PowerNet

ANNUAL REPORT **2015**

Mossburn to Athol 66kV line

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Cover photo: The new PowerNet Building

Highlights

- OtagoNet
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- Vision and Values
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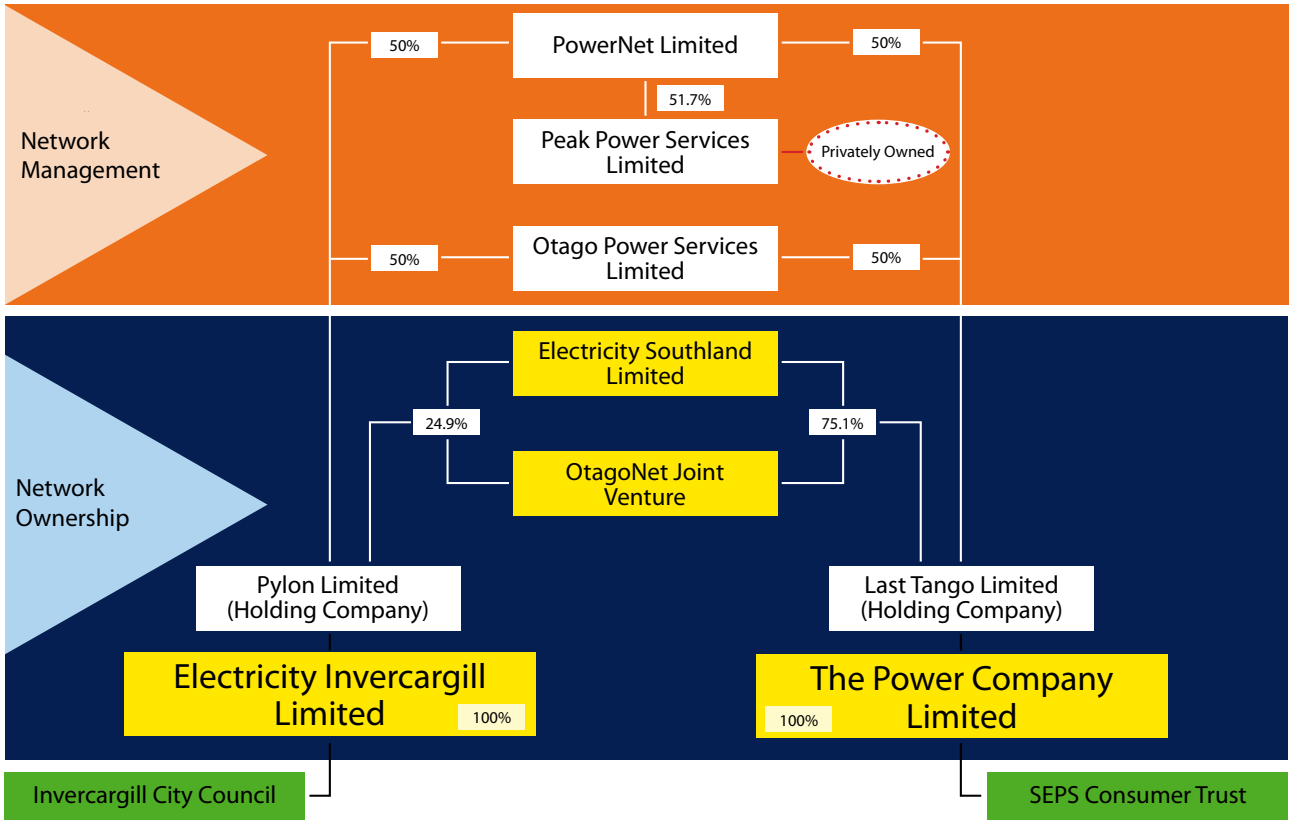
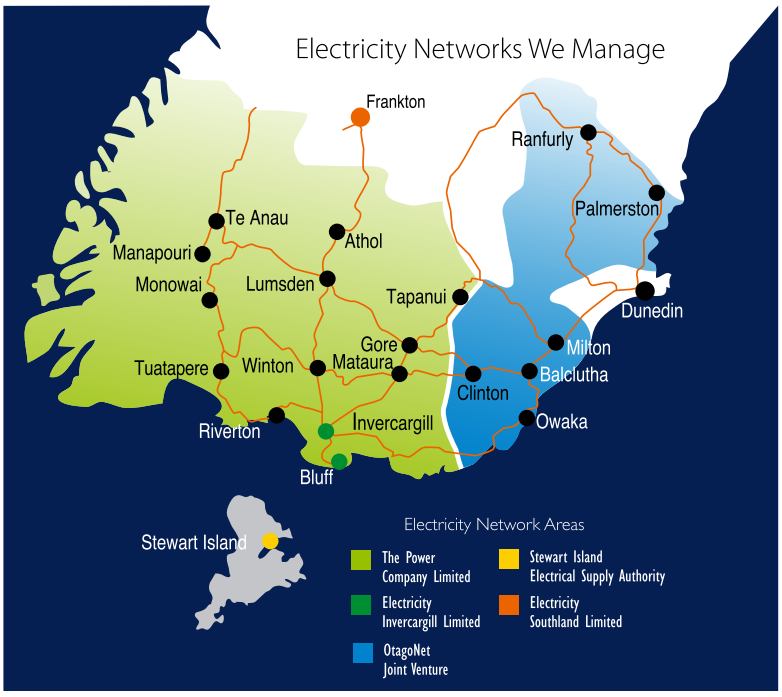
- Ongoing workplace safety
- Significant network asset commissioned

Balclutha Bridge

Company Structure

Network Managers and Contracting Companies





Company Profile

Since 1994, PowerNet has led the way in electricity network management. The company builds, maintains and manages networks on behalf of network owners in Southland, most of rural Otago, Frankton region and Stewart Island.

In the 2014/15 financial year, PowerNet delivered over $46 million of capital expenditure and over $14.6 million of maintenance expenditure on the three main networks we manage.

We have 157 staff and a turnover of $137 million per annum, comprised of line charge revenue of $76 million that is collected and passed through to the networks by PowerNet who is acting as the agent. PowerNet also has a works programme and other income of $61 million.

The Company manages assets with a Regulatory Value of $515 million.

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

Electricity Invercargill Ltd

Electricity Invercargill Limited (EIL) was formed in 1992 and owns electricity network assets in Invercargill City and the Bluff area, with 17,368 customers. EIL has powered Invercargill for 110 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.

THEPOWERCOMPANYLTD

The Power Company Limited (TPCL) was formed in 1991 and owns the network assets in the rural Southland/West Otago area. TPCL has 35,396 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.

OtagoNet

OtagoNet (OJV) is owned wholly by EIL and TPCL after the two companies purchased Marlborough Lines Limited's 51% stake during the year. 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. OJV has 14,806 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.

ESL Electricity Southland Limited

PowerNet manages the Lakeland network in Frankton that is owned by Electricity Southland Limited (ESL). EIL and TPCL are the shareholders in ESL. The ESL network has 328 customers.

