2023

Annual Report
Pūrongo ā-Tau

the lines company

Te Hono ā-Hiko

Growing for our community

Contents

Hunga (people) from across the greater King Country and Central Plateau rely on us to provide safe and reliable electricity to homes, businesses, and the community.

He kupu takamua

Foreword

For them, we ensure close to 24,000 connections benefit from how we operate as an energy distributor. This extends to making a positive difference to the economic and social wellbeing of those who share this place.

Pride in our organisation has grown significantly as we continue to grow communities with energy, helping people thrive as we add value to the region's economy.

The 160 plus people who work for our business, their families and communities also share a deep connection to our region and play an integral part in our performance. They have a firm eye on the future as we strive to improve our network for generations to come.

Te Tau Kua Taha Ake

Our year at a glance

#1
our line mechanic team won three coveted awards at the Connexis Annual Connection

5,800
new AMI connections (ICPs) for Influx

$12m
invested in network improvements

$4.2m
in TLC Discounts paid to WESCT Customers (excluding GST)

160+
staff employed across the organisation

$7.2m profit

$357k

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

↑35%

increase of positive reporting (near miss and safety observations)

↓80%

reduction in critical risk incidents

24k

connection points on network

Finalist

New Zealand Energy Excellence Awards Community Initiative of the Year

On behalf of our hapori (community), we manage the region's electricity system which supplied ~370 gigawatt hours of electricity to businesses and households over the past year.

He Kupu 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), a business which is shaping its own innovative 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 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.

Reflecting on another year, it is hard to get past the devastation caused by Cyclone Gabrielle in February 2023.

Our region was more fortunate than many others across Aotearoa New Zealand but nonetheless, we will feel the effects for years to come.

Those impacts, financial and otherwise, will come to the fore over the next 12 months. Given that, it will be critical the Board continues its razor-sharp focus on the wellbeing of our community. Every decision we make is based on ensuring this community-owned organisation does all it can to benefit people across the network through the provision of an essential service. Our role is not just to keep people connected; it is to empower and support those who need us, not only immediately, but in the long-term.

Nowhere was this commitment more apparent than during the cyclone. The weather event was destructive beyond anything we have seen in recent times. I was tremendously proud of the TLC team who, day after day, consistently went above and beyond to serve their communities in the most trying of circumstances. The efforts I saw exemplified everything about a community-owned company and I felt very proud to be part of that kaupapa.

The tumultuous end to the year signalled 12 months of change. At Board level, we were delighted to welcome two new members, Fraser Jonker and Todd Spencer. Fraser and Todd bring diverse commercial experience to our table and will make an excellent contribution. We also farewelled Doug Troon who stepped down last year. I also acknowledge the retirement of WESCT chair Peter Keeling and the appointment of William Oliver to that role.

In September 2022, the Board was delighted to announce the appointment of Mike Fox as TLC chief executive. Mike's success in winning the job, following a competitive recruitment process, was no surprise. Mike proved himself extremely capable when stepping into an acting chief executive position following the departure of Sean Horgan in June 2022. Nor is Mike a new face, having been a general manager at TLC for more than five years.

The Board is thrilled to have someone with Mike's knowledge and experience leading our company. Mike has a genuine passion for our sector, our customers and our business and I look forward to seeing that passion benefit all people across the rohe.

Financially, TLC performed marginally below budget and reported an after-tax profit of $7.2 million, representing a 3.9% per cent return on assets before customer discounts.

Our other non-financial measures were pleasing, and these are important measures when evaluating our performance against targets set together with our shareholder WESCT. Over the year, the Board continued to place significant emphasis on ensuring TLC met our expectations in terms of enabling and supporting our wider community.

We are acutely aware of the rising costs of living and the impact that is having. In May 2023 it was a pleasure to announce, alongside WESCT, a discount of $1.9 million for distribution into the northern part of the network. Across the last three financial years, TLC has put $12.1 million in discounts directly back into the community, proving the value of being community owned. As we head into another year, our focus will remain on what is best for our community.

In June 2023, an agreement to divest Influx was met with Intellihub. The sale unlocks substantial value for TLC as it heads into a phase of significant investment in the network to prepare for a low carbon future.

The year in review has been both challenging and rewarding. On behalf of the Board, I thank Mike and the entire TLC team for their mahi over the last 12 months. Each and every person has contributed in some way to the work of our organisation and in doing so, to the resilience and strength of our network and our community. I look forward to seeing the outcomes of that work again in the coming year, knowing that all of us will benefit.

Noho āhura 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 some challenges, the team delivered a $12.3 million network capex programme during 2022–23. We also continued our ongoing investment in automation, focusing as always on minimising the impact of outages and therefore improving customer experience.

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

As we headed towards the tail-end of 2022–23, Mother Nature had one last challenge for us. Cyclone Gabrielle swept through our network in February causing major damage and outages for customers in Tūrangi, Motuoapa, Tauranga-Taupō, Whareroa, Tokaanu, Mokai, Tirohanga, and Kuratau. Utter devastation of forestry in those areas saw critical damage to our network on a scale not seen by us before. As the financial year ended, we were still working through how to safely plan, prepare for and complete some of those repairs.

Cyclone Gabrielle was just one — but by far the worst — significant weather event during the year. In the 12 months covered in this Annual Report, our network suffered huge damage from trees which, in some instances, caused extended power outages for some customers. On that basis, we welcome the government's enquiry into the forestry sector, not just in terms of slash, but in terms of the impact of forestry operations on key infrastructure, including essential electricity infrastructure like ours.

Overall, we had around four months' where adverse weather events materially impacted the network with outage durations being double what is typical. Significant damage to the network during these weather events was caused by trees falling through lines, with these trees being outside the area we are legally able to trim or remove them.

Consistent with previous years, we have continued to invest in our network infrastructure, and last year was no different. Despite some challenges, the team delivered a $12.3 million network capex programme during 2022–23. We also continued our ongoing investment in automation, focusing as always on minimising the impact of outages and therefore improving customer experience.

TLC recorded revenues for the 2022–23 year of $68 million. It is important to note the non-regulated contribution from our metering and data company, Influx, which has now been sold. This is testament to outstanding leadership and insight from Influx chief executive Mike Ullrich, who left the Group at the end of the financial year. I thank Mike for his contribution.

There continues to be very high levels of regulatory activity within our industry, and it is important going forward they reflect what we need on behalf of our community. During the year, we worked as a member of the Northern Energy Group and alongside groups like Electricity Networks Aotearoa to ensure those needs are well understood and well communicated to regulators.

Over the year, I made a number of appointments to the senior management team. Jared Murrell, a Te Kūiti local, has now been with TLC for 23 years and I was genuinely delighted to appoint him as General Manager — Service Delivery. I also appointed Romay Rundgren as General Manager — Finance, a step-up after working in our finance team for four years. That both candidates came from within our ranks is testament to the depth of talent within the TLC wider team. I would like to thank the Board for its support as we worked through the transition of roles.

We introduced new blood to our senior ranks during the year appointing Simon Batters as General Manager — People and Safety and tasking him with supporting a work environment that actively keeps our people safe and helps them perform at their very best. Given that 78 per cent of our TLC staff (excluding Influx) live and work in our network area, we are conscious that for our people, their work is much more than 'a job'. For many it is an important link to their wider community.

We rolled out our new vision in June, 'Growing Communities with Energy'. Our purpose is to 'help people thrive' with four pou of 'growth, efficiency, sustainability, community'. Our strategy will evolve over time but our focus on supporting our community will be a constant.

In that vein, last year saw renewed emphasis on community initiatives including energy education seminars and our first ever primary school pilot. Our sponsorship programme also continued and, I hope, will be expanded in years to come.

I felt incredibly proud during the year of all our staff and extend my heartfelt thanks to them for their work over a challenging 12 months. A special thanks to those who represented TLC so brilliantly at the Connexis Annual Connection competition, noting that many staff also do outstanding work behind the scenes. We ended the year as a tight and focused team, supportive of our community and supportive of each other. I have no doubt that will continue, and I look forward to taking that collective strength into the year ahead.

Te amorangi ki mua,
te hapai o ki muri.

Ngā mihi

Mike Fox
Chief Executive

We keep our customers safely connected to electricity, irrespective of where they live or work across our vast visually stunning, yet somewhat testing, region.

He kōrero mō mātou

About us

This means managing and maintaining a unique and challenging network of more than 4,440kms 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.

Our continual investment programme improves reliability of supply and provides better safety for our staff and communities and enables new economic enterprise. That includes investing in plant and technology, but most importantly — investing in people. Attracting, growing, and retaining talent is vital to our success.

The highly regulated environment sees us working hard to provide customer-centric 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.

