



 **PowerNet**

88 Charlotte Street

Visitors →

 **PowerNet**

# ANNUAL REPORT

2021



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# Directory

PowerNet Limited  
251 Racecourse Road  
PO Box 1642  
Invercargill 9840  
New Zealand

Telephone: 03 211 1899  
Website: [www.powernet.co.nz](http://www.powernet.co.nz)  
Email: [powernet@powernet.co.nz](mailto:powernet@powernet.co.nz)

## **Principal Bankers**

ANZ Bank New Zealand Ltd

## **Auditors**

PricewaterhouseCoopers,  
Christchurch

## **Solicitors**

AWS Legal

## **Materials Procurement and Management**

Corys Electrical Ltd

In **2020-21**

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Net Profit after tax  
**\$2.05 million**

Capital Expenditure

**\$47.7 million**

**\$27.1 million**

Maintenance Expenditure

**309**

No. of Employees

Turnover

**\$197.3 million**

On behalf of our stakeholders **We Manage**

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**\$665 million**

in Electricity Distribution Assets (Regulatory Value)

Transformers

**16,115**

Zone substations

**74**

Lines and cables  
**14,162 kms**

Customers

**72,764**

**Investments** in wind and hydro-electricity

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**\$76 million**

Renewable Generation Assets

**52.2MW**

Total Generation Capacity

# Our Highlights...

## 1 Working Through COVID-19

Our teams showed **immense resilience** and **commitment** in responding to the COVID-19 pandemic. As an essential service, PowerNet teams adhered to COVID-19 safety precautions as they proudly delivered safe, efficient and reliable power to southern New Zealand during lockdown levels.

## 2 Strengthening Partnerships

**Strengthening stakeholder and community partnerships** is a vital element of our business. We've cemented our partnership with Corys Electrical (Corys) at our new Balclutha depot site, strengthened our contract with the Southland District Council to deliver services to the Stewart Island Electrical Supply Authority, and expanded our sponsorship of St John to become principal sponsor of mental health first-aid training and the St John Whātua te Waiora Weaving Wellness Programme in the southern region.

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## 3 Staying Innovative

**Innovating is part of our culture.** We're working on commercialising key inventions — sharing the benefits with the wider electricity distribution sector. These innovations include equipment called a pole grab (to make working with poles safer), and a software billing solution (PowerNet Connect) to support customer management. PowerNet also has other innovations close to commercialisation.

## 4 Investing in Diversification

PowerNet's two shareholders Electricity Invercargill Limited and The Power Company Limited, continues to diversify and **grow their renewable generation portfolio** complementing existing electricity industry investments. Through the Southern Generation Partnership, the new **Matiri hydro scheme** near Murchison was commissioned in March 2021.

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## 5 Investing in Local Communities

Our **two new purpose-built depots** at Balclutha on the OtagoNet network and Lumsden on The Power Company Limited network are now operational. Both provide high-quality work environments and support our shareholders' investment in local communities.

## 6 Assessing Our Performance

2020-21 was the first year of the Commerce Commission's new five-yearly DDP3 regulatory framework. We **met all targets for planned outages** (based on a five-yearly assessment) and **all annual limits for unplanned outages** for the three Electrical Distribution Businesses (EDBs) under management.

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## 7 Working For Our People

Quality management of electricity assets is what we do. Through our new Business System Development programme, we're refining our work processes to **achieve greater consistency and measurability - working smarter** for our colleagues and customers, and **ensuring long term management of the asset base.**

## 8 Health and Safety Priorities

Workplace health and safety continues to be a business priority and a critical success factor. This year we **reintroduced live-line work** based on EEA guidelines, a robust approval process and ongoing management.

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## 9 Supporting Our Leaders

We're proud to support our leaders and teams with programmes that equip them with the tools and skills they need to do well. These programmes include **Leading with Courage** and our successful **Psychological First-Aid Programme.**

# About PowerNet

## Who We Are

At PowerNet Limited (PowerNet) we're passionate about delivering safe, efficient and reliable power to our communities, and about adding value for our stakeholders. We're New Zealand's fourth largest electricity management company. We manage most of the electricity assets in southern New Zealand. It's a responsibility we're proud to have.

## What We Do

We build, maintain and manage assets across Southland, West Otago, Queenstown-Lakes, Central Otago and Stewart Island on behalf of electricity network owners—The Power Company Limited (TPCL), Electricity Invercargill Limited (EIL), OtagoNet Joint Venture (OJV), Electricity Southland Limited (ESL) and the Southland District Council-owned Stewart Island Electrical Supply Authority (SIESA). We proactively identify opportunities to enhance investment outcomes for shareholders and monitor and manage these investments. We're jointly owned (50-50) by TPCL and EIL.



# Our Vision

Safe | Efficient | Reliable  
Power to Communities

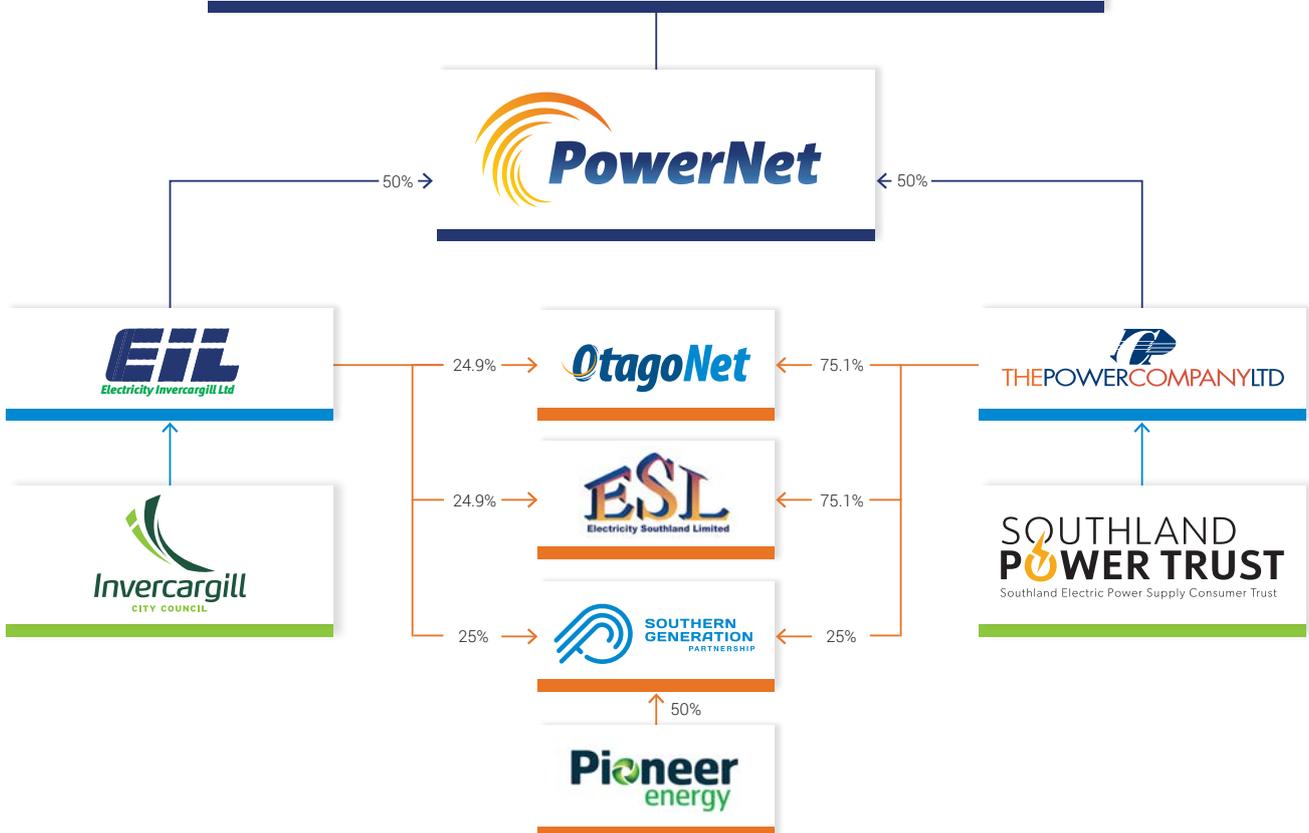
### Critical Success Factors

- Safety Always
- Customer Focus
- Continuous Improvement
- Passionate and Empowered People
- Courageous Leadership

### Values

- Up front and honest
- Make a difference
- Do it once, do it right
- Back each other
- Take positive action

## Company Structure



# Electricity Assets we manage



We manage electricity assets for The Power Company, Electricity Invercargill, OtagoNet Joint Venture and Electricity Southland.

#### The Power Company (TPCL)

TPCL has a proud history of innovation in the south. It owns electricity network assets across the Southland area, excluding Invercargill City and Bluff, and is the largest electricity network PowerNet manages. Consumers connected to the TPCL network are its owners and the Southland Electric Power Supply Consumer Trust (Southland Power Trust - SPT) exercises ownership rights on their behalf. TPCL is one of New Zealand's best performing predominantly rural networks.

#### Electricity Invercargill (EIL)

EIL owns electricity network assets in Invercargill City and the Bluff area. It is wholly owned by the Invercargill City Council through its subsidiary, Invercargill City Holdings Ltd (ICHL). The EIL network is ranked by the Commerce Commission as one of the most reliable and efficient networks in New Zealand.

#### OtagoNet Joint Venture (OJV)

OJV is the major electricity network services provider for most of Otago. The joint venture is owned by TPCL and EIL. The regulated OJV network also includes the Electricity Southland Ltd network in the Frankton, Cromwell and Wanaka areas.

#### Electricity Network Areas

	The Power Company		OtagoNet Joint Venture
	Electricity Invercargill		Electricity Southland
	Stewart Island Electricity Supply Authority		

# Chief Executive and Chair's Report

The COVID-19 pandemic has made 2020-21 an extraordinary year.

The remarkable resilience and steadfast commitment of our people has carried us through this difficult time. In the face of COVID-19 challenges, we have achieved our business goals for 2020-21.

We especially thank our talented PowerNet teams for their dedication, hard work and collaboration as we managed our way through COVID-19 challenges. Whatever the circumstances, we delivered excellent service, supplying safe, efficient and reliable electricity to our communities, and progressed our business objectives.



Jason Franklin | Chief Executive



Don Nicolson | PowerNet Chair

## Future-Proofing for Growth

Over 2020-21 we've continued to future-proof the networks we manage, bringing long-lasting benefits to communities and businesses across Southland and Otago.

Much of our activity has been on projects to maintain and improve service levels and enhance network capacity. On the TPCL network, our upgrade of the transformers and switchgear at the Gorge Road Zone substation strengthened the reliability of the local electricity supply and improved capacity. We also began upgrading the Athol 5 feeder supplying the Kingston area, and installed a second 33kV line to Kennington Zone substation, increasing network security for commercial customers.

We've designed and constructed a new 33kV and 11kV supply from the Colyer Road Zone substation to a new substation at Open Country Dairy, all part of a \$4.3 million project to supply electricity to Open Country Dairy's nutrition plant and boiler.

On the EIL network, as part of a two-year substation upgrade, we replaced the southern substation switchboard. The whole project significantly strengthens the substation and improves its resiliency should a major seismic event occur, and increases its capacity. All EIL zone substation sites have now been seismically strengthened to secure supply if a major earthquake occurs.

PowerNet is proud to be supporting the redevelopment of Invercargill's central business district (CBD) on the EIL network. We're preparing to build a new substation to supply the area, and to connect the Langlands Hotel to the electricity network. Where needed, we're also taking the opportunity to upgrade existing underground infrastructure to increase security of supply.

In 2020-21 we've continued important capital upgrade work on the OJV network, replacing lines and poles as needed.

We've consolidated our presence in South Otago with the opening of the new purpose-built \$8.5 million PowerNet Balclutha facility. This redevelopment anchors PowerNet's operations in South Otago. It includes a modern workshop and office space, and is an excellent base for regional service delivery. The site also houses a Corys branch, sustaining our long-term partnership with Corys working with us to deliver excellent high-quality outcomes for the South Otago community.

Over in northern Southland, we've built a fit-for-purpose depot in Lumsden which is now fully operational. This supports the \$27.3 million investment extending TPCL's 66kV electricity network across northern and central Southland.

These investments in advanced facilities are important for our teams and local communities, providing the safest possible work environments, enabling excellent service delivery, and demonstrating both PowerNet and our shareholders' long term commitment to the south.

We've continued to invest in new residential and commercial developments in the high-growth Queenstown-Lakes and Wanaka areas on the Electricity Southland network. As population increase generates subdivision and amenity growth, we're installing large-scale network infrastructure to service both commercial and residential developments. In addition to the Queenstown and Wanaka network assets, we have now established a presence in Cromwell.

## During the COVID-19 restrictions you will still see our PowerNet teams working in the community ensuring power supply is maintained.

PowerNet is an essential service and will be responding to all faults and carrying out critical and essential maintenance on our networks. In order to provide a reliable supply of electricity, PowerNet teams may need to temporarily turn your power off to complete essential maintenance. We will let you know in advance when your power needs to be turned off and when it will go back on so you can plan your day. Our teams are dedicated and committed to ensuring safe, efficient and reliable power supply to our communities.

Please contact PowerNet on 0800 808 587 if you have any issues with your supply and keep an eye on our Facebook page and website for any updates at [powernet.co.nz](http://powernet.co.nz).



Safe | Efficient | Reliable - Power to Communities

*A COVID-19 response message.*

### New Energy Solutions

We've always looking to the future and exploring new energy solutions. Our first off-the-grid remote area power supply (RAPS) system, the Rowallan Microgrid (with solar power, a battery, and back-up generator) on the edge of the Fiordland National Park on Southland's south coast, is fully operational.

We think RAPS such as Rowallan are a viable solution in areas with low customer numbers, where geography makes it challenging to replace traditional infrastructure. New energy technologies like RAPS enable a more robust and economic solution to deliver supply to customers in remote locations.

We recognise opportunities on the OJV network for RAPS as potentially more economical solutions in places where distribution assets may only service a small number of customers. Planning to install a RAPS is underway on the Blue Mountains and we intend to commission more RAPS over the next five years.

Developing renewable energy generation is important for the future. Through the Southern Generation Partnership Limited we added to our shareholders' renewable energy portfolio by investing in the new Matiri hydro scheme near Murchison. Other renewable generation acquisitions and developments are underway.

In 2020-21 PowerNet managed the Southland Power Trust, TPCL and EECA's initiative to make Southland and West Otago homes more energy efficient, offering all TPCL customers four free LED light bulbs, gifting over 40,000 LED bulbs.

Our Smart Energy Home welcomed its third set of tenants in 2020, meaning we are gathering a new dataset of energy use patterns with smart energy home technologies.

### Business Innovations

Innovative thinking is a key driver for our business, linking with our critical success factor 'continuous improvement'. In 2020-21 we continued to embrace and drive business improvements by creating market-leading equipment and technology solutions. We began commercialising solutions that promise to bring real benefits to the wider electricity distribution sector.

We signed a partnership agreement with SEC Engineering Centre to market our pole grab innovation to the New Zealand market. This equipment safely supports and secures power poles while maintenance is carried out in challenging locations.

We are also taking to market a new innovative software billing solution, PowerNet Connect. PowerNet Connect is an innovative software solution to manage new connections, retail billing, and processes such as faults management in the electricity distribution sector.

### Stakeholder Partnerships

Solid stakeholder partnerships remain a cornerstone of our business success. This year we renewed and extended our power supply contract with the Stewart Island Electrical Supply Authority (SIESA), a network managed by the Southland District Council.

Since 2014, our community partnership and sponsorship of St John has represented our commitment to southern communities' health, safety and wellbeing. In 2020, we renewed our sponsorship of St John for a further three years, with a new focus on safeguarding mental health and wellbeing. We are now the principal sponsor of two new initiatives, the St John Whātuaia te Waiora Weaving Wellness Programme for Year 7 and 8 students and the St John Mental Health First Aid course. We are excited and proud that both will make a significant contribution to the wellbeing of southern communities.





Construction of the Matiri Hydro Scheme.

## Supporting Our Teams

Our people are our greatest asset. The successes and achievements of our company stem from their excellent work and their dedication to health and safety.

Our commitment to workplace safety is infused in our daily business as leaders and teams are focused on working safely whatever the environment. This year we reintroduced live-line work under guidelines developed by the Electrical Engineers' Association. A robust process for approval to undertake live-line work is in place and our teams also take refresher training and ongoing competency assessment and monitoring.

We continue to support the wellbeing of our people in many ways, including through our Feeling Great and Psychological First Aid programmes. In particular the Psychological First Aid Programme is embraced by employees as a valuable wellbeing support.

