2022

Annual Report
Pūrongo ā-Tau

the lines company

Te Hono ā-Hiko

Growing for our community

Contents

Our organisation is deeply proud to be part of the King Country and Central Plateau.

He kupu takamua

Foreword

This is our community and every decision we take contributes towards making a positive difference to the economic and social wellbeing of those who share this place.

Our job is to provide a safe and reliable electricity supply to close to 24,000 connections across the network. Doing so enables homes, businesses and communities to grow and to thrive.

But we are more just than an energy distributor.

We employ 160 people, and their families and communities share our deep connection to this place.

We purposefully aim to generate income from outside the region so we can bring resources home to benefit our customers and wider community.

And while we care for and about the people living here now, we will always strive to improve our network, so our efforts today enhance the lives of generations to come.

Te Tau Kua Taha Ake

Our year at a glance

#1

we won the 2021 New Zealand Energy Excellence Outcomes Category Award

4,457

new AMI connections (ICPs) for Influx

1 bill

we moved to retailer billing

$400k

invested in scholarships, local sponsorships, food banks, Maru Energy Trust

80%

of Influx revenue was generated outside of the network region

$7.5m profit

23,903
connection points on network

$5.5m
new zone substation at Waitete livened

↓61%
reduction in critical risk incidents

$16m
invested in network improvements

$4.1m
in TLC Discounts paid to WESCT Customers
(excluding GST)

160
staff employed across the organisation

On behalf of the community, we manage the region's electricity system which supplied 380 gigawatt hours of electricity to businesses and households over the past year.

He Kōrero Whakataki

Introduction

Our network contains assets including power lines, power poles, cables, substations, transformers, electric vehicle (EV) charging stations and other infrastructure. We have a vast geographical footprint and operate in challenging terrain to deliver a safe and reliable electricity supply.

We own New Zealand's fourth largest electricity metering services business, Influx Energy Data (Influx), which helps to bolster the Group's overall financial result, while forging its own path.

The revenue received from our network customers, and the reliability standards of the electricity we supply, are regulated by the Commerce Commission. The Commission's role is to make sure we provide an appropriate level of service to customers while ensuring a fair rate of return for the assets we own and manage.

The Lines Company (TLC) is 100 per cent owned by the Waitomo Energy Services Customer Trust (WESCT), on behalf of the community.

Alongside WESCT, we provide discounts to customers in the northern part of the network.

We also work with Maru Energy Trust (Maru) across the entire region to support warmer, drier homes with in-home insulation and heating programmes — along with the provision of LED lightbulbs and effective showerheads to support greater energy efficiency.

Mai e te Toihau

From the Chair

Ki ngā hapori whānui, ki ngā whānau katoa. Koutou e hono mai nei i ngā Kāhui Maunga, i ngā pareparenga o te Awa tupua me te tahakirikiri o te Moana ki uta, ki te rohe o Te Nehenehenui nei, tēnā tātou katoa, ka huri.

To the communities and families of the King Country, Ruapehu and Central Plateau, greetings to all.

As we reflect on another challenging year, it is important to recognise some outstanding achievements.

We headed into the 2021-2022 year on a secure footing, having built a very strong financial and operational foundation over the previous five years. This work, under the operational leadership of Chief Executive Sean Horgan, proved critical as we continued to navigate the impacts of COVID-19 on our business, our people, and our wider community.

It is a reflection of Sean's team and of his leadership that this year has again seen a profit for the year of $7.5m (after tax) which was on budget and represents a 4% return on assets (before discounts).

As has been illustrated time and time again, The Lines Company must and does have a much wider lens than just a financial one. The Board is very clear that we are more than an energy distributor; we are an economic stimulator, an enabler and a champion and advocate for the communities we serve. This is the very clear direction the Board provides to the TLC leadership team.

Given that, I am proud that throughout the year, our deep commitment to people first and foremost remained absolute. While the ongoing COVID-19 pandemic remained challenging, we continued to focus on those fundamental things we have committed to on behalf of our shareholder.

The commitment was publicly acknowledged this year with TLC's win in the New Zealand Energy Excellence Awards. Our company was one of three finalists in an inaugural category to celebrate outstanding initiatives for accessible products and services that deliver beneficial outcomes to consumers.

TLC was acknowledged for three main initiatives aimed at addressing energy hardship in our community: Maru Energy Trust, our Customer Care Model which works alongside vulnerable people and the COVID-19 relief package and initiatives we put in place.

It is well known there are disproportionately high levels of social deprivation and therefore energy hardship in our community. We recognise that and, more importantly, we have actively sought to address it by relieving financial hardship for whānau when we are able.

Our Board remains committed to driving work in this and other important areas, reflecting the direction set for us by our shareholder, WESCT. This year, with the support of WESCT, we applied a total of $4.1m in discounts to 9,000 northern customers in our network. These discounts make a substantial difference to households.

As Chair of this company, I am privileged to work with an outstanding group of colleagues. I thank my Board members, Craig Richardson, Andrew Johnson, Mike Underhill and Doug Troon for their continued support and for their energy and commitment to this organisation.

I specifically want to acknowledge the role of former Chair Mark Darrow as well as WESCT Chair Peter Keeling. Both provided wise counsel as well as a strategic lens for our ongoing activities.

As we head into a new year, a number of challenges await. We are continuing to work hard to prepare our network and our people for a decarbonised future. At the same time, the work of continuing to build, maintain and operate a complex and highly technical energy network remains.

In the coming financial year, we will be without the tremendous leadership of Sean Horgan who is leaving TLC to pursue a new challenge. I offer my warm and genuine thanks to Sean on behalf of the Board for his demonstrable commitment to our region and for the role TLC plays in it.

In his five years at the helm, Sean has been determined to see TLC walk proudly alongside the community it serves. TLC is now recognised as an outstanding player in our sector, with much to offer the wider industry. Sean departs with a wonderful legacy, and we wish him the very best in the future.

In the meantime, the Board thanks the entire TLC team who once again worked hard and contributed much, irrespective of the challenges they also faced in 2021-2022. We look forward to the journey ahead as we work to build a better and more connected region for us all.

Noho āhuru mai rā koutou i ō koutou whaitua me ō koutou kāinga maha, nā

Bella Takiari-Brame
Chair, on behalf of the Board of Directors

Ngā Kōrero te Toihau

Chief Executive's Report

Despite the challenges of COVID, we delivered a $14.7 million capex programme during the year, including the completion of major projects such as the new Waitete substation — our largest new build in over 70 years.

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

I have always been proud to work in such a resilient and robust region, and to lead a team of dedicated individuals, many of whom call this place home. However, the economic and social impacts of the global pandemic were very real, including for our staff.

Looking back, I am immensely proud of the way our team performed, at every level. We were able to adapt quickly and ensure that, despite everything, the essential services we provide to homes, businesses and communities were never compromised.

It was that sense of community which has characterised the last 12 months. We remained deeply committed to enabling and empowering our customers — either through our ongoing support of organisations such as the Maru Energy Trust, the targeting of our growing sponsorship budget, or via a much-needed donation to local foodbanks.

Given that, I was thrilled in May 2021 to stand alongside my team at the New Zealand Energy Excellence Awards and accept the win. The fact that we were lauded for initiatives which were entirely customer-focussed was deeply rewarding and I sincerely thank those people involved in this work. That includes our external Customer Services Panel and other stakeholders who have shared our values and offered sound advice.

This is a complex business and nothing can be achieved across our network without the security of a sound financial foundation. Our revenue for the 2021-2022 year was $62 million, including metering revenue of $20 million. Profit was $7.5 million, which gives a return on equity of 6.4% per cent (before customer discounts). These figures include the sale of our three small hydro stations from the previous year.

This is a pleasing result considering the increased maintenance costs due to storm and flood events and the impacts of COVID on our ability to complete our capital works and capitalise costs.

Influx, our metering data business, performed exceptionally well to finish ahead of budget and delivering valuable unregulated income back to TLC for reinvestment in the community.

Our financial results allowed us to pay out $4.1 million (excluding GST) in TLC Discounts to WESCT Customers. I thank the Trustees of our shareholder WESCT who provided strong strategic direction and influenced our activities throughout the year.

Discounts were paid out earlier than usual — in May and September — to help facilitate a major change for our customers and to our operation. From 1 October 2021, TLC customers began receiving just one energy bill from their electricity retailer. TLC no longer sends out separate bills and customers work directly with their retailer to manage their energy needs. This is consistent with other parts of New Zealand.

This change was the result of almost three years' work, driven in large part by customer feedback. While there are always challenges in implementing such a fundamental business change, the transition went exceptionally well and for most customers, was largely seamless.

Despite the challenges of COVID, we delivered a $14.7 million capex programme during the year, including the completion of major projects such as the new Waitete substation — our largest new build in over 70 years. Our focus on quality targets remained strong and for the second year running, we fully complied with independent quality standards. This was pleasing and will remain a key focus area going forward, as will working hard to manage vegetation and trees.

Meanwhile the safety of both staff and the community, as always, remained our top priority. The year saw us begin to roll out a major new health, safety and wellbeing framework, Kotahi. This framework encompasses safety and wellbeing policies, processes and practices, and its roll-out will continue for at least the next 12 months. At the same time, we began the implementation of Kete, a new people management system targeting efficiency and ongoing improvement.

Looking ahead, we will continue to proactively prepare our business for decarbonisation, enabling customers to reduce their energy costs and access choice. We are also well aware, more than ever, of external issues which are beyond our control. We are mindful that COVID-19's legacy will in part, be resource constraints including staff and skill shortages as well as increasing pressure on supply chains.

We are also aware of the potential impacts of inflation and of the increasing expectations and opportunities around environmental performance. There are also regulatory changes on the horizon, including the next phase of the Default Price Path Input Methodologies being reviewed by the Commerce Commission.

