



ANNUAL REPORT 2014



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Highlights



The New PowerNet

The amalgamation and integration of PowerNet and Power Services to form the new PowerNet, with the integration of Peak Power Services now also underway.



Safety Management System

Workplace and public safety initiatives continued with new standards regarding vehicles and driving, arc flash and other workplace exposures being actively managed.



Approval by EIL and TPCL boards of the PowerNet smart metering project

\$24 million smart metering project which will replace the legacy meters with new smart meters across the two networks.



Completion of the new Athol Substation and Mossburn-Athol 66/22kV line

To improve network security and increase capacity for the customers in the Northern Southland region.



Staff participation

Once again our staff represented PowerNet in the Relay for Life, Corpor8 Rowing Challenge and Crowe Horwath Corporate Pursuit.



New PowerNet building

Board approval and construction underway of the new purpose built facility at Racecourse Road, Invercargill.



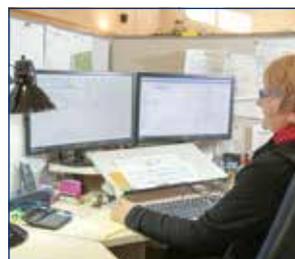
Acquisition of Palmerston Substation and 110kV line to Halfway Bush

Purchased for the OtagoNet network. The integration of these assets will lead to step change improvements in network reliability (SAIDI and SAIFI).



Approval of network automation projects for EIL and TPCL networks

Automation to lead into improvements in two network reliability measures (SAIDI and SAIFI).



New Asset Management System

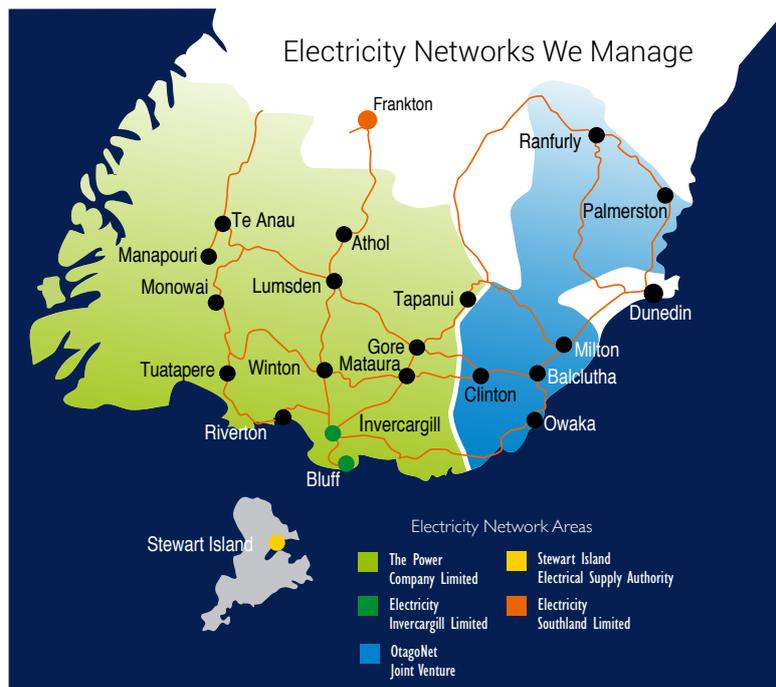
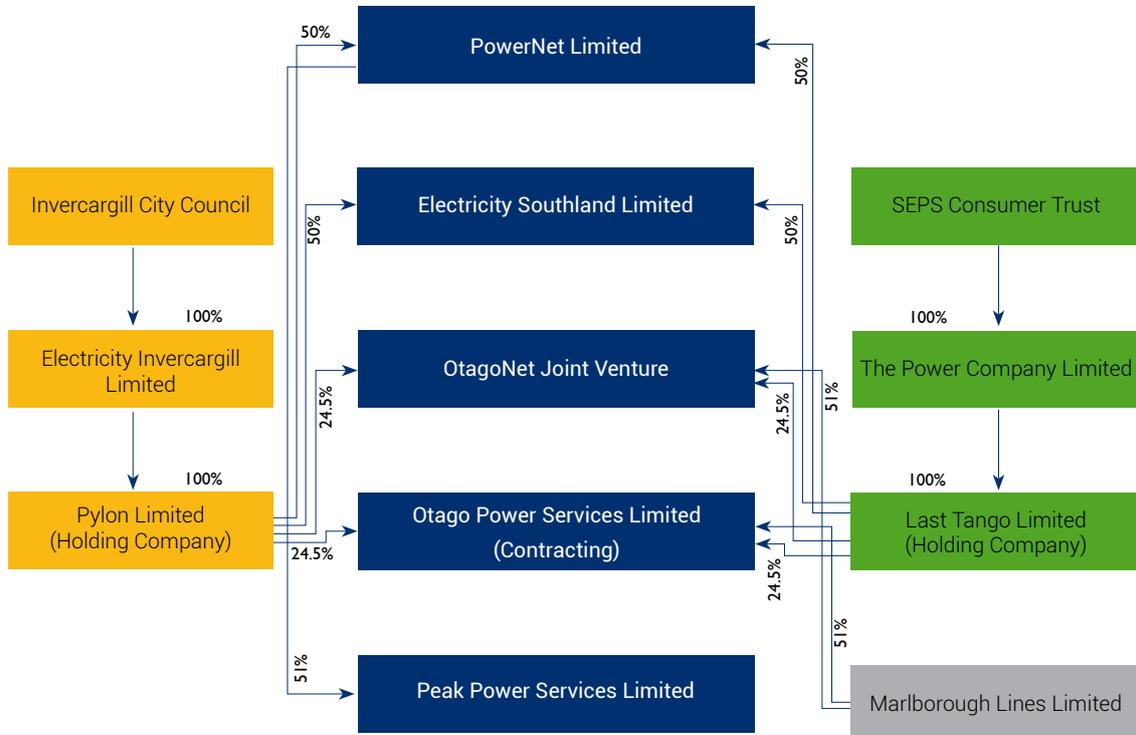
Maximo Asset Management System went live with all staff trained and using the system across the PowerNet managed networks.



Safety Improvements

Significant reduction in workplace injuries across PowerNet managed networks.

Company Structure



Company Profile

For the last two decades, PowerNet has been the pre-eminent electricity network management business in the lower South Island. The company builds, maintains and manages networks on behalf of network owners in Southland, West Otago, the Frankton area and Stewart Island.

In the 2013/14 financial year, PowerNet carried out \$31 million of capital expenditure and \$18 million of maintenance expenditure on the networks we manage.

We have 126 staff and a turnover of \$127 million per annum, comprised of line charge revenue of \$78 million and a works programme and other income of \$49 million. The Company manages assets with a Regulatory Value of more than \$500 million.

Formed in 1994, PowerNet is jointly-owned by Electricity Invercargill Limited and The Power Company Limited, each with a 50% shareholding.



Electricity Invercargill Limited (EIL) was formed in 1992 and owns electricity network assets in Invercargill City and the Bluff area, with over 17,200 customers.

EIL has powered Invercargill for 109 years, previously operating as the Invercargill Municipal Electricity Department.

EIL is owned by the Invercargill City Council through its subsidiary, Invercargill City Holdings Limited.

Invercargill City Holdings retains 100% ownership and receives an annual dividend from EIL.



The Power Company Limited (TPCL) was formed in 1991 and owns the network assets in the rural Southland/West Otago area.

TPCL has nearly 35,000 customers.

TPCL has a long, proud history of being innovative and proactive in providing electricity to the people of the south.

In the past the Company has operated under the names of the Southland Electric Power Board and Southland Electric Power Supply.

TPCL is owned by the consumers connected to the network and the Southland Electric Power Supply Consumer Trust exercises the ownership rights on behalf of those consumers.



PowerNet has a management agreement with OtagoNet Joint Venture (OJV) to carry out its non-engineering functions.

The joint venture partners are EIL, TPCL and Marlborough Lines Limited (MLL).

OJV was formed in 2002 following the purchase of the electricity network assets from the shareholders of the consumer co-operative company Otago Power Limited.

OtagoNet has approximately 14,800 customers spread over a vast area of coastal and inland Otago from Shag Point in the north east, inland through to St Bathans then south down to the Chaslands.



PowerNet manages the Lakeland network in Frankton that is owned by Electricity Southland Limited, the shareholders of which are EIL and TPCL.



PowerNet's 126 staff work from offices and depots in Invercargill, Winton, Lumsden, Te Anau and Stewart Island as well as the 24/7 faults call centre and control room which is located at the Invercargill Transpower Substation.

The PowerNet staff are engaged in carrying out analysis, design, construction and maintenance of electricity network assets along with managing regulatory and financial reporting.

Field services are carried out by PowerNet's distribution and technical services crews and our contracted service providers Otago Power Services Limited and Transfield Services NZ Limited.

As EIL and TPCL have retained ownership of their meters and ripple receivers, these are also managed by PowerNet.

PowerNet is the fifth largest network management company in New Zealand. The total Regulatory Value of these networks is over \$500 million with 13,880 kms of lines and cables, 72 Zone Substations and 15,655 transformers. The combined networks deliver electricity to over 67,000 customers.

The managed networks represent diverse topography, climate zones, customer density, technical design and equipment.

EIL and TPCL are also joint shareholders with Marlborough Lines Limited of Otago Power Services Limited.

In the 2013/14 year, PowerNet undertook an operational amalgamation with Peak Power Services Limited. PowerNet is the majority shareholder of Peak Power Services which is the main service provider in the Lakeland network.



Chair's and Chief Executive's Report

It is not often an Annual Report highlights consolidation and growth in the same review. However, thanks to the support of our Board, staff and contractors, these two aspirations have been successfully achieved and are the highlights of PowerNet's Annual Report for the year to 31 March 2014.

We are constantly improving our networks, improving the way we do business and improving our services to customers. For 2013/14 these were the significant focus points.

Health and Safety

Health and safety is a vital part of our work and commitment to our staff, customers and the general public. While we always strive to operate at best practice, PowerNet's continuous improvement focus determines that we have to keep evolving our safety processes to ensure all stakeholders remain safe and are not exposed to unmanaged risks.

This continuous improvement in safe work practice has seen PowerNet adopt several new health and safety initiatives, including the Electricity Engineers' Association (EEA) Safety Climate Project, the Incident Cause Analysis Method (ICAM) incident investigation methodology, updated policies relating to vehicles and driving, confined space and arc flash risk management. These all contribute to a safer workplace for PowerNet staff and contractors. Extremely good progress has also been made with the Safety Management System (SMS) Action Plan across the networks.

Network Performance and Investment

During the year PowerNet has started several projects and completed other projects, ensuring we continue to deliver secure, reliable and safe supply of electricity to our customers. Many of these projects are targeted at addressing the requirement for greater capacity driven by load growth on the networks.

The Kennington substation, Mossburn to Athol 66/22kV line upgrade and new Athol substation, Hedgehope substation, upgrades at South Gore substation, the new Invercargill CBD substation and associated 33kV cables and many other projects were started or completed.

In all, PowerNet carried out capital projects and maintenance of more than \$49 million on the networks we manage during 2013/14.

Chair's and Chief Executive's Report *continued*

A significant decision announced in September 2013 was the amalgamation of PowerNet and Power Services and the subsequent integration with Peak Power Services.

The new PowerNet entity is achieving many operational efficiencies, with further opportunities to be delivered. Improved coordination and team work between work planning and work delivery is being realised, as well as the removal of duplication of some aspects of work, especially in the support service areas. Additional resources have been added to the HSE and quality and engineering areas which are already enabling business improvements.

We would like to acknowledge the patience and assistance of all staff involved. Wherever possible, those staff involved in the amalgamation and integration have been redeployed into alternative roles and continue to make a significant contribution to the new PowerNet organisation.

Prior to the amalgamation and integration the separate businesses did work closely together and had a very good understanding of each other's businesses. The changes made from December 2013 set a good platform for establishing one workplace culture and one focused business that will continue to deliver benefits to our shareholders and customers. The opportunities here are very exciting and clearly demonstrate that "the sum is greater than the parts".

There were many highlights and improvements delivered throughout the 2013/14 year, some of which are summarised in the *Highlights* section of this Annual Report. The PowerNet staff have done a fantastic job delivering these improvements and highlights. Our new Maximo asset management system went live mid-year. Asset management is a significant part of the business, and delivering improvements in the way we capture and manage asset information will position us very well for the future. The implementation of the Maximo system is a significant milestone and a credit to the project team. It gives us more flexibility over asset lifecycle management and integrates maintenance and asset management on a common platform.

We are also now using the CATAN line design programme, another software package which streamlines work programmes from the design team through to field crews and improves the capability of the networks we manage.