Our Health and Wellbeing Programme continues to provide health-focused events, education, employee support and volunteer opportunities. An annual calendar of events prioritises supporting the mental, physical and social wellbeing of our employees.

Our PowerNet Vision and Values workshops introduce new employees to our culture and company goals, and our Leading with Courage Leadership Programme is designed for existing and emerging leaders. Both strengthen the knowledge and abilities of our people.

## Board of Directors

Sarah Brown finished her role as a PowerNet director in October 2020. We thank her for her significant contribution, commitment and counsel over more than 5 years.

Robert (Bob) Taylor joined the PowerNet board in November 2020.

As chair and chief executive, we thank all directors for their support and direction, especially during such a challenging year.

To conclude, the events of 2020-21 give us pause to reflect on the involvement of all our people in PowerNet's success. They all do a fantastic job day in, day out, for our southern communities. A genuine heartfelt thanks for their courage, enthusiasm, professionalism and teamwork.

With good memories and with sadness, we note the passing of former PowerNet chief executive, Martin Walton. He gave 18 years of service, 12 of these as chief executive.

This past year has had its challenges and frustrations as we have built on our legacy delivering a high standard of service to our communities. We can all be proud of what we have achieved.

Jason Franklin  
Chief Executive

Don Nicolson  
PowerNet Chair

# Networks we manage

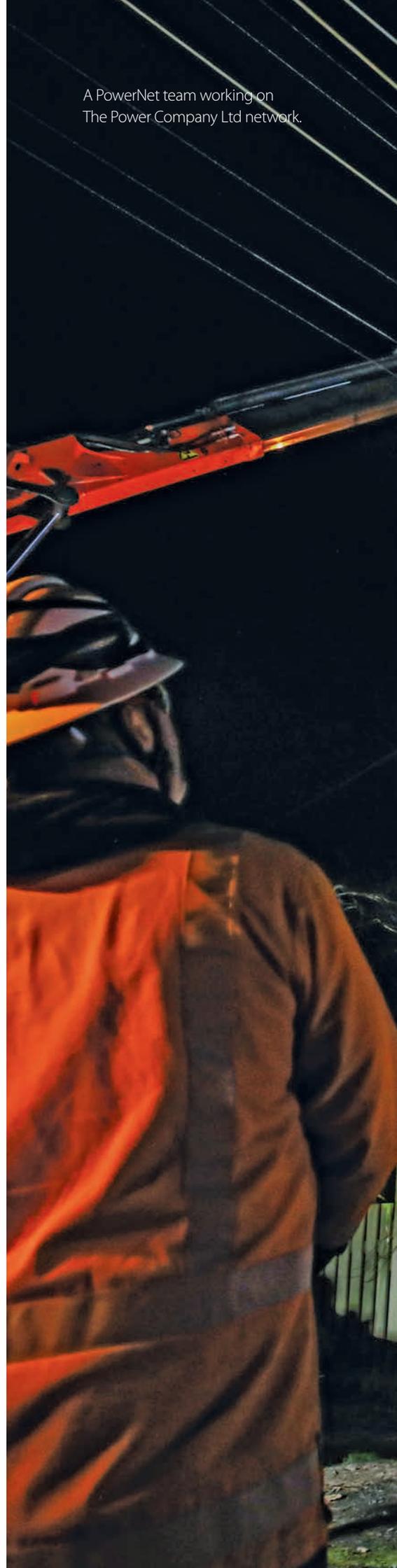
PowerNet's core business is to provide a safe, efficient and reliable electricity supply to southern communities. This year PowerNet has again achieved this goal — maintaining and future-proofing the networks we manage, delivering on our critical success factors, and developing long-term value for our shareholders — TPCL and EIL.

## Network Management

PowerNet manages the TPCL, EIL, OJV and ESL networks on behalf of their owners through long-term management contracts. It also has a service contract agreement with the Southland District Council-owned Stewart Island Electrical Supply Authority (SIESA). The four major networks — TPCL, EIL, OJV and ESL — have a combined Regulatory Value in electricity distribution assets of \$665 million. Each month, PowerNet reports to the boards of these networks and undertakes all regulatory management, including reporting to the Commerce Commission and Electricity Authority on their behalf.

## PowerNet Relationship

The networks contract PowerNet to manage, construct and maintain their network and metering assets. PowerNet's costs are recovered through a charging regime on capital and maintenance work and an agency fee for management services. PowerNet acts as agent for the networks, charging line and metering revenue to electricity retailers, paying transmission costs, and passing the gross revenue and expenses through to the networks. The revenue provides a return on investment to the networks and recovers their overheads, depreciation and operating costs.







The mobile substation onsite at Gorge Road Zone substation.

**36,723**

CONNECTED CUSTOMERS

**8,850 km**

NETWORK LENGTH

CONSUMER DENSITY **4.1**  
consumers/km

**11,263**

DISTRIBUTION TRANSFORMERS



In 2020-21, significant investment continued in new and existing assets on the TPCL network. Many projects were to maintain and improve service levels, creating additional network capacity. Capital expenditure totalled \$25.1 million with a further \$10.3 million spent on maintenance.

The most significant milestones on TPCL's network this year have been completing the Dipton Zone substation replacement as well as the replacement of the transformers and switchgear at the Gorge Road Zone substation. TPCL also began upgrading the Athol 5 feeder supplying Kingston and the surrounding area.

### Dipton Zone Substation Upgrade

As part of this project, PowerNet replaced two 66kV automated air break switch units with circuit breakers. The upgrade improved both reliability of the 66kV busbar and the protection functionality of the 66kV ring circuit. During construction, 11kV busbar and outdoor feeder circuit breakers were also replaced with a new 11kV ring main unit.

### Earth upgrades

Ensuring satisfactory and safe ground resistance for an earth system requires regular monitoring. A \$2.3 million programme on the TPCL network is focused on improving installations and reducing network risk in fault conditions. Upgrade works can include installation of additional earthing rods or banks, replacing surface material (asphalt or gravel) and regular testing and inspection of all network earth locations and conductive fences.

### Gorge Road Zone Substation Upgrade

The capacity of the transformer at Gorge Road Zone substation was increased from 3MVA to 5MVA in November 2020. The project included the removal of two 1.5 MVA transformers and replacing the 11kV switchgear. PowerNet used the TPCL mobile substation to limit network constraints and manage continuous supply for customers while construction was underway. The Gorge Road Zone substation is now fully equipped to interface with the mobile substation during future maintenance work when plant outages are needed.

### Athol 5 feeder upgrade

This project is a multi-year project. The upgrade of the Athol 5 feeder began in January 2021 and the first 5km of line upgrade was completed by March 2021. The second phase includes establishing two voltage regulators within the circuit. It is intended to complete this during the 2021-22 financial year.

### Kennington Zone Substation Second 33kV Line

The installation of a second 33kV line to Kennington Zone substation began in January 2020 and was completed in March 2021. The work included installing a complete 33kV line bay at Kennington Zone substation and a 33kV cable feed. The project will improve network security for our commercial customers.

### Customer Connections and Asset Replacements

TPCL invested \$2.3 million in new customer connections in 2020-21, a similar investment to 2019-20.

In total, \$7.5 million was invested in line and pole replacements as part of TPCL's enduring commitment to maintain a reliable and safe network.



The installation of the 33kV line to Kennington Zone substation.

### The Power Company Projects

Project	Approximate Expenditure
Line and pole replacements	\$7,517,000
Earth upgrades	\$2,296,000
New customer connections and subdivisions	\$2,251,000
Air break switch renewals	\$1,102,000
Athol - Kingston 22kV line upgrade	\$1,071,000
Transformer replacements	\$1,064,000

**17,441**  
CONNECTED CUSTOMERS

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**663 km**  
NETWORK LENGTH

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CONSUMER DENSITY **26.3**  
consumers/km

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**443**  
DISTRIBUTION TRANSFORMERS



Projects to enhance network reliability and safety is at the centre of work on the EIL network. The total capital investment in 2020-21 was \$4.3 million, with a further \$1.6 million spent on maintenance.

### Southern Zone Substation Upgrade

Ensuring EIL customers' electricity supply is as safe and reliable as possible if an earthquake occurs is a key reason behind a significant upgrade of Invercargill's Southern Zone substation. Located near Elizabeth Park, the 23MVA single transformer substation is being seismically strengthened and upgraded to a dual transformer substation to cater for forecasted electricity load increases and to provide a more resilient supply.

The upgrade includes already-completed work to the switch room building, including installing additional steel supports. The existing outdoor 33kV busbar and structures are being replaced with indoor 33kV switchgear. Old 11kV switchgear has also been replaced and a second 11.5/23MVA transformer from the former Doon Street Zone substation installed. Construction work began in mid-2019 and the project is on track for completion in 2021.

### Invercargill CBD Development

PowerNet is supporting the redevelopment of Invercargill's CBD. During 2020-21 preparations have been underway to build a new substation that will supply the area, and to connect the Langlands Hotel to the electricity network. We have also been installing cabling, and taking the opportunity to upgrade existing cabling where needed to increase reliability of supply.

### Customer Connections and Asset Replacements

New customer connections to the EIL network totalled \$473,000 in 2020-21, significantly above the long-term average. This elevated level of customer connection activity will be sustained by the Invercargill CBD development.

Work continues to replace distribution transformers and ring main units reaching the end of their life. This regular replacement work is vital to maintain reliability of electricity supply and safety.

All EIL Zone substation sites have now been seismically strengthened to secure continuing supply in the event of a major earthquake. Work continues to strengthen distribution substations on the network.



Installing cables for the new Langlands Hotel.

### Electricity Invercargill Projects

Project	Approximate Expenditure
Southern Zone substation continuation	\$1,787,000
Ring main unit replacement	\$978,000
New customer connections and subdivisions	\$473,000
11kV cable replacements	\$219,000
Transformer replacements	\$176,000
Link box replacements	\$113,000



In 2020-21 PowerNet managed \$16.3 million in capital investment on the OJV network (which includes the ESL network) and another \$5.2 million on maintenance investment.

### Customer Connections and Asset Replacements

OJV invested \$7.1 million in new customer connections across the OJV network. We also invested \$6.4 million in line and pole replacements to secure reliability and safety.

### Remote Area Power Supplies (RAPS)

OJV has sections of distribution line several kilometres long servicing only one or two consumers. In cases where the line's condition indicates it should be rebuilt, a RAPS can be an economical solution.

A RAPS is an off-the-grid power system (with solar power, a battery and back-up generator). The RAPS must have the lowest capital cost and the lowest lifetime cost when compared to rebuilding a traditional line.

Planning is underway to install a RAPS to supply a communications site in the Blue Mountains, with 10 RAPS planned to be commissioned over the next five years.

### Lawrence Mobile Substation Site

The first of OJV's mobile substation sites will be constructed at Lawrence Zone substation in 2021-22. This will provide mobile substation parking and connection points at single transformer substations, for either maintenance outages or to cover major equipment failures.

Mobile substation sites will be constructed when required to scheduled routine maintenance on major equipment. A total of \$1.15 million has been allocated for seven mobile substation sites over the next 10 years to ensure they are mobile substation ready.

### New Purpose-Built Depot at Balclutha

The new Balclutha depot was completed in 2020. It provides PowerNet offices, a workshop and truck shed and a branch of Corys. The facility's new furniture and fittings provide an excellent and efficient working space much appreciated by the Balclutha team.

Outside, asphalt paving and security fencing provides an efficient parking and working area for the operations team and site security.

### OtagoNet Projects (includes ESL projects)

Project	Approximate Expenditure
New customer connections and subdivisions	\$7,071,000
Line and pole replacements	\$6,360,000
Maniototo 11kV lines undergrounding	\$606,000
Fineland 33kV smart network automation	\$408,000
Halfway Bush-Palmerston 2 110/33kV conversion	\$389,000
Transformer replacements	\$241,000

**15,305**  
CONNECTED CUSTOMERS

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**4,502 km**  
NETWORK LENGTH

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CONSUMER DENSITY **3.40**  
consumers/km

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**4,287**  
DISTRIBUTION TRANSFORMERS



Ranfurly line rebuild.



Wooing Tree subdivision in Cromwell, (photo supplied by Remark Imagery, courtesy of Veros).

**2,871**  
CONNECTED  
CUSTOMERS

NETWORK  
LENGTH  
**122km**

CONSUMER  
DENSITY **23.7**  
consumers/km

**76**  
DISTRIBUTION  
TRANSFORMERS



Formed in 1995, the ESL network in the Queenstown-Lakes/Central Otago region is owned by shareholders TPCL and EIL. It continues to grow rapidly and is close to reaching the 3,000 customers connection milestone.

The network is reticulated on the Frankton Flats area and extends across the Shotover River to supply the Shotover Country subdivision and Queenstown Country Club retirement village. It also brings electricity to the Kawarau Falls area, including the Hilton Queenstown Resort and extends south to supply Hanley's Farm subdivision. At Hanley's Farm, Stage 5 (382 lots) is under construction. PowerNet's specialist cable installation has been used extensively in installation work in this subdivision. High voltage network planning has also been critical to allow for future expansion into further stages and new subdivisions. Installation work continues at Remarkables Park and the Queenstown Country Club. The opening of the new Southern Cross Hospital is set for late 2021.

This large-scale subdivision work has provided resourcing opportunities for PowerNet's cable jointing staff with the addition of two new apprentice electrician/cable jointers, who are acquiring new skills and learning techniques necessary for working on larger sites.

Embedded networks in Wanaka, comprising Northlake (900), Clearview (112) and Hikuwai (250) subdivisions, and the Wooing Tree (250) subdivision in Cromwell are also part of the ESL network.

Branding and advertising of the embedded networks will come under the umbrella of the 'LakeLand' name in 2021, increasing visibility of the network to the general public and developers.

PowerNet's Queenstown team has worked closely with the wider Southland and Otago PowerNet teams over recent years. The team provides network design services, capital construction works, and a maintenance and faults service for the ESL network in the region and other external customers.



Working on the SIESA network.



PowerNet continues to manage and service Stewart Island's electricity supply after renewing its contract with the Southland District Council (SDC) in 2020-21.

Under the new five-year contract — extended from the previous three-year contract — PowerNet continues to provide network management and operational services, including the network control centre function to Stewart Island Electrical Supply Authority (SIESA) and has three field services staff stationed on Stewart Island.

It also provides advice to SIESA on emerging technologies and their fit with power supply options on Stewart Island.

SIESA is managed by the SDC. It provides businesses and homes on Stewart Island with a reliable power supply.

### Electricity Sector and Government

The Electricity Network Association (ENA) is the industry membership body that represents all electricity distribution businesses, including the three networks managed by PowerNet. ENA's primary role is to guide the development of policy and engage with government agencies on the sector's behalf.

PowerNet actively engages with the ENA facilitated working groups that harness the collective expertise of members. These groups included the Distribution Pricing Working Group which develops future pricing strategies, attended by our commercial manager; and the Smart Technology Group which discusses and shares best practice approaches to the introduction and use of 'smart' technology, attended by our New Energy team. They also include the Information Disclosure Working Group which works to ensure the most practical and useful information is reported clearly and consistently for consumers, attended by our regulatory manager. The groups actively provide industry direction in areas that include the two regulators, the Commerce Commission and the Electricity Authority.

424  
CONNECTED  
CUSTOMERS

NETWORK  
LENGTH  
25 km

CONSUMER  
DENSITY 17  
consumers/km

46  
DISTRIBUTION  
TRANSFORMERS

# People and Leadership



ICC Surf to City participants Ben Williams, PowerNet and partner Bella Robert.

People are our greatest asset. PowerNet has over 300 staff who are committed to delivering a safe, efficient and reliable electricity supply to Southland and Otago homes and businesses 24/7.

## Our People

### Our Approach

Our goal is to recruit and retain the best people whether they are experienced veterans or new apprentices starting their careers. We want job seekers to know about the great career opportunities PowerNet offers and the fantastic lifestyle choices available in the regions we operate in. We continue to build our recruitment brand by advertising in diverse channels, including both print and online mediums, and by sustaining our social media activity.

In 2020 the collective agreement between PowerNet and E ū was signed. The agreement spans 1 April 2019 to 31 March 2022.

### Our Human Resource Partner Model

Our Human Resource (HR) partner model, where an HR partner is assigned to PowerNet departments and partners them through all aspects of HR service delivery, continues to pay dividends. The HR partners pride themselves on their HR service delivery, in both the quality and timeliness of their service.

### Our Workplace Diversity

Developing a diverse workforce is important to us. Women make up approximately 17% of our workforce and we have a focus on increasing the number of women in our traditionally male-dominated industry.

PowerNet's offices and depots are spread throughout the southern region. The challenge of working across a large area is addressed by sharing staff, resources and knowledge.