On a personal note, this is my last Annual Report as Chief Executive of The Lines Company. I will be leaving the organisation in mid-2022 with mixed emotions. This role has been the most challenging and most rewarding role of my entire career. I feel privileged to have held this position and to have led our business through a period of significant change. Our team and out community have taught me a great deal and for that I will always be grateful. Thank you.

In ending I would also like to acknowledge the Board of Directors, including past directors and former Chair Mark Darrow. All provided strong governance and strategic guidance, not just in the 2021-2022 year, but over my five years in this position.

Most of all however, I wish to acknowledge and thank the entire TLC team for their work over the previous 12 months, and for the entire time I have been in this role. You are an exceptional team, who are passionate about what you do and have built a business that we are all proud of. Our jobs have not always been easy, but we have achieved an incredible amount.

Te amorangi ki mua,
te hapai o ki muri.

Ngā mihi

Sean Horgan
Chief Executive

Our role is to keep our customers safely connected to electricity, irrespective of where they live or work across our stunning region.

He kōrero mō mātou

About us

This means managing and maintaining a unique and challenging network of more than 4,300kms of lines and cables. Our aim is to avoid disruption where possible, including responding quickly to storms and other high-risk events which could comprise those vital energy connections.

We continue to invest in and make improvements to the network to improve reliability of supply and provide better safety for our staff and communities and enable new economic enterprise for the region. That includes investing in plant and technology but, most importantly investing in people. Growing and retaining talent is important and is a key measure of our success.

While we work within a highly regulated environment, we work hard to provide customised solutions and services. Industry regulation requires us to pass on to our customers the costs incurred in bringing power from the national grid into our area. On behalf of the government, we also collect levies from our customers to help cover the cost of regulating New Zealand's electricity industry.

In addition to operating the network, we 100 per cent own a metering data business called Influx. This business brings in valuable non-regulated income from across the country, helping to support and grow the region.

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 (Vector)	Hamilton (WEL Networks)	Waipa (Waipa Networks)	Wellington (Wellington Electricity)
Connection points/kms	5.5	30.5	17.2	12.1	35.6
Connection points	23,903	583,483	95,226	27,553	170,188
Kms of lines & cables	4,310	19,144	5,523	2,271	4,780

I Mua

Where we've come from

The second year of the COVID-19 pandemic continued to pose challenges, but none were insurmountable.

Our priorities were constant; keeping our people and members of our community safe, while continuing to ensure a reliable and safe energy supply across the region.

We put in place a hybrid model of working that allowed staff to work from home, while supporting those who needed to be in the office. As essential workers, our field crews continued to work the entire time to ensure homes and businesses remained connected. From November 2021, crews once again began planned maintenance work in a methodical and planned way.

We were acutely aware of the immediate economic and social impact of the pandemic on our community. In September 2021 we provided a combined $60,000 in grants to local foodbanks to help struggling families hit by COVID-19. The money was spread across the region, reaching whānau in Mangakino, Ōtorohanga, Raetihi, Taumarunui, Te Kūiti and Tūrangi.

The economic impact of the pandemic exacerbated financial stress among some customers. We know around 25 per cent of customers on our network have a household income of less than $35,000 per annum and that energy bills, especially in winter, can be challenging.

$60,000

in grants to local foodbanks

As we have since its inception, we continued our strong support of Maru Energy Trust which aims to ensure whānau live in warmer, drier homes. We were particularly supportive of Maru's Ecobulb energy pilot and noted with support the Trust's expansion into supporting the installation of heat pumps.

During the year, TLC put enormous effort into helping customers transition to a single energy bill, sent to them directly by electricity retailers. The change was a complex piece of work that impacted particularly on our finance and customer experience teams.

Considerable effort went into communicating this change with our community and following the transition, 66 per cent of surveyed customers believed their retailer bill was about what, or slightly less than they had expected. These efforts were part of the overall commitment to better customer service which we have focused on over the past five years.

MARU
Be warm. Be healthy.

Last year, our customer satisfaction levels saw an overall residential satisfaction measure of 65 per cent. To maintain a very strong focus on customer support, last year we formed a new Customer and Community Engagement team. This will ensure that, despite the move to retailer billing, we will maintain close ties to our customers and through them, our community.

A number of major projects on our network were completed during the year as we continued an ongoing programme of investment to improve both safety and reliability of supply.

One of the largest projects was a new $5.5 million substation at Waitete, commissioned in February 2022. It was our biggest new build since the 1950s, increasing substation capacity by 50 per cent and enabling an energy supply from the national grid to more than 2,200 households in and around Te Kūiti.

For the first time in many years, we can supply the Te Kūiti township, industrial customers, and the community, while also having capacity for future growth. This sort of project is an important economic enabler and represents real confidence in our region.

$5.5m

substation at Waitete was comissioned in February 2022

The second stage of the Te Waireka substation upgrade was also completed. Progress continued on stage two of the Kuratau substation and line renewal upgrade. This work is part of the $1.4 million investment to improve service to more than 1,600 customers on the western side of Lake Taupo. Overall, about 15 of our 29 substations will have some form of upgrade over the next 10 years as we support efforts towards decarbonisation.

Weather events continued to be challenging including during November 2021 and again during ex-cyclone Dovi in early 2022. Community feedback for the work done by our teams to restore power quickly was heartening. During Dovi, when road access to Marokopa was completely cut off, our crews flew in by helicopter to restore power.

In April 2021, Influx adopted its new brand, choosing a new identity to better describe what this high-tech operation offers to the market. The brand was well received by the sector which has quickly come to recognise Influx as an innovative, value-add company that is actively investing in new products.

A targeted acquisition strategy began to bear fruit in 2021-2022 as Influx successfully integrated assets and systems previously owned by Legacy Metering Group and NorthPower. Assets previously held by Trustpower have also performed well over the last financial year, exceeding forecast revenue targets.

Influx also made a number of significant internal investments during the year. Technology was upgraded to allow a richer set of metering services. The company invested in its own software development team and will launch a series of new cloud-based services next financial year.

Some internal changes were also made. Additional leadership strength, with specific commercial expertise, was added to the team to support a complex and growing operation. Influx fulfilled its desire to become a truly nationwide provider of metering services through field service providers and authorised metering contractors working under Influx's Approved Test House. This expanded scope and reach means Influx now operates consistently throughout New Zealand.

It is people — both our customers and our own people — who are at the heart of everything we do.

Who we are

Ko wai mātou

Ensuring the safety of our people, our community and the contractors who work on our network continued to be our most important area of focus.

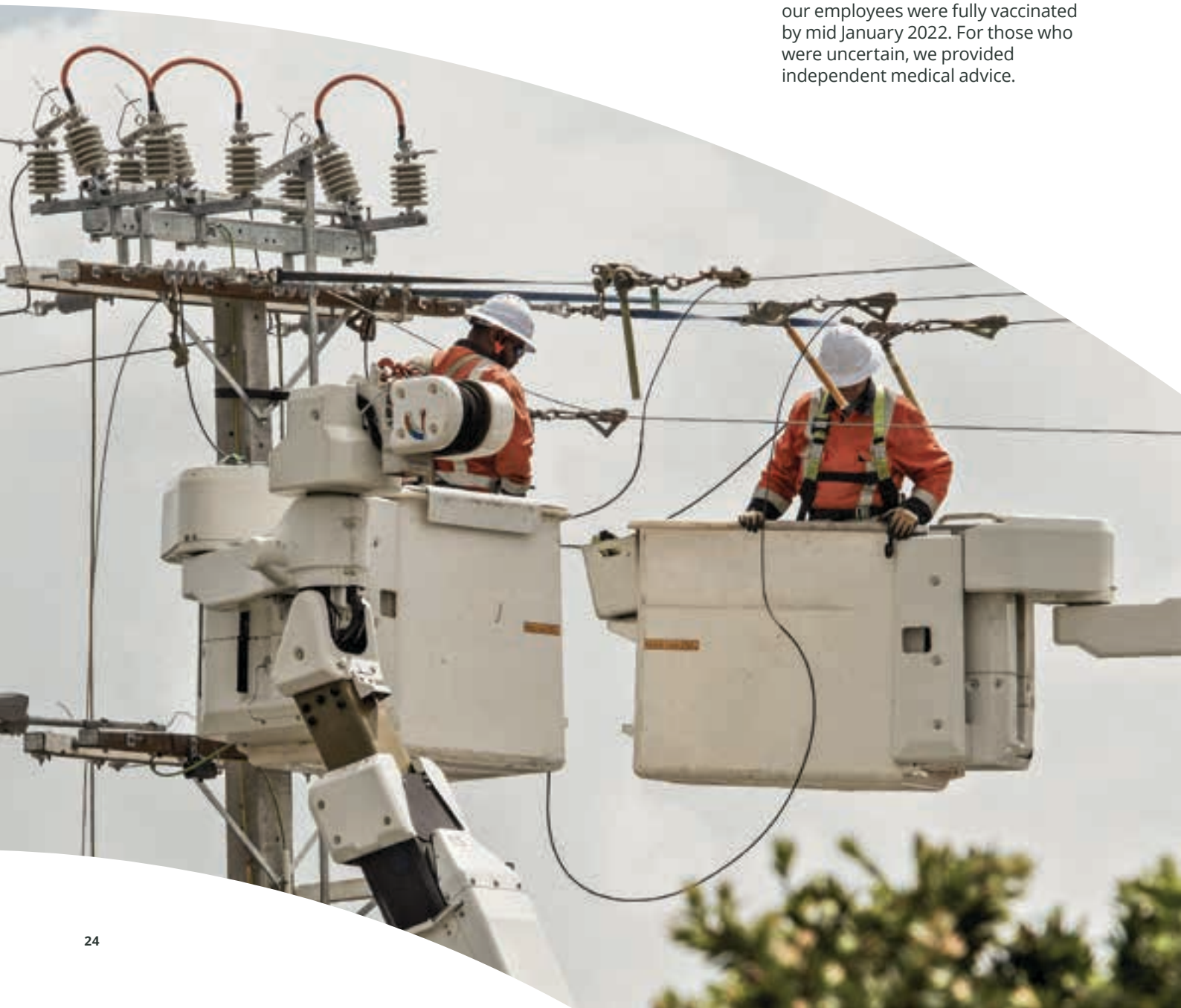
Safety

Last year we launched a new, organisation-wide framework, Kotahi, encompassing safety and wellbeing policies, processes and practices.