Obtaining feedback from our customers is very important to us. Our customer engagement surveys for the networks we manage continue to show very pleasing results and levels of customer satisfaction. Customer meetings in Waikouaiti (OtagoNet), Invercargill (Electricity Invercargill) and Winton (The Power Company) were held during the year, where we shared our network investment plans and received valuable feedback from customers. We also took the opportunity, on behalf of the network owners, to donate safety equipment to the local community at these events. Resusci Anne CPR and defibrillator manikins were gratefully received in Winton and Waikouaiti where they are being used by local emergency services to teach CPR, and two defibrillators were donated to St John in Invercargill.

Supporting the communities in which we operate is very important to us. We supported the Southland Business Excellence Awards in 2013, sponsoring the New or Emerging Business Award. We entered a PowerNet team in the iconic cycling Tour of Southland and our staff continue to assist with great causes such as the annual Heart Foundation and Daffodil Day Street Appeals.

PowerNet's association with the Southland Warm Homes Trust continues. Since 2008 the Trust has carried out insulation and heating retrofits in over 6,000 Southland and West Otago homes.

Our path to the future has continued with two major projects initiated this year. Construction has started on the new purpose built building which will be the new office for PowerNet.

We have also started the \$24.5 million smart meter project on the Electricity Invercargill and The Power Company networks. This three-year undertaking is the biggest single investment made by the network owners for over a decade and will lead to a step change in the way we manage the networks and provide significant choice and information for our customers.

We would like to take this opportunity to welcome a new board member and thank a departing board member. Darren Ludlow has joined the PowerNet board and Philip Mulvey completed his time as a director. We look forward to working with Darren and thank Philip for his valued contribution.

The structural change and the establishment of the new PowerNet was a significant change for many of our people. We are extremely confident that these changes position PowerNet well for the future in order to continue to provide excellent service to the shareholders and customers across the networks we manage.

PowerNet's staff and contractors have made significant contributions to the business over the 2013/14 year which is greatly appreciated. Thank you for your great work on behalf of the Company.

We would also like to thank the directors for their strategic guidance and support over 2013/14.

Finally, while we reflect on the pleasing results in the past, we look forward to a very exciting future for PowerNet.



Maryann Macpherson
Chair



Jason Franklin
Chief Executive



Connecting with

Our Stakeholders

PowerNet is owned by Electricity Invercargill Limited (EIL) and The Power Company Limited (TPCL). Both hold equal shares in PowerNet.

Connecting with Our Stakeholders *continued*

Shareholders

Electricity Invercargill Limited and The Power Company Limited own their electricity network assets and formed PowerNet in 1994 to take advantage of the economies of scale available through integrated management.

For 20 years, PowerNet's primary business has been the management of electricity networks on behalf of our stakeholders. During 2013/14, we managed five electricity networks in Otago and Southland and worked hand-in-hand with the network owners to ensure service delivery and commitments to customers continued to be met in a mutually beneficial way.

The Company continues to administer the Southland Warm Homes Trust, a joint initiative between EIL, the Southland Power Trust, local authorities and businesses.

PowerNet has started the smart metering project technology change on behalf of EIL and TPCL and installation of a mesh communication network was completed just before the end of the financial year. The installation of the smart meters will be a key project for 2014/15 in both the EIL and TPCL networks.

TPCL began building a new office on the existing Racecourse Road site late in the year. The building, which will be leased on a long term basis to PowerNet, will house administration and engineering staff as well as management. System Control will shift from the Transpower site in Tuai Street to the new facility as well. The office will be built to rigorous seismic standards to ensure we can continue operations in the event of a significant natural disaster. It is due for completion in the 2014/15 year.

Network Owners

PowerNet continued to manage the EIL, TPCL and Electricity Southland Limited (ESL) networks. PowerNet has a management agreement with the Stewart Island Electrical Supply Authority (SIESA), and provides shared management of the OtagoNet Joint Venture (OJV) network.

The Company continued to deliver monthly administration, financial and operational reporting and the governance and regulatory requirements for the three major networks (EIL, TPCL, and OJV) were met.

PowerNet and all three of the major network owners once again received unqualified financial audit reports.

The Company operates a 24-hour, 7 days a week System Control room providing a high level of monitoring and control of network operations and customer service for the 67,200 customers connected to the networks.

It is one of only two such facilities in the South Island, providing an informed and efficient faults call centre service for customers and a safety-enhancing operations control room.

This facility also enables PowerNet to meet the network owners' Commerce Commission quality limit regulation monitoring and reporting requirements in an efficient and technologically effective manner.



Hector Diamond - PowerNet - lowering a replacement pole into position on The Power Company network



Connecting with Our Stakeholders *continued*

Electricity Invercargill Limited

The Regulatory Value of the EIL network assets is \$64 million which includes 657km of predominantly underground cables and lines and 450 distribution transformers with a capacity of 151MVA.

EIL has 17,277 customers and contracts PowerNet to manage, construct and maintain its network and metering assets. PowerNet's costs are recovered via a mark-up on capital and maintenance work and an agency fee for management services. PowerNet acts as agent for EIL and charges line and metering charges to electricity retailers, pays transmission costs and passes the net revenue through to EIL. The revenue provides a return on investment to EIL and recovers EIL's overheads, depreciation and operating costs.

Undergrounding the EIL network in Invercargill city has made it one of the most reliable networks in New Zealand.

EIL's System Average Interruption Duration Index (SAIDI) was 25.10 minutes for the year. This was well below the Business Plan target of 40.06 minutes and the Commerce Commission reliability limit of 45.65 minutes.

The System Average Interruption Frequency Index (SAIFI) figure for EIL of 0.52 times was below the Commerce Commission reliability limit of 1.13 and the Business Plan target of 0.77 times.

This performance can be attributed to the undergrounding programme avoiding unnecessary outages caused by nature and also to our proactive maintenance programmes on the network.

EIL directors approved a network automation project in late 2013. The remotely controlled circuit breakers and switches will reduce the number of customers affected by outages in areas such as Bluff. Network automation is the process of installing equipment on a network in order to improve its ability to remotely and sometimes automatically mitigate the impact of a fault, recover from the fault and allow System Control to direct linesmen promptly to the fault location. This project will therefore further improve our SAIFI and SAIDI performance over time.

Connecting with Our Stakeholders *continued*

EIL spent \$4.82 million on capital works during the year, including \$2.33 million on stage two of the new Spey Street substation.

The EIL network expenditure on technical and distribution maintenance was \$1.80 million against the budgeted \$1.59 million.

Other major capital projects included \$601,000 on distributor transformer replacements and \$364,000 on stage two of the new 33kV cable from the Invercargill Transpower substation to the new substation in Spey Street. Ducting for the cable was laid during the Invercargill City Council's Queens Drive upgrade, thus minimising any disruption to commuters when the cable has to go across the main arterial route.

Significant line renewals in Bluff (\$292,000) and new customer connections (\$237,000) were also completed.

Stage one of our Neutral Earth Resistor (NER) project got under way. Installing NERs at all network substations will add to the Company's commitment to safety.

NERs limit the hazardous voltage that might otherwise occur on network assets when a fault occurs. While traditional earthing systems have worked, the NERs will enhance public safety and protect network assets.

NERs will be installed at all the four major substations.



The Spirit of Queenstown travelling through the Electricity Invercargill network



Jason Nicolson - PowerNet - working on a ring main unit



Project

Approximate Expenditure

New Spey Street Zone Substation – Stage two	\$2,329,000
Distribution Transformer Replacements	\$601,000
Invercargill Transpower Substation to Spey Street Zone Substation New 33kV Cable – Stage two	\$364,000
Bluff Line Renewals	\$292,000
New Customer Connections	\$237,000
Neutral Earth Resistor (NER) project – Stage one	\$122,000



Connecting with Our Stakeholders *continued*

The Power Company Limited

The Regulatory Value of the TPCL network assets is \$300 million, made up of 8,708km of lines and cables and 10,935 distribution transformers with a distribution capacity of 406MVA.

TPCL has 34,974 customers and contracts PowerNet Limited to manage, construct and maintain its network and metering assets. PowerNet's costs are recovered via a mark-up on capital and maintenance work and an agency fee for management services. PowerNet acts as agent for TPCL and charges line and metering charges to electricity retailers, pays transmission costs and passes the net revenue through to TPCL. The revenue provides a return on investment to TPCL and recovers TPCL's overheads, depreciation and operating costs.

TPCL is one of the better performing predominantly rural networks in New Zealand.

The SAIDI for TPCL of 177.77 minutes was higher than the Business Plan Target of 161.75 minutes.

The SAIFI figure for TPCL of 2.87 was better than the Business Plan Target of 3.21.

Maintenance spend on the TPCL network increased from 2013 by over \$1 million, with \$8.15 million spent on repairs to network assets.

TPCL had a busy year on the capital expenditure front, with \$19.32 million being spent on a range of projects including stages two and three of the Mossburn to Athol 66/22kV line and the new Athol Substation. Both assets have now been lived in and are operational.

These were massive projects which have now given increased security and reliability of supply to the increasingly intensive farming operations in the region. The Athol project also provides for increased customer demand on that part of TPCL's network.

Connecting with Our Stakeholders *continued*

Another big project was the construction of the Hedgehope Zone Substation to again increase available capacity and reliability for customers in that area. The new substation also provides for growth opportunities in the future.

TPCL began a further network automation project in late 2013. Centred around rural areas, with installation of new remotely controlled circuit breakers and switches, this new equipment will reduce the number of customers affected by faults and restore unfaulted sections quickly. Network automation is the process of installing equipment on a network in order to improve its ability to remotely and sometimes automatically mitigate the impact of a fault, recover from the fault and allows System Control to direct linesmen promptly to the fault area.

TPCL purchased a new \$1.15 million transformer as part of the Waikiwi Substation upgrade, and carried out necessary seismic reinforcing at Zone Substations as a preventative measure in the case of a major earthquake.

Work began on the new Colyer Road substation at Awarua to meet Open Country Dairy's requirements for increased supply capacity.

TPCL spent nearly \$3.57 million on 11kV line refurbishment, \$1.50 million on vegetation management, and \$1.27 million on distribution transformer replacements.

There were a significant number of new connections and reticulation of new subdivisions in the TPCL area during the year, and the installation of the mesh relays for the new smart meters has gone smoothly as the \$18 million, three year project continues.



Staff from Transfield Services and Smith Cranes lowering the 3-5MVA transformer into the Hedgehope Substation site

 THE POWER COMPANY LTD	Project	Approximate Expenditure
	New Athol Zone Substation and 66/22kV Line – Stage Two	\$4,830,000
	11kV Line Refurbishments	\$3,570,000
	New Customer Connections and Reticulation of New Subdivisions	\$3,450,000
	Vegetation Management	\$1,500,000
	Distribution Transformer Replacements	\$1,270,000
	New Hedgehope Zone Substation – Stage Three	\$1,270,000
	Waikiwi Zone Substation Upgrade – Power Transformer Purchase	\$1,150,000
	New Colyer Road Zone Substation – Stage One	\$940,000
	Seismic Reinforcement at Zone Substations	\$300,000

Connecting with Our Stakeholders *continued*

OtagoNet Joint Venture

OtagoNet Joint Venture (OJV) was formed in July 2002 and owns the electricity network assets throughout coastal and inland Otago from Shag Point in the north east, inland through to St Bathans and south down to the Chaslands.

OJV has 14,749 customers and from 1 April 2013 PowerNet has responsibility for the management of the non-engineering functions for the Joint Venture.

OJV's Regulatory Value is \$141 million made up of 4,451km of lines and cables and 4,210 distribution transformers, with a capacity of just over 163MVA.

PowerNet and Marlborough Lines carry out various management functions for OJV and charge OJV a management fee. OJV then adds operating costs, depreciation, overheads and a return on investment to the management fees. These costs are recovered through a line charge to electricity retailers.

OJV carried out \$9.90 million of capital works and \$4.30 million of maintenance expenditure during the year.

At the end of the financial year, OJV took possession of the Transpower Palmerston Substation and 110kV lines from Halfway Bush (near Dunedin) to Palmerston at a cost of \$3 million.

Transpower's divestment of the lines and substation will allow OJV to improve the reliability of supply in its network area between Dunedin and Palmerston, which serves around 2,300 customers.

The purchase will see the 110kV lines converted to 33kV, and future projects include the relocation of the floodprone Merton substation away from the coast. Network efficiency will also be improved.

The normalised SAIDI for OJV was 348.15 minutes for the year. This was higher than the Business Plan target of 325.12 minutes and better than the Commerce Commission reliability limit of 361.08 minutes.

The normalised SAIFI figure for OJV of 2.95 times was higher than the Business Plan target of 2.72 times and better than the Commerce Commission reliability limit of 3.12.