## Managing COVID-19 lockdown

The COVID-19 lockdown in 2020 created new challenges for PowerNet including a large portion of our workforce working remotely, new ways of communicating with our workforce, and developing a COVID-19 Control Framework to enable our field employees to safely complete essential and critical work on the networks we manage.

When we returned to our depot and office locations after the COVID-19 lockdown, workshops were run to capture the lessons learned from the lockdown experience. Three main initiatives were prioritised from those workshops. The first was investing in IT hardware to improve our workforce's access to technology. The second was electronic timesheets to improve efficiency. The third was trialling a mainstream flexible working arrangement (FWA) — a nine-day fortnight scheme for six months.

The FWA scheme compresses 80 hours into nine working days, and in return employees benefit from a three-day weekend each fortnight. The scheme is part of a broader employee attraction and retention strategy and proved popular with approximately a third of our workforce participating in the trial. Following the trial evaluation, the scheme will continue to be available for an extended period, with annual reviews occurring in February each year for the next three years.



*PowerNet apprentice line mechanics.*

## Supporting Our Leaders and Teams

PowerNet continues to work with our people to align their behaviours and work outputs with the company's vision of providing safe, efficient and reliable power to our communities. In 2020, we continued PowerNet's Vision and Values workshops. These workshops are organised for new employees to explain PowerNet's purpose, vision and critical success factors. They also provide an opportunity for new employees to meet our senior leadership team.

We continue to work with leaders to equip them with the leadership tools and skills to build an engaging and positive workplace culture. In 2020, a further cohort of 12 PowerNet leaders participated in the Leading with Courage Leadership Programme which was re-introduced in 2019 after being on hold. The programme covers leadership theory and application over four, two-day workshops.

We recruited 14 line mechanic apprentices, three substation maintainer apprentices and four trainee asset inspectors in 2020-21. Funding from the Government Apprentice Support Programme enabled us to bring forward our anticipated 2021 apprentice intake. These apprentices have embarked on structured training programmes and typically take four years to become qualified in the electricity distribution industry.

Our Performance Incentive Programme creates a financial incentive for staff to achieve safety, efficiency and reliability targets. These targets are challenging but achievable. The programme helps to focus work activities on goals that are important to PowerNet's vision and values.

Staff achievements are celebrated throughout the year during team briefs. These are events hosted at depots by senior leaders to keep staff informed of company strategic goals and performance. A popular section in the team briefs is the 'shout out' awards which recognise extra effort, new ideas and initiatives, or great examples of safe working as a team.

We continue to gather the necessary data so that our field teams are equipped with the right skills, knowledge and training to carry out their roles safely and efficiently. This information is programmed into PowerNet's human resources information system, with the capacity to provide competency assurance, gap analysis, and refresher requirements for field teams. It means we have 'the right person with the right skills, in the right place, doing the right job'.

Network Access Certificate (NAC) refresher training continues to be provided for our teams with ongoing NAC assessment and training of external contractors.



Tony Clarke and PowerNet apprentices.

### Staff Health and Wellbeing Programme

PowerNet’s Health and Wellbeing Programme continues to provide health-focused events, education, employee support, and volunteer opportunities.

An employee survey on the programme is held to ensure that it is meeting staff needs. An annual calendar of events places a priority on supporting the mental, physical, and social wellbeing of our staff.

Part of the Health and Wellbeing Programme promotes a healthy lifestyle outside of work. A wellbeing subsidy contribution to support membership, participation or equipment costs for staff to pursue personal activities and interests, continues to be positively received.

Our Psychological First Aid Programme continues to navigate our employees to the correct support services in conjunction with our Employee Assistance Programme. Fourteen trained internal welfare support people at our office and depot locations provide confidential support to employees and their families.

In 2020, in-house influenza vaccines were provided to staff and will continue to be offered to all staff in the future.

### Workplace Health and Safety Initiatives

Workplace health and safety continues to be our greatest priority and a critical success factor for PowerNet — we’re committed to a ‘safety always’ culture and ‘continuous improvement’ actions in health and safety. Our stand-alone health, safety and environment team is the foundation for initiatives in safety leadership, training and competency.

### Health and Safety System Implementation

Our health and safety environment risk management system is well-embedded in our business activities. The system displays on one platform all information about incidents, hazards, risks, actions and audits, presenting incident workflows with ready access to investigation details, and resolution actions. All leaders now use the system, which allows for easier management of public and workplace incidents. This system also identifies actions to ensure any incidents are resolved to prevent future harm.

## Workplace Training and Assessment

PowerNet's induction and assessment process means our teams know how to work safely on the networks. In addition to this, all identified high-risk training is supported with reassessment modules and an improved back-end training system.

New field employees — from qualified staff to trainees — are supported by leaders and our training and assessment team, to achieve compulsory industry training and to progress personal development.

To support their careers, PowerNet assesses the practical skills of newly qualified and apprentice line mechanics.

Line mechanic apprentices complete a week-long induction that gives them a solid foundation in risk assessment and basic skills before they enter the work environment. This prepares them for keeping themselves and their workmates safe.

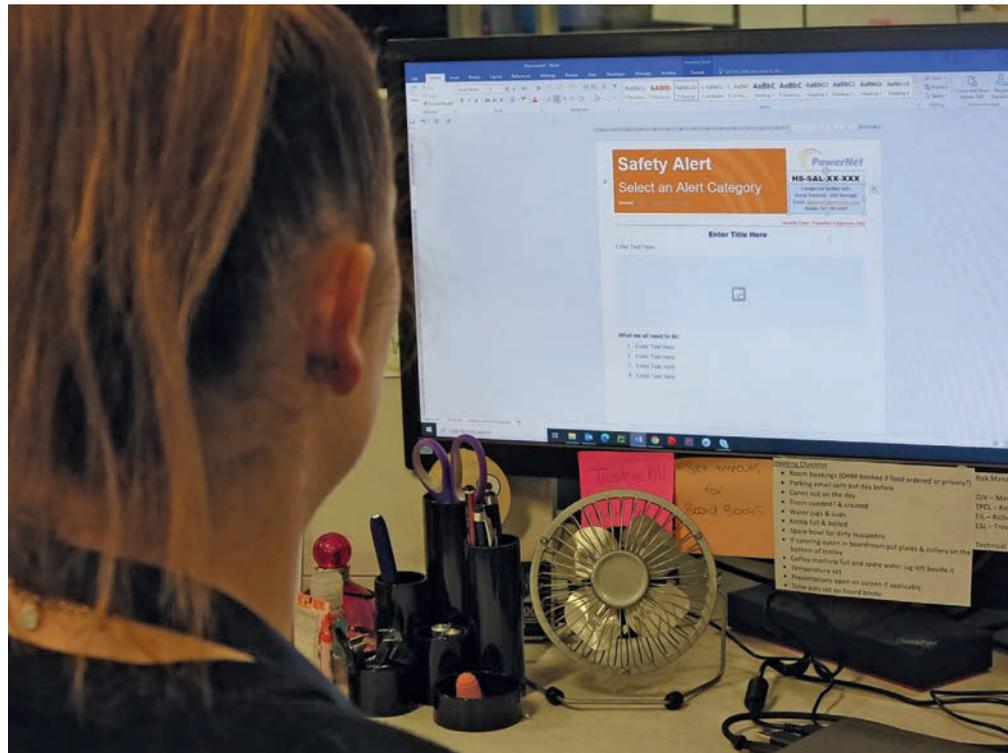
PowerNet employs three field trainers, a training coordinator.

## Managing Critical Risks

Hazardous activities that have the potential to kill or seriously injure our people are the key focus of PowerNet's Critical Risk Framework project.

The project aims to ensure that the management of critical risks is integral to all PowerNet operations. It equips our field teams with the tools that allow them to focus on the effective critical controls needed to keep themselves and members of the public safe.

This work has been the basis for the development of a digital app used by team leaders and crews to ensure that the correct critical controls are in place for each stage of the work they do. The app leads the user through the elements of typical workflows, identifying and recording the required critical controls used to manage risks at each stage. It also provides seamless access to other PowerNet systems and reference material. Several teams are already using the app with full roll-out planned for completion by June 2021.



Abbie March, PowerNet, creating an internal investigation close-out alert.

## Safety Representatives

In line with our critical success factor 'safety always' we continue to strengthen our health and safety leadership and expertise.

During 2020-21, The PowerNet Board's Health, Safety and Environment (HSE) committee continued to meet regularly and provide guidance and assurance that PowerNet is meeting legislative and regulatory obligations.

PowerNet health & safety committee members are trained as health and safety representatives, and in how to conduct an effective health and safety committee meeting. As good safety leaders, these committee members are the critical link for communicating health and safety matters.

## Safety Messaging

Clear communications with the right messages are vital. PowerNet regularly uses simple, effective communication tools to support the dissemination of internal safety messages. These include incident investigation closeout alerts — safety learnings circulated to staff after an incident occurs.



*Live-line work on the OtagoNet network.*

### Live-Line Methods

PowerNet has reintroduced high voltage live-line work based on methods and guidelines developed by the Electricity Engineers Association (EEA). A robust process for approval to undertake high voltage live-line work for up to 11kVA has been developed and live-line work refresher training has been completed. All of our three largest depots are capable of doing high voltage live-line glove and barrier work across our managed networks.

PowerNet has also met the challenge of achieving regulatory quality limits for electricity disruptions and their frequency, despite the shift to carrying out less live-line work.

### External Verification

PowerNet employs the services of Lines and Cables Ltd to verify that our field teams and contractors are completing work as specified and to a high safety standard. All information from field audits is stored in our health and safety system. The system automates any corrective action required, thus creating accountability at all levels and, most importantly, ensuring that issues are remedied so people go home unharmed.

### Collective Networks Operations Group (CNOG)

The aim of the Collective Network Operations Group (CNOG) is to improve safety and operational efficiency and to support high-quality customer service through the standardisation of operating processes. Comprising representatives from South Island electricity lines companies, the group works collaboratively through online discussions and queries using the CNOG forum, hosted on the EEA's Knowledge Network platform.

CNOG's web-based single point of contact for transport operators moving high loads is now well established throughout South Island networks. The group liaises actively with the EEA on reviews of guidelines, with a particular focus on operational functions such as the use of assurances and the re-closing of circuit breakers after a fault. CNOG has also been active in consulting with electricity retailers to establish common terminology around disconnection and isolation of customers' installations.

In other projects, the group is working on the establishment of common processes for managing competencies based on the Common Competency Framework and is investigating a common approach to reducing inadvertent contact with overhead lines.



Shared Vision



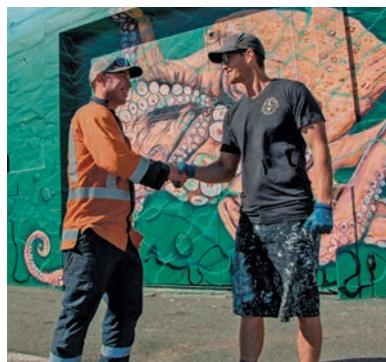
Our People



Our Greatest Asset



Staff Success



Safe  
Efficient  
Reliable



# Our Executives



**Jason Franklin** | Chief Executive



**Anton Booyzen**  
GM Asset Management



**Justin Peterson**  
Chief Operating Officer



**Kavi Singh**  
GM New Energy Development and Strategy



**Rangji Solomon**  
GM Health, Safety and Environment



**Greg Buzzard**  
Chief Financial Officer



**David Stevens**  
GM People, Culture and Communication



**Rachael Watt**  
GM Business Support and Improvement



**Kewal Bagal**  
GM Business and Customer Growth

# Power to Communities

PowerNet's highest priority continues to be the safety of our communities and of our teams and contractors who work on the networks we manage.

## Supporting our Community

PowerNet continues to develop robust procedures designed to protect the public and anyone working on our networks from potential risks or property damage that could occur from equipment and operations. Assets are regularly inspected to ensure they comply with safety and regulatory requirements, and to gather data about their condition.

PowerNet has an ongoing investment in vegetation management across the networks. The aim is to keep trees and other vegetation clear from power lines and equipment. Trees that touch power lines can cause power outages and represent a significant public safety risk.

The online cable location service, Before U Dig, reduces the risk of contractors, farmers and the public encountering buried cables and potentially harming themselves or causing property damage. Staff use specialised equipment to locate buried cables and cable routes are marked so that all parties are aware of danger areas.

PowerNet has a Safety Management System (SMS) which complies with the requirements of NZS 7901:2008 Electricity and Gas Industries – Safety Management System for Public Safety. The SMS is audited annually to retain a current audit certificate. Telarc undertook its annual compliance audit of our SMS in March 2021 and the audit report indicated that the SMS was functioning well.

We continue to be proactive in promoting safety messages to southern communities. Safety messages are shared with external audiences through mediums such as advertising and social media.

PowerNet's safety communication group continues to promote safety in our community. This includes displaying branded public safety messages on our vehicles and working in collaboration with major southern insurer, FMG, to promote our safety messages in rural communities.



Hector Diamond, PowerNet with attendees of the St John Mental Health First Aid training course.





PowerNet line mechanics working on the TPCL network.

## Asset Management Plans

Asset management plans — which outline planned capital and maintenance expenditure on the TPCL, EIL, and OJV (which includes ESL) networks — have been updated for the 2021-2031 period.

The plans outline how network assets will be managed to meet stakeholder requirements and to provide a safe, efficient and reliable electricity supply to communities.

Considerations include drivers such as cost, equipment, and life cycle, as well as regulatory requirements, demographic changes, environmental impact, and required service levels. The plans can be viewed on our website: [www.powernet.co.nz](http://www.powernet.co.nz).

## SAIDI and SAIFI

There are two reliability indexes that are commonly used by electricity distribution businesses. They are SAIDI (the system average interruption duration index) and SAIFI (system average interruption frequency index).

SAIDI is a measure of the average outage duration for each customer served and is measured in minutes or hours over the course of a year. SAIFI is a measure of the average number of interruptions that a customer would experience over a year, measured in units of interruptions per customer.

All significant events and outages on PowerNet managed networks are investigated to identify failure modes. Once identified, improvement plans are implemented.

We have also developed a web interface which displays the location of planned interruptions on a map with key information. This means customers can easily understand the impact of planned disruptions.

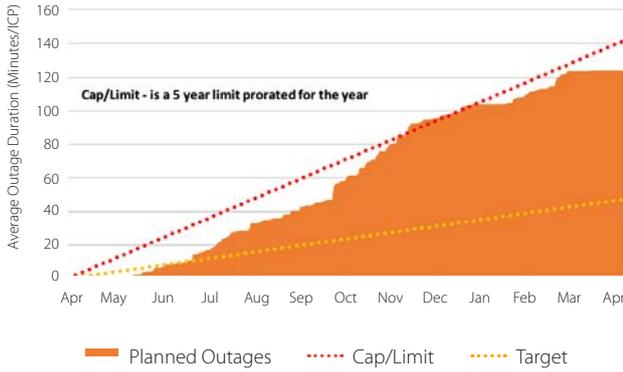
SAIDI are measured against limits that must be achieved, and also targets that offer financial incentives. Revenue-linked reliability targets and limits provide distributors with the opportunity to balance the cost to invest in quality that reflects consumer demand, against the ability to earn profits at the expense of quality.

Unplanned interruptions are also subject to normalisation. Normalisation limits the impact of unpredictable major events, such as severe weather events, being mistaken for signs of deterioration.



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

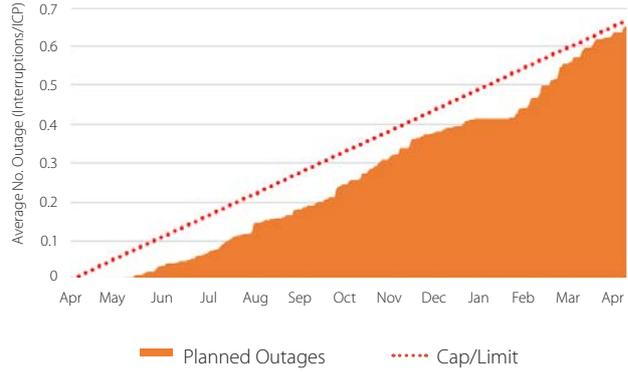
**PLANNED SAIDI**



<b>Target</b>	<b>Quality Limit</b>	<b>Actual</b>
47.27	141.81	135.56

The SAIDI for TPCL planned interruptions of 135.56 minutes was within the limit of 141.81, but above the 47.27 minute target.