Kotahi is a long-term project and will be part of an ongoing focus on health, safety and wellbeing. While Kotahi is all-encompassing, last year we focussed on our contractor management process and, in response to COVID-19, the mental and physical wellbeing of our people.

Our response to COVID was unequivocal and closely followed government guidelines. Thorough protocols were put in place to protect each other as well as well members of our community. Despite the pandemic, it was our role to keep people connected and this was a role we took more seriously than ever.

We introduced our COVID-19 Vaccination Policy and 100 per cent of our employees were fully vaccinated by mid January 2022. For those who were uncertain, we provided independent medical advice.



As the pandemic progressed, we continued to adapt our pandemic management response.

Our COVID-19 policies, supported by unions, extended to contractors and to anyone visiting our sites. These measures enabled us to limit the spread of COVID throughout our business and meant we could maintain critical services to our community in the most trying of circumstances.

Two wellbeing surveys undertaken during the financial year showed leaders had worked hard to keep people connected to their work and their colleagues and this was reinforced during a formal leadership training programme delivered throughout the year.

During the year we had a 61% reduction in critical risk incidents. Our reporting of safety events decreased by 4 per cent. Reporting of near-miss and safety observations lifted by 3 per cent over the previous 12 months demonstrating an ongoing commitment to reporting considering two COVID lockdown periods limited activity across the business.

Total injuries were the same when compared to the previous year. Non-treatment injuries decreased by 4%, first aid treatment injuries remained the same at 3 injuries. Medical treatment decreased by 50%.

Lost time injuries showed an increase of 100% (2 extra injuries) however, days lost due to injuries decreased by 29%. These injuries were slips and trips whilst out in rough terrain.

Community support

We continued to find other ways to support our community. In October 2021 we announced a 50 per cent increase in funding to Maru, up from $100,000 to $150,000 per year.

Maru is a locally based, not-for-profit charitable trust, established in August 2018 by TLC but run completely independently. It takes practical steps to help homes become warmer, drier and healthier, including providing third-party funding for the installation of heat pumps. Home heating can account for a third of energy bills and keeping homes warmer helps drive down household energy bills for whānau.

Energy hardship remained an issue in our community, and we continued to address it head-on through our Customer Care Model which works alongside vulnerable people. This model won a New Zealand Energy Excellence Award for its success in removing barriers for people to get the support they need and by helping them break a cycle of energy hardship. During the financial year, more than 40 people and their whānau benefited from this service.

We also continued our active sponsorship programme, last year putting $31k into specific activities right across our region that benefit children and whānau in particular. Recipients of our sponsorship funds included Fagan Shearing's World Record 5 stand shearing title, Ōtorohanga St John, Taumarunui Cosmopolitan Club, Te Kūiti Combined Music Festival, Land Search & Rescue NZ, Tūrangi Artworks, Tirohanga School, King Country Rugby, Brook Park, Taumarunui Manunui & Owhango Volunteer Fire Brigade, Ōtorohanga Māori Women's Welfare League, Friends of the Timber Trail, Maniapoto Maara Kai Roopu Trust, Ōtorohanga Household Budgeting Service Inc, Ruapehu Quiltmakers, and Taumarunui Women's Refuge & Support Centre — just some of the 40-plus organisations and groups we supported during the year.

Scholarships

Five local school leavers received financial assistance towards tertiary education during the year. In September 2021 we announced the winners of the Inspiring Local Minds Scholarships from 16 applications. Recipients are now studying engineering, environmental planning, accounting and finance, and each will benefit from a $2,000 scholarship each year for three years of study.

Internal excellence

In the meantime, we were thrilled to celebrate outstanding achievements of our own people. Taumarunui local Wiremu Te Tawhero won the prestigious Distribution Trainee of the Year Award at the 2021 Connexis Industry Excellence Awards. Wiremu joined TLC as part of our Line Mechanic Trainee programme in 2020 and we were thrilled by his well-earned national success.

Wiremu and our other newly qualified line mechanics will be role models for other trainees coming through our unique trainee programme. Last year was the programme's sixth year and in early 2022 we were delighted to employ a further four trainees and two apprentice electricians who will work while gaining sought-after national qualifications.

TLC's field crews continued to go above and beyond last year as they traversed COVID-19 Alert Level and Traffic Light restrictions while providing essential services. As always, we were grateful and proud to have them as our public face during difficult times.

We were also delighted last year to formally acknowledge Jared Murrell who was a finalist the previous year in the Young Energy Professional of the Year at the New Zealand Energy Excellence Awards. Jared's achievements, against the very best in the business, were magnificent and showed again the high calibre of TLC staff.

↓61%

reduction in critical risk incidents

Ngā mahi

What we do

Our network is a complex, highly technical and challenging asset that brings life and vitality to our region. It needs consistent investment and ongoing maintenance to provide our communities with a reliable and safe energy supply.


Electric vehicle charging station

Despite the challenges of COVID-19, we continued to deliver these critical programmes of work.

Major projects were also undertaken, including developments which will enable much-needed industrial or commercial investment into our region. In February the new Waitete substation was commissioned, bringing security of supply to Te Kūiti and surrounding areas.

Eighteen switch automation projects using new remote-control technology were completed. This work will further protect our customers against outages caused by third parties, storms or trees and vegetation well into the future.

Tree-related damage to power equipment continued to be a major issue, causing in excess of 90 power outages over the 12 months. Last year we spent $1.6 million pruning and felling trees that obstructed lines. All but one of these outages were caused by tress outside of our regulated trim zone falling through or otherwise impacting our lines. We will be putting more emphasis than ever on working with property owners to control vegetation around our network, so it does not encroach on lines and become a costly hazard.

Last year we completed a comprehensive drone and helicopter survey of 3,985km of overhead lines. The survey was undertaken using LIDAR (Light Detection and Ranging) technology which provides a three-dimensional view of the lines and encroaching trees. It meant we could prioritise urgent work and also assess lines for safety issues without having to send technicians in over harsh terrain.

We continued our investment into EV chargers during the year and in June 2021, a 50kW fast charging station was installed in Taumarunui. Fast chargers are designed for optimum charging over 15-30 minutes, depending on battery level and the vehicle. The following month, we secured funding from the Energy Efficiency and Conservation Authority (EECA) to install three further fast chargers in Whakamaru, Piopio and Waitomo.

By June 2022, we had installed 48 TLC EV charging units across the region. This investment, which we began some years ago, will help service a growing demand for charging as more people choose to drive electric vehicles.

48

EV charging units installed across the region by June 2022

Ki tua

Where we're going

In the coming year we will have an unrelenting focus on our vision: Growing Communities with Energy. Our activities will be undertaken within a framework of efficiency, growth, sustainability, and community.

We are vital to the supply of electricity, our purpose is to support and facilitate customer, business and community growth, to protect our environment, innovate what we do, and make energy accessible for all — we're helping people thrive, now and into the future.

We are acutely aware our decisions will impact on whānau and communities across our network for generations. So alongside our stakeholders and our partners, we have a deep responsibility to ensure the decisions we make, are the right ones. TLC plays a key role in building strong and resilient communities both now and in the future and we take that role seriously.

Safety for our staff and the wider community will remain our number one priority. We will continue ongoing improvements to our Health and Safety Management system, taking into account the additional challenges from COVID-19. There will be a particular focus on wellness, noting the potential of increased risk from COVID-related fatigue and our strong desire to build rewarding and sustainable careers. We will be proactive and take all practicable steps to promote an accident and incident-free workplace.

In the coming year, we will invest $24.2m across our network business to ensure a reliable and safe energy supply. We will do so in a way which not only enables — but encourages — sustainable and positive growth. This will include preparing our network and our people for a decarbonised future while continuing to build, maintain and operate a complex and highly technical electricity network.

Our Asset Management Plan (AMP) will see a 31 per cent uplift in capital spend over the 10-year planning period when compared to our previous AMP. This additional spend recognises the investment needed to prepare our region for decarbonisation, ensuring a reliable supply into the future. We will also lead an education and advocacy programme to enable and encourage a decrease in energy consumption and CO_2 emissions.

$24.2m

planned investment in network improvements in the coming year

↑31%

uplift in capital spend in the 10-year planning period

Tackling energy hardship across our network will be a significant area of focus for our new Customer and Community Engagement team. We will be 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. We'll look 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 collaborating with providers and funders of those products and services.

A number of initiatives will see renewed emphasis in the coming year, including the installation of solar power to two marae in the Maniapoto rohe. Excess energy from the solar installation will be captured and gifted to those in need across the rohe, directly addressing energy hardship in places it is most needed. We are partnering with Iwi on this initiative.

In terms of sponsorship, our community partnership and sponsorship fund will continue to benefit from the significant boost it received in 2021— enabling a greater positive impact across the network. The priority will continue to be activities and events which support tamariki and whānau.

As a large employer in the region, we will continue to support ongoing education and training opportunities for our own people, actively developing talent from within the business and the community.