PowerNet Limited

PowerNet's staff work from offices and depots in Invercargill, Winton, Lumsden, Frankton, Te Anau, Gore, Palmerston, Ranfurly, Balclutha and Stewart Island.

Staff also maintain a 24/7 faults call centre and System Control room located at the Invercargill Transpower Substation which is the only one of its kind in the South Island.

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.

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 the networks managed is $515 million with 14,123 kms of lines and cables, 75 Zone Substations and 15,776 transformers. The combined networks deliver electricity to over 68,000 customers. The managed networks represent diverse topography, climate zones, customer density, technical design and equipment.

PowerNet is the majority shareholder of Peak Power Services Limited which is the main technical service provider on the Lakeland network.

Jason Franklin - Chief Executive and Maryann Macpherson - Chair

Chair's and Chief Executive's Report

In 2014, this report focused on our consolidation and growth. This Annual Report focuses on the new beginnings which have emerged from that work over the last 18 months.

PowerNet has a new purpose-built Invercargill office. We have a new leadership programme for staff. We have new staff, with the acquisition and amalgamation of OtagoNet.

We have a new vision and values, which drive a new collective purpose from the governance level to all staff.

The vision and values are more than integral to our work. They motivate and guide everything we do across the networks we manage.

The Critical Success Factors – Safety Always, Customer Focus, Continuous Improvement, Passionate and Empowered People, and Courageous Leadership – apply to every member of the PowerNet team.

We have spent the last year with an ongoing focus on safety. For staff, that has meant new equipment such as all field staff wearing improved full Personal Protective Equipment (PPE) and new policies and procedures for particular working environments and situations. For the community this has seen our new partnership with the Order of St John (St John). This partnership has the ultimate goal of a first aid-trained person in every household across our networks.

To PowerNet, this is vital. Our staff often interact with St John staff – for example when a car hits a power pole – but it is the predominantly rural nature of our networks where the value of the partnership will become apparent.

In rural areas, the distance from ambulance services or hospitals means a first responder in each home could make a huge difference in an accident.

For our staff, the relationship with St John enhances our ability to deliver safety messages within the communities we both work with. Our support is also reaching children with PowerNet's sponsorship of the St John Programme in local schools.

All staff and Directors are now Health, Safety and Environment (HSE) passport holders, a new facet to improve safety awareness and actions and ensure the entire team have an understanding of their health and safety responsibilities.

During the year, we completed several major projects. The new Spey Street Substation and associated 33kV cable from the Transpower grid exit point will future-proof Electricity Invercargill's network for decades to come.

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

On The Power Company network, the much needed Hedgehope Substation was commissioned to ensure a secure, reliable and safe supply of electricity to Southland's growing dairy industry and central Southland communities.

Electricity Southland continues to expand to meet the substantial needs of consumers in the Frankton area.

These projects are examples of our striving for continuous improvement and meeting customer needs on the networks we manage.

It is important to us not to rest on our past achievements. Our networks require dedicated ongoing investment through in-depth asset management plans to preserve our strong historical performance to consumers.

This continuous improvement has a key component, our excellent people.

PowerNet's passionate and empowered staff have been through major developmental changes this year. All our teams have their own vision and values as well as critical success factors. This programme's goal is to build a visionary organisation with a wide range of staff who are committed and know how to lead.

In addition to this, a significant number of our field staff have passed industry qualifications and our commitment their ongoing professional development continued during the year.

PowerNet's governance and leadership team has been fully engaged this year with the inclusion of OtagoNet under the PowerNet network management umbrella, following the purchase by our shareholders of Marlborough Lines Limited's interest in OtagoNet.

The addition of the OtagoNet assets makes us the fifth largest network manager in New Zealand by Regulatory Value. It also significantly increases our area of responsibility. Fortunately, our work in the previous joint venture means we have the knowledge, infrastructure and staff to continue to serve all our consumers.

PowerNet has been through an enormous change over the last 18 months to structure our company for the future and to ensure we meet our goals of safe, efficient and reliable supply to our consumers.

We will not rest on the achievements made in the last year. Maintaining, growing and improving the asset base is a continuous focus and the 2014/15 year has given us added impetus to continue our work in Southern communities.

Jason Franklin
Chief Executive

Maryann Macpherson
PowerNet Chair

Hon Simon Bridges, Minister of Energy and Resources, Sarah Dowie, MP for Invercargill with Directors, Trustees and Representatives from PowerNet at the official building opening

Connecting with Our Stakeholders

Since 1994, PowerNet has had the best interests of our consumers at the heart of our business. As the fifth largest network manager by Regulatory Value, we have a substantial obligation to ensure a safe, secure and reliable electricity supply on behalf of the shareholders whose networks we manage.

Our shareholders, TPCL and EIL, rely on us to manage the networks they individually and collectively own in keeping with our Critical Success Factors - Safety Always, Customer Focus, Continuous Improvement, Passionate and Empowered People, and Courageous Leadership.

On 30 September 2014, TPCL and EIL acquired 100% ownership of OJV and contracting company Otago Power Services Limited (OPSL).

The acquisition is a significant strategic investment for TPCL and EIL and further consolidated the lower South Island network ownership and management. It represented the most significant investment for TPCL and EIL in over a decade. TPCL is now the majority stakeholders in the OJV network, with EIL holding a minority stake. The Company's focus continues to be on improving the safety, security and reliability of the networks we manage. Extensive capital work was carried out on all the networks, and the rollout of the advanced (smart) meters project began in Invercargill in early 2015.

PowerNet has now completed the shift into our new office in Racecourse Road in Invercargill, which was officially opened by the Minister of Energy and Resources, the Hon Simon Bridges, on 1 May 2015.

Network Management

PowerNet manages the EIL, TPCL, OJV and ESL networks on behalf of the network owners, and also has a service contract agreement with the Southland District Council (SDC) owned Stewart Island Electrical Supply Authority (SIESA).

The three major networks – EIL, TPCL and OJV – have a combined Regulatory Value of $515 million.

PowerNet reports to the boards of the networks on a monthly basis and carries out all regulatory reporting to the Commerce Commission and Electricity Authority on behalf of the networks.

Hedgehope Substation

THE POWER COMPANY LIMITED

35,396 CONNECTED CONSUMERS

8,808km Network LENGTH

CONSUMER DENSITY
4.0 consumers/km

11,014 distribution transformers

Connecting with Our Stakeholders *continued*

The Power Company Limited

The 2014/15 financial year bought further significant investment in the TPCL network.

In the past year, the network has continued its growth. The growth included increasing their interest in the OtagoNet Joint Venture to 75.1%, along with the commissioning of the new Hedgehope Substation, Mossburn to Athol 66kV line and Athol Substation. Work commenced on the construction of Colyer Road Substation, Centre Bush to Winton 66kV line, Fairfax to Isla Bank 66kV line and the Isla Bank Substation. These significant projects will enhance the capacity of the network and ensure security of supply for our customers.