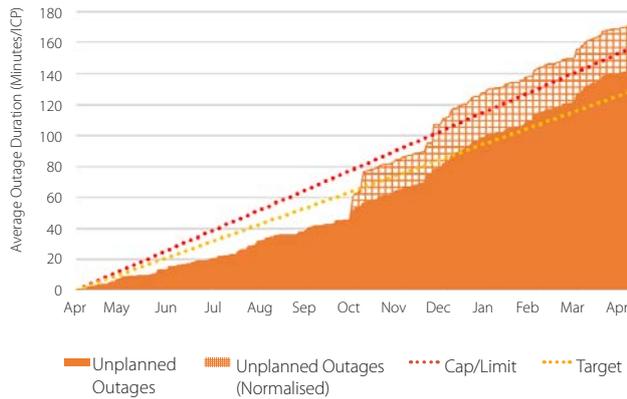
**PLANNED SAIFI**



<b>Quality Limit</b>	<b>Actual</b>
0.664	0.646

The SAIFI for TPCL planned interruptions was within the target, achieving 0.646 against a limit of 0.664.

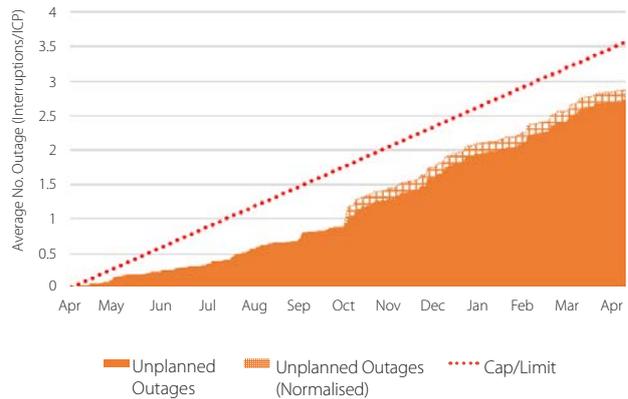
**UNPLANNED SAIDI**



<b>Target</b>	<b>Quality Limit</b>	<b>Actual</b>
128.66	156.53	141.7

The normalised SAIDI for TPCL unplanned interruptions was within the limit (156.53), but above the target (128.66).

**UNPLANNED SAIFI**

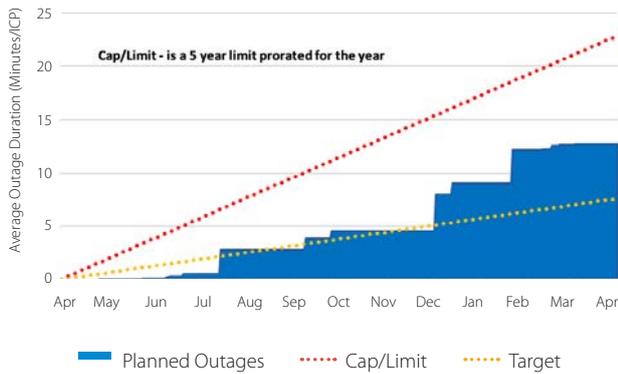


<b>Quality Limit</b>	<b>Actual</b>
3.564	2.730

The normalised unplanned SAIFI was 2.730 against a quality limit of 3.564.



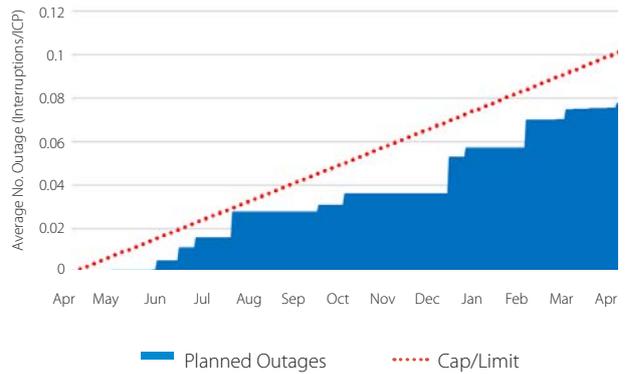
**PLANNED SAIDI**



<b>Target</b>	<b>Quality Limit</b>	<b>Actual</b>
7.63	22.90	13.31

EIL's SAIDI for planned interruptions of 13.31 minutes was comfortably within the limit of 22.90 minutes. Planned SAIDI exceeded the 7.63 minute target.

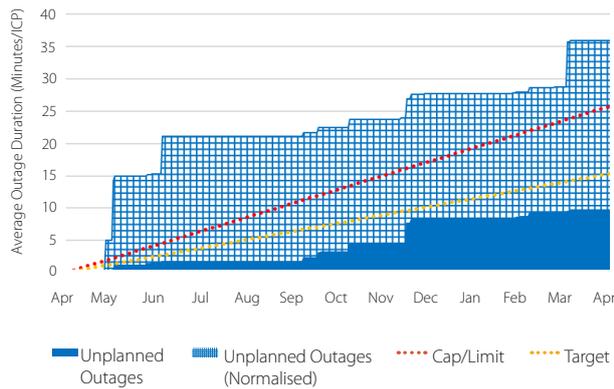
**PLANNED SAIFI**



<b>Quality Limit</b>	<b>Actual</b>
0.104	0.078

The SAIFI for planned interruptions at 0.078 was also within the quality limit of 0.104.

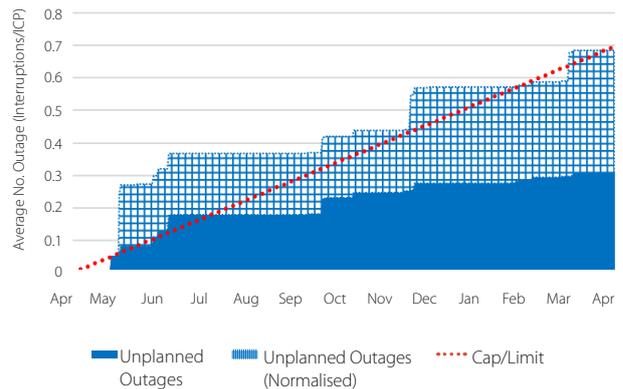
**UNPLANNED SAIDI**



<b>Target</b>	<b>Quality Limit</b>	<b>Actual</b>
15.39	25.86	9.67

EIL's normalised SAIDI for unplanned interruptions (9.67) was comfortably lower than both the target (15.39) and the limit (25.86), which allowed for the maximum quality incentive to be claimed.

**UNPLANNED SAIFI**

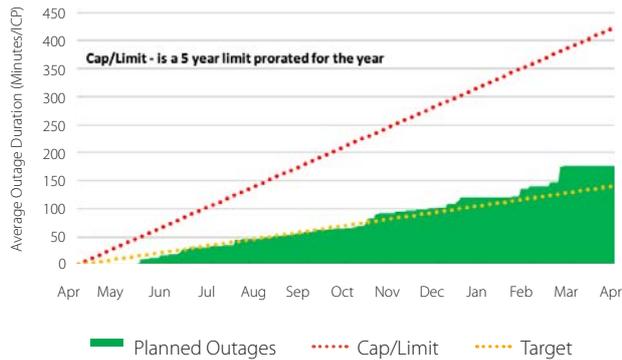


<b>Quality Limit</b>	<b>Actual</b>
0.696	0.307

The normalised SAIFI for unplanned interruptions achieved a result of 0.307 against a 0.696 limit.



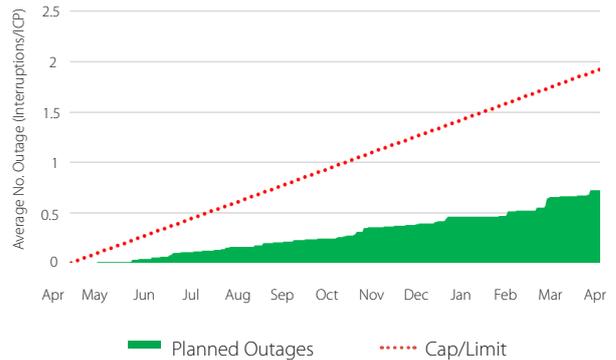
### PLANNED SAIDI



<b>Target</b>	<b>Quality Limit</b>	<b>Actual</b>
140.96	422.89	189.11

OJV & ESL's SAIDI for planned interruptions was 189.11 minutes against a limit of 422.89 minutes. This however exceeded the target of 140.96.

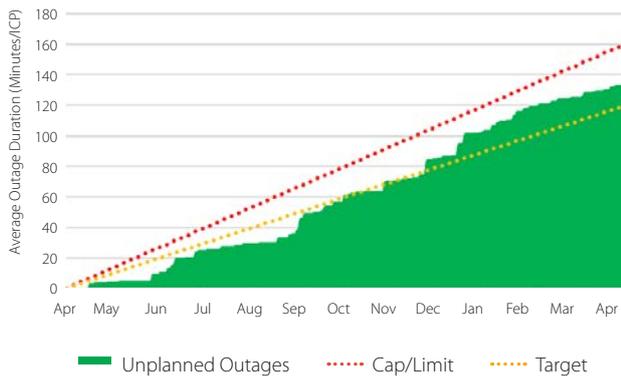
### PLANNED SAIFI



<b>Quality Limit</b>	<b>Actual</b>
1.9242	0.720

SAIFI for planned interruptions at 0.720 was also within the quality limit of 1.9242.

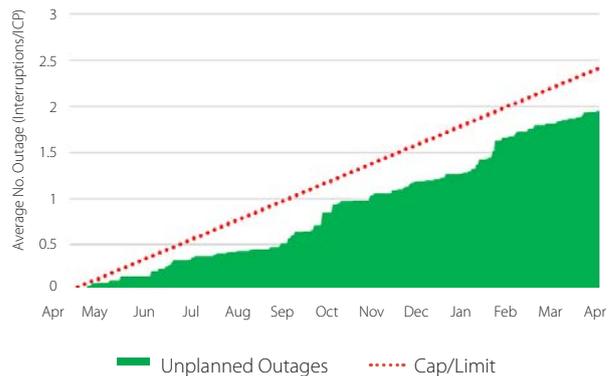
### UNPLANNED SAIDI



<b>Target</b>	<b>Quality Limit</b>	<b>Actual</b>
120.02	160.35	133.2

Unplanned interruption SAIDI (133.2) was within the limit (160.35), but a little higher than the maximum incentive target of 120.02 minutes. No normalisation occurred as no major events occurred on the OJV/ESL network in 2020/21.

### UNPLANNED SAIFI



<b>Quality Limit</b>	<b>Actual</b>
2.4172	1.944

SAIFI for unplanned interruptions was within the limit with a result of 1.944 against a 2.4172 limit.



*Felicia McCrone, St John, Bree-Ava Moffat, Southland Girls' High School, Jessie Wynne, PowerNet.*

## Supporting our Community

### Partnering with St John

After seven years partnering with St John, PowerNet renewed and expanded our sponsorship for a further three years in August 2020. The expanded sponsorship changed focus from physical first aid training and automated external defibrillators (AEDs) in our community towards mental health and resilience education.

PowerNet's financial sponsorship of St John has totalled \$700,000 to date.

We are immensely proud to partner with St John in providing free community education. In 2020, we became principal sponsor of St John Mental Health First Aid training and the St John Whātuaia te Waiora Weaving Wellness programmes.

Alongside these new sponsorships, PowerNet continues to sponsor a reduced number of first aid training Level 1 courses.

Since 2014, our sponsorship has funded 82 public first aid courses throughout the southern region, including rental support for the St John Training Centre in Invercargill, which holds 5-15 courses every month. The partnership has enabled St John to train 1,325 people in life saving, first aid skills. We have also installed 17 publicly accessible AEDs in the community. This part of our sponsorship programme is now concluded. The last AED installed as part of the programme was donated to the Balclutha Night & Day in August 2020.

To date, 46,579 school students have become lifesavers through 509 sessions of the ASB St John in Schools programme at preschool, primary, and intermediate schools funded by PowerNet across the southern region.

Our new sponsorship focus has skilled 147 members of the public on how to learn and support work colleagues, friends, and family members experiencing mental distress as well as learning how to identify, understand and respond to signs of mental health issues. Eight mental health first aid training sessions were held at six locations (Invercargill, Queenstown, Balclutha, Winton, Gore and Stewart Island).

PowerNet is principal sponsor of the St John's pilot : Whātuaia te Waiora Weaving Wellbeing. As part of the programme in 2020-21, 334 year 7 and 8 students from six southern schools learned how to build their resilience and coping skills.



*Danny Owen, South Sea Spray Festival and Shane Lawson, PowerNet.*

### Southland Warm Homes Trust

PowerNet continues to provide administration services to the Southland Warm Homes Trust (SWHT). The SWHT, in conjunction with the Energy Efficiency & Conservation Authority (EECA), has completed over 7,500 insulation and heating retrofits in Southland and West Otago since 2008.

The Trust is a contracted insulation service provider in the Southland and West Otago area under the current government programme called Warmer Kiwi Homes. The subsidised insulation programme targets homeowners on low incomes, or homeowners who live in a low socio-economic area. The success of this programme in the first three years has encouraged the Government to recently commit further funding of \$120 million over the next two years. This funding is administered by EECA through service providers who meet installation and health and safety standards.

Under the Warmer Kiwi Homes programme, eligible homeowners can have up to 95% of their ceiling and underfloor insulation cost, or a new efficient heating unit (heat pump or wood/pellet burner) funded by EECA. This includes the Trust contributing up to 15% of the subsidy from community funding. To be eligible homes must be built prior to 2008, the homeowner (owner-occupier) must have a community services card or own and be living in an area identified as low income.

In addition to the EECA/SWHT programme, SWHT and Awarua Synergy offer other subsidies of up to \$2,000 for households to install insulation.

### Supporting Skills Growth

Supporting the development of new skills and talent in the engineering industry is another way PowerNet gives back to the community. We continued our association with the University of Canterbury engineering faculty, supporting electrical engineering students with a scholarship for students in their first year of a Bachelor of Engineering degree. The three-year scholarship provides for course fees and vacation employment for practical degree requirements.

PowerNet continued its support for the Southern Institute of Technology, sponsoring the Most Improved Student Award in the electrical pre-trade course.

### Tour of Southland

Our PowerNet-sponsored cycling team achieved excellent results in the 2020 SBS Tour of Southland.

The full PowerNet team comprised Alex Heaney, Paul Odlin, Adrian Hegyvary, Ollie Jones, Corbin Strong and Josh Kuysten.

New to the team was local rider and world points race champion Corbin Strong. Corbin claimed two stage victories over the week-long event.

The PowerNet team produced good results with Corbin winning the under-23 title and longtime PowerNet rider Paul Odlin once again winning the over-35 category.

Sponsored by PowerNet with sub-sponsorship from Pure Nutrition and Tinel, Aaron Sinclair managed the team with support from PowerNet staff and their families throughout the tour week.

### South Sea Spray Festival

PowerNet lent its support to the Bluff community's South Sea Spray Festival in February 2021. As our sponsorship contribution to the event, we de-energised the electricity lines free-of-charge to create safer working spaces for the 15 mural artists creating art on walls around the township.

# Business Innovation and New Energy

Through business innovation, inventions to create a better work environment, and by identifying applications for new energy, we strive to maximise opportunities for an efficient, sustainable electricity supply in the decades ahead.

## Business Innovation

### Enhancing Business Processes

In 2020-21, we continued to optimise our operations, eliminating non-value adding activities from our processes and integrating work and information flows. Our overall goal is to improve future productivity and efficiency, and to add value for our customers.

We are reviewing and updating our quality management system as part of an integrated management approach, and aligning our system to international certification requirements. We are also working through our digital mobility solution to ensure field staff have better access to information and to automate our administrative processes.

### Operations Change Proposal

With significant growth over the past five years, PowerNet needed to build on our 'one team, one way of working' philosophy and think more about how to manage large teams across wide geographical regions to achieve the best outcomes for our customers and shareholders.

To do this, we reconfigured our teams to meet our organisational and customer needs. Two new business roles were established — a field safety business partner and an operational excellence business partner. These roles contribute by identifying areas for improvement and making positive changes to enhance the reliability, efficiency and safety of our operational teams.

PowerNet has also made a significant investment in field data for each of the networks we manage. Our goal is to achieve operational excellence in processes and systems in the future through the use of good data.

### PowerNet Connect

PowerNet has led the development of a new innovative software solution to manage new connections, retail billing, and processes such as faults management in the electricity distribution sector.

The new system called PowerNet Connect will be fully compliant with regulatory requirements.

PowerNet holds the intellectual property rights to this innovation, and recognises its commercial value to the electricity distribution sector.

PowerNet has signed a master licence agreement with Digital Stock to bring this innovation to market. Digital Stock has one successful sale with more enquiries underway.

PowerNet is also working on two other innovations that aim to bring benefits to the sector.



*Pole grab.*

## Pole Grab

Another innovation PowerNet has brought to market is the pole grab — a piece of equipment that safely supports, secures, and directs power poles in challenging locations.

PowerNet has signed a deal with partner SEC Engineering Centre to market the pole grab innovation to the New Zealand market.

The pole grab improves the safety of staff and contractors working on an electricity network. As several New Zealand lines networks are currently being upgraded, the pole grab innovation is timely.

## Technique to secure poles

PowerNet challenged its field teams to develop a failsafe method which — in the event of tie downs failing — would prevent a pole falling from a vehicle and creating a public health and safety risk.

The Gore team worked alongside a local engineering company and developed a failsafe method which acts like a safety chain to secure a pole if it falls from a vehicle.

The Invercargill Onslow Street team identified an additional technique that enhances our traditional way of securing poles with webbing straps. This method uses a rated C-Clamp that helps secure the webbing strap around the pole and equalises the force applied by the straps. This can also be used as an additional tie down across PowerNet.



*Jim Dowling, Digital Stock and CE Jason Franklin, PowerNet.*

## New Energy

### New Energy Developments

Over the past decade, there has been a global increase in initiatives to lower carbon emissions. This has led to a rapid rise in the development of new energy technologies comprising energy storage, electric vehicles, renewable generation, and smart appliances. Many technologies will become more affordable in the next few years, allowing greater choice and adoption for customers.

PowerNet is committed to remaining at the forefront of new energy technologies. We are continuing efforts to deliver customer-centric and innovative services as these are key to the adaptation and progress of our business.

An essential enabler to achieve our business objectives is the smart and cost-effective use of new and established energy technologies, and our ability to leverage existing infrastructure and investments to deliver the best outcomes for our customers and shareholders.

PowerNet continues to explore new energy technologies and initiatives that support a transition to a lower emissions future, create a better understanding of possible efficiencies, and build a picture of likely future energy scenarios.



Smart Energy Home tenants looking at telemetry from installed sensors.

### The Smart Energy Home

Over the past three years, PowerNet has been operating the Smart Energy Home project—a two-bedroom company-owned house equipped with smart energy technologies such as solar photovoltaics, battery energy storage systems, and an electric vehicle. The project's goal is to understand more about energy technologies that enable smarter energy use and their benefits, leveraging these to create better efficiencies and services for customers and networks.

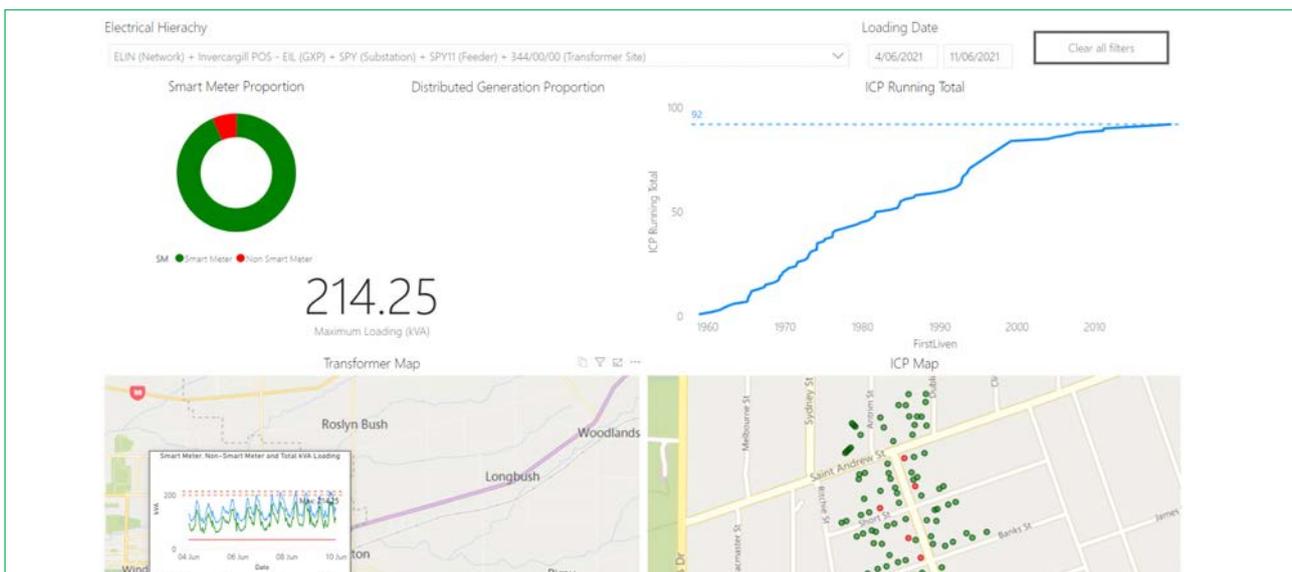
Over the tenancy, PowerNet is gathering energy data and analysing the benefits from installed technologies and appliances. Through this information, PowerNet is gaining insights into smart energy use in the lower South Island environment and developing a better understanding of potential energy use trends as new energy technologies mature. The information and analysis will also aid in better planning and operations for electricity networks.

For each year of the Smart Energy Home project, there has deliberately been different tenants. This helps us to develop an understanding of changing customer behaviour, preferences, and energy usage patterns based on incentives and information. Customer-centric solutions will be key to ensuring customers continue to value the quality and reliability of service the electricity network delivers into the future.

### Smart Meter Data Usage

Data driven decision-making is key for developing and adapting strategies and activities that benefit our networks and customers. PowerNet is using smart metering data and analytics to determine sub-hourly load profiles on major assets in our network. This builds understanding of capacity utilisation and network congestion, and informs decisions on safety, operations, maintenance and investments.

Developing our capability to harness different data sources and systems will enable PowerNet to extract valuable information that supports timely decision-making. Market research on technology trends, and analytic and visualisation tools are being developed to forecast future scenarios that support strategy and planning.



Screenshot of the Smart Meter Loading tool. The transformer selected shows high proportion of smart metered Installation Control Points (ICPs), its location, and the ICPs it feeds. The dashboard also includes total transformer loading, the connection history and the ability to filter by date.



David Rose, Southland Power Trust, Gwen Baird, Mitre 10 MEGA Invercargill, and Doug Fraser, Chair, TPCL.

### Rowallan Microgrid

The ongoing evolution of new energy technologies provides opportunities for networks to develop alternative ways to supply power to customers. Two of the four networks that PowerNet operates and manages (TPCL and OJV) have the lowest densities of customer connections to network assets in New Zealand, and include remote customers connected through electricity lines that traverse challenging terrain. In these kinds of situations, new energy technologies may enable a more robust and economic solution to supply remote customers rather than maintaining or replacing aging power lines.

The Rowallan Microgrid is PowerNet’s first such power supply system deployed to supply a customer near the start of the Hump Ridge Track in the coastal Rowallan region. The microgrid comprises solar generation, battery storage and a backup generator, and produces clean energy as the primary source of generation is renewable. The microgrid has been operational for a year without any loss of supply and so has proven to be a reliable supply system.

Future microgrid opportunities are being explored and one site identified may incorporate wind turbines as part of the renewable generation mix.

### LED Bulb Giveaway

To promote energy efficient lighting, in October 2020, PowerNet, on behalf of TPCL and Southland Power Trust (SPT), organised a giveaway scheme offering four free LED bulbs to each TPCL customer.

LED bulbs are more energy efficient than traditional incandescent and compact fluorescent light bulbs (CFLs) and use up to 85% less electricity than incandescent bulbs and up to 50% less than CFLs. LEDs also last longer, usually up to 10 years. It is estimated that replacing an inefficient bulb with an LED can save a customer up to \$300 over the LED bulb’s lifetime.

The giveaway scheme was jointly funded by TPCL and the Energy Efficiency and Conservation Authority (EECA), and distributed through Mitre 10 retail stores in Invercargill Gore, Winton, and Te Anau.

The scheme was promoted through mail-outs, newspapers, radio, and digital advertising on social media and on online news portals.

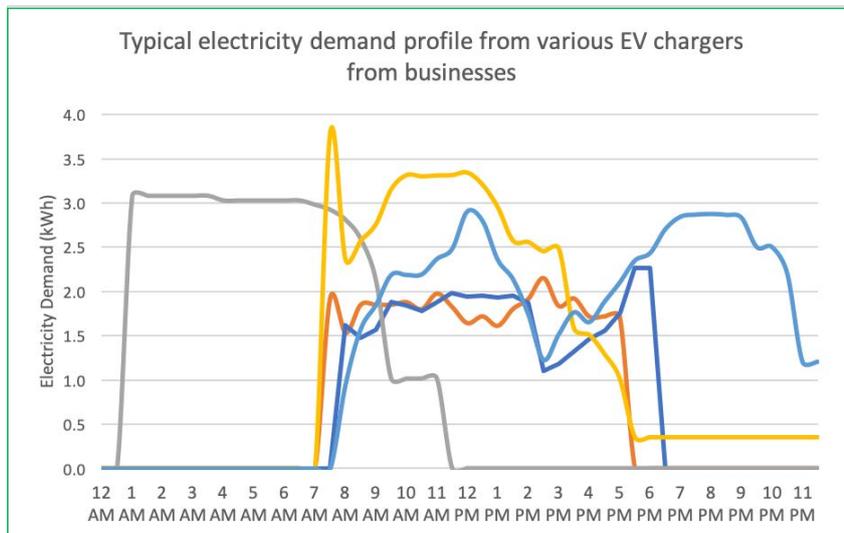
The giveaway scheme resulted in approximately 41,800 bulbs being distributed to TPCL customers, benefitting each customer in electricity cost savings.

### Supporting the Environment

PowerNet continues to support projects and community initiatives encouraging sustainable energy options and a transition to lower carbon emissions.

Promoting the uptake of electric vehicles (EVs) and positively influencing public perceptions about the benefits and practicalities of EV use is one of PowerNet’s strategic goals. PowerNet has previously sponsored EV chargers for Southland businesses to support and encourage electrification of their fleet. PowerNet and these businesses are able to use the EV chargers’ data to understand the charging periods, energy usage and to estimate carbon dioxide emissions offset from operating an electric vehicle.

Some of the businesses use the timer functionality on the EV charger to charge during off-peak periods when electricity is cheaper. Other businesses charge their EV mostly after work, topping it up for the next day.



Key: EV charger demand profiles from six local businesses.

PowerNet’s most recent EV sponsorship supports St John. PowerNet has provided EV chargers for their Invercargill, Winton, Otautau, and Bluff stations.

In a proof of concept project, St John intends to use two electric health shuttles to transport members of the public to health appointments. If successful, it will support the goal of electrifying the health shuttle fleet over the next eight years, lowering the fleet’s environmental impact and reducing fuel and servicing costs. The project will be based in the Southland area with two EVs operating out of Winton and Invercargill.

PowerNet also continues to explore ways to reduce its own impact on the environment. We operate two EVs and five plug-in hybrid EVs in the company’s pool fleet. These are popular with staff. Two managers drive electric vehicles, and queries amongst staff on the affordability of EVs are increasing.

PowerNet supports the development of rapid EV charging infrastructure and continues to work with regional organisations and industry to explore further opportunities to expand the charging infrastructure in the southern region.

### Managing Waste

We aim for best practice in managing network waste with a reduce, reuse or recycle approach.

Waste oil is a by-product of the transformers and switchgear used in electricity distribution. Disposing of oil in an environmentally sensitive manner is important to PowerNet—all oil we use is returned to the supplier for recycling. There were no waste oil spills during the 2020-21 year.

Our critical success factor of 'continuous improvement' includes lean management and elimination of waste through our 5S Lean Management Programme.

Power poles are replaced as required because of public safety or network performance. In total 939 poles were replaced in 2020-21. Removed poles are either recycled or disposed of safely.

Sulphur Hexafluoride (SF6) is a potent, colourless, odourless, greenhouse gas used as an insulating medium in high voltage circuit breakers. SF6 is only used in sealed, well-contained units. PowerNet has stringent procedures for monitoring gas-filled equipment and uses specialised equipment to regularly check for loss of pressure. Substitutes for SF6 gas have been trialled and we continue to search for alternatives. The estimated total SF6 gas on PowerNet managed networks is 576 kilograms.

### Customer Notifications

PowerNet previously printed and posted paper-based notifications for planned power interruptions. We have now moved to a paperless system and send digital notifications to retailers who then notify customers. This means we’ve been able to reduce our environmental footprint and create efficiencies in our notification process.



L/R: Will Thomas and Corey Beams, Smart Energy Home tenants.

# Corporate Governance Statement

This statement provides an overview of PowerNet's main corporate governance policies, practices and processes adopted or followed by the Board.





### Role of the Board of Directors

The PowerNet Board is comprised of nine non-executive Directors (the "Board") who are appointed by the respective joint venture shareholders.

The Board is responsible for direction and governance, establishing and monitoring the strategic direction of the Company, with day-to-day management delegated to the group chief executive.

The Board's responsibilities include the group's overall objectives, management, stewardship, performance and reporting. The Board acts within the Company's constitution and Shareholder's Agreement, and is committed to best practice governance, including partaking in ongoing professional development. New directors undergo an induction process to assist with on-boarding.

The Board meets regularly during the year, with additional full meetings and committee meetings held as required.

### Risk Management

PowerNet acknowledge the critical importance of risk management within the business, and aligns this with their vision of Safe, Efficient and Reliable Power to Communities.

The Company has a risk management policy and framework incorporating the ISO 31000:2009 risk management processes. Risk management programmes are in place to ensure that risks are identified and mitigated, where possible, and that risk is considered when internal policies and procedures are drafted.

The Board has overall responsibility for the Company's systems of operational and financial control.

The Board monitors the operational and financial aspects of the Company's activities, principally through the Audit and Risk Committee, and the Board considers the recommendations and advice of external and internal auditors and other external advisors on the operational and financial risks that face the Company.

The Board ensures that recommendations made by the external and internal auditors and other external advisers are investigated and appropriate action is taken to ensure that the Company has an adequate control environment in place to manage the key risks identified.

### Health, Safety, and Environment Management

The Board has a strong commitment to ensuring PowerNet's employees, contractors and the public remain safe and well. The Board monitors the health, safety and environment aspects of the Company's activities, principally through the Health, Safety and Environment Committee.

Monthly reports to the Board provide information on accidents, near misses and incidents, together with monthly data on PowerNet's health, safety and environment performance.

Risks are further identified through regular monitoring, using internal and external audits, reporting of accidents and near misses and formal risk reviews. Directors also focus on the management of critical safety risks by undertaking field observation visits using the Risk Mentor tool to ensure the controls identified in the critical control framework are being consistently applied on-site.

### Board Committees

The Board currently has three standing Committees, and one special purpose committee, established to enhance its effectiveness in key areas, while still retaining board responsibility.

#### Audit and Risk Committee

The Board operates an Audit and Risk Committee comprising of four non-executive Directors. The Audit and Risk Committee is responsible for reviewing the Company's accounting policies, financial statements, financial management, systems of internal control, insurance reviews, management of information systems, external and internal risk management functions, including fraud.

The Committee considers internal risk assessments and external audit reports as well as appoints an external auditor and works collaboratively on audit relationship matters and fees.

The following Directors held office on the Audit and Risk Committee, during the year under review and were paid fees accordingly:

*Duncan Fea - Chair*

*Douglas (Doug) Fraser - Member*

*Paul Kiesanowski - Member*

*Thomas (Tom) Campbell - Member*

*Don Nicolson - Ex-officio*

The committee meets four times a year.

### Health, Safety, and Environment Committee

PowerNet operates a Health, Safety and Environment Committee comprised of four non-executive Directors. The Health, Safety and Environment Committee continually strive for safer workplaces and networks. The management of electricity network infrastructure involves work that is skilled, complex and potentially hazardous. The protection of people and the environment is considered in every decision and action undertaken by the Health, Safety and Environment Committee.

The following Directors held office on the Health, Safety and Environment Committee, during the year under review and were paid fees accordingly:

*Allan (Joe) O'Connell - Chair*

*Wayne Mackey - Member*

*Peter Moynihan - Member*

*Robert (Bob) Taylor - Member*

*Sarah Brown - Member*

*Don Nicolson - Ex-officio*

The committee meets four times a year, with additional meetings as required.

### Remuneration Committee

The Board has a Remuneration Committee comprising of two non-executive Directors. The Remuneration Committee is responsible for assisting the Board in overseeing the appointment, performance and remuneration of the chief executive and members of the senior leadership team, which also includes succession planning. The Remuneration Committee reviews the Company's policies and practices, with the objective of being an employer of choice.

The following Directors held office on the Remuneration Committee, during the year under review and were paid fees accordingly:

*Don Nicolson - Chair*

*Alan (Joe) O'Connell - Member*

The Committee meets on average two times per year, with additional meetings as required.