Over the next 12–24 months, we will grow our people capability and capacity. Our people strategy and associated initiatives will continue to improve organisation-wide capability through structure, learning and development, along with the recruitment and retention of talent. We're seeking to have focus on innovation and responding with agility.

We will also be looking to partner with our community, particularly mana whenua, to protect and care for our environment. Our sincere efforts to embed te ao Māori within the organisation will continue so that we better reflect our workforce, our community and the kaupapa we are seeking to role model.

Strong financial management and returns to our shareholder WESCT will remain a key priority. We will continue to explore new opportunities outside the core distribution network that will contribute to our financial profitability. Meanwhile, we will also continue to monitor changes in our sector, including the phasing out of low fixed charge tariff regulations, effective from April 2022.

We will be looking to partner with our community, particularly mana whenua, to protect and care for our environment.

WESCT

Waitomo Energy Services Customer Trust

William Oliver / Chair,
"A" Trustee

Born and raised in Ōtorohanga and now farming in the Rangitoto district, William also has governance roles in the agricultural sector.

He believes strongly in WESCT's responsibility for this intergenerational asset and the Trust's role ensuring the Company runs efficiently, provides 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 the community energy efficiency initiatives.

Peter Keeling / past Chair
(retired September 2022)
"B" Trustee

A local rural resident on a small farm, Peter also works inside and outside the district as an agricultural consultant.

He believes in continued intergenerational community ownership of TLC and that the financial and governance experience he brings will help guide the right balance between excellent investment for the current and future Trust beneficiaries while providing a great service to all TLC's customers.

Cathy Prendergast / Deputy Chair,
"B" Trustee

Having grown up in the King Country and running a farming business there, Cathy has a strong affinity for both her local community of Arohena and the wider King Country community. She is passionate about opportunities for provincial New Zealand.

Cathy sees WESCT as having a significant opportunity unique within intergenerational community-owned assets to support TLC deliver on its goals enabling the provision of tangible benefits both on an economic and social level to its beneficiaries and community.

Erin Gray / "A" Trustee

Of Ngāti Maniapoto and Ngā Rauru descent, Erin is passionate about people and is heavily invested in wanting to make a difference for her iwi and community.

Erin sees The Lines Company as an important intergenerational asset that plays a significant role in contributing towards the economic and social wellbeing of the wider Maniapoto community, both as a major employer and contributor to the economic landscape within the King Country.

Carolyn Christian / "Appointed" Trustee

Raised in Ōtorohanga, Carolyn has worked in the family transport business, of which she is a shareholder, most of her working life.

Carolyn sees that WESCT plays an essential part in safeguarding the future of TLC as a key community-owned asset. She believes that keeping local ownership of TLC is crucial, together with providing the support they require to operate efficiently in order to maximise the benefits that can be enjoyed by the community.

Janette Osborne / "A" Trustee

A qualified accountant with over 20 years' corporate and government experience, Waitomo Caves-based Janette is a Chartered Member of the Institute of Directors and a small business owner.

She believes the Trust and its ownership of The Lines Company are significant community assets and feels honoured to contribute to its governance and strategy on behalf of all its beneficial owners.

Tō Mātou Poari

Our Board

Andrew Johnson

Andrew is the founder and Managing Director of LondonGreen which owns and invests in technology-based companies. He holds a number of external governance roles.

A chartered member of the Institute of Directors, Andrew holds a Bachelor of Electronic Commerce from the University of Waikato and has studied strategy and leadership at Harvard University.

Mike Underhill

Mike (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 WEL Networks, which owns the electricity networks for Hamilton and Northern Waikato.

Bella Takiari-Brame / Chair

Bella is Ngāti Maniapoto and Waikato-Tainui. She is a Professional Director, Fellow Chartered Accountant and Chartered Member of the Institute of Directors. Bella has 16 years global experience in oil and gas and utility industries and is the former GM Finance for WEL Networks.

Bella is the Chair of Te Nehenehenui Trust. She is a Board member of ACC, Director on Crown Infrastructure partners, Te Ohu Kai Moana, and NZ Health Investments Limited, and is an Independent Director on Braemar Hospital and Trustee on Maniapoto Māori Trust Board. Last year she was Co-Chair for National Low Carbon Energy Roadmap Leadership Group under Aotearoa Circle.

Bella was born in Te Kūiti and raised in Māhoenui and attended secondary school in Piopio.

Craig Richardson

Craig is an internationally experienced CEO, CFO and non-executive director across the infrastructure, technology, healthcare and FMCG sectors.

Currently he is CEO of healthcare company Autonomy, a partner at professional advisory board firm Faraday and executive director of Founders Capital.

Craig has previously been a non-executive director of private companies, listed companies, crown entities and President of CPA Australia in New Zealand.

Fraser Jonker
[Appointed June 2022]

Fraser is the current CEO of Pioneer Energy, a position held since 2010. He has more than 30 years' experience in the energy sector as an energy consultant in South Africa before moving to New Zealand. Fraser's areas of experience include project development, contracting, electrical and fibre networks, renewable generation, electricity retail and industrial and waste to energy supply.

Todd Spencer
[Appointed May 2022]

Todd is a commercial lawyer with extensive energy, infrastructure and governance experience. He advises leading private and public sector organizations on a range of commercial issues. He has significant transactions experience in New Zealand, Europe and Asia. Todd also has direct experience of developing strategy and new business opportunities from new energy technologies (demand response, solar PV, batteries).

Doug Troon
[Discharged April 2022]

Doug has 35 years' experience 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, which operates in the King Country and Central North Island. He also chairs Skellerns Metal Castings, which produced the Sir Colin Meads statue in Te Kūiti; as well as Doubtless Bay Water Supply Co, among other chair and director positions. Doug is also a past director of two lines companies: Counties Power Ltd and Top Energy Ltd.

(Absent from photo)

Sean Horgan /
Chief Executive
[Resigned 23 June 2022]

Sean has extensive and successful business development, strategic management and operational leadership experience within the New Zealand and international energy sectors.

As well as Chief Executive, he is an industry representative on the Utilities Disputes Energy Complaints Scheme Advisory Committee and a foundation trustee of the Maru Energy Trust.

Mike Ullrich /
Chief Executive — Influx

Mike is a successful business leader with more than 20 years' senior management experience. He's been involved in a number of New Zealand's fastest growing tech companies delivering consumer and industrial products globally addressing payments, agricultural, consumer, marine and automotive markets.

Mike is responsible for the growth, development and strategic direction of Influx Energy Data Limited, our wholly-owned metering and data services company.

Te Kei o te Waka

Our Leadership Team

Audrey Scheurich /
GM — Finance

Audrey has more than 20 years' experience in senior financial and commercial roles, in electricity, oil and gas and water infrastructure entities.

She is responsible for providing financial and commercial support to the business to ensure strong financial management. She is a Chartered Accountant and Chartered Member of the NZ Institute of Directors.

Mike Fox /
GM — Network,
Acting Chief Executive
[Appointed 24 June 2022]

Mike has worked in the electricity industry for 18 years, bringing an extensive background in asset management, planning, engineering and strategic direction to the team.

He is responsible for the short and long-term management of our network assets and is passionate about making sure customers have a safe, reliable, electricity supply.

Sue Lomas /
GM — People & Safety
[Resigned 25 May 2022]

Sue's experience in human resources and safety leadership spans the chemical, manufacturing and consulting industries both in the UK and in New Zealand.

She leads people-related activities in the business, providing strategic direction, tactical and operational support and advice, and is responsible for leading the strategy for developing a high-performing company culture.

(Absent from photo)

Ngā Tauākī Pūtea 2022 Financial Statements

For year ending 31 March 2022

Five-Year Trend Statement

Financial performance

	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Revenue	**62,000**	**55,009**	**51,249**	**44,133**	**44,214**
EBITDA	**31,328**	29,590	24,467	17,736	22,782
EBIT	**12,369**	12,461	10,863	1,942	11,823
EBIT and network discount	**16,435**	16,261	16,463	7,537	17,423
Profit/(loss) before tax	**9,773**	9,881	8,089	(696)	9,100
Profit/(loss) from continuing operations	**7,027**	7,038	6,563	(1,593)	4,607
Network discounts granted	**4,066**	3,800	5,600	5,595	5,600
Operating cash flow before tax	**27,610**	30,980	16,512	13,943	18,777
Dividends paid	**300**	250	200	–	200
Total assets	**321,144**	**305,816**	**297,032**	**282,592**	**266,871**
Shareholder funds	**173,449**	150,304	142,889	147,671	149,386
Shareholder equity	**170,449**	147,304	139,889	144,671	146,386
Debt to assets ratio	**30.2%**	35.3%	36.4%	30.3%	25.9%
Capital ratio	**50.4%**	47.9%	48.9%	51.2%	54.9%
Return/(loss) on average equity	**4.6%**	4.1%	4.7%	(1.1%)	3.2%
Return on average assets	**2.8%**	3.0%	2.7%	0.5%	3.2%
Earnings/(loss) per share net of tax (cents)	**63**	51	57	(13)	39

Operating performance

	2022	2021	2020	2019	2018
Outage minutes per customer [1]					
Planned	**74**	126	34	74	38
Unplanned	**160**	155	237	212	205
Total	**234**	**281**	**271**	**286**	**243**
Outage per customer					
Planned	**0.38**	0.63	0.20	0.50	0.25
Unplanned	**2.80**	2.55	2.80	3.20	3.50
Total	**3.18**	**3.18**	**3.00**	**3.70**	**3.75**