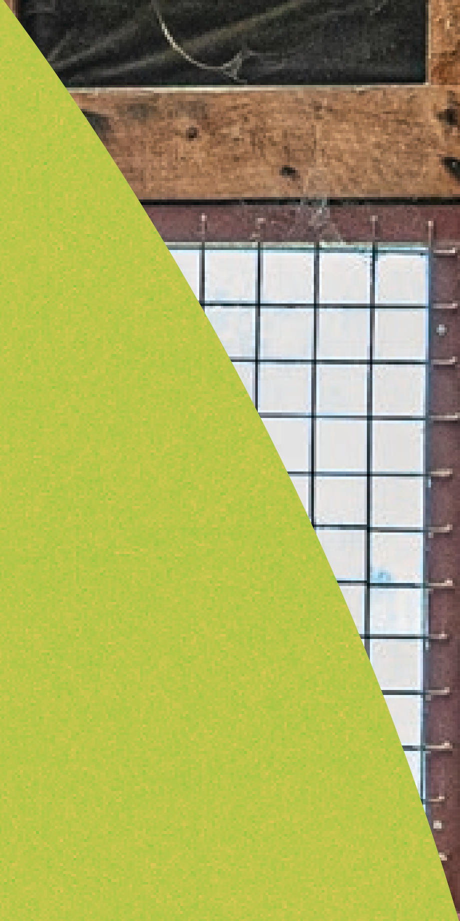
In addition to operating the network, we 100 per cent own Influx — our metering data business. This business brings in non-regulated income from across Aotearoa as it focuses on delivering metering and data services to energy retailers and commercial customers.

TLC has 5.4 connections per kilometre of lines and cables — significantly fewer customers supporting the network in comparison to other EDBs with a similar length of lines and cables.

	King Country & Ruapehu (TLC)	Auckland (Vector)	Hamilton (WEL Networks)	Waipa (Waipa Networks)	Wellington (Wellington Electricity)
Connection per km	5.4	30.8	17.4	12.2	35.8
Connection points	23,999	593,440	96,894	28,033	171,955
Kms of lines & cables	4,440	19,280	5,570	2,292	4,806

I Mua

Where we’ve come from



In June 2022, TLC embarked on a long-term journey, anchored by our new vision, 'Growing Communities with Energy.'

Our vision connected us strongly to our people, our communities, our physical network and our wider stakeholders and well as the priorities of our shareholder, WESCT. Work during the year was undertaken within a framework where efficiency, growth, sustainability and community guided our decision-making and actions.

Our people

As always, people and safety were at the very core of our purpose, with staff returning to the office and embracing a new, hybrid model of working. The long tail of COVID continued to be challenging as we also battled the skill shortage facing Aotearoa New Zealand. During the year, we worked with the Ministry of Business, Innovation and Employment (MBIE) to become an accredited organisation, able to accept international applicants for some hard-to-fill roles.

Internally, we engaged the Employers and Manufacturers Association (EMA) to help us understand what our employees most value. Lifestyle and team culture, development and growth opportunities and a strong sense of community came out on top. We are now developing strategies to focus on those values, so we can deliver on something critical to us; the development and growth of our own people who in turn, return value to their own communities.

A survey, Ask Your Team, saw TLC placed well in terms of nationwide measures. Largely, our organisation is considered a good place to work; a place which values its people and the community they serve.

Former General Manager — Network Mike Fox was appointed acting chief executive in June and was permanently appointed to the role in September. Within the senior leadership team, the departure of Sue Lomas saw Simon Batters appointed to General Manager — People and Safety; Jared Murrell was confirmed as General Manager — Service Delivery; Craig Hackett was appointed as Acting General Manager — Network; and Romay Rundgren replaced Audrey Scheurich as General Manager — Finance.

Despite these changes and challenges, staff performed superbly throughout the year.

In September 2022, TLC's line mechanic squad won multiple awards at the Connexis Annual Connection competition following a COVID-imposed two-year hiatus. Dion Adams, Matthew Tamaira, Brayden Crown, Wiremu Te Tawhero and coach-manager Tony Gannon represented TLC and the greater King Country, Ruapehu, and Central Plateau region, returning with three coveted awards.

Our crews continue to motivate and inspire others, including TLC trainees Coban Tamati (Waitomo), Gareth Owen (Te Kūiti) and Wiremu Te Tawhero (Taumarunui) who ended 2022 with formal qualifications and certified industry registration.

It gave fresh impetus to two new trainees who joined our company during the year. Meanwhile TLC supported Maru Energy Trust stalwart and staunch community advocate Jo Meads also picked up the prestigious Legends Trophy for her wider contribution outside of work.

Training also continued at pace during the year, with a conscious effort to technically upskill field staff. We further strengthened our focus on providing individuals with growth opportunities while growing a nimble and agile workforce.

When our staff come to work, they bring their whole selves. We genuinely believe that looking after our people holistically is good for employees, our company and those we serve.

Safety and wellbeing

Our organisation-wide safety framework continued to guide safety practices. While we saw a slight increase in the number of injuries, those injuries were less severe. Lost-time injuries showed an increase, largely as a result of manual handling. Overall, we saw an 80 per cent reduction in critical risk incidents. Very pleasingly, we continued to see an increase in positive reporting of near misses or potential hazards, signalling ongoing improvement in safety awareness across the organisation. During the year, significant progress was also made on Kete, an information system which supports our employment practices.

This year we saw the roll-out of CIMS (Coordinated Incident Management System) for use in a major incident. During the year, TLC stood up a CIMS team internally for a number of events including Cyclone's Hale and Gabrielle, a clear indication of the severity of weather we were subject to.

Meanwhile, externally year-round safety messaging continued alongside public safety reminders and initiatives. In terms of keeping ourselves and others safe, the job is never done and a strong focus in the coming year will be on reducing the potential for injury within our operating environment.

During the year, we also began a programme to put much stronger emphasis on the broader well-being of our people. When our staff come to work, they bring their whole selves. We genuinely believe that looking after our people holistically is good for employees, our company and those we serve.

Community support

Community wellbeing continued to be a priority for TLC during 2022–23. We ran three community funding rounds across the year, supporting events and activities ranging from competitive shearing to local food banks.

In addition to this, our $207,000 sponsorship budget saw us supporting, among other things, mana wāhine women's rugby, the Hillview Home retirement village, youth sports activities, multiple community functions and organisations as well as the Te Kūiti Events Centre.

Efforts to work more closely and constructively with stakeholders continued. For the first time ever, we hosted 'Sparkie Breakfasts' to encourage candid feedback from local electricians and electrical contractors. These were well attended and strengthened some key relationships. It is our intent to continue similar initiatives.

We also ran a series of energy education seminars and provided interactive web-based tips to promote energy saving initiatives.

Our strong relationship and ongoing support of Maru Energy Trust (Maru) continues. Maru is a not-for-profit charitable trust, established by TLC in 2018. It directly tries to address the issue of cold and damp homes by putting in place practical initiatives to help homes become warmer, drier, healthier and ultimately, use less energy. During the year, we continued our financial support of Maru, granting the organisation $150,000.

In October 2022 we were very proud to announce the recipients of our Inspiring Local Minds Scholarships, a programme now in its fifth year, supporting local high school students. Una Drayton (Ohakune), Thomas Verry (Te Kūiti), and Christopher Bailey (Te Kūiti) were selected from 15 applicants, and each will receive $2,000 for three years to help with future study or trades training.

Meanwhile, our rich te reo journey continued as we embraced and celebrated matariki and te wiki o te reo Māori (Māori Language Week) alongside our community. This was part of a broader and ongoing effort to embed te ao Māori within the organisation.

Our customers

The year saw us put even greater emphasis on better understanding and supporting our customers. Utilising persona modelling, we are building a better picture of our customers and their key attributes. We're using this information to tailor information and engagement programmes, specific to customer segments. We continued to measure the perception of TLC and our performance in the eyes of customers, recording an overall residential satisfaction measure of 54 per cent for the calendar year ending 31 December. It was extremely pleasing to see a major improvement in the measure concerning value for money.

All up, we saw a significant increase in customers who have seen a positive change and a major decrease in the number of dissatisfied customers. However, this does not, by any measure, signal a relaxing of our customer focus. In the coming financial year, we will concentrate on how we improve the planned power outage notifications provided by retailers alongside our new connections process. We also plan a campaign, linked to energy saving initiatives, which will help customers and our wider community better understand what makes up an electricity bill.

In an increasingly digitised world how we gather, measure and use information remains central to our business. Throughout the year, we shifted to a new information technology service provider while continuing to prioritise the update of our network systems.

Across our network

Our complex network contains assets including power poles and lines, transformers and other, critical infrastructure. The revenue we receive from customers and the reliability standards of the electricity we supply are regulated by the Commerce Commission.

Weather-related events, including Cyclone Gabrielle towards the end of the financial year, created significant challenges for us. Power outages from lightning strikes alone doubled to more than 213 and the huge amount of rain saw ground destabilised over time with subsequent tree fall impacting power lines, even before Gabrielle hit.

During the year we saw significant growth in customer-initiated work as we helped enable a new poultry farm and new subdivisions in Ōtorohanga. Significant work was completed at the Hangatiki and Kurutau sub-stations to make them safer and ensure greater reliability of supply.

TLC continued to focus on asset renewal with a specific $7.5 million investment last year into renewals across the network. This is comparable with previous years and part of ongoing commitment to ensuring assets are renewed in a timely way.

TLC's network was largely built across 30 years spanning the 1940s–1970s and many assets — some close to 70 years old — are now nearing the end of their life. However, while asset renewal remains a key focus, so too does affordability for customers. For the next decade, TLC could potentially spend close to $20 million annually on renewals to keep the network safe and reliable.

To get that balance right and to make timely decisions, we will continue to invest in having critical data on hand. That is even more important given the unprecedented growth we are now seeing on the network. In the last 12 months, TLC connected around 500 new customers; a massive increase on the usual 250 to 350 new connections each year.