### Line Pricing Methodology Committee (Special Purpose)

The Line Pricing Methodology Committee is comprised of three non-executive Directors each representing the electricity distribution businesses that PowerNet acts as agent for. The Line Pricing Methodology Committee was established for a finite period to oversee the implementation of a new Line Pricing Methodology and tariff suite, to ensure the Boards meet their responsibilities in relation to the appropriate recovery of total revenue while sending clear price signals to consumers about the cost of using the network to help consumers decide to adjust their use of the network to ensure network investments are efficient while considering the various stakeholder views including customers, retailers, shareholders, electricity industry regulators and Government (policy statements).

The role of the Line Pricing Methodology Board Committee is to provide support and advice to the PowerNet Limited, Electricity Invercargill Limited, The Power Company Limited, and Electricity Southland Limited Boards, and the OtagoNet Joint Venture Governing Committee, as well as the PowerNet senior leadership team for the revision of the method by which the networks under PowerNet management recover line revenue (distribution and transmission) from customers in a cost reflective and efficient way.

The following Directors held office on the Line Pricing Methodology Committee during the year under review:

*Wayne Mackey - Chair*

*Paul Kiesanowski - Member*

*Don Nicolson - Member*

The Line Pricing Methodology Committee met twice during the year.

### External Auditor

The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit and Risk Committee.

The Company's external auditor is PricewaterhouseCoopers (PwC). Adri Smit has been the Audit Partner since 2019.

The Audit and Risk Committee has determined that there are no matters that have affected the auditor's independence. PwC provides the Board with the required independence declaration for the financial year ended 31 March 2021.

### Internal Auditor

PowerNet Group Internal Audit function provides independent and objective assurance on the effectiveness of governance, risk management and internal controls across all business operations.

For external expertise, the Company works closely with Deloitte on outcomes of the external audit programme to the extent that they are relevant to the financial statements, and other external subject matter experts are used for non-financial matters.

Regular internal monitoring and review of controls and process is also undertaken by the Audit and Risk Committee.

# Directors' Profiles



## Board of Directors



### Don Nicolson *Chair*

Don joined the board of PowerNet in 2015 after being appointed a director of The Power Company Ltd. He is also one of The Power Company Ltd nominees on the OtagoNet Joint Venture governing committee.

From 1999 until 2011, Don was a trustee on the Southland Electric Power Supply Consumer Trust. While farming, active involvement in agri-business advocacy saw him hold many roles in the primary sector, culminating as the national president of Federated Farmers of New Zealand from 2008 until 2011.

Don is a member of the Institute of Directors.



### Alan (Joe) O'Connell *Deputy Chair* *(BCom, FCA, CFInstD)*

Joe joined the boards of Electricity Invercargill Ltd and PowerNet Ltd in December 2016. He serves as a director on a number of companies and was chairman of Invercargill Airport Ltd from 2011–2016.

He is chair of the PowerNet Health, Safety and Environment committee and has worked in many industries including transport, timber, concrete, petroleum distribution, drilling exploration, property and growing media.

Joe is a fellow chartered accountant of the Chartered Accountants Australia and New Zealand and a chartered fellow of the Institute of Directors New Zealand.



## Sarah Brown

*(LLB, BA, CFIInstD)*

Sarah joined the board of PowerNet Ltd in October 2015, retiring in October 2020. She was a member of the OtagoNet Joint Venture governing committee, a director for Electricity Invercargill Ltd and Electricity Southland Ltd. Sarah is also a director of PGG Wrightson Ltd. She was on the Provincial Growth Fund advisory panel and is a past project manager for the Southland Regional Development Agency.

Sarah practiced as a commercial lawyer and now works as an independent company director. Sarah is a chartered fellow of the Institute of Directors.



## Thomas (Tom) Campbell

*(BSc (Metallurgy), CFIInstD)*

Tom is chair of Electricity Invercargill Ltd and chair of Southern Generation GP Ltd, a former managing director of Comalco and former general manager of the Tiwai Smelter. He now works as an independent company director. Tom's directorships include Todd Corporation Ltd and Port Otago Ltd. He was chair of the Energy Efficiency and Conservation Authority (EECA) and chair of the Southland Regional Development Strategy governance group.

Tom is a chartered fellow of the Institute of Directors.



## Duncan Fea

*(BCom, FCA, CFIInstD)*

Duncan is a managing partner in Findex, Queenstown chartered accountants and business advisors. He is chair of the OtagoNet Joint Venture governing committee, Electricity Southland Ltd and the PowerNet Ltd audit and risk committee. Duncan holds a number of directorships which include: The Power Company Ltd, Electricity Southland Ltd, and Southern Generation GP Ltd. He is a past director of Peak Power Services Ltd, Pioneer Generation Ltd and Queenstown Airport Corporation Ltd.

Duncan is a fellow chartered accountant of the Chartered Accountants Australia and New Zealand and is a chartered fellow of the Institute of Directors.



## Douglas (Doug) Fraser

*(BSc (Chemistry), CFIInstD)*

Doug farms sheep and dairy cows on 595 hectares in Western Southland.

He is chair of The Power Company Ltd and a member of the OtagoNet Joint Venture governing committee. Doug was also chair of Otago Power Services Ltd until its amalgamation with PowerNet in March 2016. Previous governance roles include NZ Wool Board, Wools of NZ, Woolpro and AgITO.

Doug is a chartered fellow of the Institute of Directors.



## Paul Kiesanowski

*(BCom, FCA, CMIInstD)*

Paul joined the board of PowerNet Ltd on 28 March 2019. He is a former partner of KPMG. Paul brings strong financial management skills, risk management and assurance over a career working with a large number of clients. Paul's directorships include Electricity Invercargill Ltd, Black Holdings Ltd and Amalgamated Holdings Ltd.

Paul is a fellow chartered accountant of the Chartered Accountants Australia and New Zealand and is a chartered fellow of the Institute of Directors.



## Wayne Mackey

*BE (Electrical), MIEEE*

Wayne was CEO of Network Tasman Ltd for 18 years. He has also held directorships with Nelson Electricity Ltd and SmartCo Ltd. From 1991-1998, he was CitiPower's general manager and prior to that city energy engineer with the Nelson City Council.

Wayne joined the PowerNet Ltd board in September 2017 and is a director of The Power Company Ltd. Wayne is also a member of the Institute of Electrical and Electronic Engineers.



## Peter Moynihan

*(BAgSc)*

Peter joined the board of PowerNet Ltd on 1 November 2019. He is also a director of The Power Company Ltd. Peter brings experience as a director in the Agribusiness sector. He is currently on the board of agricultural cooperative, Ravensdown Ltd, and a director of dairy farming businesses Rathmore Farm Ltd and Aerodrome Farm Ltd. Since 1993, Peter has held several roles with Westpac NZ Ltd. He is currently the bank's Regional Manager Agribusiness S.I.



## Robert (Bob) Taylor

*(BE Hons (Electrical), REA)*

Bob has over 45 years' strategic, business and operational management in the electricity supply industry in both the United Kingdom and here in New Zealand. He has worked as an independent consultant for the past 10 years. Prior to that he was the managing director of Connetics Ltd providing construction and maintenance services to the Electricity, Telecommunications and Gas Sectors.

Bob served over 18 years on the Electricity Engineers' Association's (EEA) Safety Strategy and Policy Group including six years as chairman. He chairs the National Committee Live Work and is a past president of the EEA. He received the Association's meritorious services award for his contribution to industry leadership.

Bob joined the PowerNet board in November 2020. He has been appointed to PowerNet's Health, Safety and Environment committee.

# Statutory Report

The Directors are pleased to present the Annual Report and accompanying financial statements in respect of PowerNet Limited's operations for the twelve months to 31 March 2021.



## Result and Distribution

The Directors report that the Group's after tax profit for the year under review was \$2.049 million.

## Principal Activities

The principal activity of the parent entity PowerNet is the management of electricity networks and assets, and the provision of contracting services to the electricity distribution sector.

The parties to the PowerNet joint venture are The Power Company Limited and Electricity Invercargill Limited and their interests are represented through their respective wholly owned subsidiaries Last Tango Limited and Pylon Limited.

## State of Company's Affairs

With the continuing support of PowerNet's shareholders, the Directors consider the state of the Company's affairs to be satisfactory. Details of the year under review are included in this Annual Report and the accompanying Financial Statements.

## Dividend

A fully imputed final dividend for 31 March 2020 net profit of \$1,261,411 (\$1,751,959 inclusive of imputation credits), was declared during the year and paid to the shareholders on 30 September 2020.

A fully imputed interim dividend of \$1,592,762 (\$2,212,169 inclusive of imputation credits), was declared during the year and paid to shareholders on 30 November 2020.

A final dividend has been declared as at 31 March 2021 of \$457,745.

## Directors

The Shareholding Companies have appointed Directors as follows:

### Appointed by Electricity Invercargill Limited are:

Tom Campbell

Sarah Jane Brown  
(ceased 31 October 2020)

Joe O'Connell (Deputy Chair)

Paul Kiesanowski

Bob Taylor  
(appointed 1 November 2020)

### Appointed by The Power Company Limited are:

Don Nicolson (Chair)

Doug Fraser

Duncan Fea

Wayne Mackey

Peter Moynihan

## Directors' Interests

The following entries were made in the Interests Register of the Company with regard to the Directors [Companies Act 1993 Section 189 (1) (c)]:

### General

All Directors are interested in transactions with the Company involving the supply of standard network services, on standard terms and conditions, to premises in which they may have one or more of the following interests:

- (a) Owner, either alone or jointly with others.
- (b) Parent, child or spouse of another person who may have a material interest in a property.
- (c) Director, officer or shareholder of a body corporate which may have a material interest in a property.
- (d) Trustee or beneficiary of a trust which may have a material interest in a property.

Because the interest which Directors may have in such transactions is no different in kind, quality, benefit or obligation from transactions which the Company has with other network services customers, it is not intended to list such premises or properties in the Interests Register.

## Directors' Register

The Directors' register for PowerNet Limited and its subsidiaries, is as follows:

	PNL	TPCL	EIL	OtagoNet Limited	OJV	OtagoNet Properties Limited	Roaring Forties Energy Limited	Southern Generation Limited	ESL	Last Tango Limited	Pylon
Duncan Fea	●	●		●	●	●	●	●	●	●	
Wayne Mackey	●	●								●	
Don Nicolson	●	●		●	●	●			●	●	
Joe O'Connell	●		●								●
Paul Kiesanowski	●		●								●
Peter Moynihan	●	●								●	
Tom Campbell	●		●				●	●			●
Bob Taylor	●										
Doug Fraser	●	●		●	●	●			●	●	
Sarah Brown	●		●	●	●	●			●		●

## Directors' Disclosure of Interest

### Interests Register

Register of Directors' external Interests - as at 31 March 2021 [Companies Act 1993, Section 189 (1) (c)].

<b>Sarah Brown</b>		SBS Charitable Trust	<i>Trustee</i>
PGG Wrightson Limited	<i>Director</i>	Southfuels Limited	<i>Director</i>
Provincial Growth Fund Advisory Panel	<i>Panellist</i>	Southsure Assurance Limited	<i>Director</i>
Southland Regional Development Strategy	<i>Project Manager</i>	TNZ Growing Products Limited	<i>Director</i>
<b>Tom Campbell</b>		<b>Paul Kiesanowski</b>	
Port Otago Limited	<i>Director</i>	Amalgamated Holdings Limited	<i>Director</i>
Todd Corporation Limited	<i>Director</i>	Apex Environmental Limited	<i>Director</i>
Todd Offshore Limited	<i>Director</i>	City Care Limited	<i>Company Secretary</i>
<b>Duncan Fea</b>		Craigpine Timber Limited	<i>Director</i>
Findex	<i>Partner</i>	Earthquake Commission	<i>Comissioner</i>
<b>Don Nicolson</b>		Paul Kiesanowski Advisory Limited	<i>Director / Shareholder</i>
Environomics (NZ) Trust	<i>Trustee</i>	Red Bus Limited	<i>Director</i>
<b>Joe O'Connell</b>		<b>Peter Moynihan</b>	
Abbot NZ Holdings Limited	<i>Director</i>	Aerodrome Farm Limited	<i>Director / Shareholder</i>
Abbot Management Limited	<i>Director</i>	Rathmore Farm Limited	<i>Director</i>
AJO Management Limited	<i>Director</i>	Ravensdown Limited	<i>Director</i>
Fraser Properties Limited	<i>Director</i>	Westpac (NZ) Limited	<i>Employee</i>
H & J Smith Holdings Limited (and associated companies)	<i>Director</i>	<b>Bob Taylor</b>	
K G Richardson Limited	<i>Association</i>	Bob Taylor Limited	<i>Director / Consultant / Shareholder</i>
KGR Properties Limited	<i>Association</i>	Electricity Engineers Association National Committee Live-Line Work	<i>Chairman</i>
Log Logistics Limited	<i>Director</i>	Sterling Tree Limited	<i>Director / Shareholder</i>
Log Marketing New Zealand Limited	<i>Director</i>		
McNeill Distribution Limited	<i>Association</i>		
Niagara Forestry Limited	<i>Director</i>		
Niagara Sawmilling Company Limited	<i>Association</i>		
O'Connell Holdings Limited	<i>Director</i>		
OKC Holdings Limited	<i>Director</i>		
Property South Limited	<i>Director</i>		
R Richardson Limited	<i>Director</i>		
RW Transport Limited	<i>Director</i>		
SBS Bank	<i>Director</i>		

## Remuneration Of Directors

Directors, in early response to the potential impact of COVID-19, voluntarily reduced their remuneration by 10% overall, (20% over six months). The annual fee was \$380,277 (2019/20 \$407,277).

Director	Appointment Date	Retirement Date	2020/2021
Don Nicolson <i>(Chair)</i>	1 October 2015	-	\$71,100
Joe O'Connell <i>(Deputy Chair)</i>	1 December 2016	-	\$50,850
Sarah Brown	1 October 2015	31 October 2020	\$19,479
Tom Campbell	1 November 2010	-	\$34,850
Duncan Fea	8 September 2011	-	\$39,100
Doug Fraser	9 September 2014	-	\$34,850
Paul Kiesanowski	28 March 2019	-	\$34,850
Wayne Mackey	6 September 2017	-	\$34,850
Peter Moynihan	1 November 2019	-	\$34,850
Bob Taylor	1 November 2019	-	\$15,583

## Employee Remuneration

One hundred and twenty three continuing or former employees received remuneration in the following bands:

\$100,000 - \$110,000	34	\$200,000 - \$210,000	3
\$110,000 - \$120,000	28	\$210,000 - \$220,000	2
\$120,000 - \$130,000	25	\$280,000 - \$290,000	1
\$130,000 - \$140,000	9	\$300,000 - \$310,000	1
\$140,000 - \$150,000	8	\$360,000 - \$370,000	1
\$150,000 - \$160,000	5	\$390,000 - \$400,000	1
\$160,000 - \$170,000	4	\$640,000 - \$650,000	1

## Scholarships, Awards and Donations

Donations were made by the Company during the year totalling \$12,600.

## Use Of Company Information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been made available to them.

## Auditor Remuneration

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

## Directors' and Employees' Indemnity and Insurance

Liability Insurance was effected for Directors and certain Executives of the Company.

## Accounting Policies

There have been no changes in accounting policies during the year. These have been applied on a basis consistent with those used in the previous year.

*For and on behalf of the Directors.*

Donald Owen Nicolson  
Chair



Alan Joseph O'Connell  
Deputy Chair





# Approval by Directors

The Directors have approved the Financial Statements of PowerNet Limited for the year ended 31 March 2021 pages 58 to 81.