[1] 2022 has been measured under new DPP3 rules

Statement of Service Performance

Key Performance Indicator	Achieved	Actual	Target	Comments
Custodianship				
Return on average assets before customer discount	×	3.9%	4.2%	The revaluation adjustment on the network has had an impact on the return calculations that were not budgeted for.
Excluding revaluation from average assets		4.0%		
Return on average equity before customer discount	×	6.4%	6.9%	The revaluation adjustment on the network has had an impact on the return calculations that were not budgeted for.
Excluding revaluation from average equity		6.7%		
Equity Ratio	✓	50.4%	No less than 40%	
TLC Discount Policy	✓	$4.1m	$4.0m	
TLC Dividend Policy	✓	$300k	$250k	
Group Debt (including subordinated debentures)	✓	$82.1m	$92.0m	
Average Cost of Debt	×	3.13%	2.95%	Interest rates have increased over course of year in New Zealand due to inflationary pressures which did not form part of the budget in FY22.
Community				
Local initiatives investment	✓	$400k	$400k	
Customer Satisfaction	×	59%	70%	Change to retailer billing impacted customer satisfaction.
Maru Energy Trust support homes across network	✓	516	500 homes	
Performance				
Reliability — Unplanned SAIDI	×	160	141 minutes (Regulatory limit 181 minutes)	Weather events such as cyclone Dovi has contributed to unplanned SAIDI and SAIFI budget being exceeded. Note that the unplanned regulatory limits were not breached.
Reliability — Unplanned SAIFI	×	2.8	2.6 Interruptions (Regulatory limit 3.3 interruptions)	
People				
No serious harm injuries	✓	Nil	Nil	
Reduce the number of Critical Risk Incidents	✓	61%	10%	
Sustainability				
Environmental — reduce carbon footprint	×	NA	10%	The reduction has not been measured although the AMP has been updated to include measures associated with reducing carbon emissions.
Cultural — Introduce companywide Tikanga Māori and te reo Māori program for all staff	×	NA	100%	Workstream established FY22.

Ngā Tauākī Pūtea
2022 Financial Statements

The financial statements for the year ended 31 March 2022 are signed on behalf of the board of directors by:

Bella Takiari-Brame
Chair, Board of Directors
30 June 2022

Craig Richardson
Director, Chair Audit, Risk and Finance Committee
30 June 2022

Statement of Comprehensive Income

for the year ended 31 March 2022

	Note	**2022 $'000**	2021 $'000
Revenue from contracts with customers	1	62,000	55,009
Operating expenses	2	(30,672)	(25,419)
Depreciation and amortisation	9&10	(18,959)	(17,041)
Interest costs (net)	3	(2,596)	(2,580)
Impairment of intangible assets	10	–	(128)
Total expenses		(52,227)	(45,168)
Reversal of impairment of loan receivable	13	–	40
Profit before tax		9,773	9,881
Income tax expense	4	(2,746)	(2,843)
Profit for the year from continuing operations		7,027	7,038
Profit/(loss) for the year from discontinuing operations	11	451	(987)
Profit for the year		7,478	6,051
Profit for the year is attributable to:			
Equity holders of the company		7,452	6,087
– Profit for the year from continuing operations		7,001	7,074
– Profit/(loss) for the year from discontinuing operations		451	(987)
Non-controlling interest from discontinuing operations profit/(losses)		26	(36)
Other comprehensive profit			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings	9&14	–	694
Revaluation of network assets	9&14	18,006	–
Deferred tax relating to revalued assets	14	(5,042)	(194)
Other comprehensive profit for the year		12,964	500
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge reserve	14	4,171	1,547
Deferred tax relating to cash flow hedges	14	(1,168)	(433)
Other comprehensive profit for the year, net of tax	14	3,003	1,114
Total comprehensive profit for the year		23,445	7,665
Total comprehensive profit is attributable to:			
Equity holders of the company		23,419	7,701
– Total comprehensive profit from continuing operations		22,968	8,688
– Total comprehensive profit/(loss) from discontinuing operations		451	(987)
Non-controlling interest from discontinuing operations profit/(losses)		26	(36)

The Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

as at 31 March 2022

	Note	**2022 $'000**	2021 $'000
Current assets			
Cash and cash equivalents	6	6,452	1,017
Trade and other receivables	7	3,836	4,490
Contract assets	1	2,975	2,584
Inventories	8	1,119	1,795
		14,382	9,886
Non-current assets			
Property, plant and equipment	9	293,340	269,248
Intangible assets	10	11,016	11,338
Other financial assets	24	2,206	–
		306,562	280,586
Assets of a disposal group classified as held for sale	11	200	15,344
Total assets		**321,144**	**305,816**
Current liabilities			
Trade and other payables	19	6,525	7,371
Contract liabilities	1	325	1,316
Bank borrowings	18	76,077	3,677
Lease liabilities	21	196	87
Current tax liability	16	4,579	1,844
Provision for staff entitlements	20	2,154	2,095
		89,856	16,390
Non-current liabilities			
Bank borrowings	18	3,056	85,335
Lease liabilities	21	1,090	394
Subordinated debentures	18	3,000	3,000
Other financial liabilities	24	–	1,965
Deferred tax liability	17	53,693	50,478
		60,839	141,172
Convertible notes issued by subsidiary of a disposal group classified as held for sale	18&11	–	950
Total liabilities		**150,695**	**158,512**
Net assets		**170,449**	**147,304**
Equity			
Share capital	14	8,013	8,013
Retained earnings		78,561	70,755
Cash flow hedge surplus/(deficit)	14	1,588	(1,415)
Revaluation reserves	14	81,522	69,212
Equity attributable to equity holders of the company		169,684	146,565
Non-controlling interest	15	765	739
Total equity		**170,449**	**147,304**

The Statement in Financial Position should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2022

	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 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	14	–	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**
Profit for the year		–	7,452	–	–	7,452	26	7,478
Other comprehensive profit								
Interest rate swaps		–	–	3,003	–	3,003	–	3,003
Revaluation of network assets		–	–	–	12,964	12,964	–	12,964
Total other comprehensive profit		–	–	3,003	12,964	15,967	–	15,967
Transfer from retained earnings	14	–	654	–	(654)	–	–	–
Transactions with owners								
Dividends	12	–	(300)	–	–	(300)	–	(300)
Total transactions with owners		–	(300)	–	–	(300)	–	(300)
Balance as at 31 March 2022		**8,013**	**78,561**	**1,588**	**81,522**	**169,684**	**765**	**170,449**
Attributable to Equity Holders of the Company		**8,013**	**78,561**	**1,588**	**81,522**	**169,684**	**–**	**169,684**

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flow

for the year ended 31 March 2022

	Note	**2022 $'000**	2021 $'000
Operating activities			
Cash generated from operations	22	30,452	33,886
Interest paid	3	(2,842)	(2,906)
Income taxes paid	16	(3,181)	(1,792)
Net cash inflow from operating activities		**24,429**	**29,188**
Investing activities			
Purchase of property, plant and equipment		(21,169)	(28,841)
Purchase of intangible assets		(2,381)	(464)
Proceeds on disposal of property, plant and equipment		136	410
Net cash outflow from investing activities		**(23,414)**	**(28,895)**
Financing activities			
Dividends paid	12	(300)	(250)
Lease liability paid	21	(221)	(180)
Bank borrowings repaid	18	(10,238)	(5,154)
Bank borrowings advanced	18	359	3,667
Net cash outflowfrom financing activities		**(10,400)**	**(1,917)**
Net cash inflow from discontinuing operations	**11**	**14,820**	**1,232**
Net increase/(decrease) in cash and cash equivalents		5,435	(392)
Cash and cash equivalents at the beginning of the year		1,017	1,409
Cash and cash equivalents at the end of the year		**6,452**	**1,017**

The Statement of Cash Flow should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

General information

The Group consists of The Lines Company ("the Company" or "TLC"), Influx Energy Data Limited (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, and electrical contracting. Electricity generation assets were sold during the financial year (Note 11).

The address of its registered office is King Street East, Te Kūiti and its principal network operations are carried out in the greater King Country region with metering services being provided across 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 30 June 2022.

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

The financials were prepared on the going concern basis even though current liabilities exceed current assets by $75 million. Bank borrowings are currently in current liabilities as the current facility expires in February 2023. Credit approved offers received from two banks for $100m have been approved by the Board on the 22 June 2022. These are to replace the existing facilities disclosed in note 18 and 24.5. Finalisation of loan documentation is nearing completion. The expiry date of new facilities range between 3 and 7 years. The Group forecasts to comply with associated covenants with the new facilities. These covenants are in line with the current facilities. The Group has forecast there to be sufficient headroom for the foreseeable future with the new facilities. As such there are no going concern issues.

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

		2022 $'000	2021 $'000
Revenue recognised over time			
Network before discounts		43,746	39,540
Less network discount	12	(4,066)	(3,800)
Network revenue		**39,680**	**35,740**
Electricity meter revenue		**19,685**	**17,721**
Revenue from electrical contracts which were unsatisfied and included in contracts assets and liabilities		215	243
Revenue from completed electrical contracts		2,420	1,305
Electrical contracting revenue		**2,635**	**1,548**
Revenue		**62,000**	**55,009**

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.

	2022 $'000	2021 $'000
Electrical contracts assets due to percentage of completion	86	301
Network unbilled network revenue	2,889	2,283
Contract assets	**2,975**	**2,584**
Network customer credit balances	(325)	(1,316)
Contract liabilities	**(325)**	**(1,316)**

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 three streams of revenue:

- Network revenue
- Electricity meter revenue
- Electrical contracting revenue

Network revenue results from the conveyance of electricity through its distribution network. The Company invoiced its customers (predominantly the end user) for electricity delivered across the region's line network until 30 September 2021. Customers do not have extended terms of payment and can terminate on short notice. At 1 October 2021 the Company transitioned over to retailer billing. The Company bills retailers directly for the electricity delivered across the region's line network. Retailers do not have extended terms of payment.

The Group's obligation is to provide a single performance obligation of continuous service to which the end 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.