Over $25 million was spent on capital expenditure in 2014/15, a substantial increase on the previous year's $19 million. TPCL also saw enhancements to existing assets, including renewals to the Riverton and Winton Zone Substations along with the renewal of distribution transformers. Our maintenance works on the TPCL network totalled $10 million during the year, up from $8 million the previous year.

TPCL as a customer-owned business is exempt from having to comply with a supply quality limit; but to measure its quality performance, TPCL calculates what its supply quality limit would have been had it not been exempt. The System Average Interruption Duration Index (SAIDI) for TPCL of 246.92 minutes was higher than the supply quality limit of 184.10 minutes. This was mainly due to winter storms in July and August along with subtransmission interruptions that affected the Zone Substations. However, this was positively offset by the System Average Interruption Frequency Index (SAIFI) figure for TPCL of 3.04 being better than the supply quality limit of 3.68.

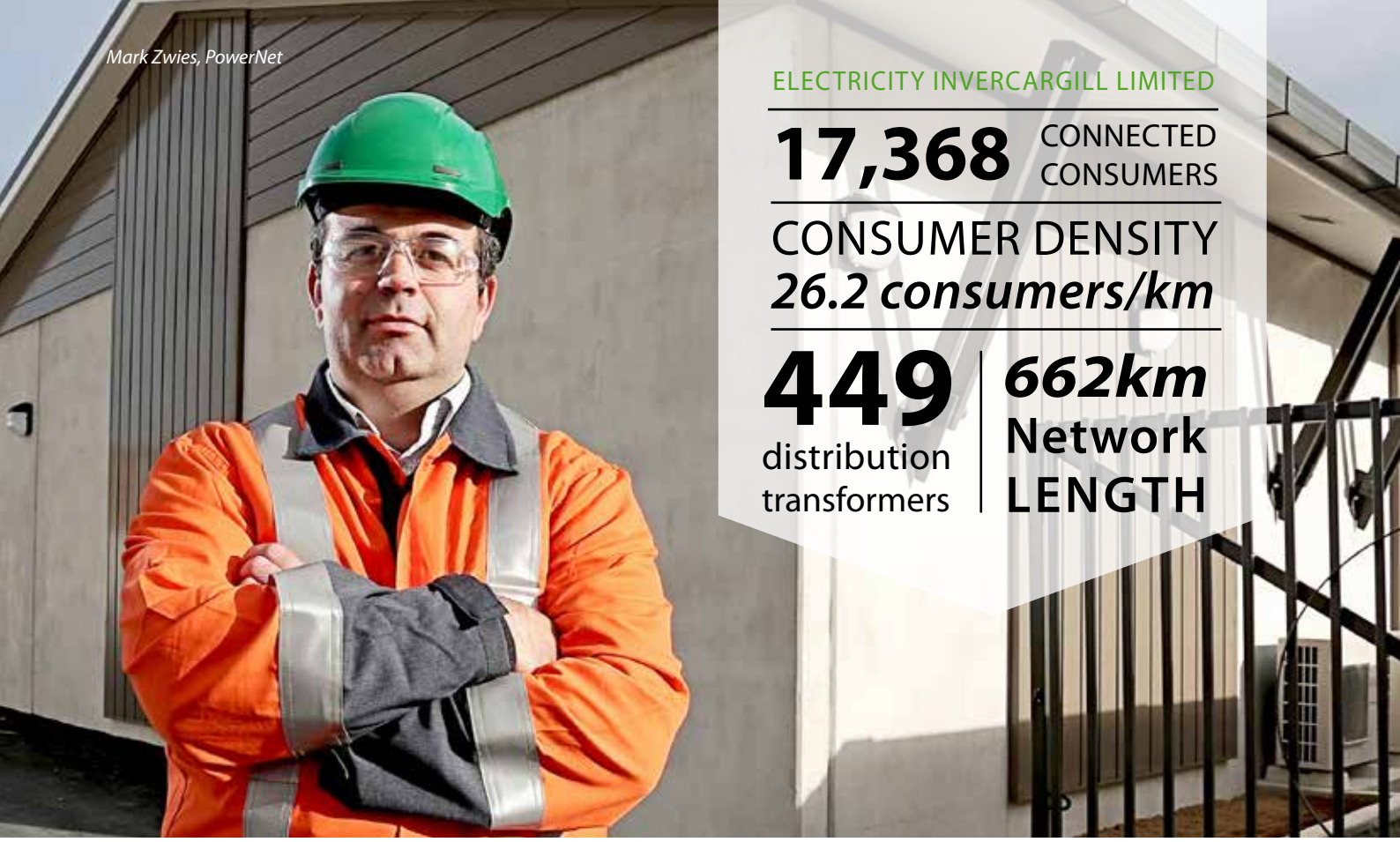
TPCL contracts PowerNet to manage, construct and maintain its network and metering assets.

PowerNet's costs are recovered through a charging regime on capital and maintenance work and an agency fee for management services. PowerNet acts as agent for TPCL, charging line and metering charges to electricity retailers, paying transmission costs and passes the gross revenue and expenses through to TPCL.

The revenue provides a return on investment to TPCL and recovers TPCL's overheads, depreciation and operating costs.

THEPOWERCOMPANYLTD

Project	Approximate Expenditure
New Customer Connections including Reticulation of Subdivisions	4,650,000
New Colyer Road Zone Substation – Stage two	4,360,000
11kV Line Refurbishments	2,280,000
New Winton to Centre Bush 66kV Line	1,900,000
New Isla Bank Zone Substation – Stage two	1,230,000
Distribution Transformer Replacements	1,160,000



Connecting with Our Stakeholders *continued*

Electricity Invercargill Limited

The livening of the Spey Street Zone Substation and the new 33kV cable from the Transpower grid exit point (GXP) in Invercargill to the new substation were the highlights of EIL's 2014/15 year.

These significant projects contributed to EIL's capital expenditure nearly doubling from 2013/14. Close to $9 million was spent on new projects to meet customer electricity capacity and security of supply.

Maintenance works of over $1 million were carried out for EIL in 2014/15.

