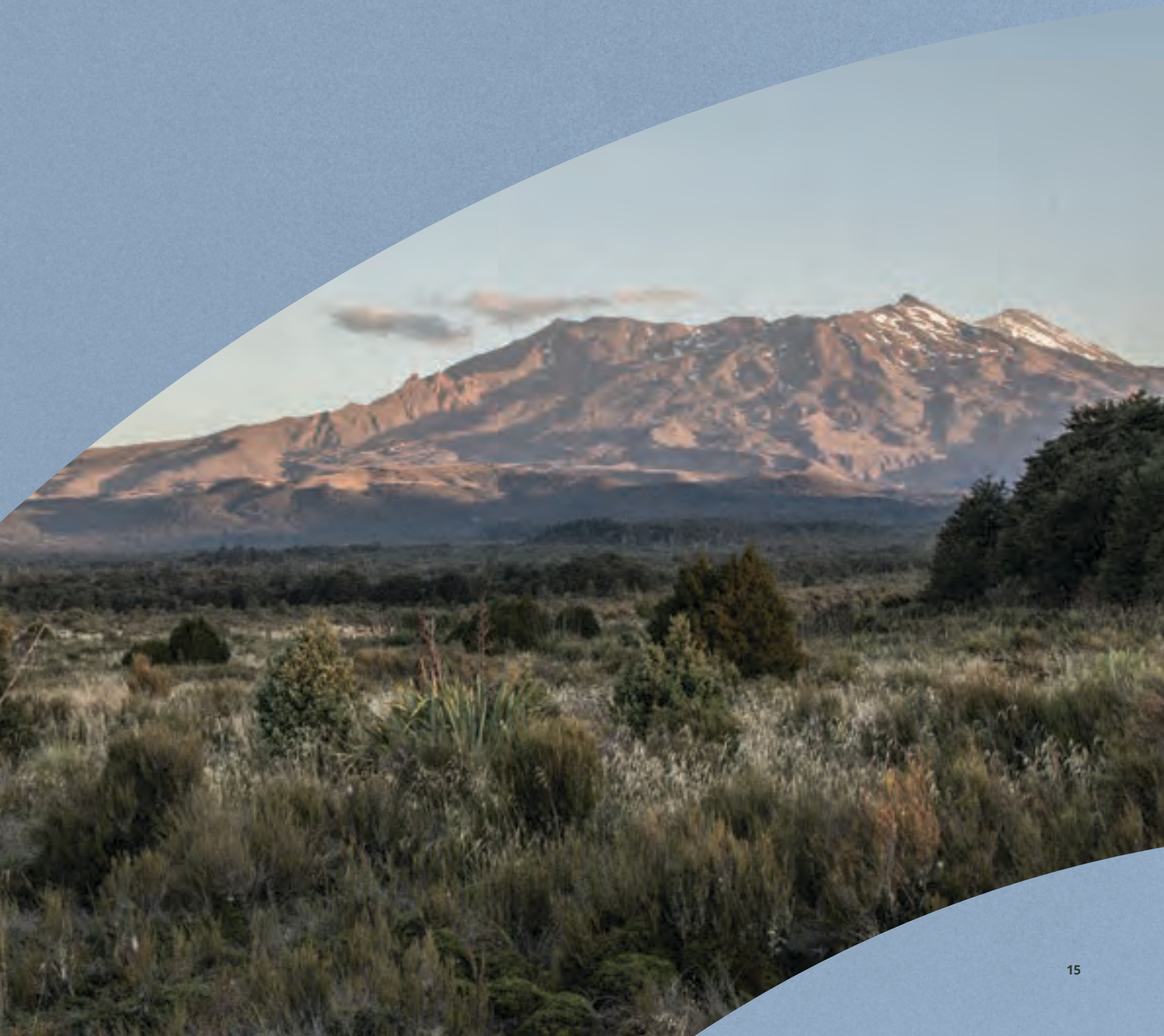
What we do

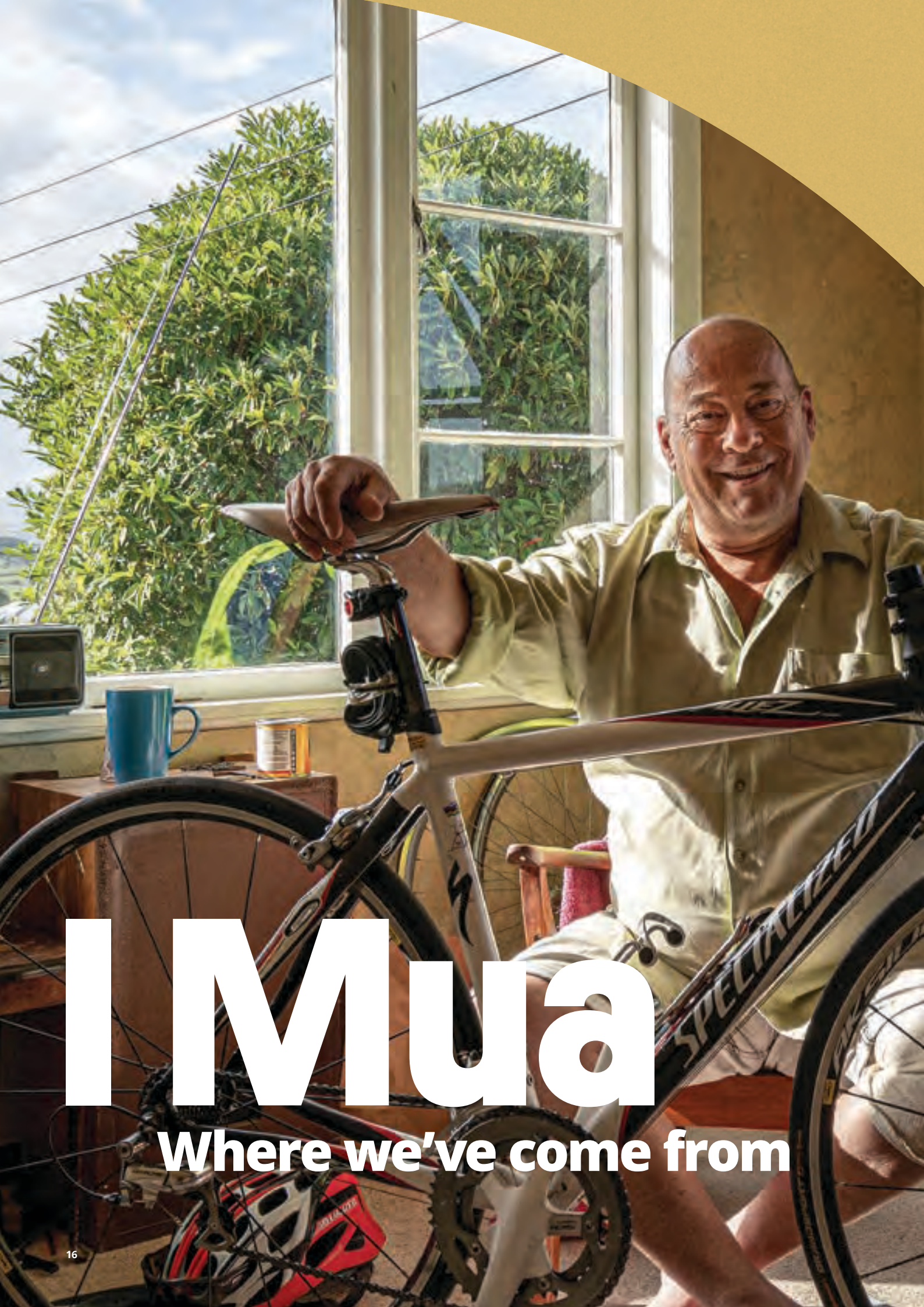
Our primary focus is keeping our customers connected to electricity, irrespective of where they live or work. We also make sure we are positive contributors in keeping people connected to each other, and more importantly to the world, as we live through the ongoing impacts of COVID-19. This means managing and maintaining our extensive electricity network of more than 4,000 kms of lines and cables, so we can respond quickly to storms and other high-risk events which cause electricity outages and to minimise disruptions to lives and businesses. We continue to make improvements to the network which enable new economic enterprise, improve reliability of supply and provide better safety for our staff and communities. We do this alongside preparing our business to enable new and renewable technology to be installed across our network, while working within a highly regulated environment.

Industry regulation requires us to pass on to our customers the costs incurred in bringing power from the national grid into our area. And on behalf of the government, we collect levies from our customers to help cover the cost of regulating New Zealand's electricity industry.

TLC has on average five and a half electricity connection points per kilometre of lines and cables on the network.

	King Country & Ruapehu (TLC)	Auckland	Hamilton	Waipa	Wellington
Connection points/kms	5.57	31.88	16.55	12.40	14.08
Connection points	24,000	573,860	91,000	27,222	67,354
Kms of lines & cables	4,310	18,000	5,500	2,195	4,784





I Mua

Where we've come from

Our experience and learnings help us shape the journey forward as we work harder to develop better outcomes for our customers, community, and stakeholders.

In the wake of COVID-19

As communities, individuals, whānau, and businesses our lives were altered due to the COVID-19 pandemic. New Zealand's collective response was to pull together, as one, to support and protect each other.

We echoed the national response across our network and continue to do so as we do our best to safeguard our community by providing a safe and reliable electricity supply, and other services to ensure customers remained connected.

In response to the COVID-19 Alert Level Four national lockdown, we mobilised our workforce, successfully setting up our teams to work at home, embracing new technology and ways of working. Our field staff continued to deal with essential issues enabling our customers to stay connected — they also helped elderly and our more remote customers by delivering meals and groceries. As lockdown levels were lifted, and as staff felt comfortable, our team returned to the workplace.

We were acutely aware of the pressure individuals and business in the region were under, especially the tourism sector and responded quickly to customer queries and concerns to, where possible, alleviate pressure and allay fears during what was an uncertain time for all.

Our provision of relief in the form of wiping close to $1m in variable charges to residential properties during April 2020, along with our teams working hard to keep the power on at hospitals, supermarkets, petrol stations, homes, and businesses — and providing in-community support during lockdown — were just a few of the ways in which we responded. We also halted disconnections, in a move to support those most vulnerable.

Our frontline crews remained fully operational in the field and continued to attend faults, carefully maintaining social distances, tracking their personal movements, and maintaining good personal hygiene standards.

Home offices were quickly set up, new ways of communicating and operating our business were learned and implemented, for everyone on the 160 strong team.

$1m

in variable charges wiped during April

A community with energy challenges

Around 80 percent of TLC's residential customers have a deprivation score of more than five and about 60 percent of customers have a deprivation score 8, 9 or 10 — the highest levels on the scale. That means for many of our customers, finances are tight. A quarter of customers on TLC's network have an average household income of less than $35,000 per annum.

In August 2018, TLC established Maru, a not-for-profit organisation aimed at keeping local people warm and dry through the installation of home insulation, energy efficient heating and energy education.

With high deprivation and poor housing prevalent across our network region, the Trust was set up to specifically improve home insulation, heating and provide energy efficiency awareness through education. The Trust has made a significant difference to households across TLC's operational area — and our ongoing support includes funding, along with provision of office space and supporting services.

MARU
Be warm. Be healthy.

Customer satisfaction continues to improve

Our business has begun to flourish as we better understand our customers' needs and issues and work to better listen, improve how we communicate, support, and engage with them.

Customer satisfaction levels saw a significant uplift during the early part of 2020 with complaints at an all-time low, and overall satisfaction levels are now at a five-year high.

Our additional efforts to support customers included small measures such as helping deliver meals on wheels during lockdown, introducing a freeze on disconnections and providing wrap-around support for the most vulnerable people on our network. More than ever before, the past year saw us have our eye firmly focused on our customers.

Customer research undertaken over the year told us TLC is making strong progress in regained trust and confidence with overall customer satisfaction ratings significantly improved on prior years and now sitting at 65%.

The improvement in satisfaction was echoed in a marked reduction in the number of inbound calls to our customer team. The team are now more proactive than ever when dealing with customers' queries, enabling them to add value to what has been a traditional engagement.

We also saw a significant decline in the number of customer complaints during the year, building on the very pleasing drop seen in 2019–2020. Since 2016/17 complaints have dropped nearly 78% per annum, reducing from 137 to 33 in 2021 — and now sit at a record low.

↓78%

reduction in complaints, the lowest level in five years

An intergenerational network

Our intergenerational approach to investment and asset management continued despite the challenges experienced due to COVID-19, as the team pulled together to deliver the capital spend on infrastructure.

Rethink on generation

The extended dry summer conditions experienced over the past four years have impacted the generation output of the stations reducing the financial returns on our generation assets.

During warmer periods with low or no rainfall, the amount of power the stations can produce is reduced or stops. Together the three small stations generate only enough power each year for around 3,000 homes, with the power produced at the sites sold back into the national grid. Like us, our fellow shareholder in Speedy's Road Hydro wished to exit the investment due to low returns over a lengthy period of time. The move to divest these assets was strongly supported by WESCT Customers, with proceeds from the sale set to positively impact the strong ongoing performance of the TLC Group.

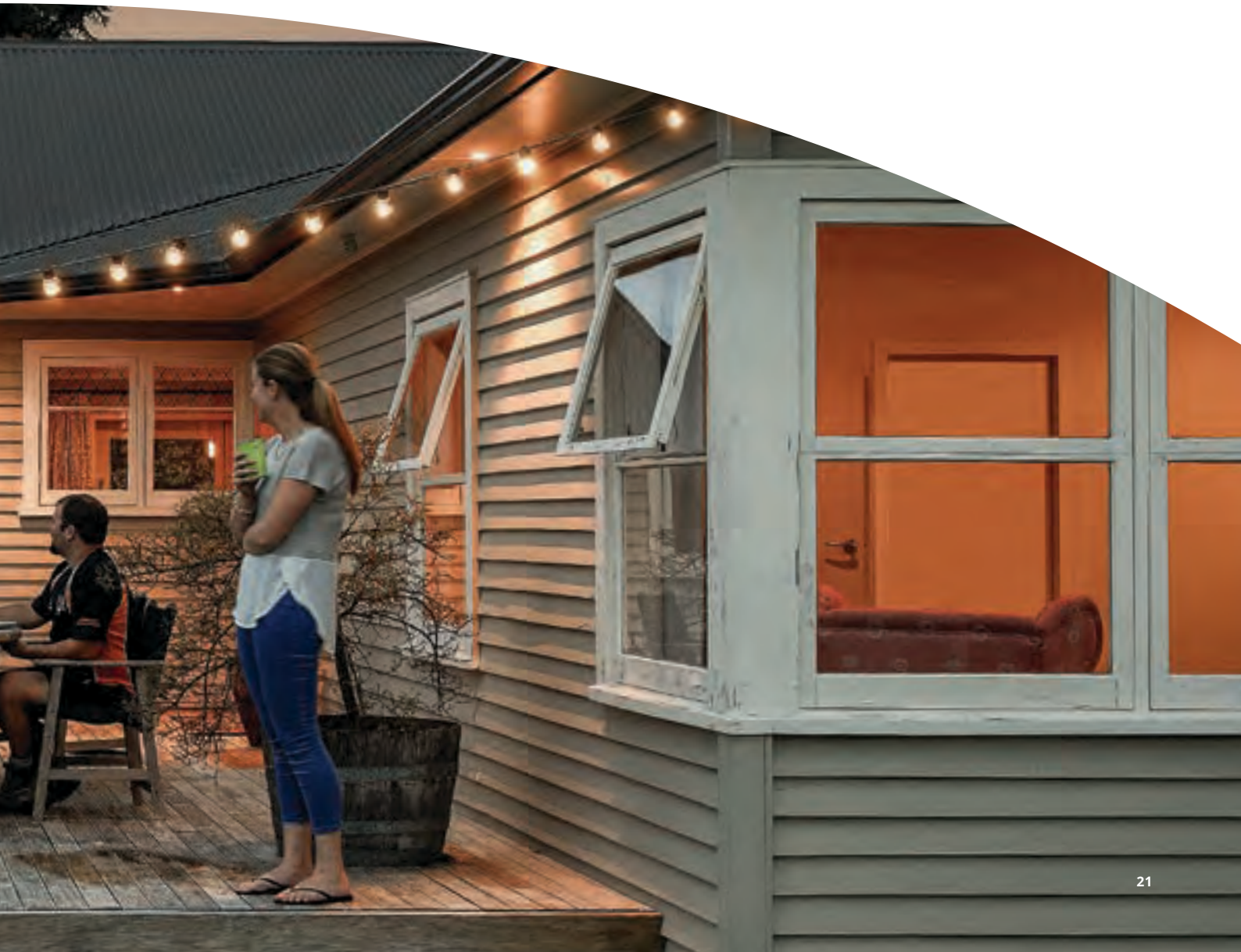
Strengthening our safety culture

We have a strong safety culture that reflects "safety over productivity" and we are very clear that we live by that standard.

Managers and leaders from across the business are responsible for the review and guidance of our safety actions, helping to ensure all of our team and others that support our business make it home to their whanau safe, each and every day.

Throughout 2020/21 we continually improved our approach on the people and safety front, as we shifted gear once again to meet our obligations to staff, the community, and contractors who work on our network. We continued to focus on critical risks and improved how we managed and identified those risks.

We worked proactively and tackled safety head on. We made significant improvements to the personal protection equipment we use, brought health monitoring and health checks on site, spearheaded Safety Leadership Days and introduced our Event Review Group. Our commitment to health and safety is an ongoing journey and we will continue to invest in it as a priority.



Growth platform success

Our strategic investments in our energy data and metering business, Influx, paid dividends in the past year. This subsidiary's performance has been a key to increased revenue generated from outside the network region and regulated business, especially the acquisition of the GoodMeasure business and Trustpower's legacy metering assets in 2020 — having grown from a modest base of 40,000 meters in 2019 to over 250,000. This, along with further asset acquisitions, resulted in a highly positive financial performance with continued growth in off-network revenue in 2021.

What we can earn — the impact of regulations

The Commerce Commission's Default Price Path (DPP) applies to most electricity distributors in New Zealand, including TLC. This year, the first year of the third in a series of five-yearly pricing resets, saw the business subject to a 6.7% year-on-year reduction in what TLC can earn. DPP3 (the third five-year reset) also saw changes to the quality standards with the introduction of separate standards for planned and unplanned interruptions, enhanced reporting following a breach of standard, redefined major events, and reporting, while also resetting boundary values. We managed these changes with a firm focus on improving our performance and delivering more to customers.

TLC Discounts

On behalf of our shareholder WESCT, we applied a total of $3.8m in discounts to 9,000 northern customers in our network. The payments were split into two; with $2.2m distributed in December 2020; and a further $1.6m in May 2021.

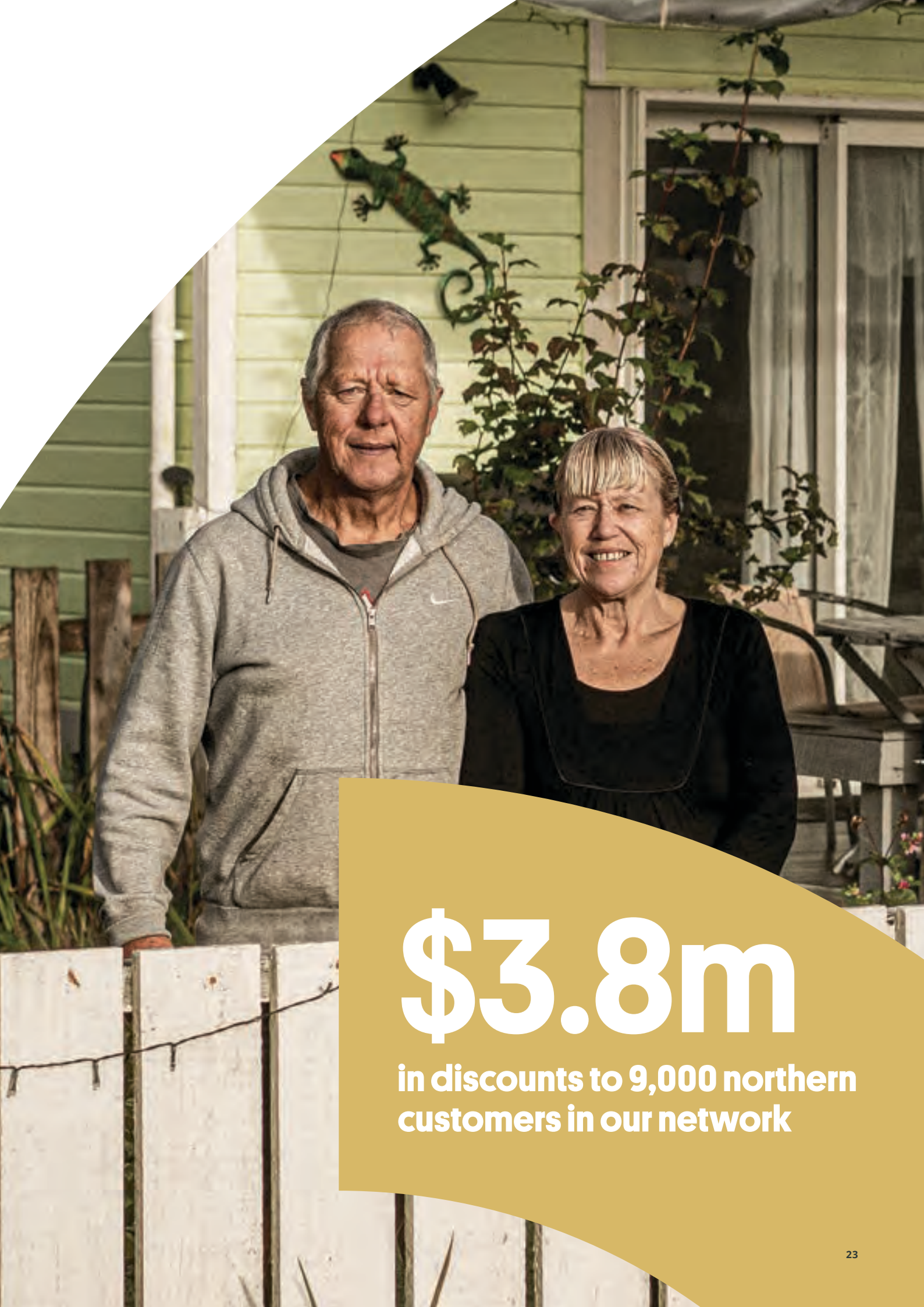
A single energy bill

Underlying our ongoing performance is a drive to listen to and do what is right for our customers. We not only need to keep the power on, keep costs down, and support our communities — we also need to continue to grow and improve the business for the benefit of current and future generations.

Over the past three years we've been reviewing how we bill and working with customers and WESCT to understand the potential benefits of moving to a single energy bill, like the rest of New Zealand. Through this process a clear and consistent message from customers was heard.

Most customers wanted a single bill to make life easier and simpler, while maintaining transparency around lines consumption and peak, off-peak and shoulder charges. In 2021 we will implement a two-pronged strategy which will see customers receive a single energy bill from their electricity retailer combining both energy and lines charges; and delivery of an online tool providing transparency of lines service-related cost as charged to retailers.

We not only need to keep the power on, keep costs down, and support our communities — we also need to continue to grow and improve the business for the benefit of current and future generations.



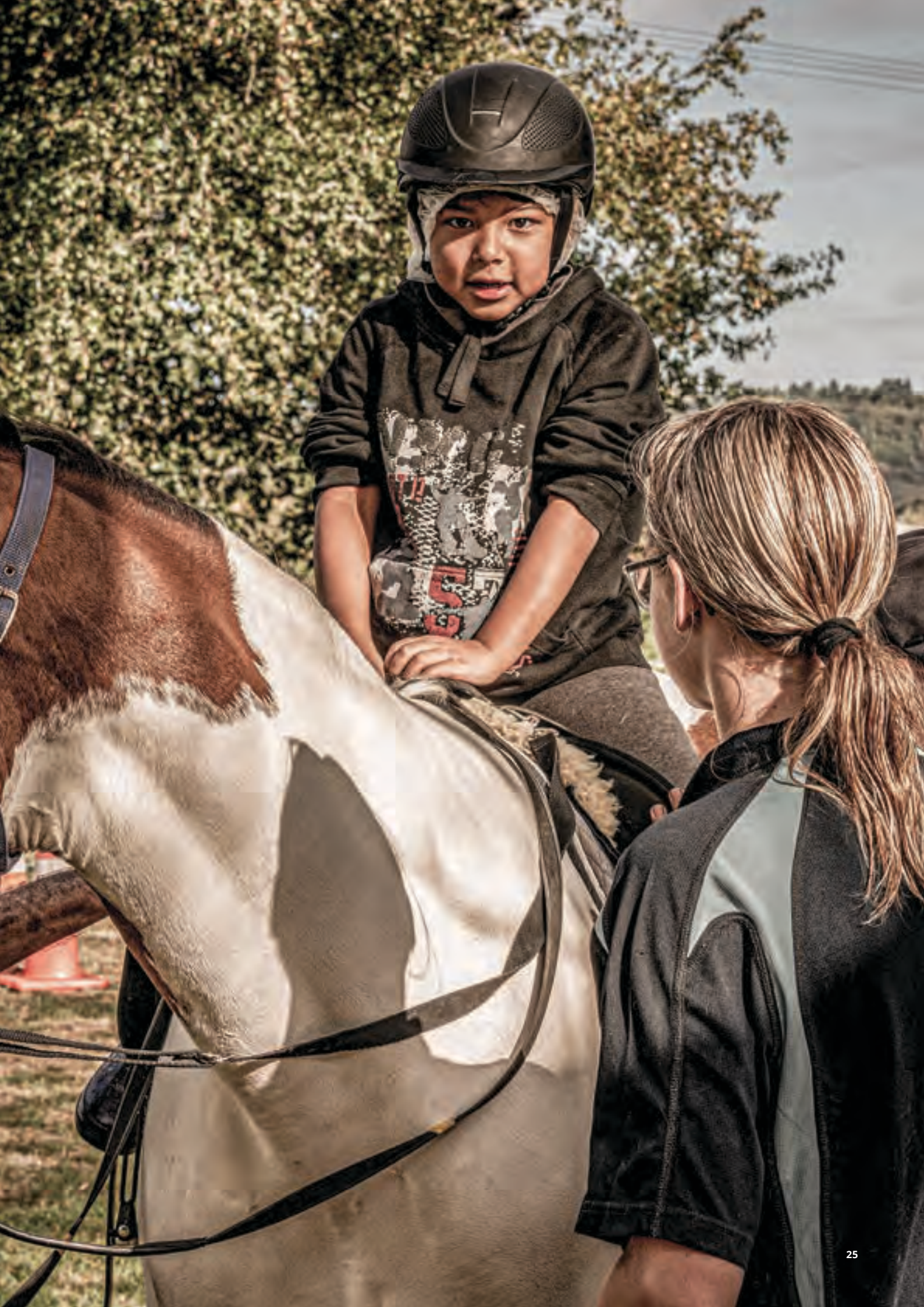
$3.8m

in discounts to 9,000 northern customers in our network

In the years to come our focus will be on evolving and prospering as a business, helping to bring us even closer to those connected to our network as we deliver greater benefits to all.

Who we are

Kaitiaki

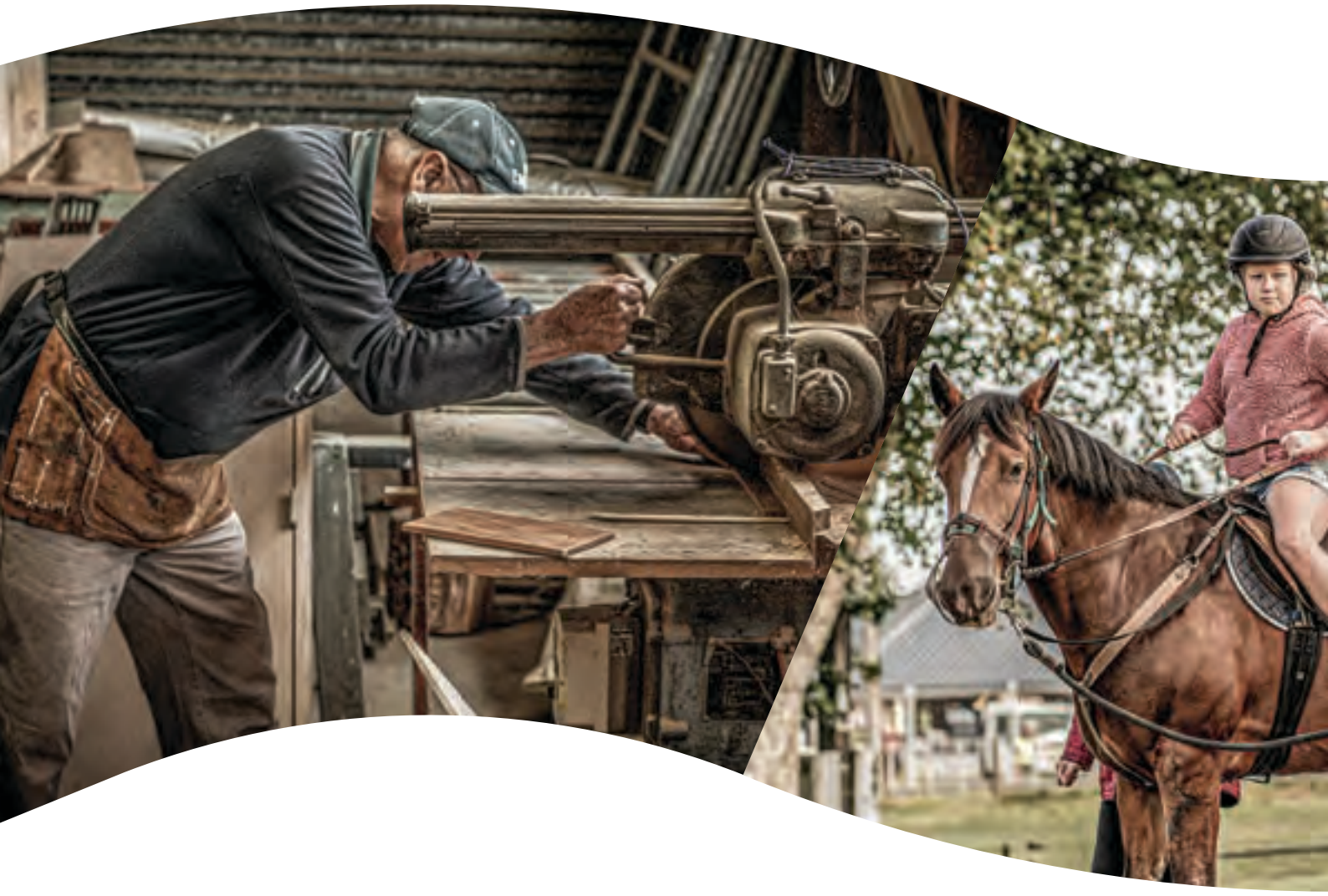


A community connected

We provide an essential service which extends past the many thousands of poles, cross-arms, and kilometres of lines across our network.

Our customers are our community. During the year we supported a wide range of initiatives aimed at improving the value we add to the local economy and wellbeing of people on our network.

We listened to our customers, walked alongside them to improve the wellbeing of kaumatua, whānau and tamariki — and raised levels of education to support better energy outcomes. Initiatives such as our customer care program, COVID-19 relief, and Maru combined to demonstrate this to the highest level — winning the Outcomes category at the 2021 New Zealand Energy Excellence Awards.

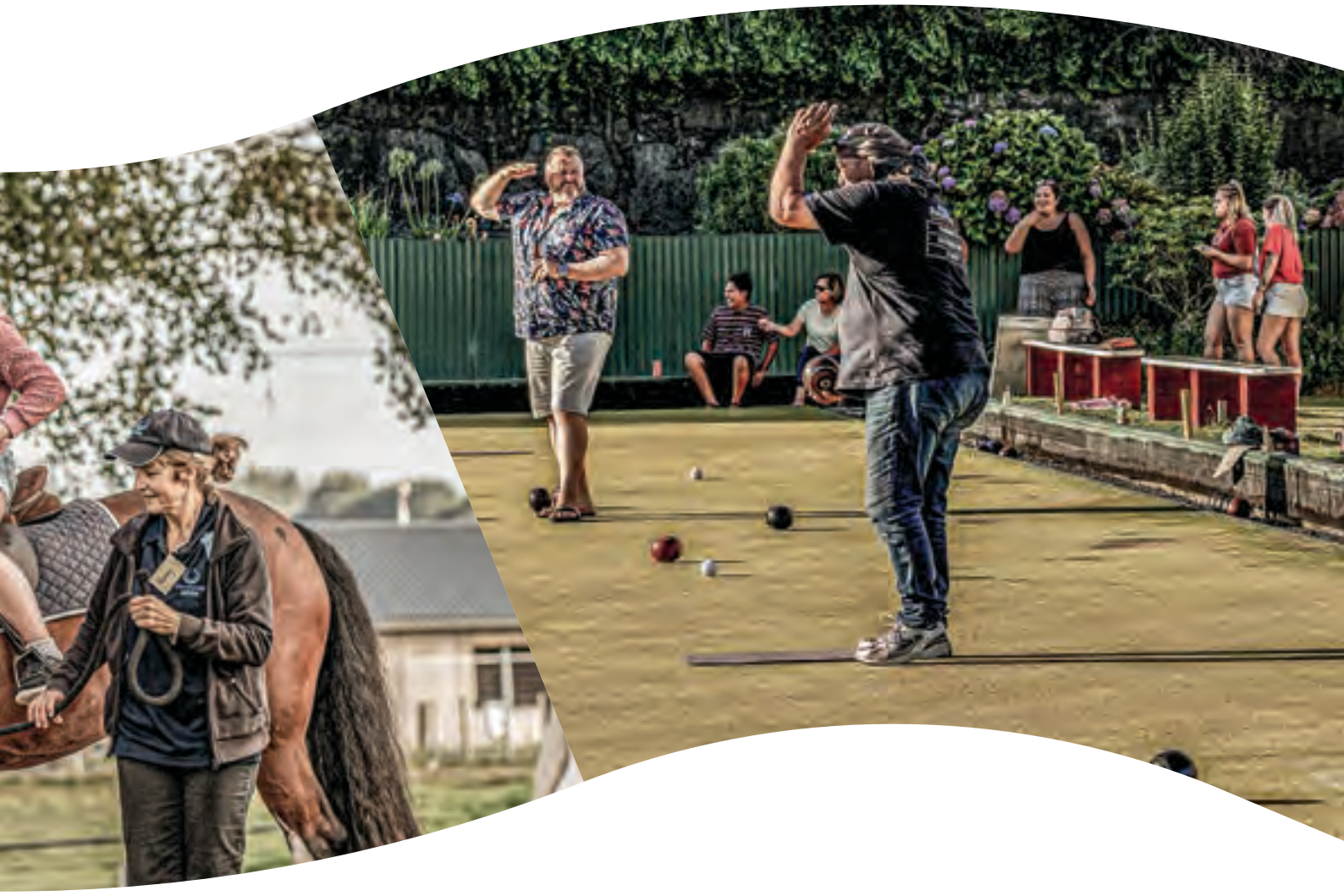


We continued to support our community through our sponsorship funding program, backing 15 community-based projects and events aimed at benefiting people all around our network. These initiatives included Youthtown's bike safety education program, the Tongaporutu Annual Summer Events program, Te Kūiti Bowling Club, Taumaraunui Youth and Community Trust, Riding for the Disabled, Ōtorohanga Netball Centre, Maniapoto Netball Association, Waikato River Trail, Ōtorohanga Menzshed, Ōtorohanga Māori Women's Welfare League, Tūrangi Rangatahi Hub, Taumaraunui Whakaarotahi Trust, and the Coast Sports Athletic Club.