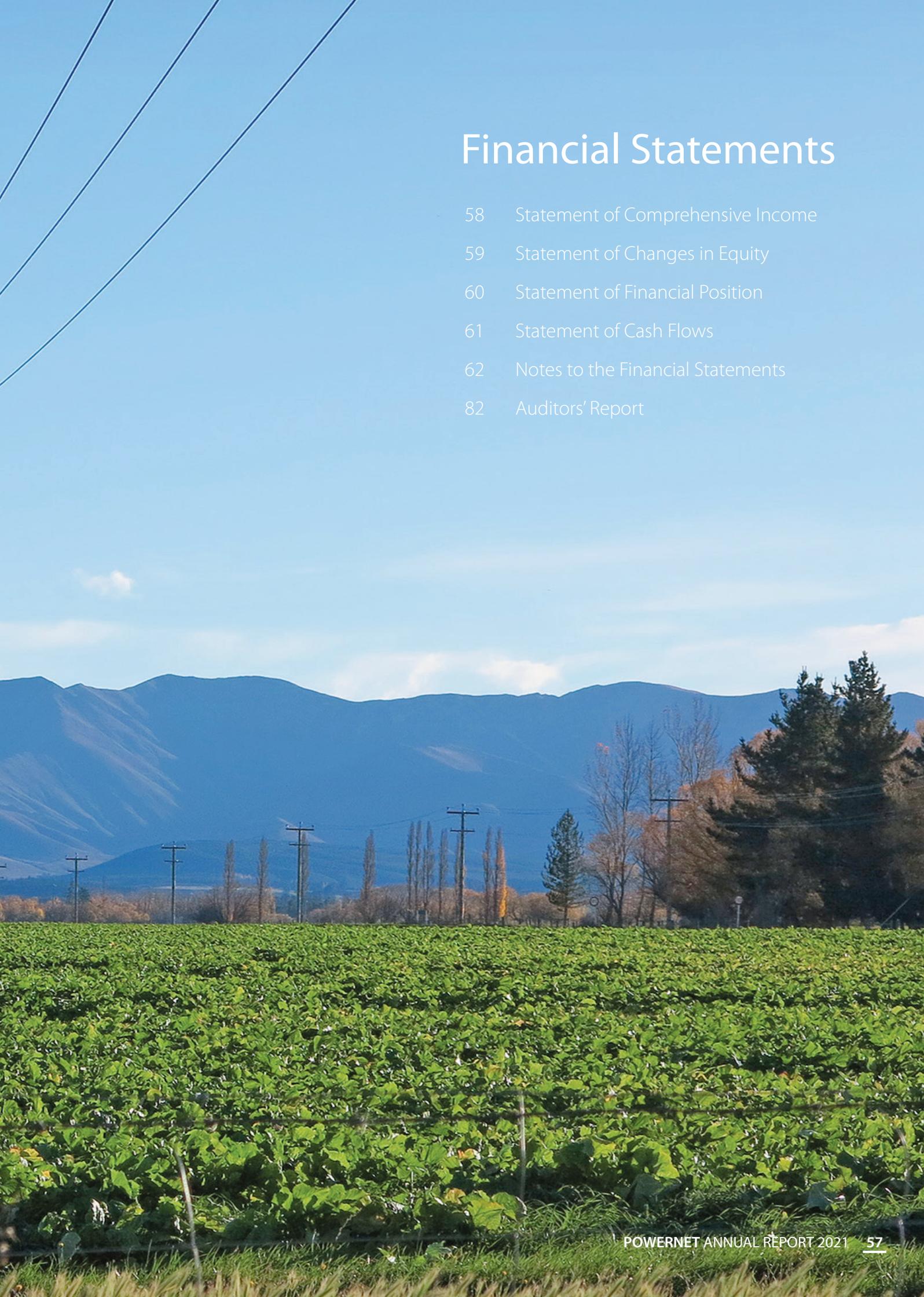
For and on behalf of the Board.



Donald Owen Nicolson  
**Chair**  
27 May 2021



Alan Joseph O'Connell  
**Director**  
27 May 2021



# Financial Statements

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## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
Operating Revenue	2	81,218	88,795
Other Income	3	131	155
Operating Expenses	4	(77,144)	(83,449)
Financial Expenses	4	(1,511)	(2,092)
<b>Operating Surplus Before Taxation</b>		<b>2,694</b>	<b>3,409</b>
Taxation (Expense)/Benefit	5	(645)	(718)
<b>Net Surplus after Taxation</b>		<b>2,049</b>	<b>2,691</b>
<b>Total Comprehensive Income</b>		<b>2,049</b>	<b>2,691</b>

The accompanying notes on pages 62-81 form part of and should be read in conjunction with these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
<b>Total Comprehensive Income</b>			
Net Surplus for the Year comprising		2,049	2,691
<b>CONTRIBUTIONS FROM SHAREHOLDERS</b>			
Change of Ownership in Minority Interest		-	(783)
Gain on Amalgamation		-	47
		-	(736)
<b>Distributions to Shareholders</b>			
Dividend Paid/Declared		(3,312)	(1,580)
<b>Changes in Equity for the Year</b>		<b>(1,263)</b>	<b>375</b>
<b>Equity at the Beginning of the Year, comprising:</b>			
Parent Interest		5,575	5,073
Minority Interest		-	127
		5,575	5,200
Equity at End of Year comprising		4,312	5,575

The accompanying notes on pages 62-81 form part of and should be read in conjunction with these Financial Statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Short Term Bank Deposits	7	1,399	3,503
Receivables and Prepayments	8	15,783	20,852
Unbilled Construction Work in Progress	10	5,945	2,879
Inventories	9	1,961	1,948
<b>Total Current Assets</b>		<b>25,088</b>	<b>29,182</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	16	17,990	19,098
Capital Work in Progress		1,364	540
Intangibles	17	8,919	9,127
Deferred Taxation Asset	15	1,396	1,392
Right-of-Use Assets	14	6,989	5,938
<b>Total Non-Current Assets</b>		<b>36,658</b>	<b>36,095</b>
<b>Total Assets</b>		<b>61,746</b>	<b>65,277</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors and Accruals	11	7,586	8,513
Employee Entitlements	12	4,051	4,124
Dividend Payable		458	-
Taxation Payable		321	217
Provisions		-	50
Lease Liabilities	14	167	184
<b>Total Current Liabilities</b>		<b>12,583</b>	<b>13,088</b>
<b>Non-Current Liabilities</b>			
Advances	13	36,669	39,769
Deferred Taxation Liability	15	934	834
Lease Liabilities	14	7,248	6,011
<b>Total Non-Current Liabilities</b>		<b>44,851</b>	<b>46,614</b>
<b>Total Liabilities</b>		<b>57,434</b>	<b>59,702</b>
<b>Net Assets</b>		<b>4,312</b>	<b>5,575</b>
<b>EQUITY</b>			
Share Capital	6	4,000	4,000
Retained Earnings	6	312	1,575
<b>Total Equity</b>		<b>4,312</b>	<b>5,575</b>

The accompanying notes on pages 62-81 form part of and should be read in conjunction with these Financial Statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 \$'000	2020 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Receipts from Customers		85,615	87,945
Interest Received		-	9
		<b>85,615</b>	<b>87,954</b>
<b>Cash Was Applied To:</b>			
Payments to Suppliers and Employees		76,466	74,737
Income Tax Paid		442	894
Interest Paid		1,608	2,151
		<b>78,516</b>	<b>77,782</b>
<b>Net Cash Flows From Operating Activities</b>	21	<b>7,099</b>	<b>10,172</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Sale of Fixed Assets		164	320
		<b>164</b>	<b>320</b>
<b>Cash Was Applied To:</b>			
Purchase of Fixed and Intangible Assets		3,218	4,062
Purchase of Minority Interest		-	235
		<b>3,218</b>	<b>4,297</b>
<b>Net Cash Flows From/(Used In) Investing Activities</b>		<b>(3,054)</b>	<b>(3,977)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Was Provided From:</b>			
Advances and Loans		6	3
		<b>6</b>	<b>3</b>
<b>Cash Was Applied To:</b>			
Advances and Loans		3,101	1,345
Payment of Dividends		2,854	2,828
Principal Elements of Lease Payments		200	170
		<b>(6,155)</b>	<b>(4,343)</b>
<b>Net Cash Flows From Financing Activities</b>		<b>(6,149)</b>	<b>(4,340)</b>
Net Increase (Decrease) in Cash and Cash Equivalents		(2,104)	1,855
Cash and Cash Equivalents at the Beginning of the Financial Year		3,503	1,648
<b>Cash and Cash Equivalents at End of Year</b>	7	<b>1,399</b>	<b>3,503</b>

The accompanying notes on pages 62-81 form part of and should be read in conjunction with these Financial Statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2021

### 1 Statement of Accounting Policies

#### Reporting Entity

PowerNet Limited is a profit oriented limited liability company that was incorporated in New Zealand on 21 April 1994 and the address of its registered office is 251 Racecourse Road, Invercargill. The Company is a joint venture company and is registered under the Companies Act 1993. The parties to the joint venture are The Power Company Limited and Electricity Invercargill Limited and their interests are represented through their respective wholly owned subsidiaries Last Tango Limited and Pylon Limited.

The principal activity of PowerNet Limited is the management of electricity distribution networks and provision of management and accounting services. PowerNet Limited also provides contracting services to the electricity distribution sector.

PowerNet Limited manages the networks of The Power Company Limited, Electricity Invercargill Limited, OtagoNet Joint Venture and Electricity Southland Limited with those entities retaining ownership of their respective Network Assets.

The financial statements were approved by the Board of Directors on 27 May 2021.

#### Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit oriented entities.

PowerNet Limited is eligible and has elected to report in accordance with Tier 2 for profit accounting standards, NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) on the basis that it has no public accountability and is not a large for profit public sector entity.

In adopting NZ IFRS RDR, PowerNet Limited has taken advantage of a number of disclosure concessions.

The reporting currency of these financial statements is \$NZD rounded to the nearest thousand.

The financial statements have a reclassification of prior year balances to align with the current year classification under the new accounting standards for comparability. These reclassifications have not resulted in a change to opening retained earnings.

#### Impact of COVID-19 on Financial Statements

The COVID-19 pandemic continues to cause widespread economic and social disruption around the world.

With Electricity Distribution Businesses deemed an essential service, the NZ Government imposed Level 4 lockdown in April and May 2020, and subsequent Level 2 and 3 restriction periods during 2020 required PowerNet Ltd to adapt increased health and safety measures and field staff operating procedures based on industry COVID-19 health and safety protocols. This enabled PowerNet to continue essential maintenance work, and later return to full Network Assets Works as restrictions were lifted. A strong recovery has helped to reduce the impact of the disruptions on PowerNet's annual performance. As a result, PowerNet has repaid the NZ Government wage subsidy.

Having considered the potential impact of COVID-19 on the business, we believe no significant changes to the presentation of the financial statements are required.

#### Use of Estimates and Judgments

The preparation of financial statements to conform to NZ IFRS requires management to make judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

In particular, estimates and assumptions have been used in the following areas:

- Property, Plant and Equipment (includes assumptions around useful life of assets, Note 16)
- Intangibles (an impairment review is performed on the value of goodwill, Note 17)
- Revenue (timing of revenue is assessed under IFRS 15 guidance, Note 2)
- Leases (determination of lease term and incremental borrowing rate applied in accordance with NZ IFRS 16, Note 14).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

#### (a) Revenue from contracts with customers

##### (i) Line and Metering Charges

Line and Metering charges represent amounts invoiced to retailers based on their usage of the network and metering assets owned by the joint venture parties and is recorded as turnover for PowerNet Limited who is acting in the capacity of Agent for Electricity Invercargill Limited, The Power Company Limited, Otago Net Joint Venture and Electricity Southland Limited. This income is passed through to the networks on a monthly basis.

##### (ii) Capital Works Programme

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

##### (iii) Agency Services

Revenue from Agency services is earned for work carried out relating to the business management and administration function of the networks.

The transaction price is calculated by an allocation method of budgeted costs (determined at business planning) to recover costs associated to the Management of the Networks, including a mark up.

Revenue from agency services is recognised evenly over time as the customer simultaneously receives and consumes the benefit from the delivery of Management, Maintenance & Business Administration.

##### (iv) Maintenance Services

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

The transaction price is designed to recover network costs incurred to maintain assets based on the Asset Management Plan.

Revenue from maintenance is recognised over time using an input methodology based on costs incurred as the customer simultaneously receives and consumes the benefit from the delivery of maintenance undertaken on assets that the Network owns.

##### (v) External Contracting Income

Revenue from External Contracting is earned on work carried out for non-network customers and includes contracts for services provided for the power supply of Stewart Island and district councils for street lighting.

Revenue from external contracting is recognised over time using an input methodology based on the costs incurred with the customer simultaneously receiving and consuming the benefit from the services performed. Invoices are produced on a monthly basis.

##### (vi) Management Service Fixed Fee

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

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

##### (vii) Equipment Sales

Revenue from the sale of equipment is recognised at the point in time when the control of the asset is transferred to the customer, generally on delivery of the equipment.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

**(b) Financial Expenses**

Financial expenses comprise interest expense on borrowings and lease liabilities. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method, unless they are directly related to the construction of qualifying assets when they are capitalised.

**(c) Unbilled Construction Work in Progress**

Construction Work in Progress primarily relates to The Power Company Limited's, Electricity Invercargill Limited's, OtagoNet Joint Venture's and Electricity Southland Limited's Capital Work and includes direct material and labour costs plus an accrual for the proportion of work completed at the end of the period, plus a mark up designed to cover PowerNet Limited's associated indirect overheads. Where charges relate to external customers, profit is recognised on a percentage completion basis.

Mark ups on contracts are recognised progressively over the period of each contract. Foreseeable losses on a contract are recognised immediately. Unbilled construction work in progress is considered a receivable rather than a contract asset under NZ IFRS 15. Impairment is therefore considered in line with the trade receivable loss provision methodology as per note (n)(ii).

**(d) Inventories**

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

**(e) Property, Plant and Equipment**

All property, plant and equipment is initially recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The deemed value of property, plant and equipment at 1 April 2006, the date of transition to NZ IFRS, was determined by reference to its fair value at that date.

PowerNet Limited recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if, when that cost is incurred, it is probable that the future economic benefits embodied within the item will flow to PowerNet Limited and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

**(f) Depreciation**

Depreciation is charged to the Statement of Comprehensive Income on a combination of straight line and diminishing value bases on all tangible assets with the exception of land, at rates calculated to allocate the assets' fair value, less any residual value, over their useful lives. The primary annual rates used are:

Buildings and Building Fit-Out	1.5 - 67.0%	Straight line/Diminishing value
Plant and Equipment	5.0 - 80.4%	Straight line/Diminishing value
Motor Vehicles	5.0 - 48.0%	Straight line/Diminishing value
Office Furniture	5.0 - 80.4%	Straight line/Diminishing value
Computer Hardware	10.0 - 60.0%	Straight line/Diminishing value

**(g) Capital Work in Progress**

Capital Work in Progress is stated at cost and is not depreciated. Costs for a specific project are transferred to Property, Plant and Equipment once the project is commissioned and then depreciated.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### (h) Impairment

At each reporting date PowerNet Limited reviews the carrying amounts of its assets (with the exception of inventory and deferred tax assets) and assesses them for indications of impairment. If indications of impairment exist, then the assets' recoverable amounts are estimated in order to determine the extent of the impairment. The recoverable amounts are the higher of fair value (less costs to sell) and value in use.

In assessing value in use, the estimated future pre tax cash flows are discounted to their present value using a pre tax discount rate that reflects the market assessments of the time value of money and the risks specific to the assets involved. If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

### (i) Intangible Assets

#### (i) Goodwill

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

#### (ii) Computer Software

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

#### (iii) Amortisation

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

Software	8.0 - 50.0%	Straight line/Diminishing value
----------	-------------	---------------------------------

### (j) Goods and Services Tax (GST)

All amounts in the financial statements are shown exclusive of GST, with the exception of receivables and payables which are shown inclusive of GST.

### (k) Taxation

Income tax on the profit or loss for the period presented comprises current tax and additional or reversed deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at Balance Sheet date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the Balance Sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxation profit or loss.

Deferred tax is recorded using tax rates enacted or substantially enacted at the Balance Sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### (l) Employee Benefits

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

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

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

### (m) Seasonality

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

### (n) Financial Instruments

#### (i) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.

#### (ii) Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. PowerNet Limited holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. PowerNet Limited applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

During the year, the following gains/(losses) were recognised in profit or loss in other expenses in relation to impaired receivables.

Impairment losses:

- individual receivables written off directly
- movement in provision for impairment

#### (iii) Trade and Other Payables

Trade and Other Payables are stated at cost.

#### (iv) Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless PowerNet Limited has an unconditional right to defer settlement of the liability at least 12 months after balance date.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 2 Income

	2021 \$'000	2020 \$'000
<i>Agency</i>		
Line Charges	111,421	114,315
Metering	4,509	4,444
	<b>115,930</b>	<b>118,759</b>
<i>Less</i>		
Transmission	25,351	28,973
<b>Net Agency</b>	<b>90,580</b>	<b>89,786</b>
<b>Revenue from Contracts with Customers</b>		
Contracting Revenue	4,280	6,794
Maintenance Fees	18,422	20,819
Agency Fees	9,501	8,259
Capital Works Programme	48,796	52,513
Equipment Sales	-	156
Management Fees	219	254
	<b>81,218</b>	<b>88,795</b>
<b>Timing of Revenue Recognition</b>		
Over Time	81,218	88,639
At a point in time	-	156
	<b>81,218</b>	<b>88,795</b>

### 3 Other Income

	2021 \$'000	2020 \$'000
Sundry Revenue	131	153
Interest Revenue	-	2
	<b>131</b>	<b>155</b>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

## 4 Expenses

	2021 \$'000	2020 \$'000
<i>Expenses Include:</i>		
Network Costs (excl. Depreciation)	51,708	54,522
Interest Expense	1,511	2,092
Loss on Disposal of Property, Plant and Equipment	31	73
Amortisation of Intangibles	525	448
<b>Auditors' Fees</b>		
Audit of Financial Statements - PwC	98	92
Regulatory and Consulting Fees - PwC	8	2
Software - PwC	-	20
<b>Depreciation</b>		
Buildings	201	192
Plant and Equipment	1,377	1,435
Motor Vehicles	1,080	1,161
Office Equipment	82	92
Computer Hardware	314	285
Right-of-Use Assets	370	427
<b>Total Depreciation</b>	<b>3,424</b>	<b>3,592</b>
Directors' Fees	370	406
Donations	13	15
Employee Benefit Expenses	14,316	14,754

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 5 Taxation

#### Current Tax

Current tax expense is the expected tax payable on the taxable income for the year.