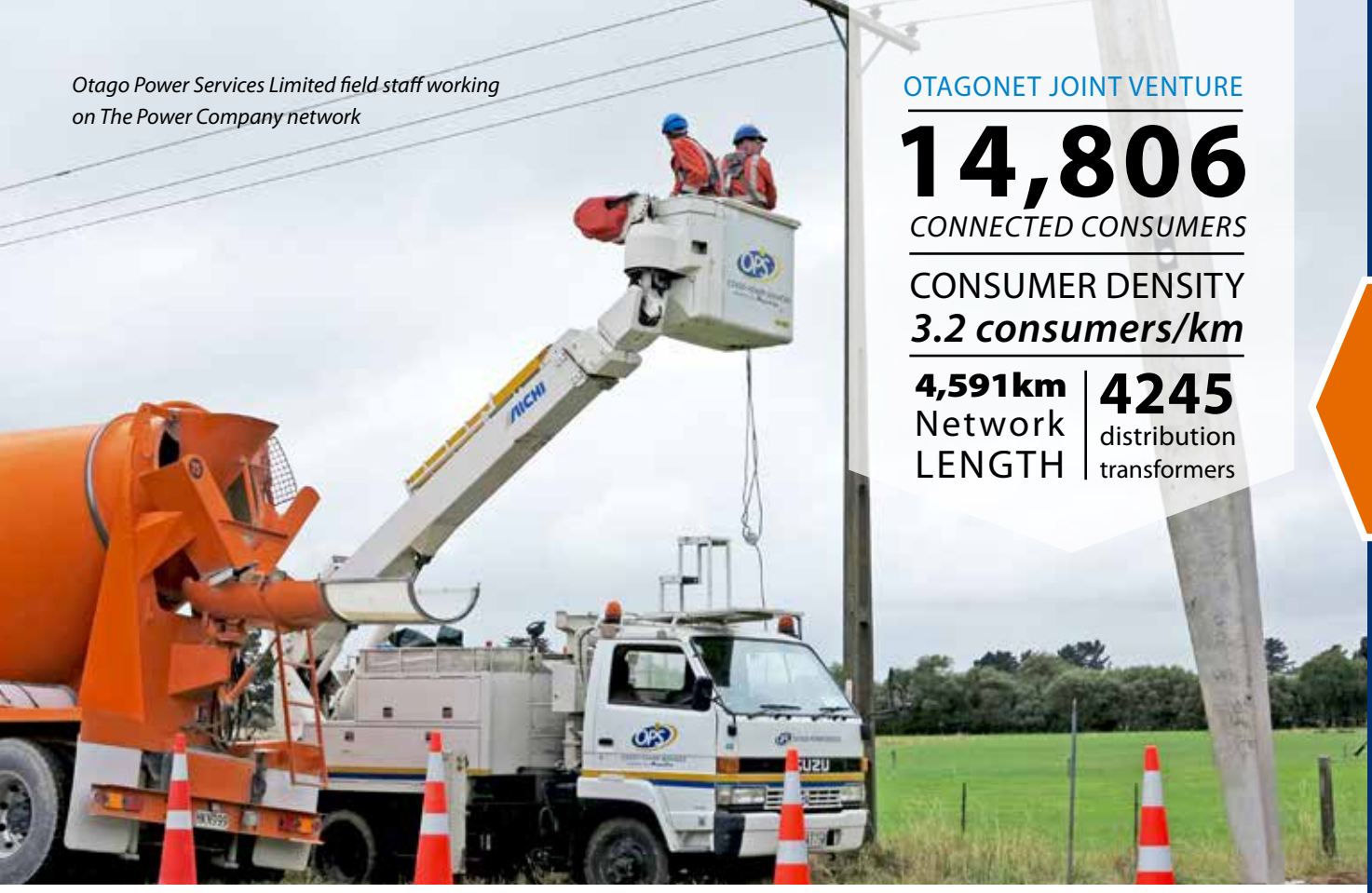
EIL's networks continued to be extremely reliable. The SAIDI of 41.35 was under the supply quality limit of 45.65 minutes, while SAIFI of 0.79 was also under the supply quality limit of 1.13. This is in part thanks to the majority of the network being undergrounded and also to our proactive maintenance and upgrading of assets.

EIL contracts PowerNet to manage, construct and maintain its network and metering assets.

PowerNet's costs are recovered through a charging regime on capital and maintenance work and an agency fee for management services. PowerNet acts as agent for EIL and charges line and metering charges to electricity retailers, pays transmission costs and passes the gross revenue and expenses through to EIL.

The revenue provides a return on investment to EIL and recovers EIL's overheads, depreciation and operating costs.

Project	Approximate Expenditure
New Spey Street Zone Substation – Stage three	4,050,000
New 33kV Cable from Invercargill GXP to Spey Street	2,330,000
Distribution Network Replacements	1,040,000
Southern Zone Substation Upgrade - Stage one	210,000
Extend 33kV Oil Cables to Spey Street	180,000
Link Box Replacements	180,000



Otago Power Services Limited field staff working on The Power Company network

OTAGONET JOINT VENTURE

14,806
CONNECTED CONSUMERS

CONSUMER DENSITY
3.2 consumers/km

4,591km Network LENGTH

4245 distribution transformers

Connecting with Our Stakeholders *continued*

Otagonet Joint Venture

The OJV network had close to $13 million in capital works, up from just under $10 million in 2013/14. There was also $4 million of maintenance works carried out in 2014/15.

The bulk of our capital and maintenance project work was undertaken in rural areas and included many pole changes to improve safety. Projects based around OJV's 2014 purchase of the Transpower Palmerston Zone Substation continue and with this year's work, will improve the network efficiency and reliability in the area between Dunedin and Palmerston.

OJV returned a SAIDI of 353.21 which was better than the supply quality limit of 361.08 minutes, while SAIFI of 3.27 exceeded the supply quality limit of 3.12. However the SAIFI exceedance was solely due to the inequity and inconsistency of the supply quality limit calculation that was specified in the 2012 Price-Quality Determination. Had the Determination applied a consistent treatment, the SAIFI limit would have been 3.53. OJV would have returned a SAIFI of 3.27, but that figure would have been comfortably within the limit.

OtagoNet

Project	Approximate Expenditure
Pole Replacements for Condition and Line Height	3,180,000
New Customer Connections including Reticulation of Subdivisions	2,840,000
Refurbishment of Distribution Lines and Transformer	2,500,000
Refurbishment of Subtransmission Lines	850,000
Ex Transpower Palmerston Integration – Stage two	780,000
Zone Substation Upgrades	700,000

Eastern Access Road at Remarkables Park

Connecting with Our Stakeholders *continued*

Electricity Southland Limited

ESL celebrated 20 years in business in March 2015. The company, which owns a growing electricity network at Frankton in Queenstown, is owned by EIL and TPCL and contracts PowerNet to manage its assets.

The ESL network continues to grow, mainly due to new customer connections at the Shotover Country development, but also through the increase of retail and commercial business in Frankton.

Stewart Island Electricity 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 on the island have a reliable power supply.

PowerNet has a service contract agreement with SDC, providing general maintenance services and engineering support across the SIESA network through its field services teams. In 2014/15 PowerNet installed a new Scania D13 generator into the Power House at Stewart Island to maintain an efficient and reliabile supply to the SIESA customers.

Electricity Sector And Government

This year has seen the continuation of the work carried out by the Electricity Networks Association through a variety of working groups. These groups included the Trees Working Group attended by OPSL's Vegetation and Compliance Manager, the Distribution Pricing Working Group attended by our Commercial Manager and the Regulatory Working Group attended by our Chief Financial Officer. The groups actively take roles in proactively providing industry direction in areas including the sectors two regulators, the Commerce Commission and Electricity Authority. Issues include tree regulations, tariff consolidation, Input Methodologies, the 1 April regulatory reset, transmission pricing issues and low fixed charge regulations.