Despite a reduced match card and late start to the season, our multi-year partnership with King Country Junior Rugby continued to flourish. Supporting more than 2,300 junior players, as well as their parents and coaching staff — our association with local rugby remained resolute.

Our team supported the community even further by forgoing Christmas gifts in favour of making donations to local food banks. The $5,000 injection into community-based food banks across our operational areas was greatly received during a time of immense community need.

#1 We won the 2021 New Zealand Energy Excellence Outcomes Category Award



Inspiring and growing local talent

We see our role as a large local employer as a key part of the fabric of growth in our local communities and have worked hard to support and grow local talent.

In the 2020/21 financial year we welcomed six new line mechanic trainees and one new apprentice electrician to our successful program which has seen 15 tangata whenua graduate with electrical qualifications. The training and development pathway has eight trainee line mechanics and one apprentice electrician working towards their national qualifications.

And talent doesn't just come in our electrical sector but across the diverse business required to support it. We recruit and develop corporate support roles, engineers, line mechanics, and customer service representatives to name a few. To further develop local talent, we awarded an additional four outstanding local school leavers our Inspiring Local Minds Scholarships, bringing the total to 14. This scholarship helps local students kick-start their university education with each recipient receiving $2,000 per year for three years towards their education.

Developing local ability extended beyond the classroom and the field into the boardroom with the appointment of a Future Director, Chelsea Smith, who joined under the Institute of Directors Future Directors program. Rural leader Chelsea joined the Board in a non-directorial role to gain first-hand experience operating at board level. This is an initiative between TLC and Institute of Directors to develop future leaders.

Keeping it local also means we actively recruit people who live on the network, with 70 per cent of our workforce living and working locally. This focus on recruiting and growing local talent continues to build our community footprint and ensures we have committed and customer-centric teams.

Improving energy outcomes

Our community assistance extends beyond our sponsorship and training programs. Our enduring support of Maru Energy Trust helped to deliver 325 warmer, drier, healthier homes this year. The Trust's free insulation program is also supported by the Energy Efficiency Conservation Authority's (ECCA) Warmer Kiwi Homes program, and major community sponsors including WESCT, King Country Electric Power Trust (KCEPT), Ōtorohanga Charitable Trust, Trust Waikato, and New Zealand Lottery Grant Board. Alongside their funding, our $100,000 per year investment is helping to make a positive difference to people's health and wellbeing on our network.

We know energy hardship is a wider issue than just energy and it's right here in our communities, so we're addressing it head on. We're directly tackling energy hardship by challenging how we can support customers, with the provision of wrap around services, one-off relief, and educational programs.

Our approach has enabled us to identify customers who are vulnerable (including those who are medically dependent), remove barriers to getting the help they need, and support them to break the cycle of energy hardship by setting people over process.

TLC's customer care model has seen customers benefit from a more holistic approach, working with established community agencies they help deliver what customers need to break a continued negative cycle. We've been highly successful in lifting customers out of energy poverty by helping them to help themselves.

Community support	Target	Actual	How we measure
We will invest in local sponsorships aligned to our key focus areas	$65k	$72k	We will measure and report on sponsorship investments
We will increase awareness of TLC's sponsorships	23%	23%	Through our annual customer satisfaction and perception survey
We will invest in Maru Energy Trust and insulate homes across the network	150	325	We will report quarterly on progress
Effectively and proactively work with customers identified as being vulnerable to reach positive outcomes for both parties	100%	156 cases managed involving 175 tamariki 50k in arrears paid 89 referrals to community agencies	We will report quarterly on progress and measures put in place

$100k

investment in Maru Energy Trust each year

Supporting local businesses

During the year we launched a joint-campaign with Waitomo-based tourism operators providing a unique opportunity for our customers to get upclose and experience the many wonders on their back doorstep, whilst helping to support the economic recovery of the adventure operators.

Offering discounts of up to 86% on attractions — such as The Lost World, Tumutumu Caves, Haggas Honking Holes, Troll Cave, Kiwi Cave Raft, Spellbound, Footwhistle, and Ōtorohanga's Kiwi House — thrilled those who took advantage of the incredible specials.

Our team are key

We see the human behind the job title and think about work-life blend. We recognise ourselves, our colleagues, and our employees as a complete person, with a unique set of personal and professional challenges, aspirations and diversity, and we create an environment in which we are all enabled to be our best at work.

Our people are our greatest asset. We're recognised as one of the top five big employers in the King Country and Central Plateau. Our workforce is talented, experienced, and diverse — and this remains critical to the ongoing success of our business and our community. We continue to invest in developing growing our people to ensure their ongoing skills, experience, health, safety, and wellbeing.

Engagement across our workforce is high. We remained connected throughout Alert Level 4 lockdown, actively engaging with our teams daily to provide support and encouragement. In addition, tools such as Microsoft Teams and The Grid (our new intranet) facilitated the distribution of important information, available online 24/7. These tools also provided a valuable mechanism to support our workers, keeping our team more closely connected to our business activities.

We have a robust remuneration framework and pay policy that seeks to ensure that staff are paid fairly and equitably. We actively review position descriptions and roles to ensure they reflect the roles and accountabilities.

Keeping our team safe and healthy

The safety and care of our employees and community remains our number one priority.

We have always recognised the importance of our team, however, this year never more so in the shadow of COVID-19. Keeping our frontline staff and customers safe through lockdowns were top priorities for us. We did this by implementing a robust pandemic management plan, with supporting actions to ensure we did our bit to help stop the spread of COVID-19.

Our health and safety performance improved dramatically year on year, with a 36% reduction in critical risk incidents in the last year alone.

Reporting of safety events increased by 49% and reporting of near miss and safety observations lifted by 90% this year. These statistics are a clear and pleasing sign that our people are putting safety first resulting in a marked reduction in injuries.

Total injuries declined by 56% when compared to the prior year. Non-treatment injuries also dropped (-46%), as did first aid treatment injuries (-75%), lost time injuries (-75%), and days lost due to injuries (-61%).

While these results are encouraging, the next year will see the roll out of a new organisation-wide framework to continually improve our safety and wellbeing policies, processes, and practices. The framework, named Kotahi, meaning "united", will be achieved by enhanced employee engagement.

We won't take anything for granted as we look to improve our people, training, processes, and management systems to support a bolstered safety performance.

This year, we developed an invigorated campaign around public safety to ensure our safety messages extend past our teams, and to those who may work near our lines and cables. The campaign sees a range of safety messages, toolbox talks, collateral and support being provided to tradespeople and contractors working in a variety of different situations across our network.

↓56%

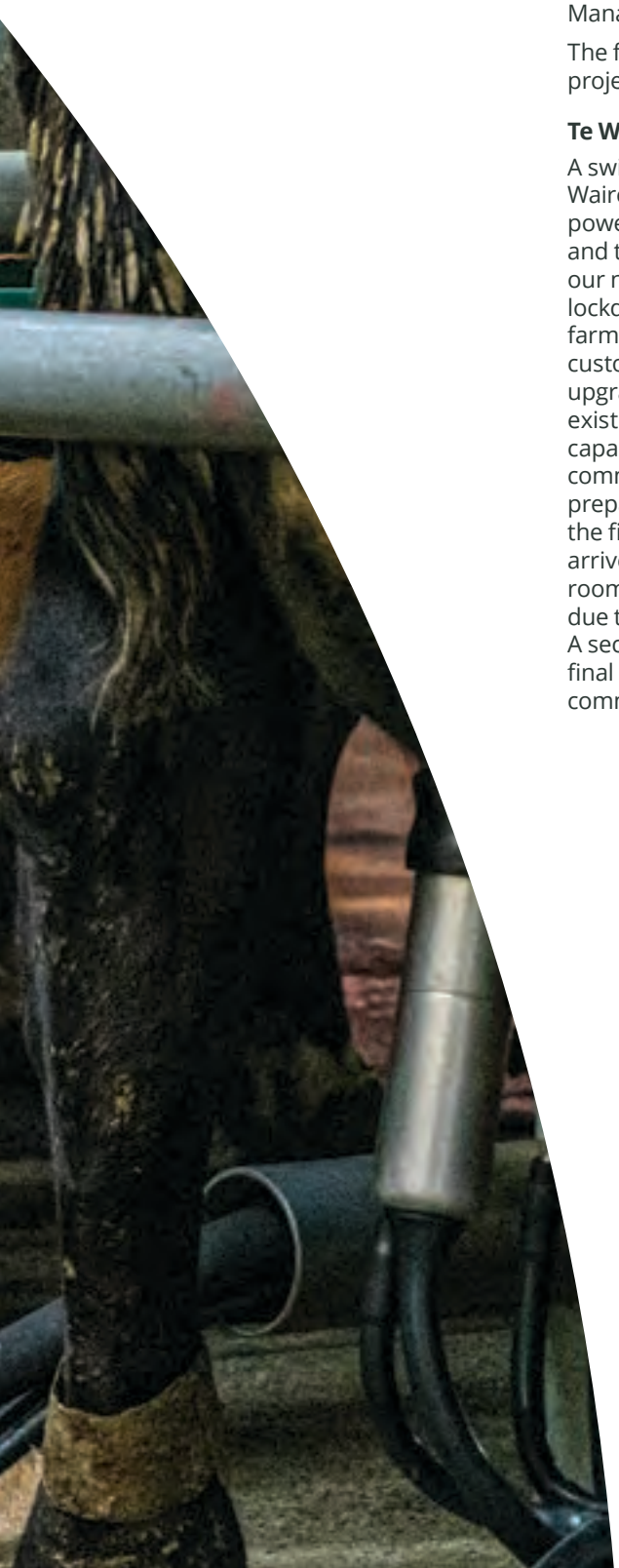
Reduction in the total number of workplace injuries

Ngā mahi

What we do

Electricity is essential to all our lives. It is the energy powering our modern society, a vital input to our household, industrial, commercial and transport activities. We're investing in maintaining and building our region's electricity network to meet significant growing demand.

Demand on our network has continued to increase as growth in farming, commercial, industrial, and residential load grows. Despite COVID-19, our region has fared okay during a time which generated much uncertainty.



Network investment

We invest to make sure power keeps flowing to your home, business, or farm. That requires us to complete ongoing maintenance on the network, as well as to new projects to meet growing electricity demand on the network.

Despite the interruptions of COVID-19 we managed to complete this year's work program including several major works needed to position the network for future growth. Eight key projects began, or were completed, during the year to address reliability and supply issues identified in our Asset Management Plan.

The following briefly outlines these projects.

Te Waireka — Ōtorohanga

A switch room upgrade at the Te Waireka Substation which provides power to the people of Ōtorohanga and the north-eastern corridor of our network began prior to Level 4 lockdown. Supplying critical dairy farming load and meeting residential customer growth, the Te Waireka upgrade will provide power to 3,000 existing customers and has ample capacity to cater for increasing commercial growth. With site preparations completed in October, the first of the two new switch rooms arrived in December 2020. The switch room and supporting transformer are due to be commissioned in late-2021. A second switch room, the third and final stage of the upgrade, will be commissioned in 2023.

Waitete — Te Kūiti

With an estimated project cost of $4.7 million dollars, planning for the new Waitete Substation was in full swing during 2020/21. The project will see two 15MVA transformers grow capacity to enable supply for the next 30 years. The substation is the largest new build on the network since the 1950s and will provide 50% more capacity than the existing substation, powering up to 2,200 customers, making it our fourth largest substation by connected customer.

Tūrangi

During the 2020/21 financial year, customers in Tūrangi benefited from a major program to address supply and reliability issues to the area. Work on the project saw a new cable installed across the Tongariro bridge at an investment of $410,000. A further $1.2 million dollars has been allocated for phase three in 2021 to implement alternative supply options to alleviate the risks associated with a single 33kV line and limited back-feed options.

Kuratau

In February 2021, stage two of TLC's Kuratau line renewal and substation upgrade got underway — forming part of a $1.4m investment to improve lines and the substation servicing over 1,600 customers on the western side of Lake Taupo. Set to improve supply reliability, reduce outages, and speed up restoration times, the upgrades to the substation and line infrastructure will have long-term benefits for the community.

$4.7m

Waitete substation project underway

LiDAR

In early 2021, we launched a comprehensive drone and helicopter Light Detection and Ranging (LiDAR) survey of our entire 33kV and 11kV network. We used the technology to build a comprehensive 3D view of our power line assets to enable us to view trees and other vegetation, posing risks of outages on the network. It also helped us to identify areas of our network requiring urgent repairs. Moving forward, the survey will help improve the reliability of the network by providing detailed data-driven views of our infrastructure.

Automation

Our $1.7m investment to improve security of supply through the installation of automated switches saw 25 reclosers and/or sectionalisers added to the network during the year.

Their installation means outages now≈affect fewer customers as we can restore power more quickly by reconfiguring our network to get the power back on sooner.

The investment included the installation of two new switches in the National Park area in early 2021. These switches enable the power supply to be shifted from our National Park substation to the backup supply line from our Tawhai substation, with the change managed from TLC's control room at Te Kūiti helping to address what has been a long-lasting design challenge.

EV Chargers and EV Highway

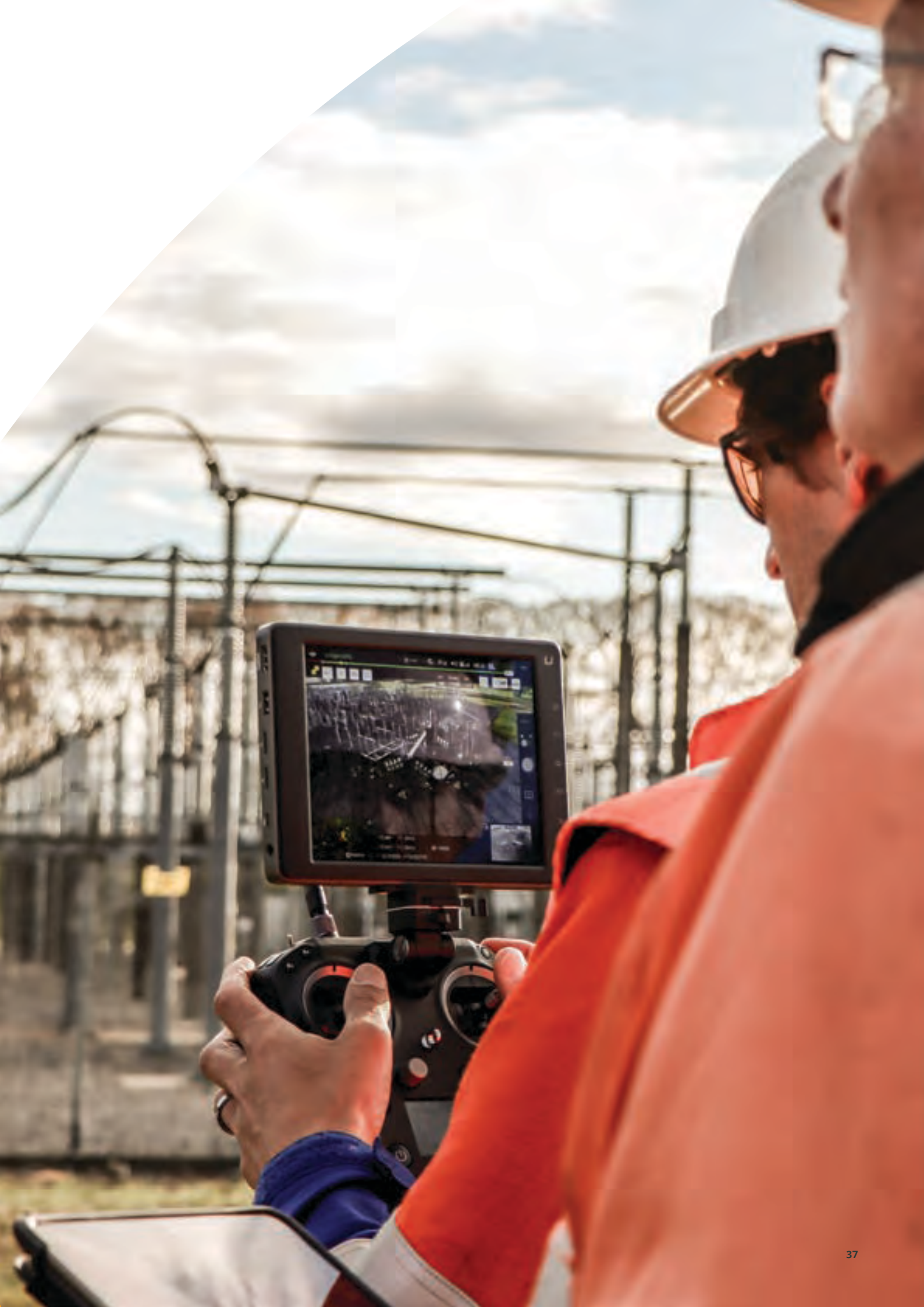
In collaboration with the Energy Efficiency & Conservation Authority (EECA) and local Councils, we installed new EV fast charging stations in three more locations at National Park, Ōtorohanga and Ohakune. This sees the total number of publicly available TLC electric vehicle chargers available for EV and hybrid drivers across the region sitting at 27. TLC has installed 18 chargers in collaboration with local accommodation and tourism providers and EECA bringing the total chargers we have installed to 45. In a move to a more sustainable vehicle fleet, we also replaced four vehicles needing upgrading to EVs bring the total number of EVs in our fleet to eight.

Vegetation control

Trees and vegetation continued to have a significant impact on the performance of our network and in the last year we saw a decrease in the length of interruptions caused by vegetation issues, but an increase in the overall number of vegetation related outages. This was despite our $1.4 million dollars spent on cutting trees impacting our lines and infrastructure. Our efforts to educate customers on safe tree planting margins and reporting of tree-related issues continued throughout the year. These ongoing efforts, along with data from our LiDAR survey and an increased budget for the new financial year, will ensure we're tackling the trees issue head on.

$20m

invested in network improvements



Network reliability

Our network improvements and vegetation control measures helped to deliver our best unplanned System Average Interruption Frequency Index (SAIFI) result since 2013 meaning our customers, on average, experienced fewer unplanned power interruptions.

We also delivered our best unplanned System Average Interruption Duration Index (SAIDI) result since 2017, meaning our customers were without power for less time on average.

Our assessed SAIDI and SAIFI measures were also well below regulatory compliance limits.

Growth and innovation

Generation sale

In March 2021, WESCT Customers voted in favour of selling TLC's three small run-of-river hydro stations located at Te Anga, Mangapēhi (both of which are in the Waitomo district), and at Matawai near Gisborne. The WESCT Trustees endorsed sale was finalised in July 2021. The successful buyer Southern Generation Limited Partnership, like TLC, are community owned and operate in the electricity generation sector. Proceeds from the sale are set to provide WESCT Customers with better ongoing benefits as TLC continues to diversify into more profitable areas of growth such as Influx.

Influx

During the year we geared our metering business up for a substantial shift — both in terms of metering numbers and brand. The energy data and metering services business saw further expansion with the acquisition of Legacy Metering Group and Northpower legacy metering assets in early 2021. This growth, on the back of the buyout of Trustpower's legacy metering assets (TRUM) and the GoodMeasure business in 2019 and along with a focused strategic approach, warranted a new more customer-focused brand for the business.

In April 2021, FCL Metering was renamed and rebranded to Influx Energy Data Limited (Influx), a data-led, technology business.

Retailer billing readiness

In September 2020, TLC decided to move away from directly billing our customers and to bill via retailers instead.

The reasons for doing this included, simplicity for our customers, alignment with the rest of New Zealand, less confusion for those new to our network and to ensure we could focus on our community and customer outcomes.

The move is scheduled to occur on 1 October 2021 and TLC has a clear plan to work with staff, customers, and retailers to ensure a smooth transition.

Valued TLC Discounts

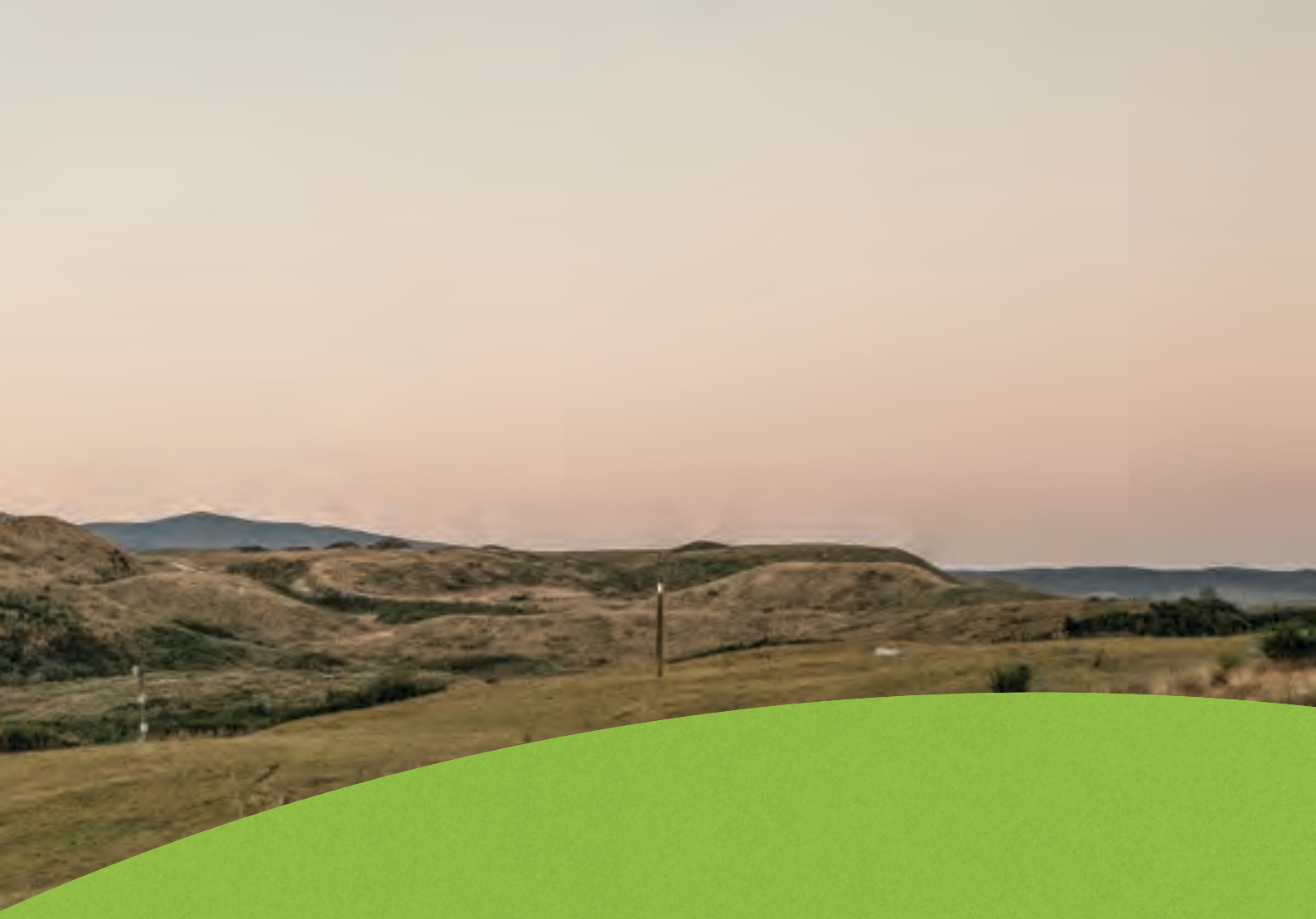
A Commerce Commission ruling in late 2019 significantly reduced the amount of revenue most electricity distributors, including TLC, could earn from their networks.

In the coming year, we will continue to provide value to WESCT Customers through the distribution of $3.8m in TLC Discounts.

In the coming year, we will continue to provide value to WESCT Customers through the distribution of $3.8m in TLC Discounts.

Ki tua

Where we're going



We're resolute in our focus on becoming one of the best operators in New Zealand's electricity sector.

We need to ensure the decisions we make today positively impact communities across our network region for generations to come.

It is with this in mind we continue to focus on building and maintaining assets for the long-term and future proofing our network to meet rapid changes in technology and the needs of our community.

Over the next ten years we will invest $166m in the network by replacing retiring equipment, building resilience, and preparing for future growth. We will continue to make prudent investment decisions that enhance the business and have a positive long-term impact on our community.

We will also continue our focus on sustainability and climate change to drive our commitment to ensuring the way we operate respects mana whenua by improving and protecting the environment; promoting a culture of inclusion and honour; caring and growing our communities; and sustaining and enabling the region's economy. We'll also manage risks as a top priority and continue to seek out major improvements in performance.

TLC plays a role in building strong and resilient communities and we take that role seriously. We will continue to support local social initiatives and enable future regional development.

We'll tackle energy hardship through our new Customer and Community Engagement team — actively educating customers across the network on energy efficiency and promoting tools such as powerswitch.org.nz. We'll continue to support energy awareness and education initiatives implemented by Maru. And we'll look to government funding to bring to life new ideas and concepts which make energy more affordable and accessible to those living in more remote places on the network. Our community partnership and sponsorship fund will receive a significant boost — enabling a greater positive impact across the network.

As a significant employer in the region, we will continue to support ongoing education and training opportunities for our people. We will actively look to grow talent from within the business and the community. Our commitment to diversity and inclusivity will continue to be shining lights within our overall employment approach, ensuring all staff earn at least a living wage.

We will innovate and employ new technology, as well as work collaboratively with others to provide a reliable, safe, and cost-efficient service.

Strong financial management and returns to WESCT Customers remain a focus. We will continue to evaluate existing investments and future opportunities outside the core distribution network that contribute to the Company's profitability and provide visible benefits to WESCT Customers. New investments will be carefully considered, reviewed regularly, and must enhance the TLC's long-term viability. Debt levels and interest rate risk will be prudently managed.

$166m

planned investment in network improvements in the next decade

We're looking to invest in new technology, business, and the community

WESCT Trust

Peter Keeling / Chairperson

While working within and outside the district as an agricultural consultant, Peter is a local living on a small farm. He has a keen eye for changes in technology and energy sources and is supportive of continued intergenerational community ownership of TLC. Peter believes the financial and governance experience he brings will help guide the right balance between excellent investment for all current and future Trust Customers while providing a great service to the wider community.

Erin Gray / Deputy Chairperson

Of Ngāti Maniapoto and Ngā Rauru descent, Erin is passionate about people and making a significant difference for her iwi and community. Erin is heavily invested in ensuring TLC remains an important intergenerational asset playing a large role in contributing towards the economic and social well-being of the wider Maniapoto community — both as a major employer and contributor to the economic landscape within the King Country.

Carolyn Christian / Appointed Trustee

Carolyn believes local ownership of TLC is crucial, together with providing the support required to maximise the benefits that can be enjoyed by the community. Raised in Ōtorohanga, Carolyn has worked in the family transport business, of which she remains a shareholder, most of her working life. She brings strong business acumen and relationships within the community to WESCT and is involved with several local boards. Carolyn believes WESCT plays an essential part in safeguarding the future of TLC as a key community-owned asset.

William Oliver / "A" Trustee

William strongly believes in WESCT's responsibility for TLC and the Trust's role in supporting the Company to run efficiently, while providing an affordable electricity supply and the highest levels of service practicable in the region's challenging environment. He sees TLC as an economic enabler providing meaningful benefits while supporting community energy efficiency initiatives. William was born and raised in Ōtorohanga and outside of his farming operation in the Rangitoto district, he also has governance roles in the agricultural sector.

Janette Osborne / "A" Trustee

Janette is a Chartered Member of the Institute of Directors, a small business owner and a qualified accountant with over 20 years corporate and government experience, Waitomo Caves-based. She believes WESCT and its ownership of TLC's significant community assets are vitally important for the community and feels honoured to contribute to its governance and strategy on behalf of WESCT Customers.

Cathy Prendergast / "B" Trustee

Cathy believes WESCT has a significant and unique opportunity to support TLC's management of Customer-owned assets, as the company delivers on its goals of providing economic and social benefits to its customers and community. Having, Cathy has a strong affinity for her local community of Arohena and the wider King Country community, having grown up in the area and run a farming business there. She remains passionate about opportunities for provincial New Zealand.

Our board of Directors

Mark Darrow / Chair

Mark is a highly experienced businessman and specialises in corporate governance as an independent chair and director. His current Chair roles include TLC, Armstrong's, Leighs Construction, Invivo & Co, Stratford Farms and MTF Finance. He is also a director for Balle Brothers and on the Audit & Risk Committee for Inland Revenue. Previous governance roles included for NZTA, Counties Manukau DHB, Primary ITO, Charlies Group, MITO, VTNZ and MTA. Mark is a Chartered Fellow of the New Zealand Institute of Directors, a Fellow of the New Zealand Institute of Chartered Accountants and a Justice of the Peace of New Zealand.

Craig Richardson

Craig is an internationally experienced CEO, CFO, advisory board chair and non-executive director. He is CEO of Van Diemen Capital, co-founder of Faraday & Company and chairs professional advisory boards in the consumer goods, technology, property and services sectors. Craig has previously held non-executive director roles with Callaghan Innovation, New Zealand Defence, Enable Networks and senior executive roles with Vodafone Australia, Vodafone Sweden, BlueScope Steel and Coca-Cola Amatil. Craig is a Fellow of CPA Australia and was former President of CPA Australia in New Zealand.

Andrew Johnson

Andrew has significant technology experience and enjoys engaging with communities for improved outcomes. Andrew's commercial background spans a diverse set of industries, including farming, forestry, and tourism. He has governance roles with Te Kūiti-based Inframax Construction Limited, the Waikato Anglican College Trust, the University of Waikato's Audit and Risk Committee and a number of mid-sized entities as an Advisory Board member. Andrew is also Managing Director of LondonGreen a technology holding company.

Bella Takiari-Brame

Bella is Ngāti Maniapoto and Waikato Tainui. She is a professional director with strong global treasury and financial experience, a Chartered Accountant, and member of the Institute of Directors. Bella has executive experience in energy, and utilities sectors, and Iwi including formerly GM Finance for WEL Networks and Interim CE for Maniapoto Māori Trust Board. She has governance positions on Crown, Private Sector and Iwi entities including ACC, Crown Infrastructure Partners, Braemar Hospital, Te Wānanga o Aotearoa, Te Ohu Kai Moana and is a generally elected Trustee on Maniapoto Māori Trust Board.

Mike Underhill

Mike Underhill (Ngāti Raukawa) lives between Wellington and Otaki. He has a wealth of electricity industry experience gained over a career spanning more than three decades. He is currently a director on two other lines company boards: Network Waitaki (Oamaru) and Electra (Kapiti and Horowhenua) and has also recently been appointed to the board of Wellington Water Ltd. Between 2007 and 2016 Mike was also the chief executive of the Energy Efficiency and Conservation Authority (EECA), a government organisation tasked with promoting energy efficiency and renewables. Prior to that, Mike was chief executive of a number of electricity companies including WEL Networks, which owns the electricity networks for Hamilton and Northern Waikato.

Doug Troon

Doug has over 35 years consulting experience, starting with Duffill Watts & King Ltd as a civil engineer in Dunedin, later becoming chief executive of the firm, which was acquired by Downer Consulting Pty Ltd. He is currently chairman of surveying, engineering and planning firm Cheal Consultants Ltd, which operates in the King Country and Central North Island. He also chairs Skellerns Metal Castings Ltd, which produced the Sir Colin Meads statue in Te Kūiti; as well as Doubtless Bay Water Supply Co, among other governance positions. Doug is also a past director of two lines companies; namely Counties Power Ltd and Top Energy Ltd.

Senior Leadership

Sean Horgan / Chief Executive

Sean continues to lead a talented and progressive Senior Leadership Team. With his extensive and successful business development, strategic management and operational leadership experience within the New Zealand and international energy sectors, Sean is four years into his tenure as Chief Executive. He continues to be an industry representative on the Utilities Disputes Energy Complaints Scheme Advisory Committee, and until recently, was a director of TLC's former subsidiary Speedys Road Hydro Ltd. Sean is also a foundation trustee of Maru which continues to do invaluable work in the community.

Audrey Scheurich / GM — Finance

Audrey's significant commercial experience in the energy and infrastructure sector is an invaluable component within our team. She has held senior financial roles for more than 20 years and continues to provide strong commercial and financial support to the business to ensure astute financial management.

Mike Fox / GM — Network

Mike is passionate about ensuring customers have a safe supply of electricity while further strengthening the reliability of the TLC network. He has worked in the electricity industry for 16 years, gaining immense knowledge in asset management, engineering and planning. With responsibility for delivering clear and effective strategic direction to the team, he is able to ensure sound short and long-term management of our extensive network asset base.

Sue Lomas / GM — People & Safety

Sue's leadership of people-related activities in the business has been critical this past financial year. In providing strategic direction, tactical and operational support and advice, she has led the strategy for developing a high-performing company culture with a growing focus on health, safety and wellbeing. Sue's human resources and safety management experience in the UK and New Zealand and safety management covers the consulting, manufacturing, and chemical industries.

Jo Ireland / GM — Customer Service & Communications

Jo's passion for strong customer and stakeholder relationships is backed by a desire for open and transparent communication with staff and community. With a senior management background in the banking, health and local government sectors, Jo is renowned for leading teams through change and challenging times, to successfully deliver work programs. She is also highly experienced in strategy, customer service, iwi liaison, economic development, and communications.

Mike Ullrich / CE — Influx

Mike is responsible for the surge in growth, development and strategic direction of Influx, our 100% owned energy data and metering services company which continues to bring immense value to TLC. Mike's success in business leadership and senior management stretches back over 20 years. He's been involved in many of New Zealand's fastest growing technology companies, helping deliver consumer and industrial products globally, operating in sectors such as payments, agricultural, consumer, marine and automotive.

Financial Report

For year ending 31 March 2021

Five-Year Trend Statement

Financial performance for the year ended 31 March 2021

	2021 $'000	2020 Restated $'000	2019 $'000	2018 $'000	2017 $'000
Revenue	**55,009**	**51,249**	**44,133**	**44,214**	**50,298**
EBITDA	**29,590**	24,467	17,736	22,782	25,877
EBIT	**12,461**	10,863	1,942	11,823	14,900
EBIT and network discount	**16,261**	16,463	7,537	17,423	14,900
Profit/(loss) before tax	**9,881**	8,089	(696)	9,100	12,093
Profit/(loss) from continuing operations	**7,038**	6,563	(1,593)	4,607	8,619
Network discounts granted	**3,800**	5,600	5,595	5,600	–
Operating cash flow before tax	**30,980**	16,512	13,943	18,777	24,211
Dividends paid	**250**	200	–	200	5,300
Total assets	**305,816**	**297,032**	**282,592**	**266,871**	**257,884**
Shareholder funds	**150,304**	142,889	147,671	149,386	144,336
Shareholder equity	**147,304**	139,889	144,671	146,386	141,336
Debt to assets ratio	**35.3%**	36.4%	30.3%	25.9%	26.0%
Capital ratio	**47.9%**	48.9%	51.2%	54.9%	54.8%
Return/(loss) on average equity	**4.1%**	4.7%	(1.1%)	3.2%	6.2%
Earnings/(loss) per share net of tax (cents)	**51**	57	(13)	39	73

Operating performance

	2021	2020	2019	2018	2017
Outage minutes per customer (1)					
Planned	**126**	34	74	38	65
Unplanned	**155**	237	212	205	187
Total	**281**	**271**	**286**	**243**	**252**
Outage per customer					
Planned	**0.6**	0.20	0.50	0.25	0.43
Unplanned	**2.6**	2.80	3.20	3.50	2.96
Total	**3.2**	**3.00**	**3.70**	**3.75**	**3.39**

(1) 2021 has been measured under new DPP3 rules

Statement of Service Performance

	Achieved	Actual	Target
1. Return on average assets — before customer discounts	✓	**3.9%**	3.5%
— after customer discounts		**3.0%**	2.5%
2. Return on average equity			
Average equity (including subordinated debentures)	✓	**$146,597**	$144,971
Return on equity before customer discounts		**6.2%**	5.6%
Return on equity after customer discounts		**4.1%**	3.6%
3. Borrowings (including subordinated debentures)		**$92.0m**	$91.6m
Target achieved when excluding the associated debt related to the acquisition of legacy assets in metering.	✓		
Average Cost of Debt		**3.23%**	3.12%
4. Equity (including subordinated debentures) to assets ratio	✓	**47.9%**	>40%
5. Dividends ($'000)	✓	**$250**	$250
6. Discount granted ($'000)	✓	**$3,800**	$3,800
7. Reliability			
Unplanned SAIDI (minutes)	✓	**155**	181
Unplanned SAIFI (interruptions)	✓	**2.55**	3.27
8. Funding of Community Projects			
Invest in local sponsorships to align to our key focus areas ($'000)	✓	**$72**	$65
Contributions to Maru Energy Trust ($'000)	✓	**$100**	$100
Awareness of TLC's Sponsorships	✓	**23%**	23%
Insulated homes via Maru Energy Trust	✓	**325**	150
Working with vulnerable customers to reach positive outcomes	✓	**156 customers**	Report on progress
9. Safety			
Notifiable injuries that resulted in serious harm	✓	**Nil**	Nil
Reduction in critical risk categories	✓	**36% reduction**	10% reduction

Financial Statements

2021 Financial statements

The financial statements for the year ended 31 March 2021 are signed on behalf of the board of directors by:

Mark Darrow
Chair, Board of Directors

Bella Takiari-Brame
Director, Chair Audit, Risk and Finance Committee

Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	**2021 $'000**	2020 Restated $'000
Revenue from contracts with customers	1	55,009	51,249
Operating expenses	2	(25,419)	(26,782)
Depreciation and amortisation	9&10	(17,041)	(13,863)
Interest costs (net)	3	(2,580)	(2,774)
Impairment of assets	10	(128)	(527)
Total expenses		(45,168)	(43,946)
Reversal of impairment of loan receivable	13	40	786
Profit/(loss) before tax		9,881	8,089
Income tax expense	4	(2,843)	(1,526)
Profit for the year from continuing operations		7,038	6,563
(Loss)/profit for the year from discontinuing operations	11	(987)	166
Profit for the year		6,051	6,729
Profit/(loss) for the year is attributable to:			
Equity holders of the company		6,087	6,740
– Profit for the year from continuing operations		7,074	6,574
– (Loss)/profit for the year from discontinuing operations		(987)	166
Non-controlling interest from discontinuing operations losses		(36)	(11)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings	9&14	694	–
Impairment of network assets	9&14	–	(14,734)
Income tax relating to revalued assets	14	(194)	4,125
Other comprehensive profit/(loss) for the year		500	(10,609)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge reserve	14	1,547	(975)
Income tax relating to cash flow hedges	14	(433)	273
Other comprehensive profit/(loss) for the year, net of tax	14	1,114	(702)
Total comprehensive profit/(loss) for the year		7,665	(4,582)
Total comprehensive profit/(loss) is attributable to:			
Equity holders of the company		7,701	(4,571)
– Total comprehensive profit/(loss) from continuing operations		8,688	(4,737)
– Total comprehensive (loss)/profit from discontinuing operations		(987)	166
Non-controlling interest from discontinuing operations losses		(36)	(11)

Statement of Financial Position

as at 31 March 2021

	Note	**2021 $'000**	2020 $'000
Current assets			
Cash and cash equivalents	6	1,017	1,409
Trade and other receivables	7	4,490	4,662
Contract assets	1	2,584	3,462
Inventories	8	1,795	1,884
		9,886	11,417
Non-current assets			
Property, plant and equipment	9	269,248	270,962
Intangible assets	10	11,338	14,653
		280,586	285,615
Assets of a disposal group classified as held for sale	11	15,344	–
Total assets		**305,816**	**297,032**
Current liabilities			
Trade and other payables	19	7,371	4,371
Contract liabilities	1	1,316	1,570
Convertible notes issued by subsidiary	18	–	200
Bank borrowings	18	3,677	2,004
Lease liabilities	21	87	109
Current tax liability	16	1,844	1,800
Provision for staff entitlements	20	2,095	1,645
		16,390	11,699
Non-current liabilities			
Bank borrowings	18	85,335	88,495
Lease liabilities	21	394	479
Convertible notes issued by subsidiary	18	–	800
Subordinated debentures	18	3,000	3,000
Other financial liabilities	24	1,965	3,512
Deferred tax liability	17	50,478	49,158
		141,172	145,444
Convertible notes issued by subsidiary of a disposal group classified as held for sale	18&11	950	–
Total liabilities		**158,512**	**157,143**
Net assets		**147,304**	**139,889**
Equity			
Share capital	14	8,013	8,013
Retained earnings		70,755	64,269
Cash flow hedge deficit	14	(1,415)	(2,529)
Revaluation reserves	14	69,212	69,361
Equity attributable to equity holders of the company		146,565	139,114
Non-controlling interest	15	739	775
Total equity		**147,304**	**139,889**

Statement of Changes in Equity

for the year ended 31 March 2021

	Note	Share Capital $'000	Retained Earnings $'000	Cashflow Hedge Reserves $'000	Revaluation Reserves $'000	Total Attributable to Equity Holders $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 31 March 2019		**8,013**	**57,074**	**(1,827)**	**80,625**	**143,885**	**786**	**144,671**
Profit for the year		–	6,740	–	–	6,740	(11)	6,729
Other comprehensive loss								
Interest rate swaps		–	–	(702)	–	(702)	–	(702)
Revaluation of network assets		–	–	–	(10,609)	(10,609)	–	(10,609)
Total other comprehensive loss		–	–	(702)	(10,609)	(11,311)	–	(11,311)
Transfer from retained earnings		–	655	–	(655)	–	–	–
Transactions with owners								
Dividends	12	–	(200)	–	–	(200)	–	(200)
Total transactions with owners		–	(200)	–	–	(200)	–	(200)
Balance as at 31 March 2020		**8,013**	**64,269**	**(2,529)**	**69,361**	**139,114**	**775**	**139,889**
Profit for the year		–	6,087	–	–	6,087	(36)	6,051
Other comprehensive profit								
Interest rate swaps		–	–	1,114	–	1,114	–	1,114
Revaluation of land and buildings		–	–	–	500	500	–	500
Total other comprehensive profit		–	–	1,114	500	1,614	–	1,614
Transfer from retained earnings		–	649	–	(649)	–	–	–
Transactions with owners								
Dividends	12	–	(250)	–	–	(250)	–	(250)
Total transactions with owners		–	(250)	–	–	(250)	–	(250)
Balance as at 31 March 2021		**8,013**	**70,755**	**(1,415)**	**69,212**	**146,565**	**739**	**147,304**
Attributable to Equity Holders of the Company		**8,013**	**70,755**	**(1,415)**	**69,212**	**146,565**	**–**	**146,565**

Statement of Cash Flow

for the year ended 31 March 2021

	Note	**2021 $'000**	2020 Restated $'000
Operating activities			
Cash generated from operations	22	33,886	19,621
Interest received	3	–	17
Interest paid	3	(2,906)	(3,126)
Income taxes paid	16	(1,792)	–
Net cash inflow from operating activities		**29,188**	**16,512**
Investing activities			
Purchase of property, plant and equipment		(28,841)	(19,888)
Acquisition due to business combinations	25	-	(18,333)
Purchase of intangible assets		(464)	(531)
Proceeds on disposal of property, plant and equipment		410	369
Net cash outflow in investing activities		**(28,895)**	**(38,383)**
Financing activities			
Dividends paid	12	(250)	(200)
Lease liability paid	21	(180)	(85)
Bank borrowings repaid	18	(5,154)	(167)
Bank borrowings advanced	18	3,667	22,210
Net cash (outflow)/inflow from financing activities		**(1,917)**	**21,758**
Net cash inflow from discontinuing operations	**11**	**1,232**	**797**
Net (decrease)/increase in cash and cash equivalents		(392)	684
Cash and cash equivalents at the beginning of the year		1,409	725
Cash and cash equivalents at the end of the year		**1,017**	**1,409**

Notes to the Financial Statements

General information

The Group consists of The Lines Company ("the Company" or "TLC"), Influx Energy Data Limited ("Influx") (formerly FCL Metering Limited), and Speedys Road Hydro Limited (together "the Group"). The Group's principal activities are the conveyance of electricity through its distribution network, supply of electrical meter services, electrical contracting and electricity generation.

The address of its registered office is King Street East, Te Kūiti and its principal activities are substantially carried out in the greater King Country region of New Zealand. In accordance with the requirements of the Companies Act 1993, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required.

The financial statements were authorised for issue by the Directors on 26 July 2021.

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements ("financial statements") of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

They are prepared on the historical cost basis except for the revaluation of certain non-current assets, assets of a disposal group classified as held for sale and financial instruments measured at fair value.

The presentation currency is New Zealand Dollar ($). All financial information has been rounded to the nearest thousand, unless otherwise stated.

The prior year statement of comprehensive income and cash flows have been restated due to discontinuing operations identified in the current year. The restatement is documented in note 27.

Significant accounting policies, estimates and judgements

The Board and management are required to make judgements, estimates and apply assumptions that affect the amounts reported in the financial statements. They are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods.

Judgements and estimates which are material to the financial statements are found in the following notes:

1. Revenue from contracts with customers

		2021 $'000	2020 $'000
Revenue recognised over time			
Network before discounts		39,540	45,723
Transition discount		–	(1,870)
Less network discount	12	(3,800)	(5,600)
Network revenue		**35,740**	**38,253**
Electricity meter revenue		**17,721**	**10,750**
Revenue from electrical contracts which were unsatisfied and included in contracts assets and liabilities		243	135
Revenue from completed electrical contracts		1,305	2,111
Electrical contracting revenue		**1,548**	**2,246**
Revenue		**55,009**	**51,249**

Contracting assets and liabilities

The following table reflects the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	2021 $'000	2020 $'000
Electrical contracts assets due to percentage of completion	301	248
Network unbilled network revenue	2,283	3,214
Contract assets	**2,584**	**3,462**
Network customer credit balances	(1,316)	(1,570)
Contract liabilities	**(1,316)**	**(1,570)**

Management expects that 100% of the transaction price to be allocated to the unsatisfied contracts to revenue in the next reporting period.

Policies

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and GST. All revenue is incurred within New Zealand.

The Group has four streams of revenue

- Network revenue
- Electricity meter revenue
- Generation revenue
- Electrical contracting revenue

Network revenue results from the conveyance of electricity through its distribution network. The Company invoices its customers (predominantly the end user) for electricity delivered across the region's line network. Customers do not have extended terms of payment and can terminate on short notice.

The Group's obligation is to provide a single performance obligation of continuous service to which the customer benefits over time. Revenue is recognised at the price per kilowatt-hour (kWh) delivered to the customer in that period, incorporating variable pricing and reflects demand and deduction for losses and discounts. Payment terms are within 30 days.

To assist customers with the transition from demand-based billing to time-of-use billing a transition discount was established. The transition discount is offered for a year from 1 October 2018. It capped the time-of-use bill to an increase of 20% of the demand-based bill for the prior period.

Network revenue in 2020 is subject to a prompt payment discount. A 10% prompt payment discount is offered when customers pay within a specific time period. This was removed in 2021.

A network discount is approved annually and paid in December and May. The network discount was paid in December in the prior year. This is accrued on a monthly basis.

Electricity meter revenue relates to the monthly tariffs received from customers (mainly energy retailers and property developers) for the data provided via the electricity meters owned by the Group. Prices are charged on a fixed-tariff rate each month based on the number of days. Revenue is recognised over time as and when the services are provided. Payment terms are within 30 days.

Electrical contracting revenue relates to the installation of street lights, lines and connection to the national grid for customers. Revenue is recognised based on the stage of completion of the contract applying the cost-to-cost method, i.e. based on the proportion of contract costs incurred to work performed to date relative to the estimated total contract cost. The directors consider this input method as an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15, i.e. recognised over time.

General payment terms are that a 50% deposit is paid before work commences and final payment is made on completion of the contract. This may result in a contract asset or liability on the statement of financial position when comparing the payment received and the percentage of completion revenue. Where a contract liability is recognised it is not considered to be a significant financing component as the period between milestone payments and revenue under the cost-to-cost method is less than a year.

Key judgements

Management must apply judgement where:

- The pricing methodology changed to time-of-use. Revenue is calculated based on kWh used. Customers are billed according to the billing cycles which results in customers not billed for all kWh used at financial year end. An accrual is raised for unbilled revenue. Unbilled revenue is recognised on an estimate of expected consumption utilised during the unbilled days. This is applied to the price plan set for that installation control point (ICP).
- Electrical contracting projects percentage of completion is assessed based on cost-to-cost basis. Judgement is used for the estimated final cost. Variations to contracts are assessed in the estimated final cost but these are minimal.

2. Operating expenses

	2021 $'000	2020 $'000
Transmission charges	5,521	6,495
Total staff cost recognised as expense (1)	11,451	11,641
Cost of inventories recognised as expense	1,316	4,076
Professional fees	2,773	2,734
Low value or short term leases not included in leases (Note 20)	72	150
Property expenses	700	679
Directors fees and expenses	282	299
Gain on disposal of property, plant and equipment and software intangibles	(79)	(162)
Other expenses	3,383	870
Total	**25,419**	**26,782**

(1) The Lines Company applied for and received a wage subsidy of $637k from the Ministry of Social Development due to experiencing a 32% decline in gross revenue when comparing April 2020 to April 2019. The wage subsidy has been netted off against the total staff cost line of expenditure, in line with the Group's Government Grant accounting policy. The gross revenue decline was a result of the Company removing variable charges for all 13,000 of its residential customers during April 2020. The Company expected its customers' energy usage would increase when remaining in their homes during the COVID-19 enforced lockdown and as a result would experience increased financial hardship.

The Company determined that gross revenue, as opposed to net revenue as recorded in the financial statements, was the most appropriate basis for computing the revenue decline for the Company. This is due to net revenue in April 2019 including transition discounts and prompt payment discounts which were not offered in April 2020. In addition, net revenue includes the TLC discount which is set at the beginning of the year. This discount is determined alongside the Company's Shareholder WESCT and is not reflective of pricing for all customers across the network.

Policies

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Fees paid to auditors	**2021 $'000**	2020 $'000
Financial statements audit fee	193	213
Regulatory audit fees	102	98
Regulatory agreed upon procedures	15	69
OAG fees	10	20
Regulatory and professional advice	–	36
Total	**320**	**436**

3. Interest costs (net)

	2021 $'000	2020 $'000
Interest on bank borrowings	2,779	2,956
Capitalised interest	(364)	(350)
Interest on lease liabilities	38	15
Interest on subordinated debentures	126	164
Other interest expense, principally IRD Use of Money	1	6
Interest income	–	(17)
Total	**2,580**	**2,774**

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 3.23% (2020: 3.70%)

Interest paid/(received) per the statement of cash flow

	2021 $'000	2020 $'000
Interest costs (net)	2,580	2,774
Less lease liability interest	(38)	(15)
Add capitalised interest	364	350
Net interest paid per the statement of cash flow	2,906	3,109
Interest received per the statement of cash flow	–	(17)
Interest paid per the statement of cash flow	2,906	3,126
Total	**2,906**	**3,109**

Policies

Interest income/expense is recognised as it accrues, using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Borrowing costs not directly attributable to qualifying assets is recognised as interest expense.

4. Income tax expense

Reconciliation of income tax expense		**2021 $'000**	2020 $'000
Profit before income tax from continuing operations		9,881	8,089
(Loss)/profit before income tax from discontinuing operations	11.3	(1,301)	231
Profit before tax		8,580	8,320
Expenses that are non-deductible		360	232
Reversal of impairment of associate		(40)	(786)
Impairment of assets		128	527
Taxable profit		9,028	8,293
Income tax expense at 28%		2,528	2,322
Change in tax legislation regarding depreciation on buildings		–	(690)
Effect of prior period tax adjustment		1	(41)
Income tax expense		**2,529**	**1,591**
Effective tax rate (being total tax expense divided by profit before tax)		29%	19%
Current tax expense		1,836	2,063
Deferred tax expense		693	(472)
Income tax expense		2,529	1,591
Attributable to:			
Continuing activities		2,843	1,526
Discontinuing activities		(314)	65

Amounts recognised directly in other comprehensive income

Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit and loss component of the statements of comprehensive income but directly debited and credited to other comprehensive income.

Deferred tax — debited/(credited) directly to other comprehensive income	627	(4,398)
Total tax expense/(income) for the year recognised in other comprehensive income	627	(4,398)

Policies

Income tax expense comprises current and deferred tax and is calculated using tax rates enacted or substantively enacted at balance sheet date.

Current and deferred tax is recognised in profit and loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Imputation credits

The value of imputation credits available for subsequent reporting periods as at 31 March 2021 is $7.76m (2020: $7.86m).

5. Operational profit before discontinuing operations

	2021 $'000	2020 $'000
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Network	20,421	21,425
Meters and relays	12,986	7,367
Network services	1,072	1,400
Corporate services	(4,889)	(5,715)
EBITDA	**29,590**	**24,467**
Depreciation and amortisation	(17,041)	(13,863)
Impairment of associate	40	786
Impairment of assets	(128)	(527)
Earnings before interest and tax (EBIT)	**12,461**	**10,863**
Interest costs (net)	(2,580)	(2,774)
Profit/(loss) before tax	**9,881**	**8,089**

6. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank on hand	1,017	1,409
Total	**1,017**	**1,409**

Policies

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

7. Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables		
Trade receivables	3,716	4,273
Less loss allowance (note 24.2)	(193)	(340)
Balance at 31 March	3,523	3,933
Other receivables		
Sundry debtors	–	27
Prepayments	967	702
Balance at 31 March	967	729
Receivables balance at 31 March	**4,490**	**4,662**
Ageing of trade receivables		
Current to 90 days	4,436	4,499
Greater than 90 days	247	503
Total	**4,683**	**5,002**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally settled within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional.

A loss allowance is assessed in note 24.2.

Policies

Trade and sundry receivables are non-interest bearing and are generally settled within a 30-day term. Therefore the carrying value of trade receivables approximates their fair value.

The simplified approach to measuring expected credit losses is applied which uses a lifetime expected loss allowance for all trade receivables.

8. Inventories

	2021 $'000	2020 $'000
Network stock	1,296	1,375
Transformers	499	509
Total	**1,795**	**1,884**

Policies

Inventories are stated at average cost.

Cost includes the cost of direct materials and other charges, e.g. freight incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

9. Property, plant and equipment

	Land $'000	Buildings $'000	Network Distribution System $'000	Meters & Relays $'000	Plant & Vehicles $'000	Generation $'000	Right of use asset $'000	Total $'000
Gross carrying value								
At 31 March 2019	1,367	2,650	270,471	33,321	10,903	22,383	393	341,488
Additions	136	–	10,441	2,942	1,600	–	360	15,479
Disposals	–	(179)	–	–	(689)	–	–	(868)
Acquisition due to business combinations	–	–	–	10,424	131	–	–	10,555
Capital works in progress movement	–	–	5,088	–	–	–	–	5,088
At 31 March 2020	1,503	2,471	286,000	46,687	11,945	22,383	753	371,742
Additions	–	173	20,383	8,401	1,403	–	159	30,519
Disposals	–	–	–	(80)	(2,527)	(105)	(119)	(2,831)
Assets reclassified to held for sale	(116)	(139)	–	–	(41)	(22,061)	–	(22,357)
Land and building revaluation	116	578	–	–	–	–	–	694
Capital works in progress movement	–	–	(1,402)	–	–	–	–	(1,402)
At 31 March 2021	**1,503**	**3,083**	**304,981**	**55,008**	**10,780**	**217**	**793**	**376,365**
Accumulated amortisation and impairment								
At 31 March 2019	–	62	43,202	17,547	8,048	4,941	121	73,921
Depreciation charge	–	48	8,009	3,088	980	595	66	12,786
Impairment	–	–	14,734	–	–	–	–	14,734
Disposals	–	–	–	–	(661)	–	–	(661)
At 31 March 2020	–	110	65,945	20,635	8,367	5,536	187	100,780
Depreciation charge	–	55	8,155	4,789	1,150	399	146	14,694
Assets reclassified to held for sale	–	(20)	–	–	(37)	(5,800)	–	(5,857)
Disposals	–	–	–	–	(2,500)	–	–	(2,500)
At 31 March 2021	**–**	**145**	**74,100**	**25,424**	**6,980**	**135**	**333**	**107,117**
Carrying amount (net book value)								
At 31 March 2019	1,367	2,588	227,269	15,774	2,855	17,442	272	267,567
At 31 March 2020	1,503	2,361	220,055	26,052	3,578	16,847	566	270,962
At 31 March 2021	**1,503**	**2,938**	**230,881**	**29,584**	**3,800**	**82**	**460**	**269,248**
Carrying amount (cost model)								
At 31 March 2020	855	1,806	145,191	26,132	3,584	16,847	566	194,981
At 31 March 2021	**159**	**397**	**168,867**	**29,584**	**3,800**	**82**	**460**	**203,349**

The carrying amount (cost model) table represents the carrying amounts that would have arisen had all property, plant and equipment been carried under the cost model.

Work in progress at the end of the year was $6.9 million (2020: $8.8 million) included in network distribution assets.

Policies

Property, plant and equipment other than land and buildings and network distribution system are initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses.

Land and buildings and network distribution assets are held at their fair value. Fair values are determined based on valuations adjusted for subsequent purchase costs, disposals, depreciation and impairment. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Expenditure is capitalised if the asset is technically and commercially feasible, future economic benefits are probable and the Company intends to use or sell the asset.

Capitalisation occurs immediately once an asset is acquired or installed.

Depreciation begins once an asset is ready for use.

Depreciation of property, plant and equipment, other than land, is calculated on a straight line basis and expensed over the life of the asset.

Estimated useful asset lives are as follows:

Buildings	40 – 100 years
Network distribution system	5 – 60 years
Meters & relays	3 – 15 years
Plant & vehicles	1 – 10 years
Generation	10 – 75 years

Right of use assets associated with lease assets are depreciated over the lease term.

Gain or loss on disposal is recognised in profit and loss. When revalued assets are sold the amounts included in the revaluation reserves are transferred to retained earnings.

Judgements

Land and buildings

The land and buildings of the Group, comprising the vacant land at Te Peka Street Taumarunui, Old Station Road Ōhakune, depots at Waitete Road Te Kūiti , the residential dwellings at Te Peka Street Taumarunui and head office at King Street East Te Kūiti were revalued to $4.2 million at 31 March 2021. Revaluations are performed every three years.

These valuations were prepared by Doyle Valuations Ltd (A.N.Z.I.V, S.N.Z.P.I), an independent valuer with local experience. These valuations were carried out in accordance with API and PINZ Professional Practice and International Valuation Standards. Cost summation, market rate and income approaches were used for the valuation.

The fair value measurements above are considered to be Level 2 as per NZ IFRS 13, as they are derived from valuation techniques that include inputs for the assets that are based on observable market data.

Network distribution system

The Group estimates the fair value of the distribution network through independent valuers using the discounted cash flow method every three years.

Network distribution system assets, excluding meters and relays, were valued to $220.8 million at 31 March 2020. The Group has updated the key inputs and developed an estimate valuation range in the current year. Based on the Group's updated estimated valuation range at 31 March 2021, the Group considered that the carrying value of networks of $231 million, (which is the prior year adjusted for FY21 additions and depreciation) can be retained, as the carrying amount materially reflects the fair value of the network assets at 31 March 2021.

The prior year value was within the valuation range ($215.5 million–$226.2 million), independently prepared by Deloitte and the key assumptions used in the prior year valuation are shown in the table over. In all cases an element of professional judgement is required. The valuation is based on revenue and cost assumptions applied against a combination of discount rates and distribution revenues.

Assumptions	Valuation midpoint assumptions adopted	Low	High	Valuation impact $'000s
				-$12,787
Network revenue	–	-5%	5%	+$12,787
				+$9,470
Discount rate	5.1%	-0.5%	0.5%	-$9,028

Consistent with prior years, the valuer has assumed the terminal value equal to forecast Regulatory Asset Base (RAB) based on information disclosures, as it is believed that the terminal value would approximate the RAB value in a steady state regulatory environment.

The fair valuation measurements above are considered to be Level 3 as per NZ IFRS 13, as they are derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

10. Intangible assets

	Software $'000	Land Easements $'000	Resource Consents & Rights $'000	GoodMeasure Intellectual Property $'000	Customer Contracts $'000	Total $'000
Cost						
At 31 March 2019	**7,850**	**417**	**818**	**–**	**–**	**9,085**
Acquisition due to business combinations	–	–	–	655	10,661	11,316
Impairment	–	–	–	(527)	–	(527)
Additions	554	108	–	–	–	662
At 31 March 2020	**8,404**	**525**	**818**	**128**	**10,661**	**20,536**
Assets reclassified to held for sale	–	(258)	(818)	–	–	(1,076)
Disposals	(2,541)	–	–	–	–	(2,541)
Impairment	–	–	–	(128)	–	(128)
Additions	464	–	–	–	–	464
At 31 March 2021	**6,327**	**267**	**–**	**–**	**10,661**	**17,255**
Accumulated amortisation and impairment						
At 31 March 2019	4,004	–	186	–	–	4,190
Amortisation charge for the year	621	–	–	–	1,072	1,693
At 31 March 2020	4,625	–	186	–	1,072	5,883
Amortisation charge for the year	693	–	–	–	2,068	2,761
Disposals	(2,541)	–	–	–	–	(2,541)
Assets reclassified to held for sale	–	–	(186)	–	–	(186)
At 31 March 2021	**2,777**	**–**	**–**	**–**	**3,140**	**5,917**
Carrying amount (net book value)						
At March 2019	3,846	417	632	–	–	4,895
At March 2020	3,779	525	632	128	9,589	14,653
At March 2021	**3,550**	**267**	**–**	**–**	**7,521**	**11,338**

Policies

Software is amortised on a straight line basis over its estimated useful life of 1–8 years.

Intellectual property has an indefinite life and is assessed annually for impairment.

Customer contract assets are contractual income streams assessed with the legacy metering business acquired in the prior financial year. These are depreciated over seven years in line with the expected rate of decline in revenue.

11. Assets and liabilities of a disposal group classified as held for sale

11.1 Assets of a disposal group classified as held for sale

	2021 $'000	2020 $'000
Assets transferred from property, plant and equipment (Note 9)	16,500	–
Assets transferred from intangible assets (Note 10)	890	–
Capital works in progress	123	–
Impairment of assets	(2,169)	–
Assets held for sale relating the disposal of the generation business	15,344	–

In the current financial year the Group was given authority to dispose of its three hydro stations. The Group has signed two sale agreements and is awaiting settlement terms to be met. It is estimated that the sale should be finalised in July 2021.

Based on the current sale agreements the assets are considered to have a value of $15.5 million. Ownership of the three generation assets was transferred on the 19 July 2021.

The operations regarding these three hydro sites have been disclosed separately from the continuing operations. The statement of comprehensive income and cash flows have been restated in the prior years. See Note 27.

11.2 Convertible notes issued by subsidiary of a disposal group classified as held for sale

	2021 $'000	2020 $'000
Convertible notes issues by a subsidiary	950	–
Convertible notes issued by subsidiary held for sale relating the disposal of the generation business	950	–

Convertible noted issued by a subsidiary are discussed in detail in note 18.

Policies

Assets held for sale have been valued at the lower of fair value less cost to sell and its carrying value. An impairment loss has been recognised of $2.2 million at 31 March 2021.

11.3 (Loss)/profit for the year on discontinuing operations

	2021 $'000	2020 $'000
Revenue	1,849	1,283
Operating expenses	(508)	(373)
Depreciation	(414)	(616)
Interest costs	(57)	(63)
Audit fee	(2)	
Impairment of assets	(2,169)	–
(Loss)/profit before tax	(1,301)	231
Income tax	314	(65)
(Loss)/profit for the year on discontinuing operations	**(987)**	**166**
Non-controlling interest from discontinuing operations	**(36)**	**(11)**
Total comprehensive (loss)/profit from discontinuing operations	**(1,023)**	**155**

11.4 Net cash inflow from discontinuing operations

	2021 $'000	2020 $'000
Net cash inflow from operating activities	1,282	847
Net cash outflow from financing activities	(50)	(50)
Net cash inflow from discontinuing operations	**1,232**	**797**

12. Dividends

	2021 $'000	2020 $'000
Dividends paid to WESCT	250	200

Dividends of $0.25 million (2020: $0.2 million) was paid to shareholders in the current year being 2.11 cents per share (2020: 1.69 cents).

TLC agreed with its shareholder to provide a network discount of $3.8 million (2020: $5.6 million) direct to eligible consumers (refer note 1).

13. Investments

13.1 Investment in subsidiaries

		Ownership Interest	
Name	**Principal activity**	**2021 %**	**2020 %**
Influx Energy Data Limited	Meter and relay assets	100	100
GoodMeasure Limited (Incorporated 4 October 2019)	IoT connectivity solutions	–	100
Speedys Road Hydro Limited	Hydro generation scheme	75	75

Policies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

FCL Metering Limited changed its name to Influx Energy Data Limited on 12 April 2021.

GoodMeasure Limited was amalgamated into Influx Energy Data Limited on 1 November 2020.

Intra-group transactions are eliminated on consolidation.

Balance dates

All subsidiaries have financial year end of 31 March.

Geography

All subsidiaries are incorporated in New Zealand.

13.2 Investment in associates

On 26 September 2019, Embrium Holdings Limited went into liquidation and ceased trading. Assets and intellectual property associated with GoodMeasure were purchased by the Group. GoodMeasure Limited was amalgamated into Influx Energy Data Limited on 1 November 2020.

	2021 $'000	2020 $'000
Reversal of impairment of loan receivable	40	786

14. Equity and reserves

14.1 Share capital

Shares

The total number of authorised and issued shares is 11,846,808 (2020: 11,846,808). The Company has one class of ordinary shares. All ordinary shares are classified as equity and have no par value.

14.2 Hedge reserves

Hedge reserves comprise the cash flow hedge reserve associated within interest rate swaps. These derivative instruments are only used for hedging purposes and not as speculative investments.

Policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The accounting for the changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group currently hedges a particular risk associated with the cash flows of recognised assets and liabilities that have highly probable transactions (cash flow hedges). At inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and hedged item including whether changes in cash flows of the hedging instruments are expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy undertaking its hedged transactions.

The fair values of derivative financial instruments designated in hedging relationships are disclosed in note 24.1. The effective portion in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised on the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Upon meeting all the relevant criteria, hedge accounting is applied to mitigate the risk that the hedging instrument materially differs from the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Interest rate swaps	**2021 $'000**	2020 $'000
Opening balance	(2,529)	(1,827)
Changes in fair value of hedging instrument recognised in other comprehensive income (OCI)	1,547	(975)
Deferred tax	(433)	273
Closing balance	**(1,415)**	**(2,529)**

14.3 Revaluation reserve

	Network distribution system $'000	Land & buildings $'000	Total $'000
Total at 31 March 2019	**79,747**	**878**	**80,625**
Transfer from retained earnings	(655)	–	(655)
Revaluation decreases	(14,734)	–	(14,734)
Deferred tax on revaluation	4,125	–	4,125
Total at 31 March 2020	**68,483**	**878**	**69,361**
Transfer from retained earnings	(649)	–	(649)
Revaluation increases	–	694	694
Deferred tax on revaluation	–	(194)	(194)
Total at 31 March 2021	**67,834**	**1,378**	**69,212**

15. Non-controlling interest

The following table summarises the financial information of Speedys Road Hydro Limited.

Summarised Financial Information of subsidiary with non-controlling interest	**2021 $'000**	2020 $'000
Summarised statement of financial position		
Total current assets	681	329
Total non-current assets	7,043	7,794
Total assets	7,724	8,123
Total current liabilities	3,936	1,081
Total non-current liabilities	831	3,942
Total liabilities	4,767	5,023
Net assets	2,957	3,100
Accumulated non-controlling interest	**739**	**775**
Summarised statement of comprehensive income		
Revenue	1,020	671
Total comprehensive loss	(144)	(44)
Loss allocated to non-controlling interest	**(36)**	**(11)**
Dividends paid to non-controlling interest	**–**	–
Summarised statement of cash flows		
Cash flows from operating activities	196	211
Cash flows from investing activities	-	(16)
Cash flows from financing activities	(200)	(200)
Net decrease in cash and cash equivalents	(4)	(5)

16. Current tax liability

	2021 $'000	2020 $'000
Opening balance	1,800	(263)
Tax payments and tax credits received	(1,792)	–
Current tax expense for the year	1,836	2,063
Closing balance	**1,844**	**1,800**

Policies

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

17. Deferred tax liability

	Property, plant and equipment and intangible assets $'000	**Cash flow hedges $'000**	**Provisions $'000**	**Total $'000**
At 31 March 2019	52,113	(710)	(359)	51,044
Charged to income related to change in tax legislation regarding buildings depreciation	(690)	–	–	(690)
Charged to income	268	–	(50)	218
Acquisition due to business combinations	2,984	–	–	2,984
Charged to other comprehensive income	(4,125)	(273)	–	(4,398)
At 31 March 2020	50,550	(983)	(409)	49,158
Charged to income	629	–	64	693
Charged to other comprehensive income	194	433	–	627
At 31 March 2021	**51,373**	**(550)**	**(345)**	**50,478**

Policies

Deferred tax is:

- Recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.
- Determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to be applied when the related deferred income tax asset is realised, or the deferred income tax liability is settled.
- Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

18. Bank borrowings, convertible notes and subordinated debentures

	2021 $'000	2020 $'000
Bank borrowings	89,012	90,499
Convertible notes issued by subsidiary	950	1,000
Subordinated debentures:		
Waitomo Energy Services Customer Trust	1,000	1,000
North King Country Development Trust	2,000	2,000
	92,962	94,499
Disclosed in the financial statements as:		
Current borrowings	3,677	2,204
Convertible notes issued by subsidiary of a disposal group classified as held of sale	950	–
Non-current borrowings	88,335	92,295
Total	**92,962**	**94,499**

Reconciliation of net debt	**Borrowings due within 1 year $'000**	**Borrowings due after 1 year $'000**	**Total $'000**
Balance at 1 April 2019	250	72,256	72,506
Repayment of convertible note	(50)	–	(50)
Movement between current and non-current debt	2,004	(2,004)	–
Facility drawdown	–	3,300	3,300
New loan acquired due to business acquisition	167	18,743	18,910
Repayment of loans	(167)	–	(167)
Net debt at 31 March 2020	**2,204**	**92,295**	**94,499**
Repayment of convertible notes	(50)	–	(50)
Movement between current and non-current debt	4,477	(4,477)	–
Facility drawdown	–	3,667	3,667
Repayment of loans	(2,004)	(3,150)	(5,154)
Net debt as at 31 March 2021	**4,627**	**88,335**	**92,962**

Policies

Borrowings are initially measured at fair value, less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

The subordinated debentures are stated at their fair values.

Bank borrowings

The Group has term lending facilities of $77.4 million for three years, expiring 1 February 2023. In addition there is a working capital facility of $8 million and is subject to annual renewal and expires on 31 December 2021.

Security held by the bank for these loans is a Composite General Security Agreement over certain assets of the Group.

The Directors estimate the fair value of the Group's bank loans approximate their book value, because they are floating rate loans.

Convertible notes

Speedys Road Hydro Limited (SRHL) had issued $3.75 million of convertible notes to TLC and $1.25 million of convertible notes to the minority shareholder. The proceeds were used to repay debt owed to TLC. The convertible notes are interest bearing (2021: 5.96%) (2020: 6.29%). The convertible notes issued to TLC are eliminated on consolidation in the Group financial statements.

On 30 September 2020, $200,000 of the convertible notes were repaid reducing the balance to $2.85 million to TLC and $950k to the minority shareholder. $50,000 was paid to the minority shareholder.

The holder may either elect to convert the notes to shares, redeem the notes for cash or extend the maturity date of the notes. The election notice is subject to agreement by the SRHL board of directors who are entitled to act in what they reasonably consider to be in the best interests of SRHL.

	Maturity date	TLC $'000	Minority shareholder	2021 $'000
Tranche A1	30/09/2023	600	200	800
Tranche B1	30/09/2024	600	200	800
Tranche C2	30/09/2025	450	150	600
Tranche D1	30/09/2026	600	200	800
Tranche E1	30/09/2023	600	200	800
		2,850	**950**	**3,800**

SRHL reserves the right to defer interest payments in perpetuity while it does not have sufficient cash to make the payment.

The fair value of the convertible notes are not considered to be materially different from its principal value as the terms of the notes are such that comparable market instruments would not differ materially in value.

The convertible notes form part of the disposal group classified as held for sale. As the sale is expected to be completed within 12 months the notes are considered to be a current liability.

Subordinated debentures

The Waitomo Energy Services Customer Trust (WESCT) loan has a principal value of $1,000,000 and has fixed interest of 7.42% per annum (2020: 7.42%). The North King Country Development Trust (NKCDT) loan has a principal value of $2,000,000 and has fixed interest of 5.00% per annum (2020: 5.00%).

The subordinated debentures are unsecured and have no specified maturity date. Repayment of the subordinated debentures is not permitted until full repayment of all other borrowings of the Company, or until the Company is wound up.

The interest rate payable on the WESCT debenture is reset yearly, by negotiation, having regard to interest paid by other entities who have issued similar debt securities. The fair value of the WESCT debenture is not considered to be materially different from its principal value as the applicable interest rate approximates that of similar debt securities.

The fair value of the NKCDT debenture is not considered to be materially different from its principal value as the terms of the debenture are such that comparable instruments would not differ materially in value.

There are no specified repayment terms in relation to subordinated debentures.

19. Trade and other payables

	2021 $'000	2020 $'000
Trade creditors	4,945	3,425
Interest accruals	264	304
TLC discount accrual	1,592	–
Other payables and accruals	570	642
Total	**7,371**	**4,371**

Policies

Trade and other payables are:

- Recognised at fair value when the Group becomes obligated to make future payments resulting from the purchases of goods and services and are subsequently measured at amortised cost using the effective interest rate method.
- Comprise amounts outstanding for trade purchases and ongoing costs.
- Carrying amount approximates to their fair value because the amounts due will be settled within one year's time for their carrying value.

20. Provision for staff entitlements

	2021 $'000	2020 $'000
Opening balance	1,645	1,416
Acquisition due to business combinations	–	23
Accrued	1,952	1,622
Utilised	(1,502)	(1,416)
Total	**2,095**	**1,645**

Policies

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

Provisions made that are expected to be settled within 12 months are measured at their amounts expected to be paid using the remuneration rate expected at the time of settlement.

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

The carrying amount of the provision for staff entitlements approximates to their fair value as most of the entitlement is due to be settled within one year.

21. Lease liabilities

	2021 $'000	2020 $'000
Lease liabilities		
Current	87	109
Non-current	394	479
Total lease liabilities	**481**	**588**
Opening balance	588	298
New lease entered into during the year	159	360
Reassessment of lease terms	(124)	
Interest on lease liabilities (note 3)	38	15
Cash outflow for leases	(180)	(85)
Total lease liabilities	**481**	**588**

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 3 years to 13 years but may have extension options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right of use assets are disclosed in note 9.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment. This is disclosed in note 2.

22. Cash generated from operations

	2021 $'000	2020 $'000
Profit before tax	9,881	8,089
Interest costs (net)	2,580	2,774
Net profit before interest	12,461	10,863
Adjustments for non-cash items		
Depreciation and amortisation	17,041	13,863
Impairment of associate	–	(786)
Impairment of assets	128	527
Gain on disposal of property, plant and equipment and intangible assets	(79)	(162)
Movement in provision for doubtful debt	147	(117)
	29,698	24,188
Changes in net assets and liabilities		
Trade and other receivables	25	(755)
Contract assets and liabilities	624	(1,469)
Inventories	89	(59)
Trade and other payables	3,000	(2,490)
Provision for staff entitlements	450	206
Cash generated from operations	**33,886**	**19,621**

23. Capital Commitments, contingent assets and liabilities

Capital Commitments

The Group has capital commitments $5.8 million (2020: $1.6 million) relating to metering and network assets.

Contingent assets

The Group has no contingent assets (2020: $0 million).

Contingent liabilities

Due to the breach of SAIDI quality targets, the Commerce Commission are currently conducting an investigation for the reasons for those exceedances. The outcome of that investigation has yet to be decided but there is a possibility of a financial impact on FY2022 as a result of the investigation (2020: $0 million).

24. Financial risk management

Objectives

The Group manages financial risks by complying with the policies set by the Board.

The risks outlined in the policy include:

- Interest rate risk
- Credit risk
- Capital risk
- Liquidity risk
- Electricity price risk.

Any new risks are referred to the Board for consideration as they become known. Each risk is monitored and reported to the Board on a quarterly basis.

24.1 Interest rate risk

The Group's main interest rate risk is through its borrowing activities with variable rates, which expose the Group to cash flow interest rate risk.

The Group's policy with regards to fixing its floating rate is depicted below:

Period	**Minimum**	**Maximum**
0-1 year	40%	100%
1-3 years	30%	80%
3-5 years	15%	60%

Generally the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's borrowings are only in New Zealand dollars.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are repriced every three months and as such exposed to the risk of future changes in interest rates.

Swaps currently in place cover 51% (2020: 41%) of the variable loan outstanding. The fixed interest rate of the swaps range between 0.75% and 5.12% (2020: 2.13% and 5.12%) and the variable rates of the loans between 1.74% and 1.68% (2020: 2.49% and 1.89%) above the 90-day bank bill rate which at the end of the reporting period was 0.35% (2020: 1.35%).

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates do coincide with the dates on which interest is payable on the underlying debt and are thus effective.

Effect of hedge accounting on the financial position and performance	**2021 $'000**	2020 $'000
Interest rate swaps		
Non-current liability (net of financial assets)	(1,965)	(3,512)
Mark to market fair value of interest rate swaps at 31 March	**(1,965)**	**(3,512)**
Notional amount	46,000	37,000
Maturity date	Jun 21 to Jun 27	Jun 20 to Jun 26
Hedge ratio	1:1	1:1
Non-current liability (net of financial assets) attributable to:		
Financial assets	133	-
Financial liabilities	(2,098)	(3,512)
	(1,965)	**(3,512)**
Change in fair value of outstanding hedging instruments	(1,572)	(975)
Change in value of hedge item used to determine hedge effectiveness	1,572	975
Weighted average hedged rate for the year	3.11%	3.85%

Sensitivity

Sensitivity analysis is determined based on the exposure to interest rates for both derivatives and non-derivative instruments at balance sheet date.

A 100 basis point increase or decrease is used to assess interest rate and this represents management's assessment of the reasonably possible change in interest rates.

	2021 $'000	2020 $'000
Impact on statement of comprehensive income		
- 1% change in interest rates	(320)	(385)
+ 1% change in interest rates	320	385
Impact on statement of financial position		
- 1% change in interest rates	(367)	(403)
+ 1% change in interest rates	367	403

Hedge ineffectiveness is determined at inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedged instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedged ineffectiveness may occur due to:

- Difference in critical terms between the interest rate swaps and loans; and
- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan.

There was no ineffectiveness during 2021 or 2020 in relation to interest rate swaps.

24.2 Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, contract assets and related party loans, which represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. Thus impact on cash and cash equivalents is deemed immaterial.

Related parties are assessed for impairment with the relevant investment, see Note 13.2.

Impairment of financial assets

The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same contract types. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from 31 March 2021 and 31 March 2020 respectively and the corresponding historical credit losses experienced within this period. The Group's customer base is mainly focused in the King Country and as such macroeconomic factors are considered within this particular environment and the credit loss adjusted accordingly.

On that basis, the loss allowance as at 31 March 2021 and 31 March 2020 (on adoption of NZ IFRS 9) was determined as follows for both trade receivables and contracts assets:

31 March 2021	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	78%	
Gross carrying amount — trade receivables	4,436	247	**4,683**
Gross carrying amount — contract assets	2,283	–	**2,283**
Loss allowance		**193**	**193**

31 March 2020	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	68%	
Gross carrying amount — trade receivables	3,770	503	**4,273**
Gross carrying amount — contract assets	3,462	–	**3,462**
Loss allowance		**340**	**340**

The closing loss allowance for trade receivables as at 31 March 2021 reconciles to the opening loss allowances as follows:

	2021 $'000	2020 $'000
Opening balance	340	457
Increase in loss allowance recognised in profit and loss	50	162
Receivables written off during the year as uncollectible	(197)	(279)
Loss allowance closing balance	**193**	**340**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 120 days past due.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve derived from quoted interest rates for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group 2021				
Derivative financial liabilities	–	(2,098)	–	(2,098)
Derivative financial assets	–	133	–	133
Group 2020				
Derivative financial liabilities	–	(3,512)	–	(3,512)

There were no transfers between Level 1, 2 and 3 during the year.

Financial instruments by category

2021	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Financial liability at fair value through profit and loss $'000	Total $'000
Cash and bank balances	1,017	–	–	1,017
Trade and other receivables	3,523	–	–	3,523
Contract assets	2,584	–	–	2,584
Total financial assets	**7,124**	**–**	**–**	**7,124**
Trade and other payables	–	7,371	–	7,371
Contract liabilities	–	1,316	–	1,316
Lease liabilities	–	481	–	481
Borrowings	–	89,012	–	89,012
Other financial liabilities	–	–	1,965	1,965
Total financial liabilities	**–**	**98,180**	**1,965**	**100,145**
2020				
Cash and bank balances	1,409	–	–	1,409
Trade and other receivables	3,960	–	–	3,960
Contract assets	3,462	–	–	3,462
Total financial assets	**8,831**	**–**	**–**	**8,831**
Trade and other payables	–	4,371	–	4,371
Contract liabilities	–	1,570	–	1,570
Lease liabilities	–	588	–	588
Borrowings	–	94,499	–	94,499
Other financial liabilities	–	–	3,512	3,512
Total financial liabilities	**–**	**101,028**	**3,512**	**104,540**

Policies

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The Group's credit risk is primarily attributable to its trade receivables and contract assets.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with AA credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

24.3 Capital risk

During 2021, the Group's strategy, which was unchanged from 2020, was to maintain an equity/assets ratio of not less than 40%.

The ratio at March 2021 and 2020 was as follows:	**2021 $'000**	2020 $'000
Average equity (including subordinated debentures)	146,597	145,280
Total assets at year end	305,816	297,032
Equity to assets ratio	**47.9%**	**48.9%**

Policies

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2020 and is based on risk management strategies and treasury management policies set and monitored by the Board.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in note 14 and statement of changes in equity respectively.

Debt covenants have been complied with during the year.

24.4 Liquidity risk

Financial liability maturity analysis	**Less than 1 month $'000**	**1 month to 1 year $'000**	**1 to 5 years $'000**	**Total $'000**
Non-interest bearing	7,371	–	–	7,371
Variable interest rate instruments	–	4,627	87,300	91,927
At 31 March 2021	**7,371**	**4,627**	**87,300**	**99,298**
Non-interest bearing	4,371	–	–	4,371
Variable interest rate instruments	–	2,204	92,807	95,011
At 31 March 2020	**4,371**	**2,204**	**92,807**	**99,382**

The table includes both interest and principal cash flows.

Variable rate instruments include the impact of derivatives.

There are $3.0 million of subordinated debentures (note 18) with no set maturity date.

Interest payable on these is excluded from this analysis.

The Group had access to the following borrowing facilities at the end of the reporting period:

	2021 $'000	2020 $'000
Total facility	85,400	85,400
Undrawn facility	14,295	13,644

The bank facilities may be drawn at any time and are reviewed every three years. Subject to the continuance of satisfactory credit ratings. The bank facilities are due for review on 1 February 2023. The working capital portion of the facility of $8 million is subject to review on 31 December 2021.

Policies

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

24.5 Electricity price risk

Policies

The Group is exposed to electricity price risk on its electricity generation activities.

25. Related party transactions

	2021 $'000	2020 $'000
Transactions with Waitomo Energy Services Customer Trust		
Dividends paid	250	200
Interest paid on subordinated debentures	74	73
Transaction with Maru Energy Trust		
Donations to Maru Energy Trust	100	100
Transactions with key management personnel		
Salary and other short-term employee benefits	1,885	1,672
Short-term employee benefits	1,646	1,523
Post-employment benefits	91	96
Long-term employee benefits	148	53
Directors' fees and expenses	281	299
Transactions with Speedy's Road Trust		
Interest paid on convertible notes	57	64
Transactions with North King Country Development Trust		
Interest paid on subordinated debentures	52	91
Balances with related parties		
Maru Energy Trust Receivable/(Payable)	27	(23)
Convertible note with Speedy's Road Trust	950	1,000
Subordinated debentures with Waitomo Energy Services Customer Trust	1,000	1,000

Sean Horgan is the Chief Executive of The Lines Company Limited, and he is also a director of Speedys Road Hydro Limited and a trustee on Maru Energy Trust. Mark Darrow is a director of Speedys Road Hydro Limited.

Bella Takiari-Brame is a trustee of North King Country Development Trust.

26. Subsequent events

The Group signed a disposal agreement with regards to the three hydro stations classified as held for sale at year end. Ownership of the three generation assets was transferred on the 19 July 2021 to Southern Generation Partnership Limited.

27. Impact of discontinuing operations on the prior year statement of comprehensive income and cash flow

Extract of statement of comprehensive income for 31 March 2020	2020 Originally presented $'000	Discontinuing operations $'000	2020 Restated $'000
Revenue	52,532	(1,283)	51,249
Operating expenses	(27,155)	373	(26,782)
Depreciation and amortisation	(14,479)	616	(13,863)
Interest costs (net)	(2,837)	63	(2,774)
Impairment of assets	(527)	–	(527)
Total expenses	(44,998)	1,052	(43,946)
Reversal of impairment of associate	786	–	786
Profit before tax	8,320	(231)	8,089
Income tax expense	(1,591)	65	(1,526)
Profit for the year from continuing operations	6,729	(166)	6,563
Profit for the year from discontinuing operations	–	166	166
Profit for the year	6,729	–	6,729
Profit for the year is attributable to:			
Equity holders of the parent	6,740	–	6,740
– Profit for the year from continuing operations	6,740	(166)	6,574
– Profit for the year from discontinuing operations	–	166	166
Non-controlling interest from discontinuing operations	(11)	–	(11)

Extract of statement of cash flow for 31 March 2020	2020 Originally presented $'000	Discontinuing operations $'000	2020 Restated $'000
Operating activities			
Cash generated from operations	20,531	(910)	19,621
Interest received	17	-	17
Interest paid	(3,189)	63	(3,126)
Income taxes paid	–	–	–
Net cash inflow from operating activities	**17,359**	**(847)**	**16,512**
Investing activities	**(38,383)**	**–**	**(38,383)**
Financing activities			
Dividends paid	(200)	–	(200)
Convertible notes in subsidiary sold to non-controlling interest	(50)	50	–
Lease liability paid	(85)	–	(85)
Bank borrowing advanced	22,043	–	22,043
Net cash inflow from financing activities	**21,708**	**50**	**21,758**
Net cash inflow from discontinuing operations	**–**	**797**	**797**
Net increase in cash and cash equivalents	684	–	684
Cash equivalents at the beginning of the year	725	–	725
Cash and cash equivalents at the end of the year	**1,409**	**–**	**1,409**

Corporate Governance

The Lines Company's Board and management are committed to ensuring that the company strives for best practice governance principles.

This section provides an overview of TLC's main corporate governance policies, practices and processes which have been adopted by and are followed by TLC's Board.

The Lines Company Limited (TLC) came into existence on 26 March 1993 and is wholly-owned by the Waitomo Energy Services Customer Trust. TLC is principally engaged in the construction, maintenance and operation of an electricity distribution network.

The activities of the company are regulated under the terms of the Electricity Act 1992, the Electricity Industry Reform Act 1998 and the Commerce Act 1986. Compliance with the Commerce Act 1986 and the Electricity Industry Reform Act 1998 is administered by the Commerce Commission.

Board of Directors

The Directors are appointed by the Shareholder. All Directors are non-executive and are independent. The Board is responsible for setting and monitoring the strategic plans and goals of the company. It delegates the day-to-day management of the company to the Chief Executive.

The Board's authority and accountability is based on the regulatory framework and the Statement of Corporate Intent (SCI). The SCI is produced annually and sets out the Board's strategic objectives, goals and performance targets, as agreed with the Shareholder. The Board operates in accordance with the Constitution of TLC, adopted on 1 April 1999. The Board receives monthly reports from management and meets at least eight times during each financial year. The Constitution specifies that there shall be no less than four and no more than seven Directors at any one time, and that at every annual general meeting one third of the Directors shall retire from office and be eligible for reappointment.

The Board has five operating committees. The Remuneration Committee makes recommendations to the Board on the remuneration packages including base salary, fringe benefits, incentive schemes, superannuation and entitlements of the Chief Executive and senior executive officers. The Audit, Risk and Finance Committee reviews the effectiveness and efficiency of internal controls and information systems, oversees TLC's compliance with legal and statutory requirements, corporate compliance requirements, financial statements, treasury policy and preparation of the annual report, and liaises with the Office of the Auditor General on the appointment of external auditors. The Regulatory and Asset Management Committee reviews and oversees the Electricity Distribution Businesses (EDB's) regulatory and compliance requirements and provides advice on regulatory issues. The Mergers and Acquisitions committee provides Board level representation and insights on the merger, acquisition and divestment activity (M&A) of the Group, reviews and recommends any relevant M&A decisions and provides advice on any given M&A process. The Retailer Billing Committee provides Board level representation and insights into the project to move from direct mass market customer billing to billing via a retailer. The committee reviews and recommends any relevant decisions and provides advice through the project. Other adhoc committees are formed for special projects as required.

Risk Management

The Board has adopted a formal risk policy and risk management framework. The Board is responsible for reviewing and ratifying systems of risk management and systems of internal controls. The Board monitors the operational and financial aspects of TLC's activities and considers the recommendations and advice of external auditors and other external advisors on the operational and financial risks that face TLC.

Health and Safety

A key focus is to operate in a manner where no harm occurs to our staff, contractors or public while complying with the Health and Safety at Work Act 2015. The Board exercise due diligence through the regular review of health and safety reports and maintain an oversight of key health and safety policies, procedures and processes. Directors schedule workplace visits and support management in promoting a positive health and safety culture.

Treasury Management

Exposure to treasury related financial risks is managed in accordance with TLC's treasury policy. This policy sets out financial and treasury management objectives, specific responsibilities, limits on management authority, permissible financial instruments and reporting and monitoring requirements. Under this policy the Board is responsible for approving all treasury and interest rate strategies and any subsequent changes to these strategies.

Indemnification and Insurance of Directors

TLC has insured all its Directors, both present and past, and staff against liabilities to other parties that may arise from their positions as Directors or staff. This insurance does not cover liabilities arising from criminal actions.

Information used by Directors

Information relating to items to be discussed by the Directors at a meeting is provided to Directors prior to that meeting. Directors must not use information received in their capacity as a Director, which would not otherwise be available to them, without the prior consent of the Board.

Interests Register

Directors must disclose all relevant interests and identify any potential conflicts of interest they may have in dealing with TLC's affairs. TLC maintains an interest register to record particulars of transactions or matters involving Directors.

Statutory Information

1. Directors' remuneration

Directors' remuneration for The Lines Company of $269,824 (2020: $266,580) distributed as follows:

	Appointment date	Retirement date	2021	2020
Mark Darrow (Chair)	01 Sep 2015		90,343	81,085
John Rae	24 Mar 2014	30 June 2019	–	9,821
Roger Sutton	03 Aug 2017	30 Jan 2020	–	33,024
Simon Young	03 Jun 2010	06 Aug 2020	16,607	51,667
Simon Fleisher	01 Jul 2020	31 Dec 2020	22,378	–
Craig Richardson	01 Oct 2018		46,832	38,030
Andrew Johnson	20 Sept 2018		46,832	39,667
Bella Takiari-Brame	01 Dec 2019		46,832	13,286
Total			**269,824**	**266,580**

All transactions in entities in which Directors disclosed an interest have been conducted on an 'arm's length' basis in the normal course of business.

2. Directors' register

Directors' register for The Lines Company and its subsidiaries is as follows:

	The Lines Company	Influx Energy Data Limited	Speedys Road Hydro Limited
Mark Darrow	✓	✓	✓
Craig Richardson	✓	✓	
Andrew Johnson	✓	✓	
Bella Takiari-Brame	✓	✓	
Marcus Paterson			✓
Sean Horgan			✓

3. Directors' disclosures of Interest

Interests Register

Register of Directors' Interests as at 31 March 2021
Companies Act 1993, Section 189(1)(C)

Company	Nature
M C Darrow	
Armstrong Motor Group	Chair, Advisory Board
Balle Bros Group Limited and Subsidiaries	Independent Director
Inland Revenue Department (Te Tari Taake)	Risk & Assurance Committee Member
Influx Energy Data Limited	Director
Invivo & Co	Board Chair
Justice of the Peace	
Leighs Construction Limited	Chair
MCD Capital Limited	Director/Shareholder
Motor Trade Finance	Chair
Panuku Development Auckland	External Member Audit & Risk Committee
Signum Holdings Limited	Shareholder
Speedys Road Hydro Limited	Director
Stratford Farms	Chair
The Lines Company Limited	Chair
Tudor Park Trustees Limited	Trustee
A D Johnson	
Asset Management Partners Limited	Director
Influx Energy Data Limited	Director
Inframax Construction Limited	Director
LCP Alpha Limited	Director
LondonGreen Limited and Subsidiaries	Director
St Paul's Foundation Limited	Director
The Lines Company Limited	Director
C P Richardson	
Digilowcost Limited (Trading as Acquire)	Chair Advisory Board
Ed Collective Limited	Director
Ed Collective Trust	Trustee
Esher Services Limited	Director
Faraday Holdings Limited	Director/Shareholder
Faraday Services Limited	Director/Shareholder
Gaze Commercial Limited	Chair Advisory Board
Influx Energy Data Limited	Director
McKenzie & Co Limited	Chair Advisory Board
Monday Limited	Director/Shareholder
The Lines Company Limited	Director
Two Islands Co NZ Limited	Director
Van Diemen Capital Limited	Director/Shareholder
Working Equity Limited	Director/Shareholder
Working Equity Pty Ltd	Director/Shareholder

Company	Nature
B Takiari-Brame	
Accident Compensation Corporation	Board Member
Braemar Hospital Limited	Independent Member
Crown Infrastructure Partners Limited	Director
Influx Energy Data Limited	Director
Luana Limited	Managing Director
Maniapoto Fisheries Trust	Trustee
Maniapoto Māori Trust Board	Generally Elected Trustee
North King Country Development Trust	Trustee
Portfolio Management Services Limited	Director
Takiari-Brame Family Trust	Trustee
Te Kupenga o Maniapoto Limited	Director
Te Ohu Kaimoana Trustee Limited	Director
Te Wānanga o Aotearoa	Council Member
The Lines Company Limited	Director
Waikato Tainui	Independent Member Group Audit and Risk Committee

4. Employee Remuneration

Remuneration and other benefits for employees totalling $100,000 or more were as follows:

	2021	2020
$460,000 – $470,000	1	–
$400,000 – $410,000	–	1
$290,000 – $300,000	1	–
$280,000 – $290,000	1	–
$260,000 – $270,000	–	1
$250,000 – $260,000	1	–
$200,000 – $210,000	1	1
$170,000 – $180,000	1	–
$160,000 – $170,000	–	2
$150,000 – $160,000	2	3
$140,000 – $150,000	4	1
$130,000 – $140,000	4	4
$120,000 – $130,000	3	3
$110,000 – $120,000	12	10
$100,000 – $110,000	14	15
	45	**41**

Accounting Standards not yet adopted

There are no new accounting standards issued but not yet effective that materially impacts the Group.

Independent auditor's report

To the shareholder of The Lines Company Limited's Group financial statements and statement of service performance for the year ended 31 March 2021

The Auditor-General is the auditor of The Lines Company Limited Group (the Group). The Auditor-General has appointed me, Matthew White, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the statement of service performance of the Group on his behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the Group on pages 53 to 84, that comprise the statement of financial position as at 31 March 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flow, for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on page 52.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the statement of service performance of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2021.

Our audit was completed on 27 July 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, and we explain our independence.

Emphasis of Matter - Covid-19 wage subsidy

Without modifying our opinion on the financial statements, we draw attention to the disclosures on page 61 note 2 which outline the basis on which The Lines Company applied for, and received the Covid-19 wage subsidy from the Ministry of Social Development.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing statement of service performance that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, 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 it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported statement of service performance within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and statement of service performance. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 51 and 85 to 88, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements in the areas of Default Price-Quality Path Compliance audit, Information Disclosure audit and Regulatory agreed upon procedures which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Group or any of its subsidiaries.

On behalf of the Auditor-General:

Matthew White
PricewaterhouseCoopers Hamilton
27 July 2021

PricewaterhouseCoopers, PwC Centre, 109 Ward Street, PO Box 191, Hamilton 3240 New Zealand
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Glossary of Terms

EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBIT	Earnings before interest and tax.
Net assets	Total assets, less total liabilities.
Shareholder funds	Shareholder equity plus subordinated debentures.
Debt to asset ratio	(Total liabilities less deferred tax liabilities) divided by total assets.
Capital ratio	Shareholder equity divided by total assets.
Return on average equity	(Profit for the year to equity holders) divided by ((opening shareholder equity plus closing shareholder equity) divided by 2).
Return on average equity before customer discounts	(Profit for the year to equity holders plus customer discounts after tax) divided by ((opening shareholder equity including subordinated debentures plus closing shareholder equity including subordinated debentures) divided by 2).
Return on average net assets	(EBIT multiplied by the applicable tax rate) divided by ((opening net assets plus closing net assets) divided by 2).
SAIDI	Average forced sustained interruption duration per connection point served per year measured in minutes.
SAIFI	Average interruption duration index values based on planned and unplanned interruptions on the network.
LTIFR	Lost Time Frequency Rate measured as lost time hours/worked hours.

Corporate Directory

as at 31 March 2021

The Lines Company Limited

Company number

578653

Directors

M C Darrow (Chair)
C P Richardson
A D Johnson
B L Takiari-Brame
D J Troon (appointed 1 May 2021)
M C Underhill (appointed 1 May 2021)

Registered Office

The Lines Company Limited
King Street East
Te Kūiti 3941
New Zealand

Auditor

PricewaterhouseCoopers has been appointed to perform the audit on behalf of the Auditor-General

Solicitors

Tompkins Wake
Forgeson Law
Harmos Horton Lusk
Chapman Tripp

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