A network discount is approved annually and paid in September and May. The network discount was paid in December and May 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 network connection 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 time of use pricing methodology. Revenue is calculated based on kWh used. Customers/retailers are billed according to the meter data provided to the end of the month. If no data is available, estimates are used. An accrual is raised for unbilled revenue. Unbilled revenue was recognised on an estimate of expected consumption utilised during the unbilled days for 2021. For 2022 unbilled revenue is recognised on actual consumption and there is no longer a significant judgements required. 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

	2022 $'000	2021 $'000
Transmission charges	5,745	5,521
Total staff cost recognised as expense [1]	13,445	11,469
Other network related expenditure	2,431	2,250
Metering expenditure	2,259	1,727
Cost of inventories recognised as expense	1,247	672
Low value or short term leases not included in leases (Note 20)	23	72
Donations and sponsorships	400	158
Professional fees	3,400	2,773
Property expenses	601	625
Directors fees and expenses	288	282
Gain on disposal of property, plant and equipment and software intangibles	(37)	(79)
Other expenses	870	(11)
Total	**30,672**	**25,419**

[1] The Lines Company applied for and received a wage subsidy of $9k from the Ministry of Social Development due to staff not being able to work as they had contracted COVID-19. In the prior year 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 in FY21 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	**2022 $'000**	2021 $'000
Financial statements audit fee [2]	257	193
Regulatory audit fees	106	102
Regulatory agreed upon procedures	–	15
OAG fees	22	10
Total	**346**	**320**

[2] The FY22 audit fee includes $30k relating to FY21. These were additional fees agreed to after the annual report was approved.

3. Interest costs (net)

	2022 $'000	2021 $'000
Interest on bank borrowings	2,657	2,779
Capitalised interest	(304)	(364)
Interest on lease liabilities	58	38
Interest on subordinated debentures	174	126
Other interest expense, principally IRD Use of Money	11	1
Total	**2,596**	**2,580**

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 3.13% (2021: 3.23%).

Interest paid per the statement of cash flow

	2022 $'000	2021 $'000
Interest costs (net)	2,596	2,580
Less lease liability interest	(58)	(38)
Add capitalised interest	304	364
Net interest paid per the statement of cash flow	**2,842**	**2,906**

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		2022 $'000	2021 $'000
Profit before income tax from continuing operations		9,773	9,881
Profit/(loss) before income tax from discontinuing operations	11.3	626	(1,301)
Profit before tax		10,399	8,580
Expenses that are non-deductible		242	360
Reversal of impairment of loan receivable		-	(40)
Impairment of assets		-	128
Taxable profit		10,641	9,028
Income tax expense at 28%		2,980	2,528
Effect of prior period tax adjustment		(59)	1
Income tax expense		**2,921**	**2,529**
Effective tax rate (being total tax expense divided by profit before tax)		30%	29%
Current tax expense		5,916	1,836
Deferred tax expense		(2,995)	693
Income tax expense		2,921	2,529
Attributable to:			
Continuing activities		2,746	2,843
Discontinuing activities		175	(314)

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 directly to other comprehensive income	6,210	627
Total tax expense for the year recognised in other comprehensive income	6,210	627

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 2022 is $17.0m (2021: $7.8m).

5. Operational profit before discontinuing operations

	2022 $'000	2021 $'000
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Network	22,684	20,421
Meters and relays	14,577	12,986
Network services	613	1,072
Corporate services	(6,546)	(4,889)
EBITDA (2)	**31,328**	**29,590**
Depreciation and amortisation	(18,959)	(17,041)
Impairment of associate	–	40
Impairment of assets	–	(128)
Earnings before interest and tax (EBIT)	**12,369**	**12,461**
Interest costs (net)	(2,596)	(2,580)
Profit/(loss) before tax	**9,773**	**9,881**

(2) EBITDA is a non-GAAP measure however due to significant capital expenditure in the group, it is deemed a relevant measure of the financial performance of the group for financial users.

6. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank on hand	6,452	1,017
Total	**6,452**	**1,017**

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

	2022 $'000	2021 $'000
Trade receivables		
Trade receivables	3,310	3,716
Less loss allowance (note 24.2)	(88)	(193)
Balance at 31 March	3,222	3,523
Other receivables		
Prepayments	614	967
Balance at 31 March	614	967
Total trade and other receivables balance at 31 March	**3,836**	**4,490**
Ageing of trade receivables		
Current to 90 days	3,153	3,469
Greater than 90 days	157	247
Total	**3,310**	**3,716**

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

	2022 $'000	2021 $'000
Network stock	1,119	1,296
Transformers	–	499
Total	**1,119**	**1,795**

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.

In the current financial year, $819k of transformers and other inventory critical spares of a capital nature has been reclassified to property, plant and equipment in note 9.

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 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**
Additions	–	509	18,173	4,029	1,431	–	944	25,086
Disposals	–	–	–	(9,174)	(399)	–	(244)	(9,817)
Reclassifications	–	–	819	–	217	(217)	–	819
Network revaluation	–	–	18,006	–	–	–	–	18,006
Capital works in progress movement	–	–	(3,488)	–	–	–	–	(3,488)
At 31 March 2022	**1,503**	**3,592**	**338,491**	**49,863**	**12,029**	**–**	**1,493**	**406,971**
Accumulated amortisation and impairment								
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**
Depreciation charge	–	73	8,581	6,164	1,233	–	205	16,256
Reclassifications	–	–	–	–	135	(135)	–	–
Disposals	–	–	–	(9,123)	(351)	–	(268)	(9,742)
At 31 March 2022	**–**	**218**	**82,681**	**22,465**	**7,997**	**–**	**270**	**113,631**
Carrying amount (net book value)								
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
At 31 March 2022	**1,503**	**3,374**	**255,810**	**27,398**	**4,032**	**–**	**1,223**	**293,340**
Carrying amount (cost model)								
At 31 March 2021	159	397	168,605	29,584	3,800	82	460	203,087
At 31 March 2022	**159**	**760**	**182,385**	**27,398**	**4,032**	**–**	**1,223**	**215,957**

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 $3.4 million (2021: $6.9 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 – 13 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, Ohakune; depots at Waitete Road, Te Kūiti and Te Peka Street, Taumarunui; 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 or more frequently if there is evidence of a material change in value.

Network distribution system assets, excluding meters and relays, were revalued to $255.1 million at 31 March 2022.

This value was within the valuation range ($244.4 million – $260.4 million), independently prepared by Deloitte and the key assumptions used are shown in the following table. 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
				-$13,312
Network revenue	–	-5%	5%	+$13,312
				+$11,576
Discount rate	5.3%	-0.5%	0.5%	-$11,025

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. We have considered the impact of climate change in the preparation of the network valuation. A greater level of capital spend has been forecast in the latest AMP due to the expected load increase arising from decarbonisation and to ensure ongoing reliability of the network. The AMP forms the basis of the capex and opex spend incorporated in the valuation.

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	Intellectual Property $'000	Customer Contracts $'000	Total $'000
Cost						
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**
Additions	2,381	–	–	–	–	2,381
At 31 March 2022	**8,708**	**267**	**–**	**–**	**10,661**	**19,636**
Accumulated amortisation and impairment						
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**
Amortisation charge for the year	1,162	–	–	–	1,541	2,703
At 31 March 2022	**3,939**	**–**	**–**	**–**	**4,681**	**8,620**
Carrying amount (net book value)						
At March 2020	3,779	525	632	128	9,589	14,653
At March 2021	3,550	267	–	–	7,521	11,338
At March 2022	**4,769**	**267**	**–**	**–**	**5,980**	**11,016**

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. Discontinued operations

11.1 Assets of a disposal group classified as held for sale

	2022 $'000	2021 $'000
Opening balance	15,344	–
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)
Disposals	(15,144)	–
Assets held for sale relating the disposal of the generation business	200	15,344

In the prior financial year the Group was given authority to dispose of its three hydro stations. The Group has signed two sale agreements and settlement was 19 July 2021. The sale was finalised on 19 July 2021. Ownership of the three generation assets was transferred on the 19 July 2021. The balance remaining in 2022 represents retentions on the Matawai Hydro Station sale.

The operations regarding these three hydro sites have been disclosed separately from the continuing operations in the statement of comprehensive income and cash flows.

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

	2022 $'000	2021 $'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 Profit/(loss) for the year on discontinuing operations

	2022 $'000	2021 $'000
Revenue	1,198	1,849
Operating expenses	(547)	(508)
Depreciation	–	(414)
Interest costs	(25)	(57)
Audit fee	–	(2)
Impairment of assets	–	(2,169)
Profit/(loss) before tax	626	(1,301)
Income tax	(175)	314
Profit/(loss) for the year from discontinuing operations	**451**	**(987)**
Non-controlling interest from discontinuing operations	**26**	**(36)**
Total comprehensive profit/(loss) from discontinuing operations	**477**	**(1,023)**

11.4 Net cash inflow from discontinuing operations

	2022 $'000	2021 $'000
Net cash inflow from operating activities	626	1,282
Net cash inflow from investing activities	15,144	–
Net cash outflow from financing activities	(950)	(50)
Net cash inflow from discontinuing operations	**14,820**	**1,232**

12. Dividends

	2022 $'000	2021 $'000
Dividends paid to WESCT	300	250

Dividends of $0.30 million (2021: $0.25 million) were paid to shareholders in the current year being 2.53 cents per share (2021: 2.11 cents).

TLC agreed with its shareholder to provide a network discount of $4.1 million (2021: $3.8 million) direct to eligible consumers (refer note 1).

13. Investments

13.1 Investment in subsidiaries

		Ownership Interest	
Name	**Principal activity**	**2022 %**	**2021 %**
Influx Energy Data Limited	Meter and relay assets	100	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.