Those customers are not just households. New commercial customers include processing plants and quarries. As an important economic enabler for the central North Island, we must be in a position to meet their needs. This growth makes the case for decarbonisation even more critical because the demand we are forecasting is beyond what our existing network infrastructure can currently supply.

Innovation

The year saw TLC launch one of its most exciting initiatives alongside the Tūwharetoa Health Charitable Trust and Maru Energy Trust with funding from MBIE's Public and Māori Housing Renewable Energy Fund. The Tūwharetoa Solar Project saw us installing solar panels on four houses at Tūrangi, with the energy produced from those panels being used to heat their hot water, as well as being gifted to an additional five local houses to help heat new TLC installed energy efficient hot water cylinders. Hot water heating accounts for around 30 per cent of household electricity costs and the excess energy from the solar panels have made a big dent on those costs and will for the 25-year life of the installation.

In December 2022, solar panels were also installed on the whare kai at Taarewaanga Marae in Ōtorohanga and Maniaroa Marae north of Mōkau. These projects were joint initiatives with Te Nehenehenui, also funded by MBIE. They will see power generated for the marae with surplus energy shared among nearby whānau households. Data from these projects will be utilised to help inform further marae opportunities in the future.

Renewable energy is now increasingly important, including to TLC, as we move towards a fully renewable energy system. This is a technology we are passionate about and will continue to advocate for given the potential benefits for customers.

In November, TLC also installed its latest electric vehicle (EV) charging station in Piopio. TLC has now installed four fast charging units and more than 40 standard AC charging units across its network region with help from the Energy Efficiency and Conservation Authority's (EECA) Low Emission Vehicle Contestable Fund.

Influx

Influx had a successful 2022–23 year, achieving budget for profit and releasing new innovative products and services.

During the year, Influx continued to grow its reputation as an agile player in the market, able to work well alongside all electricity retailers. Over the past 12 months, it has solidified and strengthened its relationships with those retailers, including new players in the market.

Market conditions see metering companies realising strong valuations. Compared to competitors, Influx is small, however, the team have done excellent work to grow its value through acquisitions, customer engagement, development of new services and compliance work.

Those efforts set the groundwork for the introduction of some innovative new products, including Influx Demand Management for Hot Water. The product is being piloted with the new technology enabling individual meters to be controlled over mobile networks. This means retailers can now offer load management for specific customers, no matter what network they are on.

At a time when electricity retail margins remain low, and there is greater volatility in retail prices, the ability to manage load during the day offers considerable potential for savings for end consumers. It also allows retailers to support decarbonisation initiatives also sought by TLC.

This product, the first of its type in New Zealand to be offered from a retail perspective, has done much to position Influx as a nimble and responsive innovator.

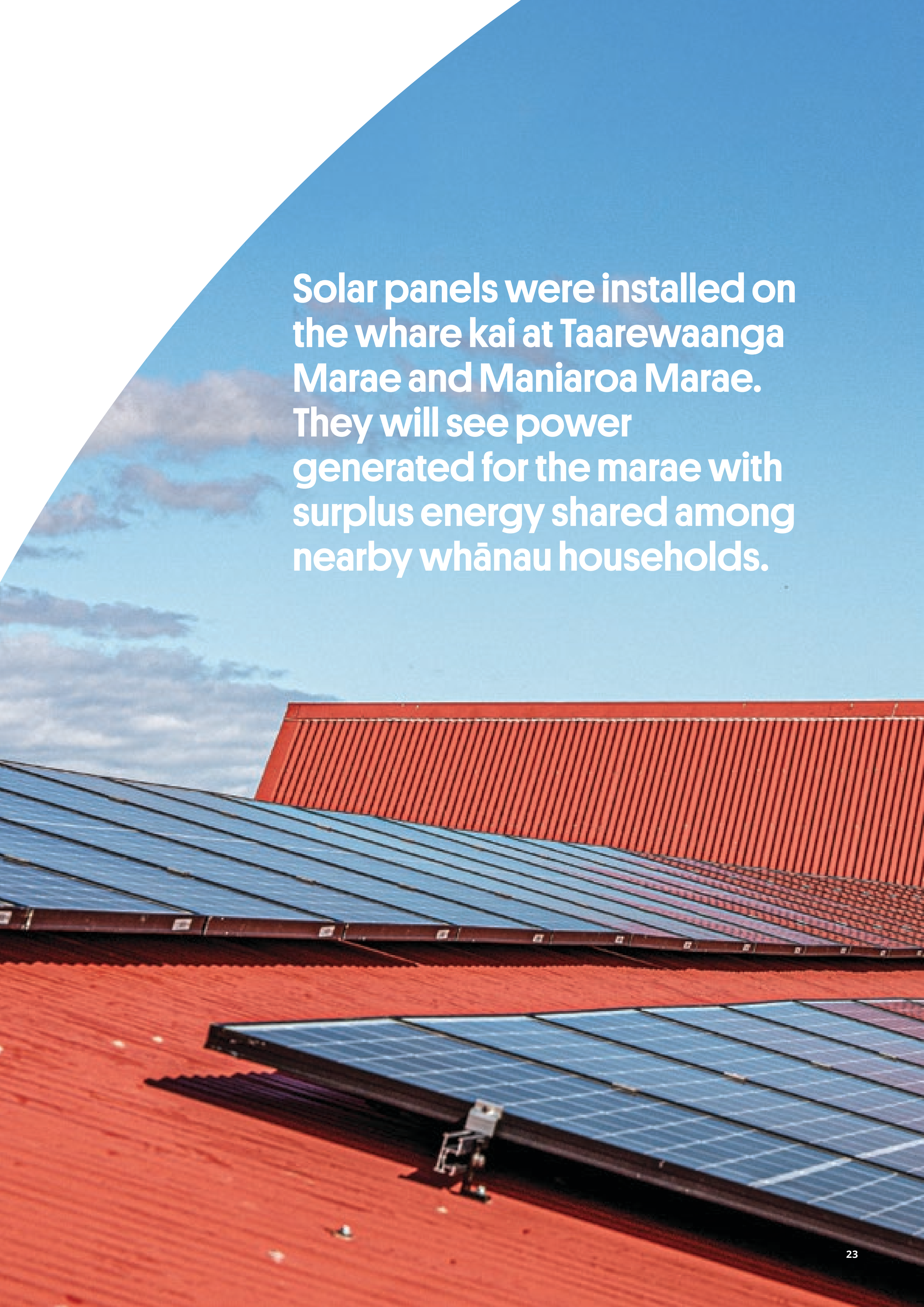
Further advances in Influx's cloud services include an online disconnect/reconnect service which enables retailers to reconnect customers much more quickly. And another new product allows retailers to diagnose meter issues more easily — improving customer responsiveness and driving further efficiencies.

To enable the cloud services platform, technology upgrades were completed, and a new field services tool was deployed in October 2022.

The last 12 months has seen Influx secure its place as an innovative market leader. Influx has won the respect and support of electricity retailers who now actively seek to work with this fast-moving technology company — ultimately positioning the business as an attractive acquisition.

Finalisation of the sale of Influx to Intellihub New Zealand Limited was completed in June 2023. Proceeds from the sale being invested in major network improvement projects and preparing for a low carbon future.

Solar panels were installed on the whare kai at Taarewaanga Marae and Maniaroa Marae. They will see power generated for the marae with surplus energy shared among nearby whānau households.



Ki tua

Where we're going

Our job is to provide a safe and reliable electricity supply to around 24,000 connections across our network area. But we do more than just distribute energy.

Our community is also our people. We employ 160 dedicated staff across the group, with 78 per cent of the TLC's workforce (excluding Influx) living locally. What we do, and how we perform matters directly to them, their whānau, their friends and neighbours.

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We know that one of our key risks is attracting and retaining a highly skilled workforce. On that basis, next year will see the roll-out of an employee value proposition, with a number of initiatives co-designed with our workforce over the last half of the year. They include improved leave entitlements, medical insurance, and the gifting of a volunteer day. We look forward to seeing the impact of these initiatives both internally and externally.

The next 12 months will also see us continuing the roll-out of Kotahi, a long-term framework focusing on health, safety and wellbeing efforts and initiatives. In the coming year, we will be focussing on employee wellness and training and competency, having already worked hard to improve our contractor management process. Safety — both internally and externally — will continue to be our number one priority.

Our new vision, 'Growing Communities with Energy' will guide decision-making in the future. Our purpose is to 'help people thrive' with four pou of 'growth, efficiency, sustainability, community'.

We know there are tough times ahead, and we are acutely aware of inflation and the rising cost of living. Some people in our community already deal with energy hardship and we will reinvigorate our efforts to provide sustainable relief.

$22m

planned investment in network improvements in the coming year.

This will be particularly important as we seek to refine our pricing strategy, to be launched in 2025. With the support of WESCT, we will also help by engaging directly with the community, carefully targeting our sponsorship and community funding.

Improving efficiencies will remain an important goal with continued emphasis on digitisation. However, we will also continue to call on the strength and knowledge of our colleagues, working with others in the sector and beyond.

As kaitiaki of a significant community asset we will retain and grow our absolute commitment to sustainability. We will continue to be an economic enabler, generating positive and sustainable long-term outcomes for our customers, community and people living on the land.