It is with the low fixed charge regulations that PowerNet and the energy sector have serious concerns. The politically driven legislated tariff option is providing significant cross subsidies across our consumer groups and promotes inefficient investment in expensive alternative generation compared with lower cost generation options. The regulated tariff is subsidising inefficient investment which will not be in the long term interest of consumers or New Zealand.

Steve Lawrence, PowerNet

2015 PowerNet Network Comparisons

Network Ownership	THEPOWERCOMPANYLTD Southland Electric Power Supply Consumer Trust	EIL Electricity Invercargill Ltd Invercargill City Holdings Limited	OtagoNet Joint Venture	ESL Electricity Invercargill Limited/The Power Company Limited	STEWARTISLAND electrical supply authority Southland District Council
Connected Consumers					
Total	35,396	17,368	14,806	328	441
- Residential	25,832	15,214	11,262	144	348
- Industrial	183	126	38	6	40
- Commercial	9,381	2,028	3,506	178	53
Network Length	8,808km	662km	4,591km	37km	25km
Consumer Density	4.0 consumers/km	26.2 consumers/km	3.2 consumers/km	8.7 consumers/km	17.6 consumers/km
Number of Distribution Transformers	11,014	449	4,245	25	43
Distribution Transformer Capacity	414MVA	151MVA	169MVA	9.2MVA	2.4MVA
Distribution Transformer Density	47kVA/km	228kVA/km	37kVA/km	248kVA/km	96kVA/km
Maximum Demand - System	133MW	61MW	62MW	2.7MW	0.46 MW
Total Energy Conveyed - Transpower	754GWh	273GWh	426GWh	11.5GWh	1.53GWh
Regulatory Value	$308 million	$63 million	$144 million	-	-

Waihopai Corpor8 Rowing Challenge, Tauria Patterson, PowerNet

Connecting with Our People

Staff and Leadership

A significant focus in 2014/15 was on our staff.

With the amalgamation and structural changes of the previous year completed, the key focus has been to develop a common and shared culture for PowerNet that will take us into the future.

A shared vison programme was embarked on, with all staff having an input into the development of both organisational and team purpose, Critical Success Factors and values. The two-day workshops involving all staff have been well received and it is encouraging to see the shared visions being put into practice.

A programme that incorporates the shared vison and values programme has been developed and implemented and is now part of the orientation programme for new team members. This programme takes the shared vision programme from team level to individual level.

Towards the end of the financial year we successfully integrated the OtagoNet team into the wider PowerNet team. As well, work began on the integration of Otago Power Services Limited (OPSL) staff. These staff will also take part in the shared vision programme, so that we have a common culture going forward.

Obituary

John Smith passed away in January 2015. John began his working career 47 years ago as a Draughting Officer with Southland Electric Power Supply; his role transferred to a Geographic Information System (GIS) Technician with PowerNet. John was a valued team member and is sadly missed.

Long Service

Company Secretary Jim Dawson retired in late 2014 after 40 years with PowerNet and the Southland Electric Power Supply. Jim made a significant contribution over his years of service.

Staff Sporting Events

PowerNet again supported staff in the Waihopai Corpor8 Rowing Challenge in November 2014 (the team finished second in the C final). PowerNet staff also managed and supported a team in the SBS Bank Tour of Southland. The cycle team finished a creditable second overall in the gruelling six-day tour.

Sheree Vetters, St John instructing CPR to PowerNet field staff

Connecting with Our People *continued*

Staff Involvement in the Industry

Gary Pritchard, General Manager Customer, Metering and Distribution Services, is a member of the Electricity Engineers Association (EEA), the Institute of Occupational Safety and Health (IOSH), the Institute of Engineering and Technology (IET) and the Electricity Networks Association (ENA) Vegetation Management Working Group.

Greg Buzzard, Chief Financial Officer, is a member of the Electricity Networks Association (ENA) Regulatory Working Group.

Roger Paterson, Chief Engineer, was re-appointed to the New Zealand National Committee of CIGRE, the international Council on Large Electric Systems.

Alaister Marshall, Customer and Metering Services Manager, is on the Electricity and Gas Complaints Commissioner (EGCC) Members Committee.

During the year Aaron Sinclair, Commercial Manager, was appointed to the ENA Distributor Pricing Working Group.

Competency and Capability Framework

Another key focus for 2014/15 was the development of leaders to lead the new culture, and a pilot leadership programme incorporating the principles of visionary organisations was implemented. All 12 participants gained valuable insight into different ways to take the organisation forward. This programme will now become part of our leadership development framework.

Health and Safety

During the year all PowerNet staff gained their Health, Safety and Environment (HSE) passport.

The purpose of the passport is to provide general information about hazards and hazard management procedures at Southland industrial sites.

The HSE passport is designed to guarantee a minimum level of safety awareness and enhance HSE practice amongst staff and contractors working at those sites.

The passport is completed on-line to minimise compliance workload and fits perfectly with PowerNet's Critical Success Factor of Safety Always.

Presentation to the Customers of
The Power Company Limited
Gore Meeting
24 September 2014
PowerNet
THEPOWERCOMPANYLTD

Connecting with Our Customers *continued*

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.

PowerNet engages an external consultant to conduct this confidential survey.

The consultant conducted a telephone survey of 800 customers from across the 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 with a 20% increase amongst TPCL customers and also a further 6% improvement in familiarity with our faults response number from the previous year. Between 95-98% 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 networks, as well 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

TPCL directors and senior staff from PowerNet continued hosting customer functions during the year.

A meeting held in Gore gave customers an insight into PowerNet's future planning for the local network and shared ideas on how both PowerNet and TPCL can improve the quality of electricity supply and services.

Customer meetings are an excellent way for our directors and network managers to get feedback on network performance and customer expectations.

The TPCL directors also used the meeting as an opportunity to formally present defibrillators to the Gore Volunteer Fire Brigade.

On the EIL network, residents near the new Spey Street Substation were given guided tours by staff of the new facility before it was commissioned. This was in part to say thank you to them for experiencing construction work disruptions and gave them a chance to ask questions.

Asset Management Plans

Asset Management Plans for the 2015-2025 period have been completed by PowerNet.

The Asset Management Plans are for the EIL, OJV and TPCL networks and outline the planned capital and maintenance expenditure. The Asset Management Plan considerations include various drivers such as cost, equipment lifecycle, regulatory requirements, demographic changes, environmental impact and required service levels.

These plans detail PowerNet's approach to management of the network assets for the three networks to ensure stakeholder requirements and direction are met.

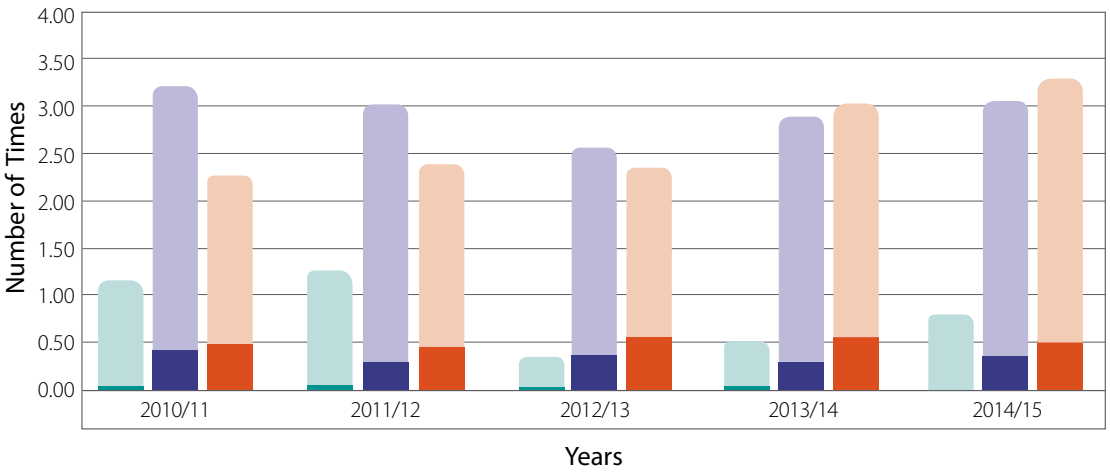
The Asset Management Plans are available on the PowerNet website www.powernet.co.nz

Spey Street residents tour the new Spey Street Substation with Roger Paterson, PowerNet

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.

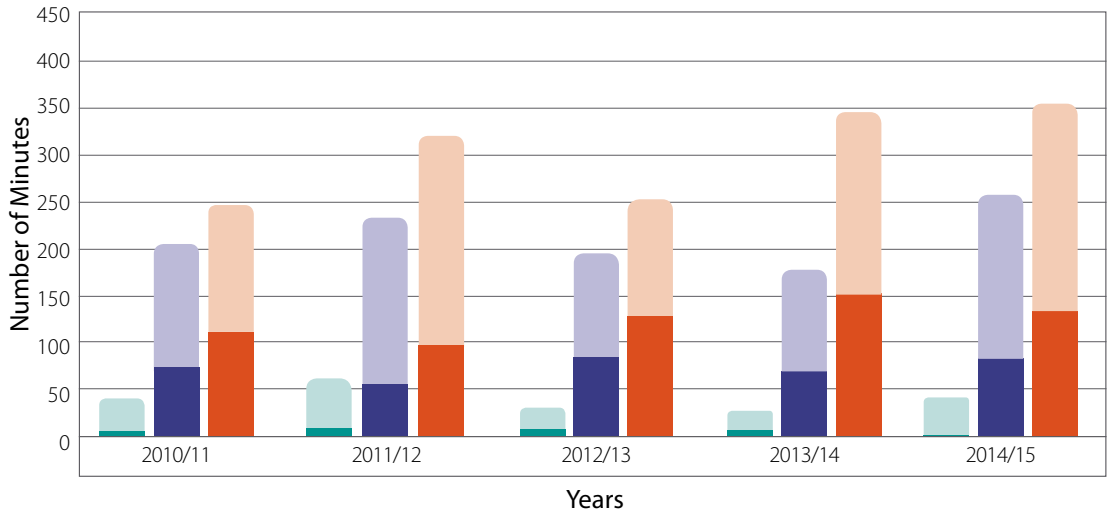


Electricity Invercargill Limited	The Power Company Limited	OtagoNet Joint Venture
EIL Planned	TPCL Planned	OJV Planned
EIL Unplanned	TPCL Unplanned	OJV Unplanned

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.



Electricity Invercargill Limited
- EIL Planned
- EIL Unplanned

The Power Company Limited
- TPCL Planned
- TPCL Unplanned

OtagoNet Joint Venture
- OJV Planned
- OJV Unplanned

Old meters ready for recycling

Connecting with Our Environment

Office Waste

PowerNet continues 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. Our advanced (smart) meters project works with Southland DisABILITY Enterprises to recycle 99% of 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. Waste oil on Stewart Island is used to heat the Stewart Island Community Centre.

PowerNet aims to have zero uncontrolled leakages or spillages. In 2014/15 there were two minor spill incidents which were addressed as they happened with managed clean ups.

SF6 Gas

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 367 kilograms.

Redundant Equipment

Power poles are 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 902 redundant poles this year. Where possible the redundant poles 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. Our new head office in Invercargill has been built with energy efficiency in mind.

Jason Franklin, Powernet with Cary Grant and Paul Colvin, St John

Connecting with Our Communities

The Order of St John and PowerNet – A First Responder In Every Household

In August 2014, PowerNet confirmed a sponsorship and partnership arrangement with St Johns for an initial three-year period.

The goal is to help St John achieve a first responder in every home. Someone who can deal with a medical emergency until specialist assistance arrives.

In the rural areas of Southland and West Otago, that first aider in the home could be the difference between life and death.

It may seem like a lofty goal. Nonetheless, it is a goal that is achievable and is what drives the St John / PowerNet partnership across the networks PowerNet manages in the lower South Island.

PowerNet management and directors wanted to identify a new partnership to support local communities and also help PowerNet deliver messages about network safety. It was vital to PowerNet to develop this partnership as something which gave back to our customers and broadened the connection with the communities in which we operate.

It was also vital to extend the reach of PowerNet's health and safety focus beyond our staff and contractors.

PowerNet's key philosophy is safety, so choosing St John as partner for the new arrangement brought particular benefits and a particularly perfect fit.

This partnership with St John expands and furthers this philosophy.

As well as supporting St John's work in the community and achieving our mutual goal of at least one person trained in first aid in each household, we are able to take network safety messages to a much wider audience.

PowerNet's Key Safety Messages are now being disseminated through St John training courses and the St John In Schools programmes. Over the first three years of the partnership, more than 5,000 school pupils and 600 first aid trainees will make use of the opportunity and learn a new expertise and understanding of both first aid and health and safety around electricity.

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 more than 6,000 insulation and heating retrofits in Southland and West Otago homes since 2008.

Funding under EECA's Healthy Homes Programme is targeted at those who stand to benefit most from having their homes insulated; those being low income households with high health needs, including families with children and the elderly. Landlords with eligible tenants are also included but will be required to make a contribution.

To be eligible, homes must have been have been built prior to 1 January 2000. Occupants must have a Community Services Card (CSC) and those with high health needs must be referred through an approved referral service.

In addition to the continued EECA/SWHT programme, SWHT and Awarua Synergy have offered a subsidy of up to $2000 for middle income families for insulation.

Tour of Southland

PowerNet once again sponsored a team in New Zealand's iconic cycle classic, the SBS Bank Tour of Southland.

The PowerNet team did themselves and the company proud in the 2014 Tour.

Ryan Wills, Paul Odlin, Brad Evans, Robert Huisman, Roman van Uden and Tim Rush finished second overall in the teams' event behind the powerful Avanti Racing team with Brad Evans wining the final and prestigious Gala Street stage to end the tour in style in front of a large crowd.

Local rider Robert Huisman was PowerNet's best overall, finishing 14th on general classification in the 904 km six-day Tour. Paul Odlin and Ryan Wills finished in the top five overall in the sprint ace and King of the Mountains respectively.

Once again, PowerNet staff managed and supported the team throughout the Tour.

Keith Burns, PowerNet and Paul Gay, Deep Cove Outdoor Education Trust

Connecting with Our Communities *continued*

TradeQual Awards

The annual TradeQual Awards function was held on 13 November 2014 at the Ascot Park Hotel in Invercargill.

Eighteen technical and field staff from PowerNet graduated this year, each gaining their electrical trade qualifications.

The presentation evening rewards the efforts of Southland trade graduates and gives trade industries, businesses, employers, family and friends the opportunity to congratulate the graduates who have gained their trade qualifications during the year.

Connexis Awards and Competition

PowerNet electrical fitter Lisa Terepai was a finalist for the Trainee of the Year at the Connexis Awards, run alongside the Connexis Line Mechanic and Cable Jointers competitions held in Christchurch in October 2014.

The awards are for trainees who have reached the highest achievement in the electricity industry in either generation, transmission, distribution or telecommunications, and Lisa's achievement is to be applauded.

PowerNet is a supporting sponsor of the Connexis Awards.

Education Awards and Scholarships

PowerNet continued our association with the University of Canterbury engineering faculty. The company supports the PowerNet electrical engineering scholarships for students studying towards a Bachelor of Engineering degree who are in their first professional year. The three year scholarship covers course fees and provides vacation employment that satisfies the practical aspects of the degree requirements.

PowerNet also continues to support the Southern Institute of Technology Student 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.

Asplundh -Vegetation Control

Connecting with Our Communities *continued*

Public Safety

PowerNet's highest priority continues to be the safety of the public, staff and contractors working on the networks.

The Company manages assets and develops 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 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 has an ongoing investment 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 through the online service beforeUdig 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 touching a buried cable. Staff use specialised 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 is audited annually to retain a current audit certificate. Telarc undertook its fourth annual compliance audit of our SMS in March and their audit report indicated that the SMS was functioning well.

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 Chartered Fellow of the Institute of Directors.

Ross Smith BCom (Deputy Chair)

Ross joined the Board of PowerNet Limited in November 2003 and is currently Deputy Chair. He was Group Managing Director/ CEO of SBS Bank from 1992-2014 and served as a Director on three SBS Group subsidiary companies from 2001-2014.

Ross is also a Director of Electricity Invercargill Limited and Peak Power Services Limited.

Ross is a Member of the Institute of Directors.

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 Chartered Fellow 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 a Chartered Fellow of the Institute of Directors.

Directors' Profiles *continued*

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. He is a member of the OtagoNet Joint Venture Governing Committee and is a past Director of Pioneer Generation Limited and Queenstown Airport Corporation Limited.

Duncan is a Chartered Fellow 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, Chair of Otago Power Services Limited and a member of the OtagoNet Governing Committee. Previous governance roles include NZ Wool Board, Wools of NZ, Woolpro and AgITO.

Doug is a Chartered Fellow 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 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.

Rural Line - McCulloch Road, Otago

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 2015.

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 profit for the year under review was $95,000. The Directors have not declared a dividend for the year ended 31 March 2015.

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' Report *continued*

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.

Maryann Macpherson

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

Ross Smith

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

Neil Boniface

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

Thomas Campbell

Electricity Invercargill Limited	Director
Electricity Southland Limited	Director
Energy Efficiency & Conservation Authority	Chair
GNS Science Limited	Chair
Pylon Limited	Director
Todd Corporation Limited	Director
Todd Offshore Limited	Director

Duncan Fea

Crowe Horwath	Principal
Electricity Southland Limited	Director
Last Tango Limited	Director
OtagoNet Joint Venture	Member, Governing Committee
OtagoNet Limited	Director
OtagoNet Properties Limited	Director
Peak Power Services Limited	Director
The Power Company Limited	Director
WHK	Principal
WHK Cook Adam Limited	Director
E Type Engineering Limited	Director
JK's & WBE Limited	Director

Douglas Fraser

Electricity Southland Limited	Director
Last Tango Limited	Director
Otago Power Services Limited	Chair
Telford Farm Management Board	Director
The Power Company Limited	Director

Alan Harper

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

Darren Ludlow

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

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, Member Audit Committee, Member Remuneration Committee
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

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	$30,900	Douglas Fraser	$24,700
Neil Boniface	$24,700	Alan Harper	$24,700
Thomas Campbell	$24,700	Darren Ludlow	$24,700

Employee Remuneration

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

$100,000 - $110,000	10	$160,000 - $170,000	1
$110,000 - $120,000	7	$200,000 - $210,000	1
$120,000 - $130,000	2	$220,000 - $230,000	1
$130,000 - $140,000	3	$240,000 - $250,000	1
$140,000 - $150,000	1	$280,000 - $290,000	1
$150,000 - $160,000	1	$400,000 - $410,000	1

Scholarships, Awards and Donations

During the year the Company promoted learning through various scholarships and awards which totalled $6,000. In addition, donations made by the Company totalled $6,000.

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

Neil Boniface
Director

Allister Hitchock, PowerNet - working on the Airport upgrade

Approval by Directors

The Directors have approved the Financial Statements of PowerNet Limited for the year ended 31 March 2015 on pages 34 to 63

Maryann Macpherson
Chair

Neil Boniface
Director

For and on behalf of the Board of Directors

27 May 2015

Statements of Comprehensive Income

For the Year Ended 31 March 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Operating Revenue	(2)	57,679	47,208	52,312	45,903
Other Income	(2)	3,041	1,738	3,034	1,736
Operating Expenses	(3)	(59,438)	(48,962)	(54,486)	(47,685)
Financial Expenses	(3)	(1,187)	(631)	(1,116)	(612)
Operating Surplus/(Deficit) Before Taxation		**95**	**(647)**	**(256)**	**(658)**
Taxation (Expense)/Benefit					
- Current	(4)	35	(3)	121	-
- Deferred	(4/15)	(35)	178	(34)	178
Net Surplus/(Deficit) after Taxation		**95**	**(472)**	**(169)**	**(480)**
Net Surplus/(Deficit) Attributable to Minority Interests	(10)	130	4	-	-
Net Surplus/(Deficit) Attributable to Parent		**(35)**	**(476)**	**(169)**	**(480)**

The accompanying notes on pages 38-61 form part of and should be read in conjunction with these Financial Statements.