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

	2022 $'000	2021 $'000
Reversal of impairment of loan receivable	–	40

14. Equity and reserves

14.1 Share capital

Shares

The total number of authorised and issued shares is 11,846,808 (2021: 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	**2022 $'000**	2021 $'000
Opening net liability	(1,415)	(2,529)
Changes in fair value of hedging instrument recognised in other comprehensive income (OCI)	4,171	1,547
Deferred tax	(1,168)	(433)
Closing net asset/(liability)	**1,588**	**(1,415)**

14.3 Revaluation reserve

	Network distribution system $'000	Land & buildings $'000	Total $'000
Total at 31 March 2020	**68,483**	**878**	**69,361**
Transfer from retained earnings	(649)	–	(649)
Revaluation decreases	–	694	694
Deferred tax on revaluation	–	(194)	(194)
Total at 31 March 2021	**67,834**	**1,378**	**69,212**
Transfer from retained earnings	(654)	–	(654)
Revaluation increases	18,006	–	18,006
Deferred tax on revaluation	(5,042)	–	(5,042)
Total at 31 March 2022	**80,144**	**1,378**	**81,522**

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	**2022 $'000**	2021 $'000
Summarised statement of financial position		
Total current assets	3,953	681
Total non-current assets	–	7,043
Total assets	3,953	7,724
Total current liabilities	892	3,936
Total non-current liabilities	–	831
Total liabilities	892	4,767
Net assets	3,061	2,957
Accumulated non-controlling interest	**765**	**739**
Summarised statement of comprehensive income		
Revenue	385	1,020
Total comprehensive profit/(loss)	104	(144)
Profit/(loss) allocated to non-controlling interest	**26**	**(36)**
Dividends paid to non-controlling interest	**–**	–
Summarised statement of cash flows		
Cash flows from operating activities	706	196
Cash flows from investing activities	7,043	–
Cash flows from financing activities	(3,800)	(200)
Net increase/(decrease) in cash and cash equivalents	3,949	(4)

16. Current tax liability

	2022 $'000	2021 $'000
Opening balance	1,844	1,800
Tax payments and tax credits received	(3,181)	(1,792)
Current tax expense for the year	5,916	1,836
Closing balance	**4,579**	**1,844**

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 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
Charged to income	(3,289)	–	294	(2,995)
Charged to other comprehensive income	5,042	1,168	–	6,210
At 31 March 2022	**53,126**	**618**	**(51)**	**53,693**

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

	2022 $'000	2021 $'000
Bank borrowings	79,133	89,012
Convertible notes issued by subsidiary	–	950
Subordinated debentures:		
Waitomo Energy Services Customer Trust	1,000	1,000
North King Country Development Trust	2,000	2,000
	82,133	92,962
Disclosed in the financial statements as:		
Current borrowings	76,077	3,677
Convertible notes issued by subsidiary of a disposal group classified as held of sale	–	950
Non-current borrowings	6,056	88,335
Total	**82,133**	**92,962**

Reconciliation of net debt	**Due within 1 year $'000**	**Due after 1 year $'000**	**Total $'000**
Balance at 1 April 2020	**2,204**	**92,295**	**94,499**
Repayment of convertible note	(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 at 31 March 2021	**4,627**	**88,335**	**92,962**
Repayment of convertible notes	(950)	–	(950)
Movement between current and non-current debt	76,077	(76,077)	–
Facility drawdown	–	359	359
Repayment of loans	(3,677)	(6,561)	(10,238)
Net debt as at 31 March 2022	**76,077**	**6,056**	**82,133**

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 which is subject to annual renewal and expires on 31 December 2022. Security held by the bank for these loans is a Composite General Security Agreement over certain assets of the Group.

A replacement facility of $100 million has been approved at the board meeting on 22 June 2022 to replace these facilities. Expiry dates of the new facilities range between 3 and 7 years.

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 (2022: 6.29%) (2021: 6.29%). The convertible notes issued to TLC are eliminated on consolidation in the Group financial statements.

On 30 October 2021, $3.75 million of the convertible notes were repaid reducing the balance to $nil.

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 in 2021 due to the sale of the generation assets completed in July 2021.

Subordinated debentures

The WESCT debenture has a principal value of $1,000,000 and has fixed interest of 7.42% per annum (2021: 7.42%). The North King Country Development Trust (NKCDT) debenture has a principal value of $2,000,000 and has fixed interest of 5.00% per annum (2021: 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

	2022 $'000	2021 $'000
Trade creditors	3,270	4,945
Interest accruals	266	264
TLC discount accrual	2,340	1,592
Other payables and accruals	649	570
Total	**6,525**	**7,371**

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

	2022 $'000	2021 $'000
Opening balance	2,095	1,645
Accrued	1,533	1,952
Utilised	(1,474)	(1,502)
Total	**2,154**	**2,095**

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

	2022 $'000	2021 $'000
Lease liabilities		
Current	196	87
Non-current	1,090	394
Total lease liabilities	**1,286**	**481**
Opening balance	481	588
New lease entered into during the year	944	159
Reassessment of lease terms	24	(124)
Interest on lease liabilities (note 3)	58	38
Cash outflow for leases	(221)	(180)
Total lease liabilities	**1,286**	**481**

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

	2022 $'000	2021 $'000
Profit before tax	9,773	9,881
Interest costs (net)	2,596	2,580
Net profit before interest	12,369	12,461
Adjustments for non-cash items		
Depreciation and amortisation	18,959	17,041
Impairment of assets	–	128
Gain on disposal of property, plant and equipment and intangible assets	(37)	(79)
Movement in provision for doubtful debt	105	147
	31,396	29,698
Changes in net assets and liabilities		
Trade and other receivables	549	25
Contract assets and liabilities	(1,382)	624
Inventories	676	89
Trade and other payables	(846)	3,000
Provision for staff entitlements	59	450
Cash generated from operations	**30,452**	**33,886**

23. Capital Commitments, contingent assets and liabilities

Capital Commitments

The Group has capital commitments $5.9 million (2021: $5.86 million) relating to metering and network assets.

Contingent assets

The Group has no contingent assets (2021: $0 million).

Contingent liabilities

Due to historical breaches 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 FY23 as a result of the investigation (2021: $0 million). The financial impact cannot be quantified at this time.

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

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 current borrowings are repriced every three months and as such exposed to the risk of future changes in interest rates.

Swaps currently in place cover 58% (2021: 51%) of the variable loan outstanding. The fixed interest rate of the swaps range between 0.75% and 5.12% (2021: 0.75% and 5.12%) and the variable rates of the loans between 1.60% and 1.04% (2021: 1.74% and 1.68%) above the 90-day bank bill rate which at the end of the reporting period was 0.35% (2021: 0.35%).

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	**2022 $'000**	2021 $'000
Interest rate swaps		
Net non-current other financial asset/(liability)	2,206	(1,965)
Mark to market fair value of interest rate swaps at 31 March	**2,206**	**(1,965)**
Notional amount	46,000	46,000
Maturity date	Aug 22 to Aug 27	Jun 21 to Jun 27
Hedge ratio	1:1	1:1
Net non-current other financial asset/(liability)		
Financial assets	2,455	133
Financial liabilities	(249)	(2,098)
	2,206	**(1,965)**
Change in fair value of outstanding hedging instruments	(4,171)	(1,572)
Change in value of hedge item used to determine hedge effectiveness	4,171	1,572
Weighted average hedged rate for the year	2.78%	3.11%

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.

	2022 $'000	2021 $'000
Impact on statement of comprehensive income		
- 1% change in interest rates	(239)	(320)
+ 1% change in interest rates	239	320
Impact on statement of financial position		
- 1% change in interest rates	(403)	(367)
+ 1% change in interest rates	403	367

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 2022 or 2021 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 2022 and 31 March 2021 respectively and the corresponding historical credit losses experienced within this period. The Group's customer base was mainly focused in the King Country and as such macroeconomic factors are considered within this particular environment and the credit loss adjusted accordingly when the group billed its customers directly. This risk has reduced significantly with the transition to retailer billing on 1 October 2021.

On that basis, the loss allowance as at 31 March 2022 and 31 March 2021 was determined as follows for both trade receivables and contracts assets:

31 March 2022	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	56%	
Gross carrying amount — trade receivables	3,766	158	**3,924**
Gross carrying amount — contract assets	2,975	–	**2,975**
Loss allowance	**–**	**88**	**88**

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**

The closing loss allowance for trade receivables as at 31 March 2022 reconciles to the opening loss allowances as follows:

	2022 $'000	2021 $'000
Opening balance	193	340
Increase in loss allowance recognised in profit and loss	128	50
Receivables written off during the year as uncollectible	(233)	(197)
Loss allowance closing balance	**88**	**193**

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.

24.3 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 2022				
Derivative financial liabilities	–	(249)	–	(249)
Derivative financial assets	–	2,455	–	2,455
Group 2021				
Derivative financial liabilities	–	(2,098)	–	(2,098)
Derivative financial assets	–	133	–	133

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

Financial instruments by category

2022	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	6,452	–	–	6,452
Trade and other receivables	3,222	–	–	3,222
Contract assets	2,975	–	–	2,975
Other financial assets	–	–	2,206	2,206
Total financial assets	**12,649**	**–**	**2,206**	**14,856**
Trade and other payables	–	6,525	–	6,525
Contract liabilities	–	325	–	325
Lease liabilities	–	1,286	–	1,286
Borrowings	–	79,133	–	79,133
Total financial liabilities	**–**	**87,269**	**–**	**87,269**
2021				
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**

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 the largest individual receivable being less than 10% of trade receivables and the remaining exposure being spread over a large number of counterparties and customers.

24.4 Capital risk

During 2022, the Group's strategy, which was unchanged from 2021, was to maintain an equity/assets ratio of not less than 40%.

The ratio at March 2022 and 2021 was as follows:	**2022 $'000**	2021 $'000
Average equity (including subordinated debentures)	161,877	146,597
Total assets at year end	321,144	305,816
Equity to assets ratio	**50.4%**	**47.9%**

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 2021 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.

24.5 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	6,525	–	–	6,525
Variable interest rate instruments	–	79,133	–	79,133
At 31 March 2022	**6,552**	**79,133**	**–**	**85,658**
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**

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:

	2022 $'000	2021 $'000
Total facility	85,400	85,400
Undrawn facility	22,533	14,295

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 31 December 2022 and 1 February 2023.

A replacement facility of $100 million has been approved by the board on 22 June 2022 to replace the facilities expiring on the 1 February 2023. The expiry dates of the new facilities range between 3 and 7 years.

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.

25. Related party transactions

	2022 $'000	2021 $'000
Transactions with Waitomo Energy Services Customer Trust		
Dividends paid	300	250
Interest paid on subordinated debentures	74	74
Transaction with Maru Energy Trust		
Donations to Maru Energy Trust	212	100
Transactions with key management personnel		
Salary and other short-term employee benefits	1,825	1,885
Short-term employee benefits	1,700	1,646
Post-employment benefits	51	91
Long-term employee benefits	74	148
Directors' fees and expenses	288	281
Transactions with Speedy's Road Trust		
Interest paid on convertible notes	25	57
Transactions with North King Country Development Trust		
Interest paid on subordinated debentures	100	52
Balances with related parties		
Maru Energy Trust Receivable	86	27
Convertible note with Speedy's Road Trust	–	950
Subordinated debentures with Waitomo Energy Services Customer Trust	1,000	1,000
Subordinated debentures with King Country Development Trust	2,000	2,000

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 was a director of Speedys Road Hydro Limited until 19 October 2021. Bella Takiari-Brame is a director of Speedys Road Hydro Limited from 7 January 2022.

Bella Takiari-Brame was a trustee of North King Country Development Trust. She retired 2 November 2021.

26. Subsequent events

Credit approved offers received from two banks for $100m have been approved by the Board on the 22 June 2022. This is to replace the facilities expiring as disclosed in note 18 and 24.5. Finalisation of loan documentation is nearing completion. The expiry date of new facilities range between 3 and 7 years. The group forecasts to comply with associated covenants with the new facilities. These covenants are in line with the current facilities. The Group has forecasted there to be sufficient headroom for the foreseeable future with the new facilities.

There were no other subsequent events requiring recognition or disclosure in the financial statements.

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 (WESCT). 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. Subsequent to year end, TLC provided a deed of indemnity to directors and officers of the Group. This insurances indemnity 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 $274,525 (2020: $269,824) distributed as follows:

	Appointment date	Retirement date	2022	2021
Bella Takiari-Brame (Chair)	01 Dec 2019		60,753	46,832
Mark Darrow	01 Sep 2015	19 Oct 2021	50,078	90,343
Simon Young	03 Jun 2010	06 Aug 2020	–	16,607
Simon Fleisher	01 Jul 2020	31 Dec 2020	–	22,378
Craig Richardson	01 Oct 2018		42,728	46,832
Andrew Johnson	08 Sept 2018		42,728	46,832
Mike Underhill	01 May 2021		39,120	–
Douglas Troon	01 May 2021	30 Apr 2022	39,118	–
Total			**274,525**	**269,824**

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 Limited	Influx Energy Data Limited	Speedys Road Hydro Limited
Bella Takiari-Brame	✓	✓	✓
Craig Richardson	✓	✓	
Andrew Johnson	✓	✓	
Mike Underhill	✓	✓	
Douglas Troon	✓	✓	
Marcus Paterson			✓
Sean Horgan			✓

3. Directors' disclosures of Interest

Interests Register

Register of Directors' Interests as at 31 March 2022
Companies Act 1993, Section 189(1)(C)

Company	Nature
B Takiari-Brame	
Accident Compensation Corporation	Board Member
Aotearoa Circle – National Low Carbon Energy Roadmap	Co-Chair
Braemar Hospital Limited	Independent Director
Crown Infrastructure Partners Limited	Director
Influx Energy Data Limited	Director
Luana Limited	Managing Director
Maniapoto Māori Trust Board Group including subsidiary Maniapoto Fisheries Trust	Trustee
NZ Healthcare Investments Limited including subsidiary Asia Pacific Healthcare Group	Independent Director
Speedys Road Hydro Limited	Director
Te Nehenehenui Trust	Chair
Te Kupenga o Maniapoto Limited	Director
Te Ohu Kai Moana Trustee Limited	Director
Te Putea Whakatupu Trustee Limited	Shareholder
Te Wai Māori Trustee Limited	Shareholder
The Lines Company Limited	Chair
A D Johnson	
Ace Training Limited	Advisory Board
Addison Clothing Limited	Shareholder/Advisory Board
Andrew Johnson Business Trust	Trustee
Asset Management Partners Limited	Director
Boston Forest Limited Partnership	Partner
ConnectPlay Limited	Director
Enrich+ (and related Trusts)	Trustee
Harrison Painting and Decorating Limited	Shareholder
Hayman Trust	Trustee
Influx Energy Data Limited	Director
IT Partners Limited	Director
LCP Alpha Limited	Director
Lightwire Australia Pty Limited	Director
Lightwire Limited	Director
Lightwire Labs Limited	Director
LondonGreen Limited	Director/Shareholder
Nicola Johnson Trust	Trustee
PDV Engineering Limited	Advisory Board
Stark Property Limited	Advisory Board
St Paul's Foundation Limited	Director
The Addison Business Trust	Trustee
The Lines Company Limited	Director
Waikato Anglican College Trust	Chair
Whesby Trust	Trustee

Company	Nature
C P Richardson	
Autonomy Health Limited	Director/Shareholder
Autonomy Health Pty Limited	Director
Autonomy Holdings Limited	Chair/Director/Shareholder
Autonomy Health (NZ) Limited	Director
Barron Foundation Limited (and Subsidiaries)	Chair Advisory Board
Ed Collective Limited	Director
Ed Collective Trust	Trustee
Faraday Holdings Limited	Director/Shareholder
Faraday Services Limited	Director/Shareholder
Founders Capital (Australia) Pty Ltd	Director/Shareholder
Founders Capital (New Zealand) Limited	Director/Shareholder
Gaze Commercial Limited	Chair Advisory Board
Influx Energy Data Limited	Director/Chair Advisory Board
Monday Limited	Director/Shareholder
Next Plays Limited	Director/Shareholder
Quanton Limited	Chair Advisory Board
The Lines Company Limited	Director
D Troon	
Amtex Services Limited	Chair
Cheal Consultants Limited	Chair
Doubtless Bay Water Supply Co Limited & Subsidiaries	Chair
Influx Energy Data Limited	Director
Kauri Grove Management Limited	Chair
Noort Investments Limited	Director/Shareholder
ProjectMax Limited & Subsidiaries	Chair
Remarkables Parks Investments Limited	Shareholder
Skellerns Metal Castings Limited	Chair
The Lines Company Limited	Director
M Underhill	
Electra	Director/Chair Audit & Risk Committee
Electricity Authority	Consultant/Member Security & Reliability Council
Gas Industry	Facilitator
Herbert Gardens Limited	Director/Shareholder
Influx Energy Data Limited	Director
Network Waitaki Limited	Director/Chair Risk Committee
The Lines Company Limited	Director
Wellington Water Ltd	Director

4. Employee Remuneration

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

	2022	2021
$500,000 - $510,000	1	–
$460,000 - $470,000	–	1
$310,000 - $320,000	1	–
$290,000 - $300,000	–	1
$280,000 - $290,000	–	1
$270,000 - $280,000	1	–
$260,000 - $270,000	–	–
$250,000 - $260,000	–	1
$240,000 - $250,000	1	–
$200,000 - $210,000	–	1
$180,000 - $190,000	1	–
$170,000 - $180,000	1	1
$160,000 - $170,000	2	–
$150,000 - $160,000	3	2
$140,000 - $150,000	3	4
$130,000 - $140,000	4	4
$120,000 - $130,000	9	3
$110,000 - $120,000	11	12
$100,000 - $110,000	18	14
	56	**45**

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

Independent auditor's report

To the shareholder of The Lines Company Limited's Group financial statements and performance information for the year ended 31 March 2022

The Auditor-General is the auditor of The Lines Company Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Philippa Cameron, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 46 to 75, that comprise the statement of financial position as at 31 March 2022, 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 performance information of the Group on page 44.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2022; 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 performance information 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 2022.

Our audit was completed on 30 June 2022. 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 performance information, and we explain our independence.

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.

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Responsibilities of the Board of Directors for the financial statements and the performance information

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 performance information 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 performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Company'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 the Board of Directors intends to liquidate the Group or to cease operations, or has 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

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

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 performance information, 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 performance information 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 performance information 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 performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. 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 3 to 43 and 76 to 80 and 84 to 86, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 performance information, 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 performance information 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 and Information Disclosure audit 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.

Philippa Cameron
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand

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.

Directory | Papatohu

as at 31 March 2022

The Lines Company Limited

Company number

578653

Directors

B L Takiari-Brame (Chair)
M C Darrow (Past Chair, retired 19 October 2021)
C P Richardson
A D Johnson
D J Troon (Retired 30 April 2022)
M C Underhill
T J Spencer (Appointed 1 May 2022)
F J Jonker (Appointed 1 June 2022)

Registered Office

The Lines Company Limited
King Street East
Te Kūiti
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

Postal Address

PO Box 281
Te Kūiti
New Zealand

P 07 878 0600

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