Continued investment in vegetation and network upgrading assisted OJV in operating within regulatory limits.



Palmerston Substation



Merton Substation

Connecting with Our Stakeholders *continued*

Electricity Southland Limited

Electricity Southland Limited (ESL) is an electricity network asset company that was formed in March 1995 by EIL and TPCL.

It owns the Lakeland electricity network at Frankton in the Queenstown Lakes area and has contracted PowerNet to manage the assets on its behalf.

Assets comprise of 28km of cables, 17 distribution transformers with a distribution capacity of 6.7MVA and 211 customers.

The Remarkables Shopping complex continues to be a major focus for the Lakeland network, with ongoing expansion to accommodate the growth in the region. A 22kV cabling extension along the new Eastern Access Road was a precursor to the installation of several switch units and transformers.

The ESL network expansion to the new Shotover Country residential subdivision east of the Shotover River continues, with more and more residential customers connecting to the network, and the new school and other facilities about to get underway. Several stages of the 770-lot subdivision were reticulated and work will progress further over the coming year.



Scott Melhop - Peak Power Services - working on a transformer at the Remarkables Park extension

2014 PowerNet Network Comparisons

	 THE POWER COMPANY LTD	 EIL Electricity Invercargill Ltd	 OtagoNet	 ESL	 STEWART ISLAND Electrical supply authority
Network Ownership	Southland Electric Power Supply Consumer Trust	Invercargill City Holdings Limited	Joint Venture	Electricity Invercargill Limited/The Power Company Limited	Southland District Council
Connected Consumers					
Total	34,974	17,277	14,749	211	447
- Residential	25,649	15,175	11,207	37	354
- Industrial	167	125	26	0	40
- Commercial	9,158	1,977	3,516	174	53
Network Length	8,708km	657km	4,451 km	28.3km	36km
Consumer Density	4.0 consumers/km	26.3 consumers/km	3.3 consumers/km	7.4 consumers/km	12.4 consumers/km
Number of Distribution Transformers	10,935	450	4,210	17	43
Distribution Transformer Capacity	406MVA	151MVA	163MVA	6.7MVA	2.3MVA
Distribution Transformer Density	47kVA/km	229kVA/km	37kVA/km	237kVA/km	63kVA/km
Maximum Demand	135.1MW	63.6MW	61.4MW	2.5MW	0.4 MW
Total Energy Conveyed	738GWh	272GWh	423GWh	10.2GWh	1.54GWh
Regulatory Value	\$300 million	\$64 million	\$141 million	-	-



Stewart Island Electrical Supply Authority

The Stewart Island Electrical Supply Authority (SIESA) was formed in 1987 by the Southland District Council (SDC) to ensure that businesses and homes have a reliable power supply.

PowerNet has a management agreement with SIESA, providing general maintenance services and engineering support across the network through its field services teams. Over the years PowerNet has developed a good working relationship with SDC and the Island's residents.



Hamish Witney - Otago Power Services - replacing crossarms on the OtagoNet network

Service Providers

PowerNet continues to develop and value relationships with its service providers that play a critical role in the success of the Company.

Faults and maintenance services are provided by Otago Power Services Limited (TPCL East), Peak Power Services Limited (ESL), PowerNet's field services teams (EIL, TPCL and SIESA) and Transfield Services NZ Limited (TPCL). Peak Power Services commenced the operational integration with PowerNet as part of the Power Services and PowerNet amalgamation during the year.

The contractors have provided project and maintenance field service delivery in addition to incident response and reactive repair work, pooling resources when required to meet the needs of PowerNet, customers, network owners and the community.

Corys has continued to provide a materials procurement and management service to PowerNet through its Invercargill branch and to OJV through its Balclutha branch. An agreement with Corys, which allows for the risks and gains associated with business activity to be shared between the parties, continues to operate well for both companies.

Asplundh, an internationally-accredited vegetation management company, has continued to provide vegetation control services on the TPCL and EIL networks, along with local operator Bruce Dickens.



Corys - Invercargill

Connecting with Our Stakeholders *continued*

Electricity Sector and Government

This year has seen the continuation of the work carried out by the Electricity Networks Association Regulatory Working Group to respond on behalf of the industry to the various Commerce Commission and Electricity Authority regulatory reset and model Use of System Agreement and other issues affecting the industry. PowerNet continued to take an active role in these issues through its chief financial officer being a member of the Regulatory Working Group.

A change to the Electricity Industry Participation Code saw the development of significant in-house processes to meet the change as it related to metering. PowerNet's customer and metering services manager was involved on the Electricity Authority working group which oversaw the metering data clean-up project.

Under the changes in the Electricity Industry Participation Code covering metering introduced during the year, PowerNet has become a metering equipment provider. This brings a significant need for extra compliance. There was a great deal of work by PowerNet staff to correlate the Company's existing metering data with the electricity retailers in preparation to load the data to the Registry by the end of August 2013.



Ian Robertson - PowerNet - inspecting poles at Invercargill Busck pole yard



Line mechanics from PowerNet competing in the Electricity Supply Industry Training Organisation (ESITO) Annual Connection Competition

Connecting with Our People

“The strength of the business is our people.

Our people are as much an asset to the company as the physical assets we manage and as such we focus on providing a positive, enjoyable and rewarding workplace for our staff.”

Jason Franklin, Chief Executive.

The attraction, development and well-being of staff is a key priority for PowerNet.

Who we are

PowerNet employs 126 staff based in Invercargill who maintain and manage the EIL and TPCL networks and provide non-engineering functions for the OJV network. There are an additional 11 staff employed by OtagoNet in Balclutha who manage that network. There are 13 staff employed by Peak Power Services who provide field services to the ESL network.

Most staff are on individual employment agreements with a small number covered by a collective employment agreement. PowerNet has a combination of full-time and part-time staff, with some having flexible working arrangements.

During the year an amalgamation and integration of PowerNet and Power Services was undertaken. This included rationalising two separate staffing structures into one with a high emphasis on 'one way of working' and utilising the same systems and practices.

Six service teams were developed with a mixture of staff from both organisations in each team.

Since January these teams have been working together, both within their teams and cross-functionally, to develop enhanced service delivery to customers.

Connecting with Our People *continued*

Health and Safety is a Priority

Safety is at the top of our agenda and we have a 'no margin for error' philosophy and practice at every level.

A triple-pronged approach to enhancing our health and safety processes was another major focus during the year; health and safety for the public, health and safety for our employees and health and safety for our contractors.

We continue to work to implement the recommendations from our Semi-Quantifiable Risk Assessment (SQRA) framework and are developing a Competency Based Assessment Framework for all staff and contractors.

The Electricity Engineers' Association (EEA) Safety Climate Project (Orange Umbrella), the Incident Cause Analysis Method (ICAM), updating our working practices in relation to confined spaces, mitigation of arc flash hazards and a focus on continuous process improvement have all been key plans in keeping our customers, staff and contractors safe and this ongoing emphasis will continue.

Thirty staff and contractors have been trained in ICAM. Projects are being developed by action planning teams to enhance staff safety under the Safety Climate Project framework. Public education continues to gain traction through a concentration on avoidable accidents in rural areas.

Staff Turnover

The turnover of staff during the 2013/14 year for the amalgamated company was approximately 4% with five staff leaving. Moving to other roles, family reasons or career advancement were the main reasons for the turnover rate.

The age profile of PowerNet staff continues to reflect the depth of experience and skill required within the business. With 61% of staff being aged 45 and above, recruitment and development of younger staff to provide the expertise required will be an ongoing aim for the Company.

Training and Personal Development

A key objective of the amalgamation is to develop an appropriate workforce plan to address hard to fill skill areas and to enable retention and recruitment of key staff.

Growing leadership capability through a structured training and development plan is seen as critical to the success of the Company.

Career pathways and succession plans for all staff members are under development. Throughout the year, individual professional development and attendance at industry forum workshops and conferences has been encouraged.



2013 PowerNet Corporate Pursuit Cycling Team - Tony Corkill, Shirley Whitaker, Blair Bernard, Dyson Gentle, Alaister Marshall and Justin Peterson

Otago Power Services line mechanics - receiving 'Hot Stick' Linework training



Connecting with Our People *continued*

PowerNet's Staff Wellness Programmes

Medical Insurance

Subsidised medical insurance is provided to all staff. An increase of claims in the last year has confirmed the benefit to staff, allowing them to have readily assessable treatment and return to work quickly.

Medical Examinations

Staff have the opportunity to have an annual medical examination undertaken at the Company's expense.

Eye Examinations

Staff regularly take the opportunity to have annual eye examinations.

Flu Vaccination

Flu vaccinations are encouraged and promoted to ensure staff avoid illness. A growing number of staff have participated in this initiative.

Healthy Living and Healthy Eating

Healthy Living and Healthy Eating are promoted and the provision of a fresh fruit bowl each day is appreciated by staff.

Notable Achievements/Milestones

Long Service Recognition

We were pleased to record and celebrate the completion of 40 years service to PowerNet and its predecessors by accounting services manager Jim Phair.

ESITO Connection Competition Success

A team of six PowerNet employees took out three of the team events at the Electricity Supply Industry Training Organisation (ESITO) Annual Connection competition held in Christchurch in October 2013. The team did exceptionally well considering it was their first time in the competition.

The competition consists of teams working on 15 events over the whole competition, such as transformer installation, crane operation and pole top rescue. The three day event attracted 72 participants from 12 electricity supply industry companies throughout New Zealand.

The team was Bruce Reinke (team manager, Invercargill), Mike Johnston (team leader, Te Anau), Murray Cunningham (Invercargill), Joseph Reti (Lumsden) and Nathan Dickens (Winton).

PowerNet cable jointer Paul Barclay also competed in the cable jointing section of the competition.

Connecting with Our People *continued*

Staff Sporting Events

PowerNet continues to support staff involvement in sporting activities.

- **Corporate Cycling**

The PowerNet Kilo Volts team participated in the Crowe Horwarth Corporate Cycling event again this year. The team of Justin Peterson, Blair Bernard, Dyson Gentle, Rob Tweedie, Victoria Ward, Rachel Kincaid and Shirley Whitaker was ably coached by Tony Corkill and Alaister Marshall. The team had four races, winning one and losing three. A pre-event roller race challenge was also held with Victoria Ward qualifying through to the women's final and successfully winning her section.

- **Rowing Challenge**

GIS technician Shirley Whitaker coordinated the training sessions for this year's PowerNet Team. The team of Shirley, Steve Labes, Rob Tweedie, Justin Peterson, Scott Murch, Victoria Ward, Rachel Kincaid, Nathan Donnelly, Dyson Gentle and Annabelle McCoy (coxswain) came 3rd in the D final, achieving an overall result of 15th from 25 crews.

- **Cycling Tour of Southland**

Commercial manager Aaron Sinclair was once again responsible for managing the PowerNet team for the SBS Bank Tour of Southland with assistance from Alaister Marshall and Jim Phair. Several PowerNet staff also helped with the team's daily requirements and the promotion of PowerNet over the six day Southland cycle tour.

Business process analyst Tony Corkill was involved in a number of cycling activities in the last 12 months. He was a commissaire at the Yunca Junior Tour of Southland, ILT Junior Track Carnival, UCI Tier 1 Festival of Speed, Oceania Track Championships, Southland Track Championships and the ILT New Year Track Carnival. Tony was one of the coaches of the PowerNet cycling team at the Crowe Horwarth Corporate cycling event and a member of the support team for the PowerNet team in the SBS Bank Tour of Southland.

- **Golf**

Business compliance and risk advisor Tania Cribb volunteered at the annual NZ Open. The golfing event attracted both professional and amateur golfers from around the globe. The four day event was held at both the Hills and Millbrook Golf courses in Arrowtown.

- **Table Tennis**

The PowerNet team of Phil Hartley, Mark Aimers and Martin Walton participated in the B Grade social section of the 2013 Southland Table Tennis competition. The team won the President's Cup for Sportsmanship and General Conduct.

Staff Involvement in the Industry

Greg Buzzard, chief financial officer, is a member of the ENA Regulatory Working Group.

Gary Pritchard, general manager customer, metering and distribution services, is a member of the Electricity Engineers' Association Safety and Strategy Policy Group, the Institute of Occupational Safety and Health (IOSH), the Institute of Engineering and Technology (IET) and the ENA Vegetation Management Working Group.

Roger Paterson, chief engineer network assets and major projects was re-appointed to the New Zealand National Committee of CIGRE, the International Council on Large Electric Systems.

During the year Alaister Marshall, customer and metering services manager was appointed to the Electricity and Gas Complaints Commissioner (EGCC) members committee.



2013 PowerNet Corporate Rowing Team



2014 PowerNet 'Relay for Life' team members - Graeme Webby, Sharon Johnston, Scott Murch, Amanda Milne and Mary Anne Smith



Connecting with Our Customers

PowerNet Customer Surveys

PowerNet keeps in regular contact with its customers.

We obtain regular customer feedback on both our performance and that of our contractors when providing new or altered supply arrangements, following tree trimming work or after an unplanned power outage.

PowerNet customers who have recently connected to one of our networks, had a change in their supply arrangements or had trees trimmed are encouraged to complete a short survey. The survey asks customers to rate how they feel we and our contractors performed and how effectively we communicated with them.

As in previous years the feedback was generally very positive and provided an opportunity to address any specific issues. We also seek performance feedback from a random selection of customers who have reported a power outage on one of our networks.

Customers are encouraged to complete the outage survey to rate how they feel about our level of communication, the response and restoration times and the services provided by our staff or contractors. Customer feedback has continued to be positive.

We also communicate regularly with our large commercial customers on matters of mutual interest related to the networks we manage.

PowerNet Annual Customer Surveys

Every year PowerNet carries out surveys with our customers across the networks we manage. These surveys assess a range of areas, including safety, efficiency, and outage management, amongst other topics.

PowerNet engages an external consultant to conduct this confidential survey.

The consultant conducted a telephone survey of 800 customers from across the EIL, TPCL and OJV networks to determine the level of satisfaction with our services, including the faults response service and customers' views on the frequency and duration of supply interruptions.

There was a significant increase in knowledge of PowerNet amongst EIL and TPCL customers surveyed and also a greater familiarity with our faults response number.

Connecting with Our Customers *continued*

Nearly 90% of customers surveyed were satisfied with the information they received from system control and felt we provided enough information to them in the event of an outage.

Our consultant talked to commercial customers to review their level of engagement with the Company. The results from these interviews continue to be favourable, with the overall performance rating close to previous years. Commercial customers had positive commendations for the continuity and reliability of supply across the EIL, TPCL and OJV networks, as well as our rapid response to unplanned outages.

Commercial customers also identified areas where we can assist them, such as ongoing communication around the efficient use of electricity and keeping them up to date with our latest technology and supply upgrades.

Customer Functions

PowerNet management and staff took part in several customer functions across the three main networks. These events allowed the directors of the network companies to discuss upcoming investment and hear the views of our commercial customers. This informal setting is another important feedback loop for the Company and allows us to discuss issues and improvements directly with clients.

At each network customer function in the last year, the directors of each network presented local communities with key lifesaving equipment.

TPCL donated a Resusci Anne CPR manikin to the Winton Volunteer Fire Brigade for use by their volunteers and other community groups. Another Resusci Anne was presented to the Waikouaiti Fire Brigade (OJV network).

Resusci Anne is a full bodied adult CPR training manikin, which can also be used in first aid training.

The EIL Directors donated two defibrillators to St John Invercargill.



Tod Trotman - PowerNet - speaking to The Power Company commercial customers in Winton

Asset Management Plans

PowerNet has completed an update of annual Asset Management Plans for the EIL and TPCL networks. The Asset Management Plans span 10 years and detail the likely development and maintenance needed to achieve required service levels.

Development options consider various drivers including cost, equipment lifecycle, regulatory requirements, demographic changes, environmental impact and customer required service levels. These plans detail PowerNet's approach to management of the network assets for the two companies to ensure stakeholder requirements are met.

Asset management continues to focus on seismic strengthening of assets and being able to maintain supply after major catastrophic events and, at the same time, develop major projects that will ensure security of supply.

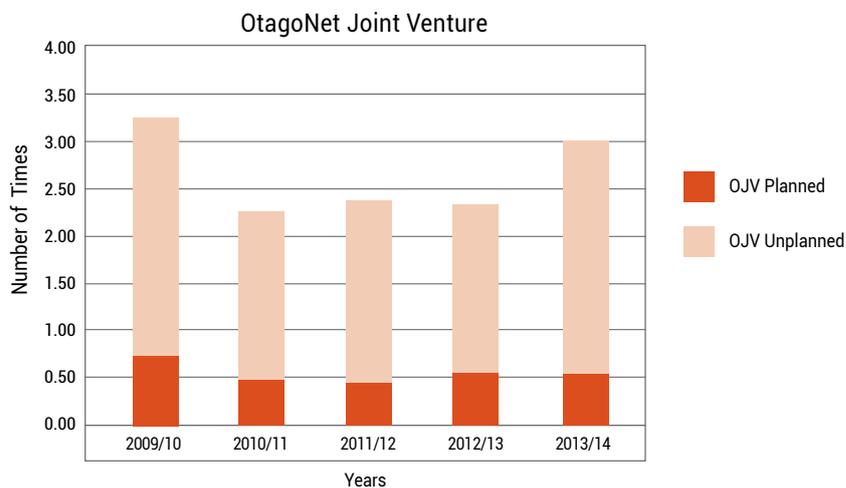
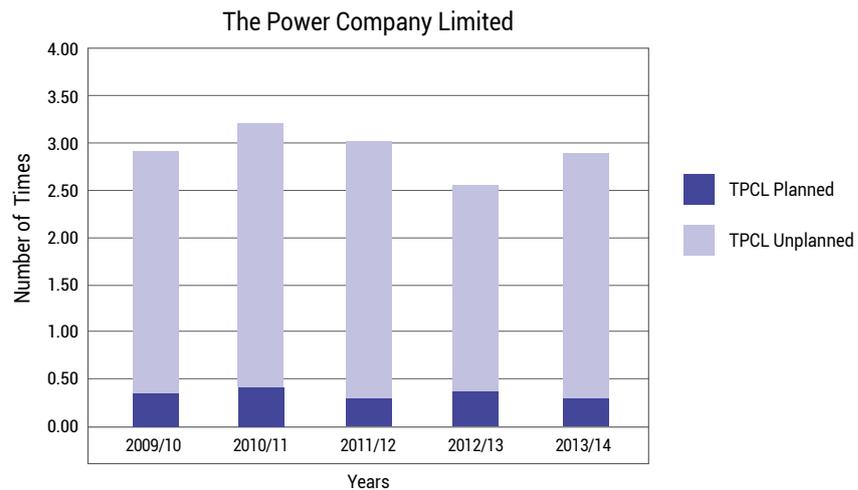
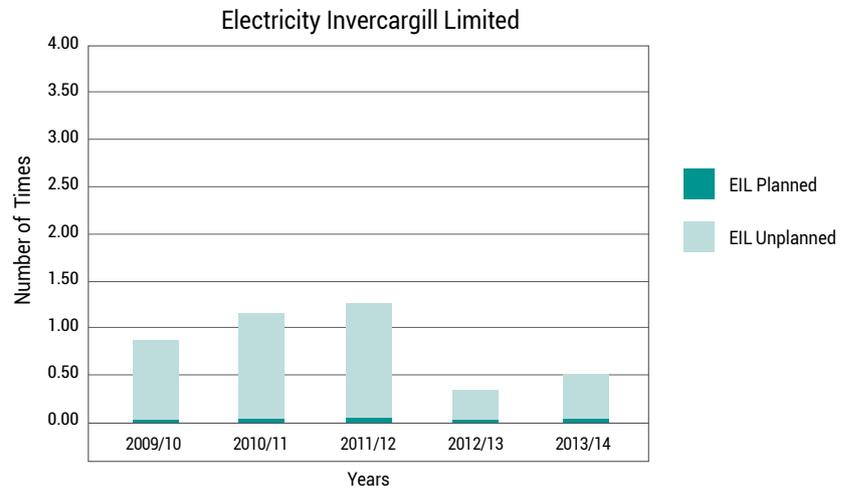


Aaron Sinclair - PowerNet and Aiann Cairns - Alliance Group at the Lorneville Plant

Connecting with Our Customers *continued*

System Average Interruption Frequency Index (SAIFI)

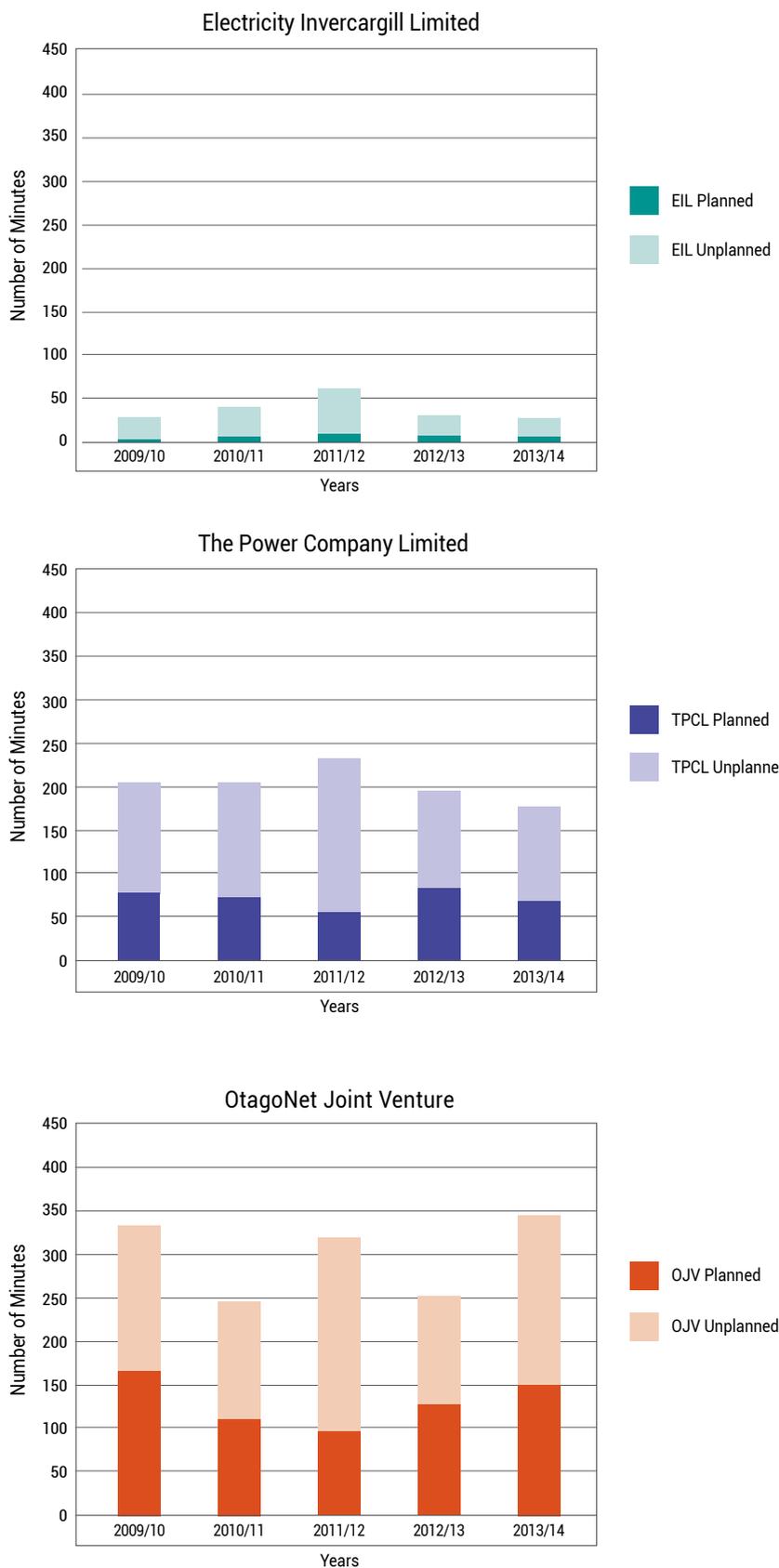
The average number of times each customer connected to the network is without supply each year.



Connecting with Our Customers *continued*

System Average Interruption Duration Index (SAIDI)

The average total in minutes each customer connected to the network is without supply each year.





Connecting with Our Environment

In line with our Company-wide continuous improvement focus, we are always looking at ways to reduce our impact on the environment. PowerNet works to recycle or reduce waste wherever possible and engage in sustainable practices. PowerNet is extending this sustainability with the new smart meter network, which will assist in monitoring and reducing any inefficiencies in the networks we manage.

Connecting with Our Environment *continued*

Office Waste

PowerNet has continued to work on reducing office waste and to recycle where possible. All staff recycle paper and other items to keep our landfill waste to a minimum.

Network waste

We continue to monitor best practice in terms of dealing with network waste and adopt a reduce, reuse or recycle approach where possible. The significant smart meters project is enhanced by our ability to recycle the replaced meters.

Waste Oil

Waste oil is a by-product of the transformers and switchgear used in electricity distribution. The disposal of oil in an environmentally sensitive manner is of importance to PowerNet and 100% of oil used is either sold or returned to the supplier for recycling. PowerNet aims to have zero uncontrolled leakages or spillages and it is pleasing to report this year that again there were no such incidents.

SF6 Gas

Sulphur Hexafluoride (SF6) is a potent, colourless, odourless, greenhouse gas that is used as an insulating medium in high voltage circuit breakers. SF6 is only used in sealed, well-contained units and PowerNet has stringent procedures for monitoring gas-filled equipment and uses specialised equipment to check for loss of pressure on a regular basis.

Substitutes for SF6 gas have been trialled without success but we continue to search for alternatives. The estimated total of SF6 gas on the PowerNet managed networks was 346kg, up from 328kg the previous year.

The increase in gas came from the installation of circuit breakers at the new Athol and Hedgehope substations.

Redundant Equipment

Electricity meters and power poles are major parts of the networks we manage. With the advent of smart meters, PowerNet is working with key partners in ensuring the old meters are completely recycled once they are removed. Power poles are typically replaced when their condition is determined as below that necessary to ensure the safety of the public and to maintain high performance of the networks. There were 524 redundant poles this year. Over 50% of these were hardwood and were recycled.

PowerNet and Climate Change

PowerNet continues to look at ways to reduce our impact on the environment across all our operations including reducing carbon emissions in everyday operations.



New smart meters (left) will replace existing meters (right) and be recycled locally.



Connecting with Our Communities

PowerNet has a strong commitment to the communities we work in.

Tour of Southland

Since PowerNet completed its 12-year tenure as the naming sponsor of the cycle Tour of Southland in 2012, we have remained involved in the Tour and this year supported a team the Company co-sponsored with Cycle Surgery.

The 2013 PowerNet/Cycle Surgery team was Alex Ray (Auckland), Paul Odlin (Christchurch), James Williamson (Alexandra), Roman van Uden (Auckland), Tim Rush (Oamaru) and Brad Evans (Mosgiel).

The week's racing went well with Roman winning stage 1 into Gore and Brad gaining second place in Stage 3 into Te Anau.

Paul and Roman finished second and third in the Sprint Ace category, while Roman also finished third in the King of the Mountain classification. The team finished eighth of 15 teams on general classification, just 14 minutes behind the winning team.

PowerNet staff were involved in the management of the team once again and took the opportunity to promote the Company during the week-long event.



PowerNet staff assisting at the end of Stage 3 of the SBS Bank Tour of Southland

Connecting with Our Communities *continued*

Southern Field Days

PowerNet made its presence felt at the 2014 Southern Field Days at Waimumu, held over three days in February. The Field Days are an important part of our communication with key stakeholder groups and give us the chance to highlight key issues while also gathering anecdotal feedback on our performance.

The Field Days, attended by over 85,000 people this year, gives us the chance to talk to farmers and the wider rural community about everything from safety issues on the farm to smart meters.

This was our second time attending the bi-annual event and our attendance will continue to be part of our ongoing public engagement strategy.

The 15x10m site featured a variety of informational display boards and hand outs. The tent also hosted a photo booth which attracted many parents and school children happy to dress up and get their photos taken. The printed take home photos had key safety messages to remind those photographed to take care around power lines.

The Company displayed a brand new PowerNet bucket truck. Our competition focused around the height of the raised bucket, making the public aware of the four metre rule when working around power lines on the farm. All correct entries went into a draw to win one of six \$100 grocery vouchers.

Staff from PowerNet, Otago Power Services and Asplundh attended the event to speak with customers.



The PowerNet site at the 2014 Southern Field Days

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 and Conservation Authority (EECA), has carried out insulation and heating retrofits in over 6,000 Southland and West Otago homes since 2008.

The 2013 funding round under EECA's Healthy Homes Programme was targeted at those who stand to benefit most from having their homes insulated, particularly low income households with high health needs, including families with children and the elderly.

Awarua Synergy holds the contract to project manage the assessments and installations on behalf of the SWHT. Awarua Synergy is locally owned by the Te Runaka o Awarua Charitable Trust in Bluff.

In addition to the continued EECA/SWHT programme, SWHT and Awarua Synergy are also offering a subsidy of up to \$2,000 to middle income families to undertake insulation and heating retrofits.

The SWHT is very pleased to be able to carry on the work begun in 2008 and assist the more vulnerable members of our community.

The SWHT project not only benefits the residents of these houses but also contributes to reducing generation demand and network investment on the TPCL and EIL networks.



Jonathan Willis - PowerNet - with nephew Carter Middlemiss (6)



Roger Paterson and Shirley Whittaker - PowerNet - collecting for the Cancer Society's Daffodil Day

Connecting with Our Communities *continued*

Supporting Our Communities

The Company continues to support the Southland TradeQual event as a bronze sponsor. The event celebrates the success and achievements of Southland's trade graduates and the contributions made by their employers and Industry Training Organisations.

This year PowerNet had five electrical trade graduates. They were Johnathan Willis, Christopher Dillon, Paul Barclay, Richard Brown and Terry Shanks.

PowerNet also supports the Southern Institute of Technology Awards by providing two achievement prizes for electro technology students.

The PowerNet awards recognise the Top Student – Electrical Pre-trade Semester 2 and Most Improved Student – Electrical Semester 2.

The year-long course is an introductory Level 2 Certificate in Electrical Engineering designed for students wishing to pursue employment and further training in the electrical and related industries.

PowerNet also supported the Southland Chamber of Commerce Business Excellence Awards. The inaugural event was a gala occasion held to celebrate all that is best in business excellence in Southland.

In 2013 PowerNet was a category sponsor for the New and Emerging Business section with Bevan Pearce & Associates Chartered Accountants winning the award.

We continued our association with the University of Canterbury engineering faculty with the PowerNet electrical engineering scholarships for students studying towards a Bachelor of Engineering degree and are in their first professional year.

The three year scholarship covers course fees and provides vacation employment that satisfies the practical requirements of the degree course.

PowerNet was proud to support and assist the efforts of staff who took part in the Cancer Society Relay for Life. The event, held at Rugby Park, saw nearly 20 staff taking part to raise money for the Society. The event raised over \$120,000.

The support above reflects our commitment to our communities.



Trade Graduate Jonathan Willis - PowerNet - receiving his Certificate from Deputy Mayor Darren Ludlow

Connecting with Our Communities *continued*

Public Safety

PowerNet's highest priority is the safety of the public, staff and contractors working on our networks.

The Company continues to monitor and develop procedures to protect the public and anyone working on the network from any potential risks or property damage arising from network equipment and operations. We completed a project to review and improve safety around substations and we have a programme of regular inspections of assets to ensure compliance with safety and regulatory requirements and to establish condition data for forward work planning.

PowerNet continues to invest significantly in vegetation management across the networks to ensure trees are kept clear from power lines and equipment. Trees contacting power lines not only cause power outages but can also be a significant safety risk to the public.

The Company also provides a cable location service (beforeudig.co.nz) and has specialist staff who can locate cables to reduce the risk of contractors, farmers and members of the public harming themselves or causing property damage by contacting a buried cable. Staff use specialist equipment to locate buried cables and the cable routes are marked to ensure all parties are aware of the danger areas.

PowerNet is required to have a Safety Management System (SMS) which complies with requirements of NZS 7901:2008 Electricity and Gas Industries – Safety Management System for Public Safety. The SMS must be audited annually to retain a current audit certificate. Telarc undertook its third annual compliance audit of our SMS in March and their audit report confirmed that the SMS was functioning as it should.



PowerNet staff working on the Electricity Invercargill network in Bluff



Staff making the Cue TV advertisements - Left - Katie Lahman (Before U Dig), top right - Russell Bagrie (System Control) and bottom right - Graeme Webby (Vegetation Control)



Directors' Profiles



Maryann Macpherson
(Chair)

Maryann currently operates a home and garden retail business in Invercargill.

Her career background is farming and taxation management.

Maryann is a Director of The Power Company Limited and Venture Southland.

Previous governance roles have included Chair of Southern Health Limited and Landbase Trading Society Limited.

Maryann is a Member of the Institute of Directors.



Ross Smith BCom
(Deputy Chair)

Ross joined the Board of PowerNet Limited in November 2003. He is Chief Executive of SBS Bank, the only member owned Building Society with Bank Registration in New Zealand.

Ross is also a Director of SBS Bank, Finance Now Limited, Funds Administration NZ Limited, Southsure Assurance Limited, Electricity Invercargill Limited and Peak Power Services Limited.



Neil Boniface JP

Neil is Chair of Electricity Invercargill Limited, a Member of the OtagoNet Joint Venture Governing Committee, an Invercargill City Councillor and Chairman of Council's Finance and Policy Committee. He is also Chairman of Invercargill Venue and Events Management Limited and the Southland Warm Homes Trust.

He operates a driving school business in Southland and also serves on several charitable trusts.

Neil is a Member of the Institute of Directors.



Thomas Campbell BSc
(Metallurgy)

Tom is a former Managing Director of Comalco and General Manager of the Tiwai Smelter who now works as an independent company director.

His directorships include Todd Corporation and Electricity Invercargill Limited, as well as being the Chair of both GNS Science and the Energy Efficiency and Conservation Authority (EECA).

Tom is an Accredited Fellow of the Institute of Directors.



Duncan Fea BCom CA

Duncan is a regional Managing Principal in Crowe Horwath, Chartered Accountants and Business Advisors.

He has a number of directorships which include The Power Company Limited and Peak Power Services Limited and is a past Director of Pioneer Generation Limited and Queenstown Airport Corporation Limited.

Duncan is a Member of the Institute of Directors.



Douglas Fraser BSc
(Chemistry)

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

He is a Director of The Power Company Limited and Telford Farm Management Board. Previous governance roles include N Z Wool Board, Wools of NZ, Woolpro and AgITO.

Doug is a Member of the Institute of Directors.



Alan Harper LLB BCom

Alan is a partner in the law firm of AWS Legal. He has practised with the firm since 1979, specialising particularly in commercial and company affairs.

He is Chair of The Power Company Limited, a Member of the OtagoNet Joint Venture Governing Committee and a Member of the Institute of Directors Otago/Southland Branch Committee.

Alan is also an Accredited Fellow of the Institute of Directors.



Darren Ludlow

Darren has been a Director of PowerNet Limited since November 2013.

He is a fifth-term Invercargill City Councillor and the City's Deputy Mayor. Darren is a Director of Electricity Invercargill Limited, a trustee for several community groups and Chairs the Southland Museum & Art Gallery Trust Board.

He has worked in the media and communications industries for 25 years and currently manages Radio Southland.

Directors' Report

The Directors have pleasure in presenting their Annual Report together with the Financial Statements of PowerNet Limited for the year ended 31 March 2014.

Principal Activities

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

The Group consists of PowerNet Limited and its subsidiary Peak Power Services Limited.

The parties to the PowerNet Limited 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.

Result and Distribution

The Directors report that the Group's after tax loss for the year under review was \$472,000. The Directors have not declared a dividend for the year ended 31 March 2014.

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.

Directors

Each of the Shareholding Companies has appointed four Directors.

Appointed by Electricity Invercargill Limited are:

Ross Smith (Deputy Chair)
Neil Boniface
Thomas Campbell
Darren Ludlow

Appointed by The Power Company Limited are:

Maryann Macpherson (Chair)
Duncan Fea
Douglas Fraser
Alan Harper

Directors' Interests

The following entries were made in the Interests Register of the Company with regard to the Directors:

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' Report *continued***Maryann Macpherson**

Electricity Southland Ltd	Chair
Last Tango Ltd	Director
The Power Company Ltd	Director
Venture Southland	Director

Ross Smith

Electricity Invercargill Ltd	Director
Electricity Southland Ltd	Director
Finance Now Ltd	Director
Fraser Properties Ltd	Director
Funds Administration NZ Ltd	Director
Peak Power Services Ltd	Chair
Power Services Ltd	Chair
Pylon Ltd	Director
Southland Building Society	Director, Chief Executive Officer
Southsure Assurance Ltd	Director

Neil Boniface

Electricity Invercargill Ltd	Chair
Electricity Southland Ltd	Director
Invercargill City Council	Councillor
Invercargill Venue & Events Management Ltd	Director
OtagoNet Joint Venture	Member, Governing Committee
OtagoNet Ltd	Director
OtagoNet Properties Ltd	Director
Pylon Ltd	Director
Southland Driving School	Director
Southland Warm Homes Trust	Trustee

Thomas Campbell

Electricity Invercargill Ltd	Director
Electricity Southland Ltd	Director
Energy Efficiency & Conservation Authority	Chair
GNS Science Ltd	Chair
NZ Standards Council	Director
Pylon Ltd	Director
Todd Corporation Ltd	Director
Todd Offshore Ltd	Director

Duncan Fea

Crowe Horwath	Principal
Electricity Southland Ltd	Director
Last Tango Ltd	Director
Peak Power Services Ltd	Director
The Power Company Ltd	Director
WHK	Principal
WHK Cook Adam Ltd	Director

Douglas Fraser

Electricity Southland Ltd	Director
Last Tango Ltd	Director
Power Services Ltd	Director
Telford Farm Management Board	Director
The Power Company Ltd	Director

Alan Harper

AWS Legal	Partner
Barnes Oysters Ltd	Director
Campbelltown Seafoods Ltd	Director
Electricity Southland Ltd	Director
Last Tango Ltd	Director
OtagoNet Joint Venture	Member, Governing Committee
OtagoNet Ltd	Director
OtagoNet Properties Ltd	Director
The Power Company Ltd	Chair

Darren Ludlow

Electricity Invercargill Ltd	Director
Electricity Southland Ltd	Director
Invercargill City Council	Deputy Mayor
Invercargill Community Recreation & Sports Trust	Trustee
Pylon Ltd	Director
Radio Southland	Manager
Southland Art Foundation	Trustee
Southland Museum & Art Gallery	Trustee

Philip Mulvey

Crowe Horwath	Chief Executive
Electricity Invercargill Ltd	Director
Electricity Southland Ltd	Deputy Chair
Forest Dynamics Ltd	Director
Pylon Ltd	Director
WHK	Chief Executive
WHK Cook Adam Ltd	Director
WHK (New Zealand) Ltd	Director

Directors' Report *continued*

Remuneration of Directors

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

Maryann Macpherson	-	Chair, Chair Remuneration Committee, Member Audit Committee, Member Health, Safety, Environment & Risk Committee
Ross Smith	-	Deputy Chair (from 1 December 2013), Director, Member Audit Committee, Member Remuneration Committee
Philip Mulvey	-	Deputy Chair, Member Audit Committee, Member Remuneration Committee (until 31 October 2013)
Neil Boniface	-	Director, Member Health, Safety, Environment & Risk Committee
Thomas Campbell	-	Director, Chair Health, Safety, Environment & Risk Committee
Duncan Fea	-	Director
Douglas Fraser	-	Director, Member Health, Safety, Environment & Risk Committee
Alan Harper	-	Director, Chair Audit Committee
Darren Ludlow	-	Director (from 28 November 2013)

Remuneration paid or due and payable to Directors for services as a Director and in any other capacity, during the year was:

Maryann Macpherson	\$49,400	Duncan Fea	\$24,700
Ross Smith	\$26,767	Douglas Fraser	\$24,700
Philip Mulvey	\$18,025	Alan Harper	\$24,700
Neil Boniface	\$24,700	Darren Ludlow	\$8,439
Thomas Campbell	\$24,700		

Employee Remuneration

Twenty six continuing or former employees received remuneration in the following bands:

\$100,000 - \$110,000	7
\$110,000 - \$120,000	9
\$120,000 - \$130,000	2
\$130,000 - \$140,000	3
\$140,000 - \$150,000	1
\$240,000 - \$250,000	1
\$260,000 - \$270,000	1
\$280,000 - \$290,000	1
\$390,000 - \$400,000	1

Scholarships, Awards and Donations

During the year the Company promoted learning through various scholarships and awards which totalled \$1,000. In addition, donations made by the Company totalled \$5,000.

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.

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.

Auditor

Refer to Note 3 of the Financial Statements for Auditor remuneration.

For and on behalf of the Directors.



Maryann Macpherson
Chair



Ross Smith
Deputy Chair

Approval by Directors



Russell Murdoch and Steve Chamberlain - Delta - working on the Mossburn to Athol line upgrade

The Directors have approved the Financial Statements of PowerNet Limited for the year ended 31 March 2014 on pages 36 to 63

Maryann Macpherson
Chair

Ross Smith
Deputy Chair

For and on behalf of the Board of Directors

29 May 2014

Statements of Comprehensive Income

For the Year Ended 31 March 2014

	Note	GROUP	PARENT	
		2014 \$000	2014 \$000	2013 \$000
Turnover	(2)	77,721	77,721	-
Operating Revenue	(2)	47,208	45,903	93,685
Other Income	(2)	1,738	1,736	3,119
Operating Expenses	(3)	(48,962)	(47,685)	(96,526)
Financial Expenses	(3)	(631)	(612)	(342)
Operating Surplus/(Deficit) Before Taxation		(647)	(658)	(64)
Taxation (Expense)/Benefit				
- Current	(4)	(3)	-	(57)
- Deferred	(4/15)	178	178	72
Net Surplus/(Deficit) after Taxation		(472)	(480)	(49)
Net Surplus/(Deficit) Attributable to Minority Interests	(10)	4	-	-
Net Surplus/(Deficit) Attributable to Parent		(476)	(480)	(49)

The accompanying notes on pages 40-63 form part of and should be read in conjunction with these Financial Statements.

Statements of Changes in Equity

For the Year Ended 31 March 2014

	Note	GROUP	PARENT	
		2014 \$000	2014 \$000	2013 \$000
Total Comprehensive Income				
Net Surplus/(Deficit) for the Year comprising:				
Parent Interest		(476)	(480)	(49)
Minority Interest		4	-	-
		(472)	(480)	(49)
Capital Reserve				
Gain on Amalgamation				
		461	267	-
		461	267	-
Contributions from Shareholders				
Minority Interest Investment in Subsidiary				
		187	-	-
Share Capital		3,980	3,980	-
		4,167	3,980	-
Distributions to Shareholders				
Parent Interest				
		-	-	-
Minority Interest		-	-	-
Dividend Paid/Declared		-	-	-
Changes in Equity for the Year		4,156	3,767	(49)
Equity at Beginning of year comprising:				
Parent Interest				
		197	197	246
Minority Interest		-	-	-
		197	197	246
Equity at End of Year comprising:				
Parent Interest				
		4,162	3,964	197
Minority Interest	(10)	191	-	-
	(5)	4,353	3,964	197

The accompanying notes on pages 40-63 form part of and should be read in conjunction with these Financial Statements.

Statements of Financial Position

As at 31 March 2014

	Note	GROUP	PARENT	
		2014 \$000	2014 \$000	2013 \$000
Equity				
Share Capital	(5)	4,000	4,000	20
Gain on Amalgamation	(5)	461	267	-
Retained Earnings	(5)	(299)	(303)	177
Parent Equity		4,162	3,964	197
Minority Interest Equity	(10)	191	-	-
Total Equity	(5)	4,353	3,964	197
Represented By:				
Current Assets				
Cash and Cash Equivalents	(6)	1,534	1,472	453
Receivables and Prepayments	(7)	17,107	16,114	13,550
Construction Work in Progress	(8)	8,463	8,211	4,785
Inventories	(11)	732	538	440
Taxation Receivable		223	220	47
Total Current Assets		28,059	26,555	19,275
Investments				
Investment in Subsidiary	(9)	-	-	-
		-	-	-
Non Current Assets				
Property, Plant and Equipment	(16)	8,124	7,334	1,316
Capital Work in Progress		396	396	937
Intangibles	(17)	1,595	1,495	560
Deferred Taxation Asset	(15)	644	630	232
Total Non Current Assets		10,759	9,855	3,045
Total Assets		38,818	36,410	22,320
Current Liabilities				
Creditors and Accruals	(12)	9,932	9,055	10,913
Employee Entitlements	(13)	1,490	1,463	786
Finance Lease	(20)	32	-	-
Provision for Bad Debts	(7)	35	35	-
Total Current Liabilities		11,489	10,553	11,699
Non Current Liabilities				
Advances	(14)	22,500	21,500	10,250
Deferred Taxation Liability	(15)	393	393	174
Finance Lease Non Current	(20)	83	-	-
Total Non Current Liabilities		22,976	21,893	10,424
Total Liabilities		34,465	32,446	22,123
Net Assets		4,353	3,964	197

The accompanying notes on pages 40-63 form part of and should be read in conjunction with these Financial Statements.

Statements of Cash Flows

For the Year Ended 31 March 2014

	Note	GROUP 2014 \$000	PARENT 2014 2013 \$000 \$000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Was Provided From:				
Receipts from Customers		45,295	44,508	93,701
Income Tax Received		-	-	43
Interest Received		18	16	11
		45,313	44,524	93,755
Cash Was Applied To:				
Payments to Suppliers and Employees		50,644	49,968	96,343
Income Tax Paid		165	165	100
Interest Paid		631	612	341
GST Paid/(Received)		475	404	-
		51,915	51,149	96,784
Net Cash Flows From/(Used In) Operating Activities	(22)	(6,602)	(6,625)	(3,029)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Was Provided From:				
Property, Plant and Equipment Sales		26	40	20
		26	40	20
Cash Was Applied To:				
Property, Plant and Equipment		1,125	1,016	1,000
Investments		3,068	3,161	-
		4,193	4,177	1,000
Net Cash Flows From/(Used In) Investing Activities		(4,167)	(4,137)	(980)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash Was Provided From:				
Issue of Shares		3,980	3,980	-
Advances and Finance Leases		7,884	7,801	7,600
		11,864	11,781	7,600
Cash Was Applied To:				
Advances		14	-	4,000
		14	-	4,000
Net Cash Flows From/(Used In) Financing Activities		11,850	11,781	3,600
Net Increase/(Decrease) in Cash and Cash Equivalents Held		1,081	1,019	(409)
Add Opening Cash and Cash Equivalents Brought Forward		453	453	862
Closing Cash and Cash Equivalents To Be Carried Forward	(6)	1,534	1,472	453

The accompanying notes on pages 40-63 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 2014

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.

The Parent Entity, PowerNet Limited, is a company registered under the Companies Act 1993. The Group consists of PowerNet Limited and its subsidiary Peak Power Services Limited referred to in Note 9.

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 29 May 2014.

Basis of Preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, and the Financial Reporting Act 1993. They follow New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) (to the extent that is required using differential reporting options referred to in (p)).

These financial statements have been prepared on the basis of historical cost unless otherwise noted in a specific accounting policy.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Use of Estimates and Judgements

The preparation of financial statements to conform to NZ IFRS requires management to make judgements, 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
- Intangibles
- Employee Benefits

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

Specific Accounting Policies

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

(a) Revenue

Revenue is measured at the fair value of the consideration given for the sale of goods and services, net of goods and services tax. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and probable return of the goods can be estimated reliably and there is no continuing management involvement with the goods.

(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 now recorded as turnover for PowerNet Limited who is acting in the capacity of Agent for Electricity Invercargill Limited and The Power Company Limited.

(ii) Network Revenue

Network Revenue comprises amounts charged to the joint venture parties in relation to asset construction on their behalf.

(iii) Financial Income

Financial income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective income method.

(iv) Other Revenue Management Services

Management Services comprise income from management and administration of electricity distribution networks.

(v) Construction Contracts

The surplus on a construction contract is recognised when it can be estimated reliably. The full amount of an anticipated loss including that relating to future work on the contract is recognised as soon as it is foreseen.

(b) Financial Expenses

Financial Expenses comprise interest expense on borrowings. All borrowing costs are recognised in the Profit and Loss using the effective interest method, unless they are directly related to the construction of qualifying assets when they are capitalised.

(c) Construction Work in Progress

Construction Work in Progress relates to The Power Company Limited's and Electricity Invercargill 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.

(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.

The Company 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 the Company and the cost of the item can be measured reliably. All other costs are recognised in the Profit and Loss as an expense as incurred.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

(f) Depreciation

Depreciation is charged to the Profit and Loss 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:

Motor Vehicles	7.0-48.0%	Diminishing value
Buildings	2.0-67.0%	Straight line/Diminishing value
Plant and Equipment	7.0-80.4%	Straight line/Diminishing value
Office Furniture	7.0-80.4%	Straight line/Diminishing value
Computer Hardware	10.0-48.0%	Straight line/Diminishing value
System Control Assets	11.4-48.0%	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.

(h) Impairment

At each reporting date the Company 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 Profit and Loss.

(i) Intangible Assets

(i) 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.

(ii) Amortisation

Amortisation is charged to the Profit and Loss 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	12.5-48.0%	Straight line/Diminishing value
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(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.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

(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 Profit and Loss 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.

(l) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised in the periods when they are incurred.

(m) 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 the Company in respect of services provided by employees up to balance date.

(n) Seasonality

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

(o) 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 and Other Receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(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 the Company 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 2014

(p) Differential Reporting

An entity is granted concessions from certain requirements of NZ IFRS if it meets the qualifying entity requirements of the Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime.

PowerNet Limited is a qualifying entity for Differential Reporting by virtue of the fact that it has no public accountability and all of its owners are represented on the governing body.

PowerNet Limited has not applied any differential reporting exemptions during the year.

(q) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the Statement of Financial Performance in the period of acquisition. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that controls ceases.

Minority interests in the results and equity of subsidiaries are shown separately in the Statements of Comprehensive Income and Statements of Financial Position.

(ii) Transactions Eliminated on Consolidation

All significant inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(iii) Parent Investments

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the Parent Financial Statements.

New Standards Adopted

In March 2012 the XRB Board issued a document outlining a new Accounting Standards Framework that will become effective progressively over the period 2012-2016. There is no impact on the current or prior year financial statements of transitioning to the new Accounting Standards Framework. However, the XRB is expected to remove the NZ IFRS Differential Reporting Regime one year after the new Financial Reporting Act comes into force. Therefore it is expected that the Group will have to transition to NZ IFRS Reduced Disclosure Regime for its annual period ending March 2016.

New and Amended Standards Adopted

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Company:

XRB A1 establishes a For-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Company is eligible to and has elected to report in accordance with Tier 3 For-profit Accounting Standards (NZ IFRS Differential Reporting) as it did in prior years. There were therefore no impacts on the current or prior year financial statements on adopting XRB A1.

As the Tier 3 For-profit Accounting Standards were frozen in April 2011 there are no mandatory new standards to be applied.

The Company is a qualifying entity within the Framework for Differential Reporting. The Company qualifies on the basis that it is not publicly accountable and all owners are represented on the Board of Directors.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

2. Income

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Turnover			
Line Charges	73,168	73,168	-
Metering	4,553	4,553	-
	77,721	77,721	-
Less			
Transmission	21,350	21,350	-
Net Turnover	56,371	56,371	-
Operating Revenue			
Line Charges	-	-	67,800
Contracting Revenue	1,213	-	-
Equipment Sales	92	-	-
Capital Works Programme	29,711	29,711	25,885
Maintenance Fees	10,687	10,687	-
Agency Fees	5,505	5,505	-
Other Income			
Interest Revenue	18	16	11
Other Revenue	1,720	1,720	3,108
Total Income	48,946	47,639	96,804

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

3. Expenses

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Expenses Include:			
Network Costs	36,742	36,742	31,930
Transmission Charges	-	-	18,455
Use Charges	-	-	33,419
Interest Expense	631	612	341
Deficit/(Profit) on Disposal of Property, Plant and Equipment	25	15	(7)
Operating Lease Expenses			
- Tenancy and Repeater Site Leases	204	186	181
- Motor Vehicle Leases	172	172	204
- Office Equipment Leases	24	24	21
Total Operating Leases	400	382	406
Amortisation of Intangibles	335	335	289
Auditors' Fees			
- Audit of Financial Report	54	52	34
- Other Services	28	28	26
Bad Debts Written Off	30	30	27
Depreciation			
- Buildings	34	33	20
- Plant and Equipment	183	169	94
- Motor Vehicles	182	148	11
- Office Equipment	36	34	37
- Computer Hardware	117	106	102
- System Control Assets	5	5	6
Total Depreciation	557	495	270
Directors' Fees	234	226	203
Donations	5	5	8
Employee Benefit Expenses	8,253	7,922	6,555
Scholarships and Awards	1	1	2

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

4. 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.

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Operating Surplus/(Deficit) Before Income Tax	(647)	(658)	(64)
Permanent Differences	14	14	11
Utilised Tax Loss Offset	-	-	-
Taxable Income	(633)	(644)	(53)
Prima Facie Taxation at 28% made up of:	(177)	(180)	(15)
Current Tax	3	-	57
Deferred Tax	(180)	(180)	(72)
	(177)	(180)	(15)
Timing Difference now Treated as Permanent	-	-	-
Prior Period Adjustment	2	2	-
Taxation (Benefit)/Expense for year	(175)	(178)	(15)
Effective Tax Rate	27%	27%	23%
Imputation Credit Account			
Opening Credit Balance – PowerNet Limited		374	317
Balance Transferred on Amalgamation 2 Dec 2013		813	-
Credits			
Income Tax Payments		195	100
Debits			
Income Tax Refunded		(30)	(43)
Imputation Credits on Dividend Paid		-	-
Credit Balance at End of Year		1,352	374

The Imputation Credit Account relates to PowerNet Limited only.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

5. 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 net profit or loss contributed by each joint venture party's network as calculated in accordance with the allocation method used to allocate income and expenditure between the joint venture parties.

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Share Capital	4,000	4,000	20
Gain on Amalgamation	461	267	-
Closing Balance	4,461	4,267	20
Minority Interest	191	-	-
Retained Earnings			
Opening Balance	177	177	226
Net Surplus/(Deficit) for the Year	(476)	(480)	(49)
Dividend Declared/Paid	-	-	-
Closing Balance	(299)	(303)	177
Total Equity	4,353	3,964	197

6. Cash and Short Term Bank Deposits

Current Account	834	792	103
Short Term Bank Deposits	700	680	350
Total Cash and Short Term Bank Deposits	1,534	1,472	453

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

7. Receivables and Prepayments

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Trade Debtors	866	324	6,250
The Power Company Limited	12,122	12,122	5,073
Electricity Invercargill Limited	2,155	2,155	1,529
Electricity Southland Limited	468	13	11
OtagoNet Joint Venture	1,018	1,018	211
Otago Power Services Limited	8	8	9
Power Services Limited	-	-	25
Peak Power Services Limited	-	22	-
M Popenhagen	3	-	-
	16,640	15,662	13,108
Prepayments and Other Receivables	467	452	442
Total Receivables and Prepayments	17,107	16,114	13,550

Trade and other receivables are stated at their cost less any impairment losses. The carrying amounts of the Company's receivables are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any indication exists, the receivable's recoverable amount is estimated.

At balance date 15% of the Group's trade receivables (Parent 7%) were 30-90 days past due and 15% of the Group's trade receivables (Parent 14%) were > 90 days past due. A provision for impairment has been created for \$35,000.

8. Construction Work in Progress

On behalf of:

The Power Company Limited	6,689	6,689	4,208
Electricity Invercargill Limited	1,522	1,522	577
External Customers	252	-	-
Total Construction Work in Progress	8,463	8,211	4,785

9. Investment in Subsidiary

Investment in Shares in Subsidiary	231	-
Less Write Down on Amalgamation	(231)	-
	-	-

On 2 December 2013, PowerNet Limited entered into a Short Form Vertical Amalgamation with Power Services Limited. As the Group has a 51% shareholding in Peak Power Services Limited, the Group is deemed to have control over Peak Power Services Limited, therefore accounts for it as a subsidiary.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

10. Minority Interest

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Opening Balance	-	-	-
Minority Interest Investment in Shares Acquired	187	-	-
Minority Interest Share on Net Profit/(Deficit)	4	-	-
Closing Balance	191	-	-

The Minority Interest relates to Peak Power Services Limited where the Minority holds a 49% interest.

11. Inventories

Network Spares and Sundry Network Consumables	732	538	440
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12. Creditors and Accruals

Owing to:

Trade Payables	5,564	4,764	5,714
Accruals	1,017	970	1,095
Inland Revenue – GST Payable	934	916	311
The Power Company Limited	1,621	1,594	2,865
Electricity Invercargill Limited	358	358	509
OtagoNet Joint Venture	51	51	2
OtagoPower Services Limited	386	386	405
Peak Power Services Limited	-	15	12
Electricity Southland Limited	1	1	-
Total Creditors and Accruals	9,932	9,055	10,913

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

13. Employee Entitlements

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Opening Balance	786	786	793
Additional Accrued	1,732	1,640	466
Amount Utilised	(1,028)	(963)	(473)
Total Employee Entitlements	1,490	1,463	786

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

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

14. Advances

Advances from:

The Power Company Limited	18,180	17,180	8,200
Electricity Invercargill Limited	4,320	4,320	2,050
Total Advances	22,500	21,500	10,250

Interest on the Advances is paid quarterly. The interest rate in respect of the advances is 2% 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 period.

15. Deferred Taxation

Opening Balance	58	58	(14)
Charged to Income Statement			
- Depreciation (non current liability)	(78)	(78)	57
- Tax Losses (current assets)	231	231	-
- Employee Entitlements (current assets)	45	26	-
- Other (current assets)	-	-	-
- Other (current liabilities)	-	-	-
Timing differences now treated as permanent adjustments	-	-	15
Total Deferred Taxation Asset/(Liability)	256	237	58

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.

The Company has tax losses of \$825,106 (2013; \$Nil) with a tax effect of \$231,030 (2013; \$Nil) at the current statutory tax rate of 28%. Management have determined it is probable that there will be sufficient taxable profits available in the foreseeable future against which the tax losses can be utilised. The tax losses have been recognised as a deferred tax asset.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

16. Property, Plant and Equipment

	GROUP							
	Land \$000	Buildings \$000	Plant & Equipment \$000	Motor Vehicles \$000	Office Equipment \$000	Computer Hardware \$000	System Control Assets \$000	Total \$000
Cost								
Balance at 1 April 2012	97	382	767	84	335	456	76	2,197
Additions	-	21	49	-	20	257	-	347
Disposals	-	-	(39)	(49)	(17)	(9)	(18)	(132)
Balance at 31 March 2013	97	403	777	35	338	704	58	2,412
Balance at 1 April 2013	97	403	777	35	338	704	58	2,412
Amalgamation Dec 2013	290	2,469	2,810	4,752	136	174	-	10,631
Additions	-	3	296	195	14	48	-	556
Disposals	-	(1)	(11)	(277)	-	(1)	-	(290)
Balance at 31 March 2014	387	2,874	3,872	4,705	488	925	58	13,309
Depreciation and Impairment								
Balance at 1 April 2012	-	83	344	48	142	294	34	945
Depreciation for Period	-	20	94	11	37	102	6	270
Disposals	-	-	(38)	(39)	(16)	(10)	(16)	(119)
Balance at 31 March 2013	-	103	400	20	163	386	24	1,096
Balance at 1 April 2013	-	103	400	20	163	386	24	1,096
Amalgamation Dec 2013	-	84	1,512	1,967	53	133	-	3,749
Depreciation for Period	-	34	183	182	36	117	5	557
Disposals	-	-	(8)	(206)	-	(3)	-	(217)
Balance at 31 March 2014	-	221	2,087	1,963	252	633	29	5,185
Carrying Amount/Book Value								
Book Value at 31 March 2013	97	300	377	15	175	318	34	1,316
Book Value at 31 March 2014	387	2,653	1,785	2,742	236	292	29	8,124

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 2014

16. Property, Plant and Equipment *continued*

	PARENT							Total \$000
	Land \$000	Buildings \$000	Plant & Equipment \$000	Motor Vehicles \$000	Office Equipment \$000	Computer Hardware \$000	System Control Assets \$000	
Cost								
Balance at 1 April 2012	97	382	767	84	335	456	76	2,197
Additions	-	21	49	-	20	257	-	347
Disposals	-	-	(39)	(49)	(17)	(9)	(18)	(132)
Balance at 31 March 2013	97	403	777	35	338	704	58	2,412
Balance at 1 April 2013	97	403	777	35	338	704	58	2,412
Amalgamation Dec 2013	290	2,425	2,489	4,185	100	122	-	9,611
Additions	-	3	263	122	14	45	-	447
Disposals	-	(1)	(11)	(266)	-	(2)	-	(280)
Balance at 31 March 2014	387	2,830	3,518	4,076	452	869	58	12,190
Depreciation and Impairment								
Balance at 1 April 2012	-	83	344	48	142	294	34	945
Depreciation for Period	-	20	94	11	37	102	6	270
Disposals	-	-	(38)	(39)	(16)	(10)	(16)	(119)
Balance at 31 March 2013	-	103	400	20	163	386	24	1,096
Balance at 1 April 2013	-	103	400	20	163	386	24	1,096
Amalgamation Dec 2013	-	74	1,404	1,841	46	104	-	3,469
Depreciation for Period	-	33	169	148	34	106	5	495
Disposals	-	-	(8)	(196)	-	-	-	(204)
Balance at 31 March 2014	-	210	1,965	1,813	243	596	29	4,856
Carrying Amount/Book Value								
Book Value at 31 March 2013	97	300	377	15	175	318	34	1,316
Book Value at 31 March 2014	387	2,620	1,553	2,263	209	273	29	7,334

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 2014

17. Intangible Assets

	GROUP	PARENT
	Computer Software \$000	Computer Software \$000
Cost		
Balance at 1 April 2012	2,340	2,340
Additions	76	76
Disposals	-	-
Balance at 31 March 2013	2,416	2,416
Balance at 1 April 2013	2,416	2,416
Additions	1,270	1,270
Disposals	-	-
Balance at 31 March 2014	3,686	3,686
Amortisation and Impairment		
Balance at 1 April 2012	1,567	1,567
Amortisation for Period	289	289
Disposals	-	-
Balance at 31 March 2013	1,856	1,856
Balance at 1 April 2013	1,856	1,856
Amortisation for Period	335	335
Disposals	-	-
Balance at 31 March 2014	2,191	2,191
Carrying Amount/Book Value		
Book Value at 31 March 2013	560	560
Book Value at 31 March 2014	1,495	1,495
Goodwill		
Goodwill on acquisition	100	-
Total	1,595	1,495

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 and subsequent amalgamation of Power Services Limited. This Goodwill is related to its prior acquisition of 51% interest in Peak Power Services Limited.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

18. Commitments

Capital Commitments

Capital Commitments as at 31 March 2014 total \$1,356,000 (2013: \$103,000).

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Operating Lease Commitments			
Operating Lease Commitments are payable as follows:			
- Not later than one year	1,052	997	967
- Later than one year and not later than two years	868	812	792
- Later than two years and not later than five years	1,349	1,349	1,446
- Later than five years	9,198	9,198	10,492
Total Operating Lease Commitments	12,467	12,356	13,697

Operating Leases consist of Vehicle Leases, Transpower Investment Charges, Property and Office Equipment Leases.

19. Contingent Liabilities

There are no Contingent Liabilities as at 31 March 2014 (2013: Nil).

20. Finance Lease

Finance Lease Payable

Not later than one year	32	-	-
Later than one year, not later than five years	83	-	-
	115	-	-
<i>Comprising:</i>			
Current	32	-	-
Non Current	83	-	-

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

21. 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. Electricity Southland Limited has the same ownership as the PowerNet Limited Joint Venture. Peak Power Services Limited is a 51% owned subsidiary of PowerNet Limited. Pylon Limited and Last Tango Limited jointly hold a 49% interest in OtagoNet Joint Venture. All transactions between PowerNet Limited, its joint venture parties, Electricity Southland Limited and its subsidiary Peak Power Services Limited relate to the normal trading activities of PowerNet Limited.

On 2 December 2013 PowerNet Limited acquired 100% of the share capital of Power Services Limited. The shares were acquired from Last Tango Limited and Pylon Limited which are ultimately owned by Electricity Invercargill Limited and The Power Company Limited who are also the shareholders of PowerNet Limited. Further details of the transaction are in Note 23.

PowerNet Limited has an interest in its subsidiary Peak Power Services Limited. No related party debts have been written off or forgiven during the year.

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:

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Asset Construction, Management Fees, Agency Fees and Directors Fees Supplied To:			
The Power Company Limited	37,467	37,467	22,006
Electricity Invercargill Limited	8,436	8,436	4,171
Electricity Southland Limited	675	136	120
OtagoNet Joint Venture	1,281	1,279	2,199
Otago Power Services Limited	-	-	9
Power Services Limited	-	-	145
Receivables Outstanding at Balance Date (GST incl):			
The Power Company Limited	12,122	12,122	5,073
Electricity Invercargill Limited	2,155	2,155	1,529
Electricity Southland Limited	468	13	11
OtagoNet Joint Venture	1,018	1,018	211
Otago Power Services Limited	8	8	9
Power Services Limited	-	-	25
Peak Power Services Limited	-	22	-
Use Charges and Miscellaneous Charges Supplied By:			
The Power Company Limited	611	597	23,509
Electricity Invercargill Limited	156	156	10,379
Electricity Southland Limited	-	-	-
OtagoNet Joint Venture	146	106	21
Otago Power Services Limited	3,774	3,773	3,678
Power Services Limited	-	-	7,999
Peak Power Services Limited	-	314	257
Creditors Outstanding at Balance Date (GST incl):			
The Power Company Limited	1,621	1,594	2,865
Electricity Invercargill Limited	358	358	509
OtagoNet Joint Venture	51	51	2
Otago Power Services Limited	386	386	405
Power Services Limited	-	-	1,196
Peak Power Services Limited	-	15	12
Electricity Southland Limited	1	1	-
Advances Supplied By/(Repaid To):			
The Power Company Limited	8,979	8,979	2,880
Electricity Invercargill Limited	2,270	2,270	720

Other Related Parties

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

PowerNet Limited uses AWS Legal as solicitors, of which Alan Harper is a Partner. Legal fees paid to AWS Legal during the year amounted to \$453,000 (excl GST) (2013: \$152,000 excl GST) of which \$33,000 (incl GST) is owing at balance date.

PowerNet Limited uses Crowe Horwath Limited as its tax advisors, of which Duncan Fea is a Principal. Fees for taxation advice paid to Crowe Horwath Limited during the year amounted to \$8,000 (excl GST) (2013: \$13,000 excl GST) of which \$1,000 is owing at balance date.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

22. Net Cash Flow from Operating Activities

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

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Net Surplus After Taxation	(472)	(480)	(49)
Add/(Less) Non Cash Items:			
Amortisation	335	335	289
Depreciation	557	495	270
Deferred Tax	(178)	(178)	(72)
Deficit/(Profit) on Sale of Plant Property and Equipment	25	15	(7)
	739	667	480
Add/(Less) Movements in Working Capital:			
Creditors, Accruals and Employee Entitlements	(2,556)	(3,240)	(297)
Receivables and Prepayments	(1,034)	(479)	(4,256)
Inventories	(129)	(98)	37
Construction Work in Progress	(3,557)	(3,426)	1,056
GST Payable/(Receivable)	583	604	-
Taxation Payable	(176)	(173)	-
	(6,869)	(6,812)	(3,460)
Net Cash Flow From/(Used In) Operating Activities	(6,602)	(6,625)	(3,029)

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

23. Business Combination

On 2 December 2013 PowerNet Limited acquired 100% of the share capital of Power Services Limited and immediately entered into a Short Form Vertical Amalgamation with Power Services Limited. Peak Power Services Limited is now a subsidiary of PowerNet Limited with PowerNet Limited owning 51% of the shares in Peak Power Services Limited.

The consideration paid for the shares of Power Services Limited was \$3,825,000.

	2014 \$000
Assets Acquired	
Assets	
Cheque, Call and Short Term Deposits	664
Accounts Receivable and Prepayments	2,087
Investments	-
Fixed Assets	6,281
Total Assets	9,032
Liabilities	
Current Liabilities	1,491
Advances	3,449
Total Liabilities	4,940
Net Assets Acquired	4,092
Consideration paid for Shares in Power Services Limited	3,825
Gain on Amalgamation	267

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

24. Financial Instruments

The Company 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 the Company's risk management framework.

Credit Risk

Financial instruments that potentially subject the Company 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.

The Company 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. The Company does not generally require or hold collateral against credit risk.

The Company is exposed to a concentration of credit risk with regard to the amounts owing by energy retailers at balance date for Line Charges as disclosed in Note 7 Receivables and Prepayments (amongst Trade Debtors). However, these entities are considered to be high credit quality entities.

	GROUP	PARENT	
	2014 \$000	2014 \$000	2013 \$000
Maximum exposures to credit risk at balance date are:			
Current Account	834	792	103
Short Term Bank Deposits	700	680	350
Receivables	866	324	6,250
Receivables from Related Parties	15,774	15,338	6,858
	18,174	17,134	13,561

The Company is exposed to a concentration of credit risk with regard to the amounts owing by related parties at balance date as disclosed in Note 21 Transactions with Related Parties. However, these entities are considered to be high credit quality entities.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

24. Financial Instruments *continued*

Liquidity Risk

Liquidity risk represents the Company's ability to meet its contractual obligations.

The Company evaluates its liquidity requirements on an ongoing basis. In general the Company 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.

The following table details the Group's exposure to liquidity risk as at 31 March 2014:

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Year \$000	Maturity Dates > 1 Year \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	1,534	-	-	1,534
Trade and Other Receivables	16,640	-	-	16,640
Construction Work In Progress	-	8,463	-	8,463
	18,174	8,463	-	26,637
Financial Liabilities				
Trade Payables	7,981	-	-	7,981
Accruals	-	1,017	-	1,017
Advances	-	-	22,500	22,500
	7,981	1,017	22,500	31,498

Advance repayment arrangements are discussed in Note 14. The above table indicates principal repayments only or interest payable if linked to a variable interest rate.

The following table details the Parent's exposure to liquidity risk as at 31 March 2014:

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Year \$000	Maturity Dates > 1 Year \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	1,472	-	-	1,472
Trade and Other Receivables	15,662	-	-	15,662
Construction Work In Progress	-	8,211	-	8,211
	17,134	8,211	-	25,345
Financial Liabilities				
Trade Payables	7,169	-	-	7,169
Accruals	-	970	-	970
Advances	-	-	21,500	21,500
	7,169	970	21,500	29,639

Advance repayment arrangements are discussed in Note 14.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

24. Financial Instruments *continued*

The following table details the Parent's exposure to liquidity risk as at 31 March 2013:

	Maturity Dates < 1 Month \$000	Maturity Dates < 1 Year \$000	Maturity Dates > 1 Year \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	453	-	-	453
Trade and Other Receivables	13,108	-	-	13,108
Construction Work In Progress	-	4,785	-	4,785
	13,561	4,785	-	18,346
Financial Liabilities				
Trade Payables	9,519	-	-	9,519
Accruals	-	1,095	-	1,095
Advances	-	-	10,250	10,250
	9,519	1,095	10,250	20,864

Advance repayment arrangements are discussed in Note 14.

Market Risk

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

The Company has interest bearing debt which is subject to interest rate variations in the market.

The following table details the Group's exposure to interest risk as at 31 March 2014:

	Variable Interest Rate \$000	Maturity Dates < 1 Year \$000	Non Interest Bearing \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	1,534	-	-	1,534
Trade and Other Receivables	-	-	16,640	16,640
	1,534	-	16,640	18,174
Financial Liabilities				
Trade and Other Payables	-	-	8,998	8,998
Advances	22,500	-	-	22,500
	22,500	-	8,998	31,498

Advance repayment arrangements are discussed in Note 14.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

24. Financial Instruments *continued*

The following table details the Parent's exposure to interest risk as at 31 March 2014:

	Variable Interest Rate \$000	Maturity Dates < 1 Year \$000	Non Interest Bearing \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	1,472	-	-	1,472
Trade and Other Receivables	-	-	15,662	15,662
	1,472	-	15,662	17,134
Financial Liabilities				
Trade and Other Payables	-	-	8,139	8,139
Advances	21,500	-	-	21,500
	21,500	-	8,139	29,639

Advance repayment arrangements are discussed in Note 14.

The following table details the Parent's exposure to interest risk as at 31 March 2013:

	Variable Interest Rate \$000	Maturity Dates < 1 Year \$000	Non Interest Bearing \$000	Total \$000
Financial Assets				
Cash and Cash Equivalents	453	-	-	453
Trade and Other Receivables	-	-	13,108	13,108
	453	-	13,108	13,561
Financial Liabilities				
Trade and Other Payables	-	-	10,602	10,602
Advances	10,250	-	-	10,250
	10,250	-	10,602	20,852

Advance repayment arrangements are discussed in Note 14.

Notes to and Forming Part of the Financial Statements *continued*

For the year ended 31 March 2014

24. Financial Instruments *continued*

Foreign Exchange Risk

The Company is not subject to foreign exchange risk.

Sensitivity Analysis for Interest Rate Change

The Company is subject to exposure to interest rate variations through both its cash and short term investments and its advances.

An increase/(decrease) in the interest rate of 1% is estimated to decrease/(increase) the operating profit before tax and equity by \$129,725 (2013: \$68,000).

Fair Value

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

Capital Management

The Company'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.

The Company is not subject to any externally imposed capital requirements.

25. Subsequent Events

There were no events subsequent to balance date.

Auditors' Report

for the year ended 31 March 2014



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Independent Auditors' Report

to the shareholders of PowerNet Limited

Report on the Financial Statements

We have audited the financial statements of PowerNet Limited on pages 36 to 63, which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income and the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditors, we have no relationship with or interests in PowerNet Limited or any of its subsidiaries other than in our capacities as auditors and the provision of advisory services. The services have not impaired our independence as auditors of the Company and the Group.

Auditors' Report *continued*

for the year ended 31 March 2014

Opinion

In our opinion, the financial statements on pages 36 to 63:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) give a true and fair view of the financial position of the Company as at 31 March 2014, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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.



Chartered Accountants
29 May 2014

Christchurch

Our Executives



Chief Executive
Jason Franklin



GM Business Support
Tim Brown



GM Technical &
Network Performance
Keith Burns



Chief Financial Officer
Greg Buzzard



Chief Engineer Network Assets
and Major Projects
Roger Paterson



GM Business Development
Murray Popenhagen



GM Customer, Metering &
Distribution Services
Gary Pritchard

Directory

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Principal Bankers

ANZ Bank New Zealand Limited

Auditors

PricewaterhouseCoopers, Christchurch

Solicitors

AWS Legal