To deliver a successful future, our business must be resilient and sustainable. We will achieve ongoing sustainability through several measures including decarbonisation, asset management, and caring for the environment among others.

Next year, we have budgeted to invest $22 million across our network business to ensure a reliable and safe energy supply. We will also have to put considerable effort and resource into rebuilding from the impacts of Cyclone Gabrielle. Those costs and the work programme have yet to be refined, but we anticipate the impacts financially and otherwise may be significant. Despite this, we must continue efforts to prepare our business for decarbonisation, enabling customers to reduce their energy costs and access more choice.

We will use the immediate future to ready our business to enable regional decarbonisation, while we maintain a critical focus on keeping our people and community safe.

Decarbonisation efforts will bring value and benefits to customers through the provision of choice and equitable energy outcomes. We will communicate with, engage and encourage customers to participate in a range of decarbonisation initiatives including energy efficiency practices, community solar schemes, rooftop solar installations, electric vehicle uptake, and widening energy retailer options.

Building on the initiatives above and supporting our vision to 'Grow Communities with Energy', our 2023 Statement of Corporate Intent sets out our full intentions and objectives for our Network business, as well as those of our subsidiary, Influx Energy Data, for the 2023–2024 financial year. This document can be viewed at **thelinescompany.co.nz/disclosures**

As kaitiaki of a significant community asset we will retain and grow our absolute committment to sustainability.

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.

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.

Guy Whitaker / "B" Trustee

Guy is a local businessman who has lived in the Waitomo district since 2004.

He is very community-focused, invested in the district's future, and feels that the Trust plays a significant part in the progression and growth of the area, a journey he is looking forward to being a part of. Guy believes the benefits and opportunities of TLC being locally owned are significant to our district and looks forward to working with the Trust to keep our community asset working for all.

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 region, both as a major employer and contributor to the economic landscape within Te Nehenehenui.

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, a small business owner and a current councillor on the Waitomo District Council.

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

Todd Spencer
[Appointed May 2022]

Todd is a commercial lawyer with extensive energy, infrastructure and governance experience. He advises leading private and public sector organisations 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).

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.

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.

She is the Chair of Te Nehenehenui Trust, 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.

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, manufacturing 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.

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.

Mike has a Bachelor of Electrical Engineering degree and a Master of Economics. He is a Distinguished Fellow of Engineering New Zealand and a member of the Electricity Authority's Security and Reliability Council.

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.

Doug Troon

[Retired 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)

Mike Ullrich /
Chief Executive — Influx
[Resigned 31 March 2023]

Mike's been a successful business leader in some of New Zealand's fastest growing tech companies delivering consumer and industrial products and services globally across energy, IOT, payments, agricultural, consumer, marine and automotive markets.

He brings this wealth of experience to Influx Energy Data Limited (our wholly owned metering and data services company) leading business transformation, and responsible for driving growth, acquisitions, and developing new innovative products and services.

Simon Batters /
GM — People & Safety

Simon's senior management experience in human resources and safety management spans the mental health, agricultural, horticulture, construction, and transport sectors in New Zealand.

He's passionate about creating workplaces which enhance employee wellbeing through humility, ambition, and courage to create high performing environments where people can flourish.

Romay Rundgren /
GM — Finance

Romay joined TLC in 2018. She is an experienced senior financial manager with a strong commercial, financial, regulatory, and systems background. She has successfully led financial system changes, provided financial support for acquisitions, and established a business partnering model for the Group's finance services.

She is responsible for providing financial and commercial support to the business ensuring strong financial, regulatory and IT management.

Te Kei o te Waka

Our Leadership Team

Mike Fox /
Chief Executive

Mike has worked in the electricity industry for 19 years, bringing an extensive background in asset management, planning, engineering and strategic direction to the team.

He has a clear focus on the strategic direction of the business and a thorough understanding of our people, our customers, our business, and the industry.

Working closely with the Board, Senior Leadership Team, and many others across the organisation, Mike will lead the Group into the next phase as we look to deliver on our vision to help people thrive by growing communities with energy.

As well as Chief Executive, he is a trustee of the Maru Energy Trust.

Jared Murrell /
General Manager — Service Delivery

Born and bred in Te Kūiti, Jared has been with TLC for over 23 years. During that time, he has held multiple positions within the company beginning as an electrical apprentice, then faults person, project manager, and now General Manager, Service Delivery where he is responsible for Network Services, Programme Delivery and Key Accounts functions.

Jared has a comprehensive multi-level understanding of the electricity industry. His extensive knowledge, inherent and authentic leadership skills, accurate focus on quality customer experience and highly developed technical skills saw Jared become a finalist for New Zealand's Young Energy Professional of the Year award in 2020.

Craig Hackett /
Acting Manager — Network
[Resigned 31 March 2023]

Craig's experience in the electricity industry covers 30 years, in a range of senior management roles including in engineering, asset management and energy metering.

He was responsible for our customer experience and community engagement, the long-term planning of the network assets, and ensuring we provide a safe and reliable supply of energy.

Ngā Tauākī Pūtea

2023 Financial Statements

For year ending 31 March 2023

Five-Year Trend Statement

Financial performance

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Revenue [1]	**47,176**	**42,148**	**55,009**	**51,249**	**44,133**
EBITDA [1]	**17,759**	16,751	29,590	24,467	17,736
EBIT [1]	**6,082**	6,166	12,461	10,863	1,942
EBIT and network discount [1]	**10,240**	10,232	16,261	16,463	7,537
Profit/(loss) before tax [1]	**3,260**	3,890	9,881	8,089	(696)
Profit/(loss) from continuing operations [1]	**1,554**	2,840	7,038	6,563	(1,593)
Network discounts granted	**4,158**	4,066	3,800	5,600	5,595
Operating cash flow before tax [1]	**15,667**	13,649	30,980	16,512	13,943
Dividends paid	**300**	300	250	200	–
Total assets	**321,256**	**321,144**	**305,816**	**297,032**	**282,592**
Shareholder funds	**183,136**	173,449	150,304	142,889	147,671
Shareholder equity	**180,136**	170,449	147,304	139,889	144,671
Debt to assets ratio	**27.6%**	30.2%	35.3%	36.4%	30.3%
Equity ratio	**55.5%**	50.4%	47.9%	48.9%	51.2%
Return/(loss) on average equity	**4.0%**	4.6%	4.1%	4.7%	(1.1%)
Return on average assets	**3.0%**	2.8%	3.0%	2.7%	0.5%
Earnings/(loss) per share net of tax (cents)	**61**	63	51	57	(13)

Operating performance

	2023	2022	2021	2020	2019
Outage minutes per customer [2]					
Planned	**116**	74	126	34	74
Unplanned	**239**	160	155	237	212
Total	**355**	**234**	**281**	**271**	**286**
Outage per customer					
Planned	**0.62**	0.38	0.63	0.20	0.50
Unplanned	**3.44**	2.80	2.55	2.80	3.20
Total	**4.06**	**3.18**	**3.18**	**3.00**	**3.70**

[1] 2023–2022 performance measures exclude Influx as it a discontinued operation
[2] 2023–2021 has been measured under new DPP3 rules

Performance information

Key Performance Indicator	Achieved	Actual	Target	Comments
Custodianship				
Return on average assets before customer discount	✗	3.9%	4.1%	A number of weather events including Cyclones Hale and Gabrielle and increases in interest costs impacted return.
Return on average equity before customer discount	✗	5.7%	6.5%	
Equity Ratio	✓	55.5%	No less than 40%	
TLC Discount Policy	✓	$4.2m	$4.2m	
TLC Dividend Policy	✓	$300k	$300k	
Group Debt (including subordinated debentures)	✓	$77.5m	$77.7m	
Average Cost of Debt	✗	3.82%	3.00%	The OCR rate has increased by 3.75% over the last year. The full impact of this increase in rates has been reduced by the lower swap rates.
Community				
Local initiatives investment	✗	$357k	$400k	This reflects ongoing discussions with local organisations, where formal partnership programmes have not yet been agreed. We expect those agreements to be in place during FY24.
Customer Satisfaction	✗	53%	65%	Customer satisfaction was impacted due to unplanned outages, restoration timeframes, communication about unplanned and planned outages, and receiving information about outages in a timely manner.
Maru Energy Trust support homes across network	✗	105 insulation installations 115 heat pump installations	200 insulation installations 250 heat pump installations	Investment into the MBIE funded energy efficiency bulb project, reduced cashflow for the trust and contributed to reduced number of installations.
Performance				
Reliability — Unplanned SAIDI	✗	238.9 minutes	152 minutes (Regulatory limit 181.5 minutes)	Our year end performance reflects a year of significant storm activity, including Cyclone Gabrielle resulting in performance targets not being met. In addition, the regulatory limit for unplanned SAIDI and SAIFI was also exceeded.
Reliability — Unplanned SAIFI	✗	3.44 interruptions	2.60 interruptions (Regulatory limit 3.27 minutes)	
People				
No serious harm injuries	✓	Nil	Nil	
Reduce the number of Critical Risk Incidents	✓	80% Reduction	10% Reduction	We will measure and report incidents against each critical risk as a basis for future trend reporting.

Ngā Tauākī Pūtea
2023 Financial Statements

The financial statements for the year ended 31 March 2023 are signed on behalf of the board of directors by:

Bella Takiari-Brame
Chair, Board of Directors
6 September 2023

Craig Richardson
Director, Chair Audit, Risk and Finance Committee
6 September 2023

Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	**2023 $'000**	2022 $'000
Continuing operations			
Revenue from contracts with customers	1	47,176	42,148
Operating expenses	2	(29,417)	(25,397)
Depreciation and amortisation	9 & 10	(11,677)	(10,585)
Interest costs (net)	3	(2,822)	(2,276)
Total expenses		(43,916)	(38,258)
Profit before tax		3,260	3,890
Income tax expense	4	(1,706)	(1,050)
Profit from continuing operations		1,554	2,840
Profit from discontinuing operations	11.2	5,611	4,638
Profit after tax		7,165	7,478
Profit for the year is attributable to:			
Equity holders of the company		7,172	7,452
– Profit for the year from continuing operations		1,561	2,814
– Profit for the year from discontinuing operations		5,611	4,638
Non-controlling interest from discontinuing operations (losses)/profit	15	(7)	26
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of network assets		4,000	18,006
Deferred tax relating to revalued assets		(1,120)	(5,042)
Other comprehensive income for the year, net of tax		2,880	12,964
Items that may be reclassified to profit or loss			
Cash flow hedge reserves	14.2	972	4,171
Deferred tax relating to cashflow hedges	14.2	(272)	(1,168)
Other comprehensive income for the year, net of tax		700	3,003
Total comprehensive income for the year		10,745	23,445
Total comprehensive profit is attributable to:			
Equity holders of the company		10,752	23,419
– Total comprehensive income from continuing operations		5,141	18,781
– Total comprehensive income from discontinuing operations		5,611	4,638
Non-controlling interest from discontinuing operations (losses)/income		(7)	26

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 2023

	Note	**2023 $'000**	2022 $'000
Current assets			
Cash and cash equivalents	6	2,509	6,452
Trade and other receivables	7	5,335	6,725
Contract assets	1	–	86
Inventories	8	1,529	1,119
Asset held for sale	11.1	34,445	200
		43,818	14,582
Non-current assets			
Property, plant and equipment	9	271,230	293,340
Intangible assets	10	3,030	11,016
Other financial assets	24	3,178	2,206
		277,438	306,562
Total assets		**321,256**	**321,144**
Current liabilities			
Trade and other payables	19	6,963	6,525
Contract liabilities	1	209	325
Bank borrowings	18	–	76,077
Lease liabilities	21	30	196
Current tax liability	16	1,218	4,579
Provision for staff entitlements	20	1,543	2,154
		9,963	89,856
Non-current liabilities			
Bank borrowings	18	74,500	3,056
Lease liabilities	21	74	1,090
Subordinated debentures	18	3,000	3,000
Deferred tax liability	17	53,583	53,693
		131,157	60,839
Total liabilities		**141,120**	**150,695**
Net assets		**180,136**	**170,449**
Equity			
Share capital		8,013	8,013
Retained earnings		86,375	78,561
Cash flow hedge reserves	14.2	2,288	1,588
Revaluation reserves	14.3	83,460	81,522
Equity attributable to equity holders of the company		**180,136**	**–**
Non-controlling interest	15	–	765
Total equity		**180,136**	**170,449**

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 2023

	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 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 network assets		–	–	–	12,964	12,964	–	12,964
Total other comprehensive profit		–		3,003	12,964	15,967	–	15,967
Transfer from retained earnings	14.3	–	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**
Profit for the year		–	7,172	–	–	7,172	(7)	7,165
Other comprehensive profit								
Interest rate swaps		–	–	700	–	700	–	700
Revaluation network assets		–	–	–	2,880	2,880	–	2,880
Total other comprehensive profit		–	–	700	2,880	3,580	–	3,580
Transfer from retained earnings	14.3	–	942	–	(942)	–	–	–
Dividends paid to non-controlling interest	15	–	–	–	–	–	(758)	(758)
Transactions with owners								
Dividends	12	–	(300)	–	–	(300)	–	(300)
Total transactions with owners		–	(300)	–	–	(300)	–	(300)
Balance as at 31 March 2023		**8,013**	**86,375**	**2,288**	**83,460**	**180,136**	**–**	**180,136**
Attributable to Equity Holders of the Company		**8,013**	**86,375**	**2,288**	**83,460**	**180,136**	**–**	**180,136**

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

Statement of Cash Flows

for the year ended 31 March 2023

	Note	**2023 $'000**	2022 $'000
Operating activities			
Cash generated from operations	22	18,698	16,222
Interest paid	3	(3,031)	(2,573)
Income taxes paid	16	(6,066)	(3,181)
Net cash inflow from operating activities		**9,601**	**10,468**
Investing activities			
Purchase of property, plant and equipment		(13,250)	(16,869)
Purchase of intangible assets		(915)	(1,644)
Proceeds on disposal of property, plant and equipment		124	85
Net cash outflow from investing activities		**(14,041)**	**(18,428)**
Financing activities			
Dividends paid	12	(300)	(300)
Dividends paid to non-controlling interest	15	(758)	–
Lease liability paid	21	(200)	(35)
Bank borrowings repaid		(62,867)	(8,238)
Bank borrowings advanced	18	74,500	–
Net cash inflow/(outflow) from financing activities		**10,375**	**(8,573)**
Net cash (outflow)/inflow from discontinuing operations	**11.3**	**(9,878)**	**21,968**
Net (decrease)/increase in cash and cash equivalents		(3,943)	5,435
Cash and cash equivalents at the beginning of the year	6	6,452	1,017
Cash and cash equivalents at the end of the year	6	**2,509**	**6,452**

The Statement of Cash Flows 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 Limited ("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 prior 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 6 September 2023.

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.

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.

During the year the estimated useful life of Influx customer contracts was extended by six years due to the meters not being displaced as per original expected rate of decline. This does not impact the current depreciation but will impact future years' depreciation.

Unbilled network revenue included in contract assets in the prior year has been reclassified to trade and other receivables.

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

Note 1	Revenue recognition	Pg 45
Note 9	Valuation of network distribution system	Pg 52
Note 11	Assets of a disposal group classified as held for sale	Pg 55
Note 20	Provisions	Pg 61
Note 24.3	Financial instruments	Pg 66

Accounting standards not yet adopted

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

1. Revenue from contracts with customers

		2023 $'000	2022 $'000
Revenue recognised over time			
Network revenue before discounts		46,606	43,579
Less network discount	12	(4,158)	(4,066)
Network revenue		**42,448**	**39,513**
Revenue from electrical contracts which were unsatisfied and included in contract assets and liabilities		109	215
Revenue from completed electrical contracts		4,619	2,420
Electrical contracting revenue		**4,728**	**2,635**
Revenue		**47,176**	**42,148**

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.

	2023 $'000	2022 $'000
Electrical contracts assets due to percentage of completion	–	86
Contract assets	**–**	**86**
Electrical contracts liabilities due to percentage of completion	(24)	–
Network customer credit balances	(185)	(325)
Contract liabilities	**(209)**	**(325)**

Management expects that 100% (2022: 100%) of the transaction price will 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 earned within New Zealand.

The Group has two streams of revenue:

- Network 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. On 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 Company'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.

Electrical contracting revenue relates to the installation of streetlights, 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 is recognised on actual consumption and there is no longer a significant judgement 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

	2023 $'000	2022 $'000
Transmission charges	5,684	5,745
Total staff cost recognised as expense [1]	13,228	10,957
Other network related expenditure	3,495	2,431
Cost of inventories recognised as expense	1,908	1,247
Low value or short term leases not included in leases (Note 21)	44	20
Donations and sponsorships	357	400
Professional fees	2,466	2,984
Property expenses	620	553
Directors' fees and expenses	301	288
Gain on disposal of property, plant and equipment and software intangibles	(118)	(34)
Other expenses	1,432	806
Total	**29,417**	**25,397**

[1] The Lines Company applied for and received a wage subsidy of $32k (2022: $9k) from the Ministry of Social Development due to staff not being able to work as they had contracted COVID-19. The wage subsidy has been netted off against the total staff cost recognised as expense, in line with the Group's Government Grant accounting policy.

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 and expenses paid to auditors	**2023 $'000**	2022 $'000
Financial statements audit fee [2]	289	257
Regulatory audit fees	117	106
OAG fees	29	22
Total	**435**	**385**

[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)

	2023 $'000	2022 $'000
Interest on bank borrowings	2,873	2,393
Capitalised interest	(214)	(304)
Interest on lease liabilities	5	7
Interest on subordinated debentures	174	174
Interest income	(16)	–
Other interest expense, principally IRD Use of Money	–	6
Total	**2,822**	**2,276**

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 3.82% (2022: 3.13%).

Interest paid per the statement of cash flows

	2023 $'000	2022 $'000
Interest costs (net)	2,822	2,276
Less lease liability interest	(5)	(7)
Add capitalised interest	214	304
Net interest paid per the statement of cash flow	**3,031**	**2,573**

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		2023 $'000	2022 $'000
Profit before income tax from continuing operations		3,260	3,890
Profit before income tax from discontinuing operations	11.2	7,061	6,509
Profit before tax		10,321	10,399
Expenses that are non-deductible		137	242
Taxable profit		10,458	10,641
Income tax expense at 28%		2,928	2,980
Effect of prior period tax adjustment		228	(59)
Income tax expense		**3,156**	**2,921**
Effective tax rate (being total tax expense divided by profit before tax)		31%	28%
Current tax expense		5,020	5,916
Deferred tax expense		(1,864)	(2,995)
Income tax expense		3,156	2,921
Attributable to:			
Continuing activities		1,706	1,050
Discontinuing activities		1,450	1,871

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	1,392	6,210
Total tax expense for the year recognised in other comprehensive income	1,392	6,210

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 2023 is $21.0m (2022: $17.0m).

5. Operational profit before discontinuing operations

	2023 $'000	2022 $'000
Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Network	24,140	22,684
Network services	617	613
Corporate services	(6,998)	(6,546)
EBITDA [3]	**17,759**	**16,751**
Depreciation and amortisation	(11,677)	(10,585)
Earnings before interest and tax (EBIT)	**6,082**	**6,166**
Interest costs (net)	(2,822)	(2,276)
Profit before tax	**3,260**	**3,890**

[3] 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

	2023 $'000	2022 $'000
Cash at bank on hand	2,509	6,452
Total	**2,509**	**6,452**

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

	2023 $'000	2022 $'000
Trade receivables		
Trade receivables	1,840	3,310
Less loss allowance (note 24.2)	(225)	(88)
Balance at 31 March	1,615	3,222

Other receivables		
Unbilled network revenue	2,960	2,889
Prepayments	760	614
Balance at 31 March	3,720	3,503
Total trade and other receivables balance at 31 March	**5,335**	**6,725**

Ageing of trade receivables		
Current to 90 days	1,543	3,153
Greater than 90 days	297	157
Total	**1,840**	**3,310**

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

	2023 $'000	2022 $'000
Network stock	1,529	1,119
Total	**1,529**	**1,119**

Policies

Inventories are stated at average cost. Inventory is valued at the lower of net realisable value or cost.

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

9. Property, plant and equipment

	Land $'000	Buildings $'000	Network Distribution System $'000	Meters & Relays $'000	Plant & Vehicles $'000	Generation $'000	Right of use asset $'000	Total $'000
Gross carrying value								
At 31 March 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**
Assets reclassified to held for sale	–	–	–	(56,273)	(892)	–	(1,304)	(58,469)
Additions	–	61	6,516	6,590	1,239	–	–	14,406
Disposals	–	–	–	–	(361)	–	–	(361)
Reclassifications	–	–	–	(180)	180	–	–	–
Network revaluation	–	–	4,000	–	–	–	–	4,000
Capital works in progress movement	–	–	5,773	–	–	–	–	5,773
At 31 March 2023	**1,503**	**3,653**	**354,780**	**–**	**12,195**	**–**	**189**	**372,320**
Accumulated amortisation and impairment								
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**
Depreciation charge	–	92	9,421	5,116	1,298	–	250	16,177
Assets reclassified to held for sale	–	–	–	(27,553)	(381)	–	(429)	(28,363)
Reclassifications	–	–	–	(28)	28	–	–	–
Disposals	–	–	–	–	(355)	–	–	(355)
At 31 March 2023	**–**	**310**	**92,102**	**–**	**8,587**	**–**	**91**	**101,090**
Carrying amount (net book value)								
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**
At 31 March 2023	**1,503**	**3,343**	**262,678**	**–**	**3,608**	**–**	**98**	**271,230**
Carrying amount (cost model)								
At 31 March 2022	**159**	**760**	**182,385**	**27,398**	**4,032**	**–**	**1,223**	**215,957**
At 31 March 2023	**159**	**718**	**182,557**	**–**	**3,608**	**–**	**98**	**187,140**

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 $8.9m (2022: $3.4m) 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. Management had reviewed and market conditions and do not believe the carrying value of land and buildings materially differs to the book value.

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. Management have assessed current market trends and do not believe there is a material change in the valuation used at 31 March 2021.

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 $262.7m at 31 March 2023.

This value was within the valuation range ($262.6m–$285.3m), 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. The valuation was set at the lower end of the range due to the ongoing liquidation risk of Ruapehu Alpine Lifts Limited (RAL), a major customer of TLC.

Assumptions	Valuation midpoint assumptions adopted	Low	High	Valuation impact $'000s
				-$14,169
Network revenue	–	-5%	5%	+$14,169
				+$11,630
Discount rate	6.4%	-0.5%	0.5%	-$11,094

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	Customer Contracts $'000	Total $'000
Cost				
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**
Assets reclassified to held for sale	(4,061)	–	(10,661)	(14,722)
Additions	1,991	–	–	1,991
At 31 March 2023	**6,638**	**267**	**–**	**6,905**
Accumulated amortisation and impairment				
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**
Assets reclassified to held for sale	(1,487)	–	(5,977)	(7,464)
Amortisation charge for the year	1,423	–	1,296	2,719
At 31 March 2023	**3,875**	**–**	**–**	**3,875**
Carrying amount (net book value)				
At March 2021	3,550	267	7,521	11,338
At March 2022	**4,769**	**267**	**5,980**	**11,016**
At March 2023	**2,763**	**267**	**–**	**3,030**

Policies

Software is amortised on a straight line basis over their estimated useful life of 1–8 years. These include acquired computer software licence agreement which the Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run to run the software independently of the host vendor. In such cases the licence agreement is capitalised as software within intangible assets on the basis of the costs incurred to acquired and bring to use the specific software. All other acquired cloud-based computer software licence agreements are treated as service contracts and expensed.

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 acquisition in previous years. These are depreciated over thirteen years in line with the expected rate of decline in revenue.

11. Discontinued operations

11.1 Assets held for sale

	2023 $'000	2022 $'000
Property, plant and equipment (Note 9)	30,106	–
Intangible assets (Note 10)	7,258	–
Trade and other receivables	2,099	200
Deferred tax asset (Note 17)	362	
Total assets	**39,825**	**200**
Trade and other payables	1,095	–
Current tax liability (Note 16)	2,315	–
Provision for staff entitlements (Note 20)	983	–
Lease liabilities (Note 21)	987	–
Total liabilities	5,380	–
Assets held for sale	**34,445**	**200**

At 31 March 2023 Influx has been treated as an assets held for sale. A non-binding indicative offer was signed in March 2023 for the sale of Influx, with the view of completing the sale by 30 June 2023. The final share sale was executed on the 2 June 2023 with completion on the 30 June 2023. The fair value in the sale agreement less costs to sell are expected to exceed the carrying value.

Discontinued operations in the prior year relate to the Group's hydro stations.

Policies

Assets held for sale have been valued at the lower of fair value less cost to sell and its' carrying value.

11.2 Profit for the year from discontinuing operations

	2023 $'000	2022 $'000
Revenue	20,570	21,050
Operating expenses	(6,023)	(5,822)
EBITDA	**14,547**	**15,228**
Depreciation	(7,219)	(8,374)
EBIT	**7,328**	**6,854**
Interest costs	(267)	(345)
Profit before tax	**7,061**	**6,509**
Income tax	(1,450)	(1,871)
Profit for the year from discontinuing operations	**5,611**	**4,638**
Non-controlling interest from discontinuing operations	**(7)**	**26**
Total comprehensive profit from discontinuing operations	**5,604**	**4,664**

11.3 Net cash inflow from discontinuing operations

	2023 $'000	2022 $'000
Net cash inflow from operating activities	14,179	14,587
Net cash (outflow)/inflow from investing activities	(7,791)	10,158
Net cash outflow from financing activities	(16,266)	(2,777)
Net cash (outflow)/inflow from discontinuing operations	**(9,878)**	**21,968**

12. Dividends

	2023 $'000	2022 $'000
Dividends paid to WESCT	300	300

Dividends of $0.3m (2022: $0.3m) were paid to shareholders in the current year being 2.53 cents per share (2022: 2.53 cents).

TLC agreed with its shareholder to provide a network discount of $4.2m (2022: $4.1m) direct to eligible consumers (refer note 1). The discount was paid to consumers via retailers where consumers are not directly billed.

13. Investments

13.1 Investment in subsidiaries

		Ownership Interest	
Name	**Principal activity**	**2023 %**	**2022 %**
Influx Energy Data Limited	Meter and relay assets	100	100
Speedys Road Hydro Limited	Dormant	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.

14. Equity and reserves

14.1 Share capital

Shares

The total number of authorised and issued shares is 11,846,808 (2022: 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	**2023 $'000**	2022 $'000
Opening net asset/(liability)	1,588	(1,415)
Changes in fair value of hedging instrument recognised in other comprehensive income (OCI)	972	4,171
Deferred tax	(272)	(1,168)
Closing net asset	**2,288**	**1,588**

14.3 Revaluation reserve

	Network distribution system $'000	**Land & buildings $'000**	**Total $'000**
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**
Transfer from retained earnings	(942)	–	(942)
Revaluation increases	4,000	–	4,000
Deferred tax on revaluation	(1,120)	–	(1,120)
Total at 31 March 2023	**82,082**	**1,378**	**83,460**

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	**2023 $'000**	2022 $'000
Summarised statement of financial position		
Total current assets	–	3,953
Total non-current assets	–	–
Total assets	–	3,953
Total current liabilities	–	892
Total non-current liabilities	–	–
Total liabilities	–	892
Net assets	–	3,061
Accumulated non-controlling interest	**–**	**765**
Summarised statement of comprehensive income		
Revenue	–	385
Total comprehensive loss/(profit)	(28)	104
(Loss)/profit allocated to non-controlling interest	**(7)**	**26**
Dividends paid to non-controlling interest	**758**	**–**
Summarised statement of cash flows		
Cash flows from operating activities	(920)	706
Cash flows from investing activities	–	7,043
Cash flows from financing activities	(3,033)	(3,800)
Net (decrease)/increase in cash and cash equivalents	(3,953)	3,949

16. Current tax liability

	2023 $'000	2022 $'000
Opening balance	4,579	1,844
Tax payments and tax credits received	(6,066)	(3,181)
Liability transferred to held for sale	(2,315)	–
Current tax expense for the year	5,020	5,916
Closing balance	**1,218**	**4,579**

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 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**
Charged to income	(1,636)	–	(228)	(1,864)
Current liability transferred to held for sale	110	–	252	362
Charged to other comprehensive income	1,120	272	–	1,392
At 31 March 2023	**52,720**	**890**	**(27)**	**53,583**

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

	2023 $'000	2022 $'000
Bank Borrowings	74,500	79,133
Subordinated debentures:		
Waitomo Energy Services Customer Trust	1,000	1,000
North King Country Development Trust	2,000	2,000
	77,500	82,133
Disclosed in the financial statements as:		
Current borrowings	–	76,077
Non-current borrowings	77,500	6,056
Total	**77,500**	**82,133**

Reconciliation of net debt	Due within 1 year $'000	Due after 1 year $'000	Total $'000
Balance at 1 April 2021	**4,627**	**88,335**	**92,962**
Repayment of convertible note	(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 at 31 March 2022	**76,077**	**6,056**	**82,133**
Facility drawdown	–	74,500	74,500
Repayment of loans	(76,077)	(3,056)	(79,133)
Net debt as at 31 March 2023	**–**	**77,500**	**77,500**

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:	2023 $'000	2022 $'000
Westpac Corporation Limited		
Facilities expiring 1 February 2023	–	77,400
Facilities expiring 31 December 2022	–	8,000
Facilities expiring 31 August 2025	25,000	–
Facilities expiring 31 August 2027	25,000	–
China Construction Bank Limited		
Facilities expiring 31 August 2025	17,500	–
Facilities expiring 31 August 2027	17,500	–
Facilities expiring 31 August 2029	15,000	–
	100,000	**85,400**

On the 31 August 2022, the Group renewed its facilities. These facilities are now split equally between Westpac Corporation Limited (Westpac) and China Construction Bank Limited (CCB) an are on similar terms as the prior year.

Westpac and CCB hold a negative pledge deed between TLC and its subsidiaries. The negative pledge includes all obligations and cross guarantees between the guaranteeing subsidiaries.

The following bank covenants have been agreed to in the negative pledge:

- Leverage ratio (Total indebtedness/EBITDA for the 12 month period ending on that date)
- Coverage ratio — assets
- Coverage rate — EBITDA

These are reported six monthly to the banks. There have been no breaches of the covenants in the financial year (2022: 0).

Due to the sale of Influx, the Group's facility has been renegotiated. The facility limits will be reduced to $75m split equally between Westpac and CCB. Westpac and CCB have agreed to release Influx as a guaranteeing subsidiary. No other terms in the agreements will change. The Group forecasts to still meet the covenants into the foreseeable future.

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

Subordinated debentures

The WESCT debenture has a principal value of $1,000,000 and has fixed interest of 7.42% per annum (2022: 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 (2022: 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

	2023 $'000	2022 $'000
Trade creditors	3,015	3,270
Interest accruals	308	266
TLC discount accrual	2,016	2,340
Other payables and accruals	1,624	649
Total	**6,963**	**6,525**

Policies

Trade and other payables are:

- 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

	2023 $'000	2022 $'000
Opening balance	2,154	2,095
Accrued	803	1,533
Liability transferred to held for sale	(983)	–
Utilised	(431)	(1,474)
Total	**1,543**	**2,154**

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

	2023 $'000	2022 $'000
Lease liabilities		
Current	30	196
Non-current	74	1,090
Total lease liabilities	**104**	**1,286**
Opening balance	1,286	481
New lease entered into during the year	–	833
Liability transferred to held for sale	(987)	–
Interest on lease liabilities (note 3)	5	7
Cash outflow for leases	(200)	(35)
Total lease liabilities	**104**	**1,286**

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 3 years to 6 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

	2023 $'000	2022 $'000
Profit before tax	3,260	3,890
Interest costs (net)	2,822	2,276
Net profit before interest	6,082	6,166
Adjustments for non-cash items		
Depreciation and amortisation	11,677	10,585
Gain on disposal of property, plant and equipment and intangible assets	(118)	(34)
Movement in provision for doubtful debt	137	105
	17,778	16,822
Changes in net assets and liabilities		
Trade and other receivables	1,119	515
Contract assets and liabilities	(101)	(1,382)
Inventories	(410)	676
Trade and other payables	438	(434)
Provision for staff entitlements	(126)	25
Cash generated from operations	**18,698**	**16,222**

23. Capital Commitments, contingent assets and liabilities

Capital Commitments

The Group has capital commitments of $3.4m (2022: $5.9m) relating to metering and network assets.

Contingent assets

The Group has no contingent assets (2022: $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 Commerce Commission is finalising its decision around this investigation, and we have included expected costs into our operational budgets. No further financial impact is expected (2023: $0 million).

24. Financial risk management

Objectives

The Group manages financial risks by complying with the policies set by the Board.
The risks outlined in the policy include:

- Interest rate risk
- Credit risk
- Capital risk
- Liquidity risk

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 62% (2022: 58%) of the variable loan outstanding. The fixed interest rate of the swaps range between 0.75% and 5.12% (2022: 0.75% and 5.12%) and the variable rates of the loans between 4.87% and 5.43% (2022: 1.60% and 1.04%) above the 90-day bank bill rate which at the end of the reporting period was between 1.02% and 0.66% (2022: 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	**2023 $'000**	2022 $'000
Interest rate swaps		
Net non-current other financial asset	3,178	2,206
Mark to market fair value of interest rate swaps at 31 March	**3,178**	**2,206**
Notional amount	46,000	46,000
Maturity date	Jun 23 to Aug 27	Aug 22 to Aug 27
Hedge Ratio	1:1	1:1
Net non-current other financial asset/(liability) attributable to:		
Financial assets	3,178	2,455
Financial liabilities	–	(249)
	3,178	**2,206**
Change in fair value of outstanding hedging instruments	972	(4,171)
Change in value of hedge item used to determine hedge effectiveness	(972)	4,171
Weighted average hedged rate for the year	2.00%	2.78%

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.

	2023 $'000	2022 $'000
Impact on statement of comprehensive income		
- 1% change in interest rates	(205)	(239)
+ 1% change in interest rates	205	239
Impact on statement of financial position		
- 1% change in interest rates	(331)	(403)
+ 1% change in interest rates	331	403

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

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

Hedged ineffectiveness may occur due to:

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

There was no ineffectiveness during 2023 or 2022 in relation to interest rate swaps. The hedges are expected to be effective into the foreseeable future, based on forecasted debt levels.

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, the impact on cash and cash equivalents is deemed immaterial.

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 2023 and 31 March 2022 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.

On that basis, the loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows for both trade receivables and contracts assets:

31 March 2023	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	76%	
Gross carrying amount — trade receivables	1,543	297	**1,840**
Gross carrying amount — contract assets	–	–	–
Loss allowance	**–**	**225**	**225**

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	86	–	**86**
Loss allowance	**–**	**88**	**88**

The closing loss allowance for trade receivables as at 31 March 2023 reconciles to the opening loss allowances as follows:

	2023 $'000	2022 $'000
Opening balance	88	193
Increase in loss allowance recognised in profit and loss	148	128
Receivables written off during the year as uncollectible	(11)	(233)
Loss allowance closing balance	**225**	**88**

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 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 2023				
Derivative financial assets	–	3,178	–	3,178
Group 2022				
Derivative financial liabilities	–	(249)	–	(249)
Derivative financial assets	–	2,455	–	2,455

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

Financial instruments by category

2023	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Financial asset/ liability at fair value through profit and loss $'000	Total $'000
Cash and bank balances	2,509	–	–	2,509
Trade and other receivables	4,575	–	–	4,575
Other financial assets	–	–	3,178	3,178
Total financial assets	**7,084**	**–**	**3,178**	**10,262**
Trade and other payables	–	6,963	–	6,963
Contract liabilities	–	209	–	209
Lease liabilities	–	104	–	104
Borrowings	–	74,500	–	74,500
Total financial liabilities	**–**	**81,776**	**–**	**81,776**
2022				
Cash and bank balances	6,452	–	–	6,452
Trade and other receivables	6,111	–	–	6,111
Contract assets	86	–	–	86
Other financial assets	–	–	2,206	2,206
Total financial assets	**12,649**	**–**	**2,206**	**14,855**
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**

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 2023, the Group's strategy, which was unchanged from 2022, was to maintain an equity/assets ratio of not less than 40%.

The ratio at March 2023 and 2022 were as follows:	2023 $'000	2022 $'000
Average equity (including subordinated debentures)	178,293	161,877
Total assets at year end	321,256	321,144
Equity to Assets Ratio	**55.5%**	**50.4%**

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 2022 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 and is expected to be complied with in the future. These are disclosed in note 18.

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	6,963	–	–	6,963
Variable interest rate instruments	–	–	74,500	74,500
At 31 March 2023	**6,963**	**–**	**74,500**	**81,463**
Non-interest bearing	6,525	–	–	6,525
Variable interest rate instruments	–	79,133	–	79,133
At 31 March 2022	**6,525**	**79,133**	**–**	**85,658**

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:

	2023 $'000	2022 $'000
Total facility	100,000	85,400
Undrawn facility	25,500	22,533

The bank facilities may be drawn at any time and expiry dates are split in three tranches, subject to the continuance of satisfactory credit ratings.

	2023 $'000	2022 $'000
Facilities expiring 1 February 2023	–	77,400
Facilities expiring 31 December 2022	–	8,000
Facilities expiring 31 August 2025	42,500	–
Facilities expiring 31 August 2027	42,500	–
Facilities expiring 31 August 2029	15,000	–
	100,000	85,400

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

	2023 $'000	2022 $'000
Transactions with Waitomo Energy Services Customer Trust		
Dividends paid	300	300
Interest paid on subordinated debentures	74	74
Transaction with Maru Energy Trust		
Donations to Maru Energy Trust	150	212
Transactions with key management personnel		
Salary and other employee benefits	2,104	1,825
Short-term employee benefits	1,609	1,700
Post-employment benefits	47	51
Long-term employee benefits	447	74
Directors' fees and expenses	301	288
Transactions with Speedy's Road Trust		
Interest paid on convertible notes	–	25
Balances with related parties		
Maru Energy Trust Receivable	146	86
Subordinated debentures with Waitomo Energy Services Customer Trust	1,000	1,000

Mike Fox is the Chief Executive of The Lines Company Limited, and he is also a director of Speedys Road Hydro Limited (appointed 22 June 2022) and a trustee on Maru Energy Trust (appointed 6 May 2022). Bella Takiari-Brame is a director of Speedys Road Hydro Limited.

26. Subsequent events

The Group signed an agreement for the sale of Influx's shares on the 2 June 2023. The sale was finalised on 30 June 2023.

Due to the sale of Influx, the Group's facility has been renegotiated. The facility limits will be reduced to $75m split equally between Westpac and CCB. Westpac and CCB have agreed to release Influx as a guaranteeing subsidiary. No other terms in the agreements will change. The Group forecasts to still meet the covenants into the foreseeable future. Hedges are expected to remain effective based on forecasted debt.

Ruapehu Alpine Lifts Limited (RAL), a major customer of TLC has gone into liquidation after year-end. The financial position has been assessed and no adjustments are required due to the liquidation. Network assets (note 9) have been revalued to the lower end of the range due to the liquidation risk. All outstanding receivables (note 7) were provided for. Future financial impacts on the Group are being assessed but have not been quantified, due to uncertainty around the future of RAL.

There were no other subsequent events requiring recognition or disclosure.

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 three operating committees. The Remuneration & Culture 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.

Risk Management

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

Health and Safety

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

Treasury Management

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

Indemnification and Insurance of Directors

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

Information used by Directors

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

Interests Register

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

Statutory Information

1. Directors' remuneration

Directors' remuneration for The Lines Company of $296,035 (2022:$274,525) distributed as follows:

	Appointment date	Retirement date	2023	2022
Bella Takiari-Brame (Chair)	01 Dec 2019		87,643	60,753
Mark Darrow	01 Sep 2015	19 Oct 2021	–	50,078
Craig Richardson	01 Oct 2018		43,821	42,728
Andrew Johnson	08 Sept 2018		43,821	42,728
Mike Underhill	01 May 2021		43,821	39,120
Todd Spencer	01 May 2022		36,679	–
Fraser Jonker	01 June 2022		36,679	–
Douglas Troon	01 May 2021	30 Apr 2022	3,571	39,118
Total			**296,035**	**274,525**

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	✓	✓	
Todd Spencer	✓	✓	
Fraser Joker	✓	✓	
Marcus Paterson			✓
Mike Fox			✓

3. Directors' disclosures of Interest

Interests Register

Register of Directors' Interests as at 31 March 2023

Companies Act 1993, Section 189(1)(C)

Company	Nature
B Takiari-Brame	
Accident Compensation Corporation	Board Member
Ahuahu Group Limited	Director
Braemar Hospital Limited	Independent Director
Crown Infrastructure Partners Limited	Director
Influx Energy Data Limited	Director
Luana Limited	Managing Director
NZ Healthcare Investments Limited including subsidiary Asia Pacific Healthcare Group	Independent Director
Speedys Road Hydro Limited	Director
Te Nehenehenui Trust	Chair
Te Ohu Kai Moana Trustee Limited	Director/Shareholder
Te Ohu Kaimoana Portfolio Management Services Limited	Director
Te Putea Whakatupu Trustee Limited	Shareholder
Te Tiratu Iwi Māori Partnership Board	Board Member
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
D M Fergison Trustees Limited	Director
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 Labs Limited	Director
Lightwire Limited	Director
LondonGreen Limited	Director/Shareholder
Nicola Johnson Trust	Trustee
PDV Engineering Limited	Advisory Board
Scotts Epicurean (2022) Limited	Director
St Paul's Foundation Limited	Director
Stark Property Limited	Advisory Board
The Addison Business Trust	Trustee
The Lines Company Limited	Director
Waikato Anglican College Trust	Chair
Whesby Trust	Trustee

Company	Nature
C P Richardson	
AgriSea Seaweed New Zealand Limited	Chair Advisory Board
Autonomy Health (NZ) Limited	Director
Autonomy Health Limited	Director
Autonomy Health Pty Limited	Director/Shareholder
Autonomy Holdings Limited	Chair/Shareholder/Director/CEO
Barron Foundation Limited	Chair Advisory Board
Ed Collective Limited	Director
Faraday Holdings Limited	Director/Shareholder
Founders Capital (Australia) Pty Ltd	Director/Shareholder
Gaze Commercial Limited	Chair Advisory Board
Influx Energy Data Limited	Director/Chair Advisory Board
Monday Limited	Director/Shareholder
The Lines Company Limited	Director
Viva Ventures Limited	Director/Shareholder
M Underhill	
Electra and subsidiaries	Director/Chair Audit & Risk Committee
Electricity Authority	Consultant/Member Security & Reliability Council
Gas Industry	Facilitator
Herbert Gardens Limited	Director/Shareholder
Horowhenua Wind Energy Limited	Director
Influx Energy Data Limited	Director
Network Waitaki Limited	Director/Chair Risk Committee
The Lines Company Limited	Director
Wellington Water Ltd	Director
T Spencer	
Airshed Limited	Director
Coastguard Kapiti Coast Incorporated	Director
Contact Energy Limited	Shareholder
Goodwood Management Limited	Director
Influx Energy Limited	Director
The Lines Company Limited	Director
F Jonker	
Dairy Creek GP Limited	Director
Ecogas GP Limited	Director
Energy for Industry Limited	Director
F&L Investments Limited	Director
Greenpower New Zealand Limited	Director
Influx Energy Data Limited	Director
Invest South	Director
Jonkers Estate Limited	Director/Shareholder
Mainpower New Zealand Limited	Director
Mt Cass Wind Farm Limited	Director
Pioneer Energy Limited	CEO
Pioneer Generation Investments Limited	Director
Pulse GP Limited	Director
Southern generation GO Limited	Director
Wood Energy New Zealand GO Limited	Director

4. Employee Remuneration

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

	2023	2022
$500,000–$510,000	–	1
$370,000–$380,000	1	–
$360,000–$370,000	1	–
$310,000–$320,000	–	1
$270,000–$280,000	–	1
$240,000–$250,000	–	1
$200,000–$210,000	1	–
$190,000–$200,000	2	–
$180,000–$190,000	–	1
$170,000–$180,000	4	1
$160,000–$170,000	4	2
$150,000–$160,000	6	3
$140,000–$150,000	4	3
$130,000–$140,000	6	4
$120,000–$130,000	13	9
$110,000–$120,000	24	11
$100,000–$110,000	9	18
	75	**56**

Independent auditor's report

To the Readers of The Lines Company Limited's Group Financial Statements and Performance Information for the year ended 31 March 2023

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 (Pip) 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.

Our opinion

We have audited:

- the financial statements of the Group on pages 40 to 69, that comprise the statement of financial position as at 31 March 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 38.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; 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 2023.

Our audit was completed on 6 September 2023. 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, we comment on other information, and we explain our independence.

Basis for opinion

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

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

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

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

The Board of Directors are 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.

For the target information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- 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 4 to 37, 39, 70 to 74, and 79 to 80, 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 (including International Independence Standards) (New Zealand) (PES 1)* 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 and Information Disclosure assurance engagements, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

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

Glossary of Terms

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

Directory | Papatohu

as at 31 March 2023

The Lines Company Limited

Company number

578653

Directors

B L Takiari-Brame (Chair)
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

thelinescompany.co.nz