Current tax for the current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

#### Deferred Tax

Deferred tax expense arises from the origination and reversal of temporary differences.

	2021 \$'000	2020 \$'000
Operating Surplus/(Deficit) Before Income Tax	2,694	3,409
Prima Facie Taxation at 28% made up of:	754	954
Permanent Differences	98	94
Prior Period Adjustments	(46)	(71)
Tax effects of:		
• Tax benefit from use of group losses	(161)	(259)
<b>Tax on Taxable Income</b>	<b>645</b>	<b>718</b>
Current Tax	528	941
Prior Period Adjustments in respect of Current Tax	19	(3)
Prior Period Adjustments in respect of Deferred Tax	(45)	(68)
Deferred Tax	143	(152)
<b>Taxation Expense</b>	<b>645</b>	<b>718</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 6 Equity

The authorised and issued share capital consists of 4,000,000 ordinary shares which are divided into two groups. Group A comprises 2,000,000 ordinary shares and Group B comprises 2,000,000 ordinary shares.

Group A and Group B shares have the same rights and privileges and are subject to the same restrictions. However, dividends are distributed to Group A or Group B shares in accordance with the equity invested and activity level on the networks owned by each joint venture party.

	2021 \$'000	2020 \$'000
Share Capital	4,000	4,000
<b>Closing Balance</b>	<b>4,000</b>	<b>4,000</b>
<b>Retained Earnings</b>		
Opening Balance	1,575	1,073
Net Surplus/(Deficit) for the Year	2,049	2,691
Amalgamation	0	(609)
Dividend Declared/Paid	(3,312)	(1,580)
<b>Closing Balance</b>	<b>312</b>	<b>1,575</b>
<b>Total Equity</b>	<b>4,312</b>	<b>5,575</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 7 Cash and Short-Term Bank Deposits

	2021 \$'000	2020 \$'000
Current Account	199	1,003
Short-Term Bank Deposits	1,200	2,500
<b>Total Cash and Short-Term Bank Deposits</b>	<b>1,399</b>	<b>3,503</b>

### 8 Receivables and Prepayments

	GROUP	
	2021 \$'000	2020 \$'000
Trade Debtors	432	1,421
The Power Company Limited	8,999	9,799
Electricity Invercargill Limited	1,512	1,299
Electricity Southland Limited	1,550	1,664
OtagoNet Joint Venture	2,297	5,496
Prepayments and Other Receivables	993	1,173
<b>Total Receivables and Prepayments</b>	<b>15,783</b>	<b>20,852</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 9 Inventories

	2021 \$'000	2020 \$'000
Network Spares and Sundry Network Consumables	1,961	1,948

Network Spares includes Smart Meters totalling \$1,180,000 (2020: \$1,416,000).

### 10 Unbilled Construction Work in Progress

	2021 \$'000	2020 \$'000
<i>On behalf of:</i>		
The Power Company Limited	3,733	1,773
Electricity Invercargill Limited	544	447
OtagoNet Joint Venture	1,003	236
Electricity Southland Limited	491	81
External Customers	174	342
<b>Total Unbilled Construction Work in Progress</b>	<b>5,945</b>	<b>2,879</b>

### 11 Creditors and Accruals

	2021 \$'000	2020 \$'000
Trade Payables	4,465	4,491
Accruals	1,499	1,827
Inland Revenue - GST Payable	1,015	1,702
Income in Advance	63	-
The Power Company Limited	268	351
Electricity Invercargill Limited	58	80
OtagoNet Joint Venture	216	11
Electricity Southland Limited	2	51
	<b>7,586</b>	<b>8,513</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 12 Employee Entitlements

	2021 \$'000	2020 \$'000
Opening Balance	4,124	3,735
Additional Accrued	3,677	3,514
Amount Utilised	(3,750)	(3,125)
<b>Total Employee Entitlements</b>	<b>4,051</b>	<b>4,124</b>

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

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

### 13 Advances

	2021 \$'000	2020 \$'000
<i>Advances from:</i>		
The Power Company Ltd	28,843	31,168
Electricity Invercargill Ltd	7,826	8,601
<b>Total Advances</b>	<b>36,669</b>	<b>39,769</b>

Interest on the Advances is paid quarterly. The interest rate in respect of the advances is 3% above the 90 day Bank Bill Rate at the end of each month. The advance facility is repayable on demand but with a 13 month notice period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

## 14 Leases

	2021 \$'000	2020 \$'000
<b>Right-of-Use Assets Net Book Value</b>		
Properties	6,904	5,838
Vehicles	-	19
Equipment	41	81
Others	44	-
	<b>6,989</b>	<b>5,938</b>
<b>Lease Liabilities</b>		
Current	167	184
Non-Current	7,248	6,011
	<b>7,415</b>	<b>6,195</b>

## (a) Amounts recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021 \$'000	2020 \$'000
<b>Depreciation Charge of Right-of-Use Assets</b>		
Properties	300	335
Vehicles	19	51
Equipment	41	41
Others	10	-
	<b>370</b>	<b>427</b>
Interest Expense (included in finance cost)	410	429
Expense Relating to Short-Term Leases (included in operating expenses)	533	285
Additions to Right-of-Use Assets	1,589	-

The total cash outflow for leases for the year was \$612,025 (31 March 2020: \$598,467).

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by PowerNet Limited. These leases consist of commercial leases, lease of office equipment and vehicle leases.

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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 14 Leases (*continued*)

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 PowerNet Limited, 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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If PowerNet Limited is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short term leases of property, equipment and vehicles are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

### 15 Deferred Taxation

	2021 \$'000	2020 \$'000
Opening Balance	558	339
Charged to Income Statement		
- Depreciation (non-current liability)	(149)	(107)
- Tax Losses (current assets)	(4)	(5)
- Employee Entitlements (current assets)	(20)	120
- Other (current assets)	29	71
- Leases	47	82
Timing differences now treated as permanent adjustments	-	58
<b>Total Deferred Taxation Asset/(Liability)</b>	<b>461</b>	<b>558</b>

The movement in deferred tax during the year is mainly the difference between tax and accounting depreciation and the movement in holiday pay accruals. No significant reversal of deferred tax is expected in the next 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

## 16 Property, Plant and Equipment

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Total \$'000
<b>Cost</b>							
Balance at 1 April 2019	412	5,983	16,310	1,700	14,735	2,323	41,464
Additions	-	40	1,640	44	1,162	201	3,087
Disposals	-	-	(1,401)	(3)	(1,011)	(110)	(2,525)
<b>Balance at 31 March 2020</b>	<b>412</b>	<b>6,023</b>	<b>16,549</b>	<b>1,741</b>	<b>14,886</b>	<b>2,414</b>	<b>42,026</b>
Balance at 1 April 2020	412	6,023	16,549	1,741	14,886	2,414	42,025
Additions	15	45	675	312	736	292	2,075
Disposals	-	-	(86)	(140)	(389)	(231)	(846)
<b>Balance at 31 March 2021</b>	<b>427</b>	<b>6,068</b>	<b>17,138</b>	<b>1,913</b>	<b>15,233</b>	<b>2,475</b>	<b>43,254</b>
<b>Depreciation and Impairment</b>							
Balance at 1 April 2019	-	1,794	9,301	1,166	8,203	1,554	22,018
Depreciation for Period	-	191	1,435	92	1,160	285	3,164
Disposals	-	-	(1,321)	(3)	(821)	(110)	(2,255)
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>1,985</b>	<b>9,415</b>	<b>1,256</b>	<b>8,542</b>	<b>1,729</b>	<b>22,927</b>
Balance at 1 April 2020	-	1,985	9,415	1,256	8,542	1,729	22,927
Depreciation for Period	-	201	1,377	82	1,080	314	3,054
Disposals	-	-	(53)	(118)	(316)	(231)	(718)
<b>Balance at 31 March 2021</b>	<b>-</b>	<b>2,186</b>	<b>10,739</b>	<b>1,220</b>	<b>9,306</b>	<b>1,812</b>	<b>25,263</b>
<b>Book Value at 31 March 2020</b>	<b>412</b>	<b>4,038</b>	<b>7,134</b>	<b>485</b>	<b>6,344</b>	<b>685</b>	<b>19,098</b>
<b>Book Value at 31 March 2021</b>	<b>426</b>	<b>3,882</b>	<b>6,400</b>	<b>692</b>	<b>5,926</b>	<b>664</b>	<b>17,990</b>

**Deemed Cost**

The carrying amount of Property, Plant and Equipment as at 1 April 2006, the date of transition to NZ IFRS, is now taken as the deemed cost of the Property, Plant and Equipment at that date.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 17 Intangible Assets

	Goodwill \$'000	Computer Software \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 April 2020	7,134	6,326	13,460
Additions	-	319	319
Disposals	-	(263)	(263)
<b>Balance at 31 March 2021</b>	<b>7,134</b>	<b>6,382</b>	<b>13,516</b>
<b>Amortisation and Impairment</b>			
Balance at 1 April 2020	-	4,332	4,332
Amortisation for Period	-	525	525
Disposals	-	(260)	(260)
<b>Balance at 31 March 2021</b>	<b>-</b>	<b>4,597</b>	<b>4,597</b>
<b>Book Value at 31 March 2020</b>	<b>7,134</b>	<b>1,993</b>	<b>9,127</b>
<b>Book Value at 31 March 2021</b>	<b>7,134</b>	<b>1,785</b>	<b>8,919</b>

Goodwill in respect of acquisition is stated at cost. Goodwill is not amortised but tested for impairment annually.

The Goodwill above is in respect of the acquisition of Power Services Limited and Otago Power Services Limited.

### 18 Commitments

#### Capital Commitments

Capital Commitments as at 31 March 2021 total \$904,595 (2020: \$122,904).

### 19 Contingent Liabilities

There are no Contingent Liabilities as at 31 March 2021 (2020: \$nil).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 20 Transactions with Related Parties

The parties to the PowerNet Limited Joint Venture consist of The Power Company Limited and Electricity Invercargill Limited through their respective subsidiaries Last Tango Limited and Pylon Limited.

Pylon Limited and Last Tango Limited jointly hold a 100% interest in OtagoNet Joint Venture.

PowerNet Limited also has transactions with Roaring Forties Energy Limited Partnership, a limited partnership owned jointly by Last Tango Limited and Pylon Limited.

Electricity Southland Limited has the same ownership as the OtagoNet Joint Venture.

All transactions between PowerNet Limited, its joint venture parties and Electricity Southland Limited, relate to the normal trading activities of PowerNet Limited.

Material transactions PowerNet Limited has had with the above mentioned related parties during the year, excluding on-charges incurred on behalf of related parties, are as follows:

	2021 \$'000	2020 \$'000
<b>Asset Construction, Management Fees, Agency Fees and Directors Fees Supplied To:</b>		
The Power Company Limited	43,395	46,555
Electricity Invercargill Limited	8,969	10,554
Electricity Southland Limited	6,629	5,495
OtagoNet Joint Venture	17,725	18,988
Roaring Forties Energy Limited Partnership	135	98
<b>Receivables and Unbilled WIP Outstanding at Balance Date (GST incl):</b>		
The Power Company Limited	12,711	11,557
Electricity Invercargill Limited	2,033	1,745
Electricity Southland Limited	2,033	1,742
OtagoNet Joint Venture	3,282	5,697
Roaring Forties Energy Limited Partnership	13	9
<b>Miscellaneous Charges Supplied By:</b>		
The Power Company Limited	1,462	1,787
Electricity Invercargill Limited	229	374
Electricity Southland Limited	233	255
OtagoNet Joint Venture	481	112
Otago Power Services Limited	-	1

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 20 Transactions with Related Parties (*continued*)

	2021 \$'000	2020 \$'000
<b>Creditors Outstanding at Balance Date (GST incl):</b>		
The Power Company Limited	268	349
Electricity Invercargill Limited	58	80
OtagoNet Joint Venture	216	11
Electricity Southland Limited	2	51
<b>Advances Supplied By:</b>		
The Power Company Limited	1,700	11,830
Electricity Invercargill Limited	250	6,235
<b>Advances Repaid To:</b>		
The Power Company Limited	5,025	12,831
Electricity Invercargill Limited	1,025	6,569

Advance balances owed to related parties at 31 March 2021 are disclosed in Note 13.

#### Other Related Parties

There have been no transactions with Directors with the exception of the following:

PowerNet Limited uses Findex Limited as its tax advisors, of which Duncan Fea is a Principal. Fees for taxation advice paid to Findex Limited during the year amounted to \$2,799 (excl GST) (2020: \$17,753 excl GST) of which \$nil (2020: \$nil) is owing at balance date.

#### Key Management Personnel

Compensation of the Directors and Executives, being the key management personnel of PowerNet Limited is as follows:

	2021 \$'000	2020 \$'000
Salaries and Short Term Employee Benefits	3,222	2,958

Executive staff remuneration comprises salary and other short term benefits. PowerNet Limited Executives appointed to the boards of related companies do not receive Directors' fees personally.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 21 Reconciliation Of Net Surplus With Net Operating Cash Flows

The following is a reconciliation for PowerNet Limited between Net Surplus After Taxation shown in the Statement of Comprehensive Income and the Net Cash flows from Operating Activities:

	2021 \$'000	2020 \$'000
<b>Net Surplus After Taxation</b>	<b>2,049</b>	<b>2,691</b>
<b>Add/(Less) Non Cash Items:</b>		
Amortisation	525	448
Depreciation	3,424	3,592
Movement in Deferred Tax	97	(219)
Deficit/(Profit) on Sale of Plant Property and Equipment	(33)	(47)
	<b>4,013</b>	<b>3,774</b>
<b>Add/(Less) Movements in Working Capital:</b>		
Creditors, Accruals and Employee Entitlements	(309)	525
Receivables and Prepayments	5,057	(2,958)
Inventories	(13)	975
Construction Work in Progress	(3,066)	4,190
GST Payable/ (Receivable)	(687)	879
Taxation Payable	105	46
Provisions	(50)	50
	<b>1,037</b>	<b>3,707</b>
<b>Net Cash Flow From Operating Activities</b>	<b>7,099</b>	<b>10,172</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For The Year Ended 31 March 2021

### 22 Financial Instruments

PowerNet Limited has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of PowerNet Limited's risk management framework.

#### Credit Risk

Financial instruments that potentially subject PowerNet Limited to concentrations of credit risk consist principally of cash and short term investments and trade receivables. Cash and short term investments are placed with banks with high credit ratings assigned by international credit rating agencies, or other high credit quality financial institutions.

PowerNet Limited manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. PowerNet Limited does not generally require or hold collateral against credit risk. There is no exposure for PowerNet Limited.

#### Liquidity Risk

Liquidity risk represents PowerNet Limited's ability to meet its contractual obligations.

PowerNet Limited evaluates its liquidity requirements on an ongoing basis. In general PowerNet Limited generates sufficient cash flows from its operating activities to meet its contractual obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect PowerNet Limited's income or the value of its holdings of financial instruments.

PowerNet Limited has interest bearing debt which is subject to interest rate variations in the market.

#### Fair Value

The estimated fair value of PowerNet Limited's financial instruments are represented by the carrying values.

#### Capital Management

PowerNet Limited's capital includes share capital and retained earnings. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

PowerNet Limited is not subject to any externally imposed capital requirements.

### 23 Subsequent Events

There were no events subsequent to balance date.

## AUDITORS' REPORT

For The Year Ended 31 March 2021



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

### Independent Auditor's Report

To the Shareholders of PowerNet Limited

#### Our opinion

In our opinion, the accompanying financial statements of PowerNet Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

#### What we have Audited:

The financial statements comprise:

- the statement of financial position as at 31 March 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

#### Independence

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in preparation of an annual regulatory benchmarking publication and an industry update. The provision of these other services has not impaired our independence as auditor of the Company.

#### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgment to determine the appropriate action to take.

## AUDITORS' REPORT *continued*

For The Year Ended 31 March 2021

### Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

### Who we report to

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:



Chartered Accountants  
Christchurch, New Zealand  
27 May 2021