Statements of Changes in Equity

For the Year Ended 31 March 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Total Comprehensive Income					
Net Surplus/(Deficit) for the Year comprising:					
Parent Interest		(35)	(476)	(169)	(480)
Minority Interest		130	4	-	-
		95	**(472)**	**(169)**	**(480)**
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		**95**	**4,156**	**(169)**	**3,767**
Equity at Beginning of year comprising:					
Parent Interest		4,162	197	3,964	197
Minority Interest		191	-	-	-
		4,353	**197**	**3,964**	**197**
Equity at End of Year comprising:					
Parent Interest		4,127	4,162	3,795	3,964
Minority Interest	(10)	321	191	-	-
	(5)	**4,448**	**4,353**	**3,795**	**3,964**

The accompanying notes on pages 38-61 form part of and should be read in conjunction with these Financial Statements.

Statements of Financial Position

As at 31 March 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Equity					
Share Capital	(5)	4,000	4,000	4,000	4,000
Gain on Amalgamation	(5)	461	461	267	267
Retained Earnings	(5)	(334)	(299)	(472)	(303)
Parent Equity		4,127	4,162	3,795	3,964
Minority Interest Equity	(10)	321	191	-	-
Total Equity	(5)	**4,448**	**4,353**	**3,795**	**3,964**
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	1,075	1,534	865	1,472
Receivables and Prepayments	(7)	15,759	17,072	14,567	16,079
Construction Work in Progress	(8)	8,007	8,463	7,769	8,211
Inventories	(11)	680	732	398	538
Taxation Receivable		310	223	395	220
Total Current Assets		**25,831**	**28,024**	**23,994**	**26,520**
Investments					
Investment in Subsidiary	(9)	-	-	-	-
		-	-	-	-
Non Current Assets					
Property, Plant and Equipment	(16)	10,108	8,124	9,444	7,334
Capital Work in Progress		152	396	152	396
Intangibles	(17)	1,545	1,595	1,445	1,495
Deferred Taxation Asset	(15)	588	644	571	630
Total Non Current Assets		**12,393**	**10,759**	**11,612**	**9,855**
Total Assets		**38,224**	**38,783**	**35,606**	**36,375**
Current Liabilities					
Creditors and Accruals	(12)	7,991	9,932	7,082	9,055
Employee Entitlements	(13)	1,745	1,490	1,710	1,463
Finance Lease	(20)	32	32	-	-
Total Current Liabilities		**9,768**	**11,454**	**8,792**	**10,518**
Non Current Liabilities					
Advances	(14)	23,600	22,500	22,650	21,500
Deferred Taxation Liability	(15)	369	393	369	393
Finance Lease Non Current	(20)	39	83	-	-
Total Non Current Liabilities		**24,008**	**22,976**	**23,019**	**21,893**
Total Liabilities		**33,776**	**34,430**	**31,811**	**32,411**
Net Assets		**4,448**	**4,353**	**3,795**	**3,964**

The accompanying notes on pages 38-61 form part of and should be read in conjunction with these Financial Statements.

Statements of Cash Flows

For the Year Ended 31 March 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		61,859	45,295	56,666	44,508
Income Tax Received		-	-	-	-
Interest Received		72	18	65	16
		61,931	45,313	56,731	44,524
Cash Was Applied To:					
Payments to Suppliers and Employees		58,679	50,644	53,841	49,968
Income Tax Paid		55	165	53	165
Interest Paid		1,179	631	1,109	612
GST Paid/(Received)		62	475	57	404
		59,975	51,915	55,060	51,149
Net Cash Flows From/(Used In) Operating Activities	(22)	**1,956**	**(6,602)**	**1,671**	**(6,625)**
CASH FLOWS FROM INVESTING ACTIVITES					
Cash Was Provided From:					
Property, Plant and Equipment Sales		57	26	57	40
		57	26	57	40
Cash Was Applied To:					
Property, Plant and Equipment		3,528	1,125	3,485	1,016
Investments		-	3,068	-	3,161
		3,528	4,193	3,485	4,177
Net Cash Flows From/(Used In) Investing Activities		**(3,471)**	**(4,167)**	**(3,428)**	**(4,137)**
CASH FLOWS FROM FINANCING ACTIVITES					
Cash Was Provided From:					
Issue of Shares		-	3,980	-	3,980
Advances and Finance Leases		1,056	7,884	1,150	7,801
		1,056	11,864	1,150	11,781
Cash Was Applied To:					
Advances		-	14	-	-
		-	14	-	-
Net Cash Flows From/(Used In) Financing Activities		**1,056**	**11,850**	**1,150**	**11,781**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(459)	1,081	(607)	1,019
Add Opening Cash and Cash Equivalents Brought Forward		1,534	453	1,472	453
Closing Cash and Cash Equivalents To Be Carried Forward	(6)	**1,075**	**1,534**	**865**	**1,472**

The accompanying notes on pages 38-61 form part of and should be read in conjunction with these Financial Statements.

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 27 May 2015.

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 2013. 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

Specific Accounting Polices

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.

(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 & Building Fit-O ut	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

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

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

(k) Taxation

Income tax on the profit or loss for the period presented comprises current tax and additional or reversed deferred tax. Income tax is recognised in the 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.

(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. XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow.

From the period ending 31 March 2016, the Company is eligible and has elected to report in accordance with Tier 2 For-profit Accounting Standards New Zealand International Financial Reporting Standards under the reduced disclosure regime (NZ IFRS RDR).

2. Income

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Turnover				
Line Charges	71,056	73,168	71,056	73,168
Metering	4,559	4,553	4,559	4,553
	75,615	**77,721**	**75,615**	**77,721**
Less				
Transmission	22,792	21,350	22,792	21,350
Net Turnover	**52,823**	**56,371**	**52,823**	**56,371**
Operating Revenue				
Contracting Revenue	5,152	1,213	-	-
Equipment Sales	215	92	-	-
Capital Works Programme	35,875	29,711	35,875	29,711
Maintenance Fees	11,668	10,687	11,668	10,687
Agency Fees	4,769	5,505	4,769	5,505
Other Income				
Interest Revenue	72	18	65	16
Other Revenue	2,969	1,720	2,969	1,720
Total Income	**60,720**	**48,946**	**55,346**	**47,639**

3. Expenses

	GROUP		PARENT	
	2015	2014	2015	2014
	$000	$000	$000	$000
Expenses Include:				
Network Costs	39,697	36,742	39,894	36,742
Interest Expense	1,186	631	1,116	612
Deficit/(Profit) on Disposal of Property, Plant and Equipment	-	25	2	15
Operating Lease Expenses				
- Tenancy and Repeater Site Leases	413	204	347	186
- Motor Vehicle Leases	237	172	237	172
- Office Equipment Leases	30	24	30	24
Total Operating Leases	680	400	614	382
Amortisation of Intangibles	340	335	340	335
Auditors' Fees				
- