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Statement of comprehensive income

For the year ended 30 June 2025

Group (\$m)	Notes	2025	2024
Operating revenue	A1	986	930
Operating expenses	A3	(420)	(385)
Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments (EBITDAIF)		566	545
Depreciation, amortisation, asset write-offs and impairment	B1	(303)	(288)
Interest revenue		19	13
Interest expense	C6	(142)	(111)
Net profit before tax and changes in the fair value of financial instruments		140	159
Gain / (loss) in the fair value of financial instruments	D7	9	13
Net profit before tax		149	172
Income tax expense	A5	(42)	(82)
Net profit		107	90
Attributable to:			
Non-controlling interest		-	2
Owners of the parent		107	88

Group (\$m)	Notes	2025	2024
Other comprehensive income / (expense)			
<i>Items that will not be reclassified to profit or loss</i>			
Net gain / (loss) on credit spread changes on own debt	D7	1	(11)
<i>Items that may be reclassified to profit or loss</i>			
Net gain / (loss) on cash flow hedges	D7	(89)	(76)
Other comprehensive income / (expense)		(88)	(87)
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		(88)	(87)
Total comprehensive income / (expense)		19	3
Attributable to:			
Non-controlling interest		-	2
Owners of the parent		19	1

These statements are to be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2025

Group (\$m)	Notes	2025	2024
Current assets			
Cash and cash equivalents		673	118
Investments	E2	11	28
Trade receivables and other assets	E4	108	103
Derivative financial instruments	D6	16	107
		808	356
Non-current assets			
Trade receivables and other assets	E4	9	6
Derivative financial instruments	D6	254	91
NZPCL investment	E1	91	87
Property, plant and equipment	B1	5,622	5,324
Intangible assets	B2	426	407
		6,402	5,915
Total assets		7,210	6,271
Current liabilities			
Trade and other payables	E5	284	130
Tax payable		4	6
Deferred income	A2	1	1
Derivative financial instruments	D6	29	48
Provisions	E3	11	26
Borrowings	C4	894	301
Lease liabilities	C5	9	9
		1,232	521

Group (\$m)	Notes	2025	2024
Non-current liabilities			
Deferred income	A2	243	212
Derivative financial instruments	D6	32	21
Provisions	E3	35	34
Borrowings	C4	3,240	2,953
NZPCL debt	E1	92	88
Lease liabilities	C5	80	82
Deferred tax	A5	617	626
		4,339	4,016
Total liabilities		5,571	4,537
Equity			
Capital	C1	1,200	1,200
Retained earnings		471	477
Cash flow hedge reserve	D7	(31)	58
Non-controlling interest	E1	(1)	(1)
Total equity		1,639	1,734
Total funds employed		7,210	6,271

The Board of Directors of Transpower New Zealand Limited authorised these financial statements for issue on 28 August 2025.

For, and on behalf of, the Board



Michele Embling
Chair



Kevin Palmer
Chair of Audit & Risk Committee

These statements are to be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2025

Group (\$m)	Notes	Ordinary shares	Retained earnings	Cash flow hedge reserve	Owners of the Parent	Non controlling interest	Total
Equity at 1 July 2023		1,200	516	134	1,850	(3)	1,847
Net profit		-	88	-	88	2	90
Other comprehensive income / (expense)		-	(11)	(76)	(87)	-	(87)
Total comprehensive income / (expense)		-	77	(76)	1	2	3
Dividends paid	C3	-	(116)	-	(116)	-	(116)
Total equity at 30 June 2024		1,200	477	58	1,735	(1)	1,734
Net profit		-	107	-	107	-	107
Other comprehensive income / (expense)		-	1	(89)	(88)	-	(88)
Total comprehensive income / (expense)		-	108	(89)	19	-	19
Dividends paid	C3	-	(114)	-	(114)	-	(114)
Total equity at 30 June 2025		1,200	471	(31)	1,640	(1)	1,639

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement

For the year ended 30 June 2025

Group (\$m)	Notes	2025	2024
Receipts from customers		983	940
Interest received		19	13
Payments to suppliers and employees		(384)	(380)
Tax payments		(18)	(18)
Interest paid		(110)	(112)
Operating cash flows		490	443
Sale of investments		29	37
Purchase of property, plant and equipment and intangibles		(613)	(487)
Purchase of investments		(12)	(28)
Investing cash flows		(596)	(478)
Proceeds from bonds, term debt and commercial paper		1,103	667
Net collateral received / (paid)	E5	129	(9)
Dividends paid	C3	(114)	(116)
Payment of lease liabilities		(9)	(9)
Repayment of bonds, term debt and commercial paper		(448)	(776)
Financing cash flows		661	(243)
Net increase / (decrease) in cash flow		555	(278)
Cash at the beginning of year		118	396
Cash at the end of year		673	118
Cash comprises:			
Bank balances and on-call deposits		299	73
Restricted cash - bond and retention money		4	5
Short-term deposits with original maturity less than three months		370	40

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement reconciliation

A reconciliation of net profit to operating cash flows is provided below:

Group (\$m)	Notes	2025	2024
Net profit		107	90
Add / (deduct) non-cash items:			
(Gain) in the fair value of financial instruments		(9)	(14)
Depreciation, amortisation, asset write-offs and impairment		303	288
Deferred tax		26	66
Capitalised interest	C6	(13)	(7)
Movements in working capital items:			
(Increase) in trade and other receivables		(9)	(20)
Increase in trade and other payables, interest payable, and deferred income		90	38
(Decrease) in taxation payable		(2)	(2)
(Decrease) / Increase in provisions		(3)	4
Operating cash flows		490	443

Transpower Group information

Reporting entity

These financial statements are for Transpower New Zealand Limited (Transpower) and its subsidiaries (together, "the Group"). Transpower is a state-owned enterprise registered in New Zealand under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The Group is the owner and operator of New Zealand's national electricity grid and its operations are not considered seasonal or cyclical in nature.

Basis of preparation

Transpower's financial statements are prepared:

- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) and IFRS as appropriate for profit-oriented entities;
- in accordance with the requirements of the Financial Markets Conduct Act 2013 and the State-Owned Enterprise Act 1986;
- in millions of New Zealand dollars (NZD), unless otherwise noted;
- on a historical cost basis, except for certain investments and financial instruments held at fair value;
- exclusive of GST, with the exception of receivables and payables;
- using the same accounting policies for all reporting periods presented.

Material accounting estimations and judgements

Accounting estimates and information about judgements that have had a material effect on the amounts recognised in the financial statements are disclosed in the following notes:

i. Property, plant and equipment	B1
ii. Lease liabilities	C5
iii. Derivative financial instruments	D6

New accounting standards

All mandatory amendments and interpretations have been adopted in the current year. None have had a material impact on these financial statements.

New standards, interpretations and amendments not yet effective

The following standard has been issued by the New Zealand Accounting Standards Board, and is effective in future accounting periods:

NZ IFRS 18: Presentation and Disclosure in Financial Statements

The Group has elected not to early adopt this standard, which is effective from 1 July 2027. The standard is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The Group is currently assessing the impact of this standard on its financial reporting.

Non-GAAP measures

Transpower use non-GAAP measures that are not in accordance with NZ IFRS. These non-GAAP measures provide useful information to users of the financial statements to assist in understanding financial performance. These measures are also used internally to evaluate performance and have been consistently applied.

Non-GAAP measures included in these financial statements are:

- **EBITDAIF** – Earnings before interest, tax, depreciation, amortisation, asset write-offs, impairment and changes in the fair value of financial instruments. EBITDAIF adds back interest, depreciation, amortisation, asset write-offs and impairment to earnings before tax and changes in the fair value of financial instruments.
- **Net tangible assets per share** – The net tangible asset calculation divides tangible assets, being total equity less intangible assets, by the total number of shares on issue.

A: Financial performance

A1. Operating revenue

Group (\$m)	2025	2024
Transmission revenue		
Interconnection	751	732
Connection	130	121
EV (rebate)	(8)	(25)
Other regulated transmission	4	1
Insurance recoverable	-	5
Customer investment contracts	35	28
Undergrounding and transmission realignment	4	3
Other transmission	9	5
Total transmission revenue	925	870
Other revenue		
System operator	50	49
Other	11	11
Total other revenue	61	60
Total operating revenue	986	930

Description

Transmission revenue is regulated and set by the Commerce Commission (the Commission). It consists of charges for the transmission of electricity from the point of generation to the point of supply, being high voltage alternating current (HVAC) interconnection, connection and high voltage direct current (HVDC).

Customer investment contracts are entered into with customers to build grid connection assets.

Undergrounding and transmission realignment contracts are entered into with third parties to underground and/or realign certain transmission line assets.

System operator income relates to payments received to operate the electricity market.

Included in "Other revenue" is \$3m (2024: \$3m) subject to the Telecommunications Development Levy.

Accounting policies

The key revenue recognition criteria are as follows:

Transmission revenue and system operator revenue	On a monthly basis as services are delivered to customers.
Customer investment contracts	Assets built for customers, which are owned by Transpower, which provides services over the life of the asset, being the monthly transmission of electricity. Revenue is grossed up for an imputed interest expense and recognised over the expected life of the related customer assets, irrespective of contract durations, which can vary from up-front to 50 years.
Undergrounding and transmission realignment - Government	In accordance with NZ IAS 20 Government Grants, revenue is grossed up for an imputed interest expense and recognised over the life of the related transmission assets.
Undergrounding and transmission realignment - non-Government	Recognised at the time transmission assets are commissioned. The decommissioned transmission assets are then immediately written-off.
Wholesale market-related ancillary services, losses and constraint payments	Transactions are treated as "pass-through" and are not recorded in profit or loss. Pass-through occurs because Transpower is deemed to act only as an agent. Similarly, Transpower acts as agent relating to its natural gas and carbon market operations.
Insurance recoverable	Recognised when realisation is virtually certain.

A2. Deferred income

Group (\$m)	2025	2024
Customer investment contracts	198	168
Undergrounding and transmission realignment	42	41
Other	4	4
Total deferred income	244	213
Current portion	1	1
Non-current portion	243	212
Total deferred income	244	213

A reconciliation of deferred income as it relates to revenue is shown below for the two material categories:

Group (\$m)	2025		2024	
	Customer investment contracts	Undergrounding and transmission realignment	Customer investment contracts	Undergrounding and transmission realignment
As at 1 July	168	41	143	40
Advance payments from customers	54	1	44	1
Net revenue recognised in the year from				
Amounts included in the contract liability at the beginning of the year	(1)	-	(1)	-
Advance payments applied to current year	(23)	-	(18)	-
As at 30 June	198	42	168	41

A3. Operating expenses

Group (\$m)	2025	2024
Grid maintenance		
Substations maintenance - HVAC	59	61
Substations and cables maintenance - HVDC	16	16
Lines maintenance - HVAC	52	43
Lines maintenance - HVDC	4	2
Transmission-related rates	8	7
Other	9	9
	148	138
IST maintenance and operations		
Support and maintenance	19	18
Outsourced services	20	17
Licences	16	14
Other IST	2	2
	57	51
Other operating expenses		
Investigations	34	29
Ancillary service costs	6	4
Employee benefits	170	150
Capitalised salary costs	(40)	(33)
Salary transferred to investigations	(11)	(10)
Contractors and consultants	13	12
Industry levies	15	14
Insurance	9	9
Travel and vehicle costs	4	3
Other business support costs	15	18
	215	196
Total operating expenses	420	385

Description

Grid maintenance includes inspection, servicing and repair costs. Other grid maintenance expenses include maintenance support, communication systems costs and training for service providers and third parties.

Information Service Technology (IST) maintenance and operations expenses include system and software support, configuration and customisation of cloud-based service arrangements, software license fees and service lease charges.

Investigations include work conducted prior to the commencement of a capital project, updates to maintenance standards and demand-response costs.

Other business support costs include lease expenses relating to short-term leases and low-value assets, legal fees, office equipment and communications.

A4. Auditor's remuneration

Fees paid to Transpower's auditor (Ernst & Young) were \$981,000 (2024: \$854,000).

Group (\$000)	2025	2024
Audit and review of the statutory financial statements		
Year-end audit	567	538
Review of the half year financial statements	66	65
	633	603
Audit or review related services required by legislation to be provided by the auditors		
Independent assurance of Transpower's Trust deed requirements ¹	8	7
Reasonable assurance engagement on Risk Reinsurance Limited (RRL) annual solvency return	20	15
Annual regulatory disclosure assurance engagement	174	158
Independent review of Transpower's Greenhouse gas emissions inventory	64	-
	266	180
Other assurance services where there is discretion as to whether the service is provided by the auditor or another firm		
Assurance engagement		
Independent review of Transpower's commercial value financial model	12	20
Independent review of Transpower's Greenhouse gas emissions inventory	-	43
	12	63
Other services		
Acquisition of remuneration benchmarking reports ²	5	8
Climate related disclosure pre-assessment ³	65	-
	70	8
Total auditor's remuneration	981	854

1. Trust deed requirements include fees to review Directors' certificates in relation to debt held against one trust deed.

2. The provision of the remuneration benchmarking reports, which provide market-based sector information and no specific recommendations to Transpower, is not considered to impact on auditor independence.

3. Review of data and processes against requirements of NZCS1 and NZCS3 to prepare Transpower for future assurance requirements that will be required to be completed by the auditors.

A5. Taxation

Reconciliation to profit before tax

Group (\$m)	2025	2024
Net profit before tax	149	172
Income tax at 28%	42	48
Tax effect of:		
Removal of building depreciation	-	34
Total income tax expense	42	82
Comprising		
Current	16	16
Deferred	26	66

Description

There are no unrecognised deferred tax balances (2024: nil).

Accounting policies

Deferred tax arises from differences between the accounting and tax values of assets and liabilities, except where the initial recognition exemption applies.

For property, plant and equipment, deferred tax typically arises from the accounting book including capitalised interest, differences in depreciation rates between tax and accounting and the capital contribution rules.

Deferred tax assets and liabilities are offset only if there are legally enforceable rights to set off current tax assets against current tax liabilities and when they relate to the same taxable entity and taxation authority.

Imputation credits

The imputation credit balance at 30 June 2025 is \$10 million (2024: \$12 million).

Deferred tax

Group (\$m)	As at 1 July 2023	Recognised in profit or loss	Recognised in OCI	As at 30 June 2024	Recognised in profit or loss	Recognised in OCI	As at 30 June 2025
Property, plant and equipment	579	64	-	643	23	-	666
Fair value of net debt and derivatives	37	3	(34)	6	2	(35)	(27)
Deferred income	(1)	(2)	-	(3)	-	-	(3)
Dismantling provision	(6)	1	-	(5)	(1)	-	(6)
Other	(15)	-	-	(15)	2	-	(13)
Total deferred tax	594	66	(34)	626	26	(35)	617

A6. Segment performance

The Group’s segments are:

- **Transmission** – the transmission of electricity from the point of generation to the point of connection.
- **System operator** – operates the electricity market to dispatch generation to ensure the short term security of the New Zealand electricity system.
- **Other** – includes RRL, which provides insurance services for the Group, as well as revenue from energy market services and fibre lease services.

External revenue is derived from customers and assets based in New Zealand. The Group has no other reportable segments.

Group (\$m)	Transmission		System Operator		Other		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
External revenue	925	871	50	49	11	10	986	930
Capex	589	467	11	8	-	-	600	475

Major customers

External customers that contribute 10% or more of total Group revenue are:

Customer	% of Group Revenue	Segment
Vector Limited	20 (2024: 20)	Transmission
Powerco Limited	10 (2024: 10)	Transmission

B: Assets

B1. Property, plant and equipment

Group (\$m)	HVAC transmission lines	HVDC transmission lines	HVAC substations	HVDC substations and submarine cables	Communi- cations	Administration assets	Right-of-use lease assets	Work in progress	Total property, plant and equipment
At 30 June 2025									
Cost	3,323	183	3,484	959	515	259	161	288	9,172
Accumulated depreciation	(1,145)	(83)	(1,194)	(537)	(351)	(179)	(61)	-	(3,550)
Net book value	2,178	100	2,290	422	164	80	100	288	5,622
Comprising									
Opening net book value	2,122	102	2,115	416	168	56	105	240	5,324
Additions	3	-	6	1	-	-	7	549	566
Transfers from work in progress	143	3	263	31	23	37	-	(500)	-
Disposals	(2)	-	(2)	-	(1)	-	-	(1)	(6)
Depreciation	(89)	(5)	(91)	(26)	(26)	(13)	(12)	-	(262)
Impairment reclassification	1	-	(1)	-	-	-	-	-	-
Closing net book value	2,178	100	2,290	422	164	80	100	288	5,622
At 30 June 2024									
Cost	3,187	180	3,233	927	495	228	157	240	8,647
Accumulated depreciation	(1,065)	(78)	(1,118)	(511)	(327)	(172)	(52)	-	(3,323)
Net book value	2,122	102	2,115	416	168	56	105	240	5,324
Comprising									
Opening net book value	2,072	105	2,045	419	169	57	107	150	5,124
Additions	1	-	4	1	-	-	9	439	454
Transfers from work in progress	138	2	151	22	26	9	-	(348)	-
Disposals	(2)	-	(2)	-	(1)	-	-	(1)	(6)
Depreciation	(87)	(5)	(84)	(26)	(26)	(10)	(11)	-	(249)
Impairment reversal	-	-	1	-	-	-	-	-	1
Closing net book value	2,122	102	2,115	416	168	56	105	240	5,324

Land and buildings are contained within the above classes and have a net book value of \$306 million (2024: \$278 million).

The right-of-use assets primarily relate to the lease of fibre optic cables for Transpower's communication network and property leases for office buildings and IT data centres.

Depreciation, amortisation, write-offs and dismantling

Group (\$m)	2025	2024
Depreciation	262	249
Amortisation	32	34
Net impairment expense / (reversal)	-	(1)
Net loss on disposal	4	5
Dismantling expense	5	1
	303	288

Work in progress is split into the following classes:

Group (\$m)	2025	2024
HVAC transmission lines	64	37
HVAC substations	160	177
Communications	2	4
Other	62	22
	288	240

Capital Commitments

At 30 June 2025, Transpower has \$296 million of property, plant and equipment commitments (2024: \$274 million), of which \$267 million is due within one year of balance date (2024: \$274 million).

Accounting policies

Property, plant and equipment is initially measured at cost and subsequently stated at cost less accumulated depreciation and any impairment losses. Cost is determined by including all costs directly associated with bringing the assets to their location and condition for use. Finance costs incurred during construction are capitalised to the total cost of assets. Assets are transferred from work in progress to property, plant and equipment at cost as they become operational and available for use.

The carrying amounts of property, plant and equipment assets are reviewed annually for any indications of impairment. If any indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount for regulated assets is equal to the regulatory book value for revenue recovery purposes. There has been no impairment to the regulatory asset base for the year ended 30 June 2025 (2024: nil).

For unregulated assets, Transpower tests for indicators of impairment, such as deterioration in the credit worthiness of the customer, and any indicated factors in pricing the future cash flows Transpower expects to receive.

Depreciation

Depreciation of property, plant and equipment is on a straight-line basis. This allocates the cost, less any residual value, over an asset's estimated useful life. The residual value and useful lives are reviewed, and, if appropriate adjusted at each balance date. The estimated weighted average of useful lives is as follows:

HVAC transmission lines	58 years
HVAC transmission high voltage cables	45 years
HVAC transmission lines (tower painting)	15 years
HVAC substations	43 years
HVDC substations (including submarine cables)	28 years
HVDC transmission lines	55 years
Communication assets	15 years
Administration assets	16 years
Right-of-use assets	9-20 years

Key judgements and estimates

Transpower has exercised judgement in the following areas:

- Determining the estimated remaining useful lives of assets and whether any indications of impairment exist. Transpower uses assistance from independent engineers to determine useful lives. For transmission line assets, the proximity to the coastline is a key assumption.
- Whether or not an item is capital in nature and the appropriate component level of asset at which to depreciate.
- Determining the appropriate time to commission an asset and commence depreciation.
- Determination of whether or not a right-of-use asset exists through assessment of contractual arrangements.
- Where a lease contract contains options to extend or terminate the lease, consideration of the likelihood of exercising the options based on past practice.

B2. Intangible assets

Group (\$m)	Easements and right- to-access	Software and other intangibles	Work in progress	Total intangible assets
At 30 June 2025				
Cost	311	529	52	892
Accumulated amortisation	(8)	(458)	-	(466)
Net book value	303	71	52	426
Comprising				
Opening net book value	303	78	26	407
Additions	-	-	51	51
Transfers from work in progress	-	25	(25)	-
Amortisation	-	(32)	-	(32)
Closing net book value	303	71	52	426
At 30 June 2024				
Cost	311	508	26	845
Accumulated amortisation	(8)	(430)	-	(438)
Net book value	303	78	26	407
Comprising				
Opening net book value	304	90	11	405
Additions	-	-	36	36
Transfers from work in progress	-	21	(21)	-
Amortisation	(1)	(33)	-	(34)
Closing net book value	303	78	26	407

Capital commitments

At 30 June 2025, Transpower has \$8 million of intangible asset commitments (2024: \$1 million), all of which are due within one year of balance date (2024: \$1 million).

Description

The most significant right-to-access asset relates to the 2011 purchase of access rights to the Vector Tunnel in Auckland for \$50 million.

Accounting policies

The cost of acquiring a finite-life intangible asset is amortised on a straight line basis from the date the underlying asset is ready for use over the period of its expected benefit. Assets are transferred from work in progress to intangible assets at cost as they become operational and available for use. Easements are deemed to have an indefinite useful life and are tested for impairment annually. Certain easements have been donated by the Crown and are recognised at cost (nil) plus any direct cost associated with putting the easement in place.

The estimated useful lives are as follows:

Software	5-8 years
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Right-to-access asset	90 years
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Emissions units acquired are carried at cost less any accumulated impairments. For the year ended 30 June 2025, no impairment loss was recognised in relation to emissions units (2024: nil).

C: Funding

C1. Share capital

Transpower has 1,200,000,000 issued and fully paid \$1 ordinary shares (2024: same).

Under the State-Owned Enterprises Act 1986, Transpower's ordinary shares are held equally by the Minister of Finance and the Minister for State-Owned Enterprises.

C2. Net tangible assets per share

Group (\$m)	Note	2025	2024
Net assets / (equity)		1,639	1,734
Less intangible assets	B2	(426)	(407)
Total net tangible assets		1,213	1,327
Net tangible assets per share (\$)		1.01	1.11

Net tangible assets per share is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

C3. Dividends

Dividends declared and paid	2025		2024	
	(\$m)	cents per share	(\$m)	cents per share
Final dividend paid (2024:2023)	66	6	72	6
Interim dividend paid (2025:2024)	48	4	44	4
	114	10	116	10
Final dividend declared	72	6	66	6

On 28 August 2025, the Directors approved the payment of the final dividend of \$72 million. The dividend will be partially imputed and is expected to be paid on 22 September 2025.

C4. Borrowings

Facilities

The Group has three borrowings programmes. Under these programmes, the aggregate principal amount outstanding may not exceed the following:

Group (\$m)	Issuance currency	Foreign currency equivalent	NZ\$m	Utilised NZ\$m
Domestic medium term note programme	NZD	-	No set limit	1,300
Domestic commercial paper programme	NZD	500	500	174
Australian medium term note programme	AUD	1,000	1,080	840

Green financing

Transpower's Green Finance Programme ("The Programme") supports Transpower's commitment to achieve a net-zero carbon transmission grid. Transpower has achieved a Programmatic Certification with the Climate Bonds Standard.

The Programme covers both existing and future issuances of Transpower's borrowings instruments, the proceeds of which are allocated to finance or refinance Eligible Green Assets - Transpower's transmission lines and substations, key enabling infrastructure in supporting the increasing take up of renewable generation in New Zealand.

The following instruments, excluding the Domestic Commercial Paper, are all certified as Green Financing Instruments under the Programme.

Group (\$m)	Issuance	Maturity	Coupon (%)	2025	2024
Domestic Commercial Paper					
NZ Issue	NZ\$175	26-Aug-25	4.27	174	-
Domestic Bonds					
Bonds 2025	NZ\$125	06-Mar-25	3.82	-	125
Bonds 2025	NZ\$175	09-Jun-25	BKBM + 0.32	-	176
Bonds 2025	NZ\$450	04-Sep-25	1.74	451	433
Bonds 2026	NZ\$150	08-Apr-26	1.52	148	141
Bonds 2026	NZ\$200	08-Sep-26	2.05	198	189
Bonds 2026	NZ\$200	14-Sep-26	BKBM + 0.37	201	201
Bonds 2027	NZ\$200	16-Sep-27	4.63	207	201
Bonds 2028	NZ\$100	15-Mar-28	5.89	107	105
Australian Medium Term Notes					
AUD MTN 2028	AU\$200	29-Nov-28	4.98	223	220
AUD MTN 2030	AU\$300	30-Jun-30	5.23	338	340
AUD MTN 2032	AU\$270	12-Mar-32	5.00	302	-
Swiss Bonds					
CHF MTN 2027	CHF125	16-Dec-27	0.02	256	220
CHF MTN 2029	CHF160	16-Mar-29	0.04	326	278
CHF MTN 2030	CHF120	04-Feb-30	0.82	252	-
CHF MTN 2031	CHF150	21-Mar-31	1.35	323	277
CHF MTN 2033	CHF130	04-Feb-33	1.01	273	-
US Private Placement					
USPP 2026	US\$75	28-Jun-26	2.81	121	119
USPP 2026	US\$70	13-Oct-26	3.83	115	113
USPP 2028	US\$75	28-Jun-28	2.91	119	116

Group (\$m)	Issuance	Maturity	Coupon (%)	2025	2024
Carrying value of borrowings				4,134	3,254
<i>Comprising</i>					
Current				894	301
Non-current				3,240	2,953
The effective interest rate on borrowings, including the effect of all derivative financial instruments, was 3.71% (2024: 3.0%).					
Total debt, net of cash and short-term deposits held for the purpose of managing debt refinancing, maturing in the 12 month period is \$535 million (2024: \$208 million), within the \$750 million policy threshold. The contractual amount Transpower is required to repay is disclosed as "issuance" in the table above and may be greater than the fair value presented on the financial statements.					
Changes in borrowings				2025	2024
As at 1 July				3,254	3,292
Net cash borrowed / (repaid)				655	(109)
Non-cash change in fair value adjustment through P&L				299	57
Non-cash change in fair value adjustment through OCI				(1)	15
Other				(3)	(1)
As at 30 June				4,134	3,254

Fair value changes in the table above include foreign exchange movements. The cumulative change in fair value of debt that is attributable to changes in Transpower's own credit risk is a decrease of \$1 million (2024: increase of \$15 million).

Accounting policies

Debt is designated as fair value through profit or loss. Fair value movements relating to changes in Transpower's own credit risk are recognised through other comprehensive income.

Fair values of borrowings are determined by converting currency exposures and discounting cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of Transpower. These valuations are considered level two in the fair value hierarchy. There has been no movement between levels during the year.

C5. Lease liabilities

Group (\$m)	2025	2024
As at 1 July	91	91
Additions	7	9
Accretion of interest	3	3
Payments	(12)	(12)
As at 30 June	89	91
<i>Comprising</i>		
Current	9	9
Non-current	80	82

For the year ended 30 June 2025, \$2 million (2024: \$2 million) is included in operating expenses relating to short-term leases and low-value assets.

Total cash outflow for leases was \$15 million (2024: \$14 million).

Accounting policies

Lease liabilities are recognised based on the present value of the remaining lease payments, including lease renewals that are deemed reasonably certain to be exercised. Transpower uses the incremental borrowing rate at the lease commencement date to calculate the present value of lease payments.

Key judgements and estimates

Transpower has exercised judgement in the following areas:

1. Where a lease contract contains options to extend or terminate the lease, consideration of the likelihood of exercising the options based on past practice; and
2. Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

C6. Interest expense

Group (\$m)	2025	2024
Interest expense and associated fees	138	103
Capitalised interest	(13)	(7)
Lease interest	3	3
Imputed interest	14	12
	142	111

Description

Capitalised interest is based on Transpower's forecast weighted average cost of borrowing, being 3.31% for the period 1 July 2024 to 31 March 2025 and 5.08% for the period 1 April 2025 to 30 June 2025 (2024: 3.32%).

Imputed interest arises on deferred income and the unwinding of the discount of future cash flows related to provisions.

D: Financial instruments used to manage risk

D1. Financial risk management

Transpower's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, currency risk, credit risk, regulatory risk, climate change risk and insurance risk. The Board has established policies that provide an overall risk management framework.

Transpower manages capital to maintain its strong credit rating and to have sufficient capital available to meet its financing and operating requirements. Surplus equity is returned by way of dividends to shareholders.

Transpower's investment grade credit rating is Standard & Poor's AA (2024: AA).

A summary of the financial risks that impact the Group, how they arise and how they are managed is presented in this section:

Nature and exposure	Note	How the risk is managed
<p>Liquidity risk</p> <p>The risk the Group is not able to meet its financial obligations as they fall due. This might result from the Group not maintaining adequate funding facilities or being unable to refinance existing maturities.</p>	D2	<p>The Group's policy requires the total amount of debt, net of cash and short-term deposits held for the purpose of managing debt refinancing, maturing in any 12-month period to not exceed NZ\$750m, or up to NZ\$1bn with prior Board approval.</p> <p>In addition, the Group maintains access to committed funding facilities in excess of borrowings that mature in the next six months and cumulative anticipated operating cash flow requirements.</p> <p>At year end the Group has committed standby facilities split into two tranches of NZ\$250m each, maturing 31 December 2025 and 31 December 2026. These facilities have been undrawn since inception (2024: same).</p>
<p>Interest rate risk</p> <p>Transpower is exposed to interest rate risk through its borrowing at both fixed and floating interest rates. Changes in market interest rates expose the Group to changes in:</p> <p>a. future interest payments on borrowings subject to floating interest rates (cash flow risk); and</p> <p>b. the fair value of borrowings subject to fixed interest rates (fair value risk).</p>	D3, D6	<p>The Group uses interest rate derivatives to provide certainty of interest rates and costs during Regulatory Control Periods.</p> <p>The Group's policy sets minimum and maximum hedging parameters expressed as a percentage of forecast debt. Interest rate swaps and options are used to change the interest rate profile on existing and forecast debt and cross-currency interest rate swaps entered into.</p>
<p>Currency risk</p> <p>The Group is exposed to currency risk as a result of borrowings and operational transactions being denominated in a currency other than the Group's functional currency.</p>	D6	<p>Operational transactions:</p> <p>The Group uses foreign exchange contracts to manage foreign exchange risk on operational transactions in accordance with the Group's Treasury policy. Foreign exchange forwards are used to hedge the value back to New Zealand dollars.</p> <p>Overseas borrowings:</p> <p>The Group uses cross-currency interest rate swaps to manage foreign exchange risk on foreign currency borrowings. All interest and principal repayments are economically hedged. The combination of the foreign-denominated debt and cross-currency interest rate swaps results in a net exposure to New Zealand dollar floating interest rates and a fixed New Zealand dollar-denominated principal repayment. The New Zealand dollar floating interest rate risk is managed using the process described in the interest rate risk section above.</p>

Nature and exposure**Note****How the risk is managed****Credit risk**

Credit risk is the risk that a counterparty will default on its financial obligations. Transpower's credit risk arises from its investments, financial derivatives and accounts receivable.

D4

Cash and cash equivalents and financial derivative contracts:

Is managed by acquiring high quality credit from counterparties with a minimum long-term Standard & Poor's credit rating of A "stable" or better (or equivalent from Fitch or Moody's). In addition, establishing appropriate credit limits, which are constrained at 20% of Shareholders Funds. The Group's exposure and the credit ratings of its counterparties are continuously monitored to ensure the risk is spread among approved counterparties.

Regulated customers:

Transpower recovers the value of regulated transmission assets in accordance with the Commission input methodologies. The effect of the regulations are that a customer default would result in Transpower recovering any revenue shortfall from all other transmission customers.

Customer investment contracts:

Risk is minimised through applying credit limits and appropriate credit management practices, such as monitoring the size and nature of exposures and mitigating the risk deemed to be above acceptable levels.

Insurance risk

Insurance risk is the risk the Group is unable to acquire sufficient cover in the event of asset loss.

D5

Along with external insurance, Transpower operates a captive insurance company through its subsidiary Risk Reinsurance Limited (RRL). RRL maintains an investment portfolio to meet potential insurance claims.

Regulatory risk

Transpower is a natural monopoly that is regulated by the Commission and the Authority.

The Commission:

Transpower is regulated by the Commission under Part 4 of the Commerce Act and is subject to information disclosure and individual price-quality path regulation. Non-compliance could result in financial penalties of up to \$5m per breach. Via individual price-quality regulation, the Commission sets Transpower's allowed revenue and required service quality levels, including determining the rate of return that applies to the Group's regulated assets, base expenditure and approval of major capital projects. There is a risk that the rate of return set is too low to adequately compensate Transpower. The operating expenditure and base capital expenditure incentive is approximately 32% (24% in RCP3) on any over- or under-spend against the allowance. In addition, Transpower incurs financial rewards or penalties should it exceed or fail to meet some of its performance targets. The overall value of the service performance incentive is approximately +/- \$18m (+/- \$11m in RCP3) per annum.

The Authority:

Oversees and regulates the electricity market. There is a risk that errors by Transpower in its management and operation of the grid and power system could result in breaches of the Electricity Industry Participation Code, which would result in financial penalties of up to \$2m per breach and up to \$10,000 for every day or part of a day during which the breach continues. Additionally, the total liability for all such events within a financial year is capped at \$6m.

Regulatory risk is managed via continuous monitoring, monthly reporting, regular internal and external stakeholder engagement, and active Board and senior management oversight. Transpower's regulatory disclosures are subject to annual independent assurance and Transpower maintains a continuous dialogue with both the Commission and the Authority on regulatory matters.

An update of regulatory matters, developments and incentive performance is presented to management each month and Transpower management updates the Board on regulatory matters and major risks as and when required. This enables business decision-making with the most up-to-date regulatory context in mind.

Climate risk

Under our current regulatory settings, the extent of any underestimation of the frequency, severity and cost of remediating climate-related damage is an additional cost over and above the regulatory allowance for such repairs.

Transpower insures to cover ongoing business risks and catastrophic events based on what is considered prudent and in line with good practice. Additionally, the Commission has the capacity to reopen the price path following a catastrophic event.

D2. Liquidity risk

The effective net contractual cash flows in the table below are presented on an undiscounted basis. Where the amount payable/(receivable) is not fixed, the amount disclosed has been determined by applying the applicable swap curve to determine the expected future cash flows.

2025					
Group (\$m)	<1 year	1 - 2 years	2 - 5 years	>5 years	Total
Borrowings	993	591	1,620	1,244	4,448
Borrowings-related derivatives	26	2	247	(340)	(65)
Interest rate swaps (portfolio) - liabilities	(2)	-	-	-	(2)
Interest rate swaps (portfolio) - assets	19	23	9	-	51
Trade and other payables	284	-	-	-	284
Leases	12	12	32	55	111
Total contractual cash flows	1,332	628	1,908	959	4,827

2024					
Group (\$m)	<1 year	1 - 2 years	2 - 5 years	>5 years	Total
Borrowings	411	802	1,799	635	3,647
Borrowings-related derivatives	85	47	(42)	9	99
Interest rate swaps (portfolio) - liabilities	7	3	-	-	10
Interest rate swaps (portfolio) - assets	(109)	-	1	(1)	(109)
Trade and other payables	130	-	-	-	130
Leases	13	12	33	54	112
Total contractual cash flows	537	864	1,791	697	3,889

D3. Interest rate risk

Transpower groups its interest rate derivative financial instruments into two categories:

- **Borrowings related derivative** – Interest rate swaps and cross-currency interest rate swaps that relate directly to particular debt issues and convert from fixed to floating interest rates. These interest rate swaps and cross-currency interest rate swaps are entered into to mitigate the variability in interest costs as they align interest rate exposures to the Regulatory Control Period.
- **Portfolio derivatives** – Interest rate swaps that are not directly related to underlying borrowings and are used to manage the net exposure to interest rate risk in line with Board approved hedging policy and profile.

The notional and fair value of interest rate derivatives are below:

Group (\$m)	Currency	Maturity Date	2025		2024	
			Notional value	Fair value	Notional value	Fair value
Borrowings-related derivatives						
Interest rate swaps	NZD	2025 - 2028	1,100	(4)	1,225	46
Cross-currency interest rate swaps	AUD	2028 - 2032	840	(15)	542	(5)
	CHF	2027 - 2033	1,201	(197)	715	(41)
	USD	2026 - 2028	306	(41)	306	(32)
Portfolio derivatives						
Interest rate swaps	NZD	2025 - 2030	4,990	48	4,660	(97)
Total derivatives fair value (assets) / liabilities			(209)		(129)	

The table below summarises the impact on interest expense and fair value movements resulting from a parallel shift in the interest yield curve by 1%:

Group (\$m)	2025		2024	
	+100bp	-100bp	+100bp	-100bp
Movement in yield curve				
Impact on pre-tax profit and loss				
Interest expense (annual impact)	(6)	6	(5)	5
Fair value adjustments	9	(9)	8	(8)
Impact on other comprehensive income				
Fair value increase / (decrease)	168	(177)	46	(49)

D4. Credit risk

Financial derivative contracts

Credit risk arising from financial derivatives is minimised through the set-off provisions contained in the Group's International Swaps and Derivatives Association (ISDA) agreements.

The maximum credit exposure is the net mark-to-market valuation by counterparty where the net valuation is positive, as follows:

Group (\$m)	2025	2024
Cross-currency interest rate swaps	124	78
Interest rate swaps	-	83
Total	124	161

Regulated customers

Transpower's customers comprise electricity generators, distribution companies and some large industrial users. There is a high concentration of credit risk with respect to trade receivables due to the small number of significant customers. Collateral is held against some of these customers. At 30 June 2025, the collateral held was \$2.8 million (2024: \$0.1 million).

Receivables balances greater than 10% of the total trade receivables are:

Group	2025		2024	
	(\$m)	(%)	(\$m)	(%)
Vector Limited	21	21	20	21
Powerco Limited	11	10	9	10

Unregulated customers

The majority of unregulated credit exposure relates to electricity lines companies and electricity generators, most of whom remain financially stable.

There have been no customer defaults in 2025 (2024: nil).

D5. Insurance coverage

The Group maintains insurance cover through its captive insurance company RRL and external insurance companies. These policies are renewed annually in September.

RRL has assumed the following major insurance risks in 2025 (net of any excess payable) of \$49 million (2024: \$49 million):

Insurance policy

Group (\$m)	Amount Insured	Deductible	Externally insured risk	RRL Retained Risk
HVDC submarine cables	75	-	45	30
Material damage and business interruption	650	1	640	9
Transmission lines	10	-	-	10

D6. Derivative financial instruments

Transpower groups its derivative financial instruments into two categories:

Group (\$m)	2025		2024	
	Asset	Liabilities	Asset	Liabilities
Borrowings related derivatives				
Interest rate swaps (portfolio) - cash flow hedge accounted	-	(46)	108	(1)
Interest rate swaps (portfolio)	12	(11)	4	(60)
Cross-currency interest rate swaps	254	-	86	(8)
Purchasing related derivatives and hedge commitment				
Foreign exchange forward contracts	2	(2)	-	-
Commitment on fair value hedges	2	(2)	-	-
Total derivatives and hedge commitment	270	(61)	198	(69)
<i>Comprising</i>				
Current	16	(29)	107	(48)
Non-current	254	(32)	91	(21)

The interest rate swaps (portfolio) have an average contracted fixed interest rate of 3.73% (2024: 2.11%).

Accounting policies

Derivatives are initially measured at fair value on the date the contract is entered into and are subsequently remeasured to fair value. The gain or loss on remeasurement is recognised in the income statement, unless the derivative is designated into an effective cash flow hedge relationship as a hedging instrument, in which case the timing of recognition in the income statement depends on the nature of the designated hedge relationship. Transpower designates derivatives as either:

- Cash flow hedges**, where the derivative is used to manage variability in cash flows relating to recognised borrowings. The effective portion of changes in the fair value of cash flow hedges are recognised in other comprehensive income and accumulate in the cash flow hedge reserve. The ineffective portion of changes in the fair value of cash flow hedges is recognised immediately in the income statement in the change in fair value of financial instruments line. Amounts accumulated in other comprehensive income are reclassified to the income statement in the period when the hedged item is recognised in the income statement. Hedge ineffectiveness in the cash flow hedge accounting relationship can arise from movements in credit risk on hedging instrument counterparties. The Group uses the hypothetical derivative method to measure hedge accounting effectiveness, which compares changes in the fair value of the hedging instruments against changes in the fair value of the related hedged item.
- Fair value hedges**, where the derivative is used to manage the variability in the fair value of recognised assets and liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

All derivatives are classified as level two in the fair value hierarchy.

Key judgements and estimates

The fair value of derivatives is determined by converting currency exposures and discounting cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of the counterparty to the transaction or the credit risk of Transpower. These valuations are considered level two in the fair value hierarchy. There has been no movement between levels during the year.

Credit spreads are an estimate of the additional premium over the relevant yield curve that would be required by market participants to compensate for the perceived credit risk inherent in the counterparty and transaction. For derivative transactions, the impact of credit spreads is substantially lower than for debt and investment transactions due to the offsetting nature of the cashflows.

D7. Impact of derivatives on the income statement and equity

The tables below provide a breakdown of the change in fair value of financial instruments recognised in the statement of comprehensive income, credit spread on borrowings and a reconciliation of movements in the cash flow hedge reserve:

Group (\$m)	2025	2024
Change in fair value of financial instruments		
Hedged foreign currency purchase commitment	-	-
Foreign exchange forward contracts	-	-
Fair value hedges - gain / (loss)	-	-
Borrowings	(229)	(57)
NZPCL debt and investment	-	3
Cross-currency interest rate swaps	182	19
Interest rate swaps	56	47
Investments	-	1
Derivatives not designated as hedges - gain / (loss)	9	13
Total change in fair value of financial instruments in the income statement	9	13

The change in fair value of investment that is attributable to changes in the credit risk is a gain of \$0.3 million (2024: \$0.2 million).

The fair value movements in the table above do not include interest.

Credit risk components in other comprehensive income

Group (\$m)	2025	2024
Credit spread on debt		
Foreign debt	3	(11)
NZD debt	(2)	(4)
Gross fair value gain / (loss)	1	(15)
Less income tax benefit / (expense)	-	4
Total change in fair value of financial instruments in other comprehensive income	1	(11)
Reconciliation of movements in the cash flow hedge reserve		
As at 1 July	58	134
Effective (loss) on cash flow hedges recognised directly in the cash flow hedge reserve account	(124)	(106)
Income tax on change in cash flow hedge reserve	35	30
As at 30 June	(31)	58

E: Other disclosures

E1. NZPCL debt and investment

Group (\$m)	2025	2024
NZPCL - non-current investment	91	87
NZPCL - non-current debt	(92)	(88)
Net investment (debt)	(1)	(1)

Description

In November 2009, the Group partially terminated the 2003 cross-border lease in respect of the majority of the HVAC transmission assets in the South Island. As a result of the partial termination, the Group has consolidated a special-purpose vehicle, New Zealand Power Cayman 2003-1 Limited (NZPCL). NZPCL has a USD deposit with a financial institution and a USD loan from another financial institution. The cash flows from the deposit and loan offset. However, the deposit and loan are not offset for accounting purposes as the offsetting requirements are not met. No consideration was transferred. The loan to NZPCL is guaranteed by Transpower. This arrangement continues through to 2030.

As Transpower has no legal ownership interest in NZPCL, the net liabilities and any movements in net liabilities are recognised as a non-controlling interest. The substance of the transaction is such that Transpower rather than the non-controlling interest would be responsible for any shortfall between the value of the asset and the liability.

Accounting policies

NZPCL has a functional currency of US dollars and a presentational currency of New Zealand dollars.

The NZPCL debt and investment are recognised at fair value through profit or loss based on discounted cash flows.

The fair values of assets and liabilities are determined by discounting cash flows based on the relevant yield curves. Gains or losses on the NZPCL debt (including the effects of changes in the credit risk of the debt) is recognised in profit or loss to avoid accounting mismatch.

These valuations are considered level two in the fair value hierarchy.

E2. Investments

Group (\$m)	2025	2024
Deposits - RRL	-	15
Corporate bonds - RRL	11	13
Total current investment	11	28

The cumulative change in fair value of investments attributable to changes in the credit risk is nil (2024: nil).

Description

RRL invests premiums received from Transpower. RRL reinsures externally and maintains sufficient investments to meet expected claims. RRL does not offer insurance to external parties.

For RRL cash and bond holdings, the counterparties have maximum limits depending on their credit ratings. Investments in deposits, floating rate notes and corporate bonds were made in financial instruments issued by organisations with credit ratings of BBB or above. RRL counterparty exposures are limited to 10% of total assets or less, by individual counterparty, based on their credit ratings, and exposures are monitored on a daily basis.

Accounting policies

RRL investments are classified as fair value through profit or loss, due to RRL having an active investment programme to back insurance liabilities.

Fair value is established by using discounted cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of the counterparty to the transaction.

Deposits and corporate bonds are considered level two in the fair value hierarchy.

E3. Provisions

Group (\$m)	Contractors	Dismantling & environmental rehabilitation	Tower and line safety	Other	Total
As at 1 July	6	30	17	7	60
Provisions made during the year	3	4	-	5	12
Provisions used during the year	(8)	(9)	(2)	(1)	(20)
Provisions reversed during the year	-	(1)	(2)	(3)	(6)
As at 30 June	1	24	13	8	46
<i>Comprising</i>					
Current	1	4	3	3	11
Non-current	-	20	10	5	35

Description

Contractor provision

Certain arrangements with contractors contain performance based payments provided certain criteria are met, including a requirement that assets are free from defect and meet prescribed service levels.

Dismantling and environmental rehabilitation

Transpower recognises dismantling and environmental rehabilitation provisions for the expected costs to restore sites and remove asbestos from properties.

Tower and line safety

Transpower has provided for two work programmes to remedy high priority lines underclearance issues and earth potential rise issues on towers, due to health and safety requirements.

Other

Includes provisions for the performance incentive scheme, redundancy, Emissions Trading Scheme obligations and regulatory provisions where amounts can be reliably estimated.

Accounting policies

Provisions are measured at the estimated future cash flows to be paid when the obligations are settled and are discounted to their present value using a risk-free discount rate between 3.14% to 5.97% (2024: 4.42% to 5.37%).

E4. Trade receivables and other assets

Group (\$m)	2025	2024
Trade receivables	97	88
Prepayments	17	17
Inventory	3	4
Total trade receivables and other assets	117	109
<i>Comprising</i>		
Current	108	103
Non-current	9	6
Ageing of trade receivables		
Current	97	88
Past 31 days	-	-
	97	88

Description

No expected credit losses have been recognised during the year (2024: nil).

Accounting policies

Trade receivables are measured initially at fair value and subsequently at amortised cost.

The Group applies a simplified approach in calculating expected credit loss and does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit loss at each reporting date.

E5. Trade and other payables

Group (\$m)	2025	2024
Trade creditors and accruals	137	113
Employee entitlements	18	17
Collateral posted by counterparties	129	-
Total trade and other payables	284	130
<i>Comprising</i>		
Current	284	130
Non-current	-	-

Description

For those counterparties with which Transpower has a Collateral Support Agreement (CSA), the Group is required to post collateral to or receive from the counterparty when the net derivative position exceeds the maximum exposure threshold defined by the CSA.

Collateral is classified as a financing activity in the cash flow statement. All changes in the period are cash flows.

Changes in collateral posted by counterparties	2025	2024
As at 1 July	-	9
Collateral paid	(596)	(179)
Collateral received	725	170
As at 30 June	129	-

Accounting policies

Trade and other payables are measured initially at fair value and subsequently at amortised cost.

E6. Related parties

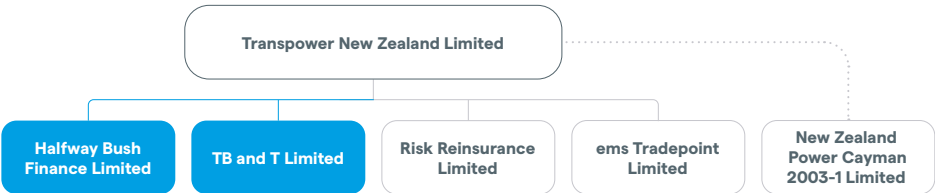
Group entities

The Group financial statements consolidate the financial statements of directly or indirectly controlled subsidiaries. All significant intercompany balances and transactions are eliminated on consolidation.

Other than as detailed below, all subsidiaries are wholly owned, are incorporated in New Zealand and have a balance date of 30 June. The Group discloses a non-controlling interest (NCI) relating to New Zealand Power Cayman 2003-1 Limited (NZPCL). NCI is measured as the NCI's share of net assets.

Transpower has no ownership interest in NZPCL. NZPCL is a special-purpose vehicle registered in the Cayman Islands and is consolidated for financial reporting, indicated by the dotted line in the diagram below. Refer to E1 NZPCL debt and investment for more detail.

At balance date, the Group's entities are as follows:



● Party to a cross-border lease over the majority of the South Island HVAC Assets

Transactions with key management personnel

Aside from compensation payments below, no transactions with key management personnel have been conducted.

Key management personnel compensation

Key management personnel received the following compensation for their services to the Group:

Group (\$m)	2025	2024
Directors' fees	1	1
Chief Executive and senior management team	6	7
Short-term employee remuneration	7	8
Defined contribution schemes	-	-

There were no termination payments or long-term compensation paid to key management personnel in 2025 (2024: nil).

Government-related transactions

As a state-owned enterprise, Transpower transacts with other government-related entities. Significant transactions and balances (greater than \$15 million) are as follows:

Group (\$m)	2025	2024
Meridian Energy Limited - revenue	72	68
Electricity Authority - revenue	51	50
Genesis Energy Limited - revenue	17	16

Meridian Energy Limited (Meridian) is a majority state owned company and is an electricity generator and retailer. Meridian pays Transpower primarily for electricity transmission.

The Electricity Authority is an independent Crown entity responsible for regulating the New Zealand electricity market. The Electricity Authority pays Transpower a contracted fee for its role as system operator.

Genesis Energy Limited (Genesis) is a majority state owned company and is an electricity generator and retailer. Genesis pays Transpower primarily for electricity transmission.

Transpower also settles its income tax and indirect tax obligations with Inland Revenue.

Some Directors of the company may be Directors or officers of other companies or organisations with which Transpower may transact.

E7. Contingencies

(i) Guarantees

New Zealand Power Caymans Limited (NZPCL)

In November 2009, the Group partially terminated the 2003 cross-border lease in respect of the majority of the HVAC transmission assets in the South Island. As a result of the partial termination, Transpower has consolidated a special-purpose vehicle, NZPCL.

NZPCL has a USD deposit with a financial institution and a USD loan from another financial institution. The cash flows from the deposit and loan offset. No consideration was transferred. The loan to NZPCL is guaranteed by Transpower.

The substance of the transaction is such that Transpower would be responsible for any shortfall between the value of the asset and the liability, rather than the non-controlling interest. The likelihood of losses in respect of these matters is considered to be remote.

Borrowings

Transpower has given a negative pledge covenant to debt holders of Transpower’s domestic bonds and bank debt through trust deed arrangements and to holders of Swiss bonds, United States Private Placement and Australian Medium Term notes through respective debt documents. The terms are such that, while any debt issued remains outstanding, Transpower will not, subject to certain exceptions, create or permit to exist, any charge or lien over any of its assets.

Capacity Reservation Agreement (CRA)

In Dec 2024, the Group entered into a Capacity Reservation Agreement with Prysmian Powerlink S.r.l. for the manufacture and installation of submarine HVDC cables in 2032. The CRA reserves the cable manufacturing, the ship required for transport, and the experts to install the cable. The CRA also required Transpower to provide a financial guarantee, to support future cash payments under specific circumstances. The possibility of such an outflow occurring under the CRA is considered unlikely.

(ii) Economic Value (EV) account

Transpower operates its revenue-setting methodology within an EV framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. Under the Commission regulations, Transpower is required to pass onto, or claim back from customers, the customer balance at the end of RCP2 (31 March 2020). This balance was spread evenly over the 5 years of RCP3 from 1 April 2020 to 31 March 2025. The Commission set the undiscounted amount to be returned by Transpower to its customers in RCP3 at \$18 million per annum based on the forecast closing balance at end of RCP2, which over-returns the actual customer balance by \$7 million (discounted). That over-return will be recovered from customers during RCP4.

The closing EV account balance represents the total amount that will be recovered from (positive) or returned to (negative) customers. The balance will be evenly recovered or returned, as applicable, in each year of the following regulatory period.

The table below provides the movements in EV account balance for the disclosure year ended 30 June 2024, as shown in the published regulatory disclosure of the annual compliance statement 2023-24. The 2024-25 statement will be published in October 2025.

Group (\$m)	Total
Opening EV account balance (1 July 2023)	80
Interest on opening balance	3
Returned / (recovered) during year	18
To be recovered from / (paid to) customers in RCP4	5
Closing EV account balance (30 June 2024)	106

(iii) Environmental hazards

Transpower has a programme of identifying, mitigating and removing environmental hazards such as asbestos at its sites. The cost of mitigating and/or removing identified hazards will vary, depending on the particular circumstances at the site. Where a reasonable estimate of the cost of mitigating or removal of a hazard can be made, a provision has been established.

(iv) Various lawsuits, claims and investigations

Various other lawsuits, claims and investigations have been brought or are pending against the Group. The Directors of Transpower consider that such claims are addressed in the normal course of business and are only provided for when there is clear evidence that the Group has a present obligation. At this stage, the Directors cannot reasonably estimate the adverse effect (if any) on the Group if any of the foregoing claims are ultimately resolved against the Group's interests.

E8. Subsequent events

On 27 June 2025, a state of emergency was declared in Nelson and the Tasman region due to heavy rain and flooding. The state of emergency was lifted on 17 July 2025, following which a full review of our assets has been completed, which confirmed that a number of our assets have been affected. These assets will require repair to ensure they continue to operate safely. The financial impact of the remediation is estimated to be between \$6 and \$8 million.

On 31 July 2025, Transpower issued senior, unsecured, three-year Green Floating Rate Notes and five-year Green Bonds to domestic investors for a total of NZ\$225 million. The proceeds have been notionally allocated to existing electrical grid related assets and projects that meet the eligibility criteria set out in Transpower's Green Financing Framework.

On 28 August 2025, the Directors approved the payment of the final dividend of \$72 million. The dividend will be partially imputed and is expected to be paid on 22 September 2025.



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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TRANSPOWER NEW ZEALAND LIMITED'S GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

The Auditor-General is the auditor of Transpower New Zealand Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Sam Nicolle, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 107 to 134, that comprise the consolidated statement of financial position as at 30 June 2025, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Basis for our opinion

We conducted 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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

In addition to the audit we have carried out assignments in the areas of other assurance services, agreed upon procedures, remuneration benchmarking and non-GHG climate disclosure related pre-assessment services, which are compatible with those independence requirements. Other than in our capacity as auditor and these assignments, we have no relationship with, or interests in, Transpower New Zealand Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of the material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Regulated assets

Why significant	How our audit addressed the key audit matter
<p>The Group's regulated assets (consisting of property, plant and equipment, intangible assets and associated capital work in progress) represent 84% of total assets at 30 June 2025.</p> <p>Judgements required to be made by management in relation to the accounting for regulated assets include:</p> <ul style="list-style-type: none"> - Determining what costs ought to be capitalised; - Determining the appropriate time to commission an asset and commence depreciation; - The period over which regulated assets should be depreciated; and - Whether there are any regulated assets that ought to be impaired and if so the amount of that impairment. <p>Transpower reviews regulated assets for indicators of impairment at each reporting date.</p> <p>As described in Note B1 the recoverable amount of regulated assets is generally their regulatory book value. Regulatory book value is the amount Transpower is able to recover from customers through future revenue under the terms of the regulations per Part 4 of the Commerce Act 1986.</p> <p>Transpower allocates its regulated assets between cash generating units and compares the carrying amount against the regulated book value to identify possible indicators of impairment.</p> <p>Disclosures regarding regulated assets are included in Notes B1 and B2 to the consolidated financial statements.</p>	<p>In obtaining sufficient appropriate audit evidence we:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of a sample of capitalised costs against the criteria contained in NZ IAS 16 <i>Property, Plant and Equipment</i> and NZ IAS 38 <i>Intangible Assets</i>. - Tested a sample of assets commissioned in the period to consider whether depreciation was charged from the appropriate date. - Considered a sample of capital work-in-progress project balances to determine whether they ought to have been commissioned and depreciated as at 30 June 2025. - Considered how Transpower has assessed the assumed asset useful lives that are the basis on which depreciation has been charged. - Assessed cash generating units identified against the requirements of NZ IAS 36 <i>Impairment of Assets</i> and the allocation of regulated assets between cash generating units. - Tested management's identification of differences between the financial statement carrying amounts and regulatory book values at 30 June 2025 and considered the reasons for such differences. - Independently considered the completeness of management's assessment of indicators of impairment with reference to NZ IAS 36 <i>Impairment of Assets</i>. - Assessed whether the Group's disclosures in Notes B1 and B2 of the consolidated financial statements in relation to regulated assets comply with NZ IAS 16 <i>Property, Plant and Equipment</i>, NZ IAS 38 <i>Intangible Assets</i> and NZ IAS 36 <i>Impairment of Assets</i>. <p>We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.</p>



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Debt and derivatives

Why significant	How our audit addressed the key audit matter
<p>Transpower has significant debt and derivative financial instruments. The total debt and derivative portfolio at 30 June 2025 was a net liability position of \$4.1b and is detailed in Notes C4 and D6 to the consolidated financial statements.</p> <p>Some, but not all, of Transpower's derivatives used to hedge the Group's interest rate exposure are designated into hedging relationships for accounting purposes.</p> <p>Debt and derivatives are both recorded at fair value.</p> <p>Movements in the fair value of debt and related derivative financial instruments impact profit or loss, or the cash flow hedge reserve where the derivative is in a designated hedge relationship.</p> <p>The valuation of these instruments involves the application of valuation techniques which require the exercise of judgement and the use of estimates as described in Notes C4 and D6 to the consolidated financial statements.</p>	<p>In obtaining sufficient appropriate audit evidence we:</p> <ul style="list-style-type: none"> - Obtained counterparty confirmations for all debt and derivatives at 30 June 2025. - Performed independent valuations for a sample of debt and derivative instruments. - Assessed the Group's documentation of hedging relationships against the requirements of NZ IFRS 9 <i>Financial Instruments</i>. - Assessed the Group's analysis of the effectiveness of its hedging relationships in achieving offsetting changes in the fair values of the hedging instrument and the hedged item. - Assessed the appropriateness of accounting adopted for derivative instruments dependent on whether they were designated in hedging relationships or not. - Assessed the disclosures in the financial statements, including whether they appropriately reflected the Group's exposure to financial instrument risk with reference to NZ IFRS 7 <i>Financial Instruments: Disclosure</i>. <p>We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.</p>

Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises all information in the Integrated Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.



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Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these consolidated financial statements.

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. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of the use of the going concern basis of accounting by the 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 consolidated financial statements 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

A handwritten signature in blue ink, appearing to read 'Sam Nicolle'.

Sam Nicolle
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand
28 August 2025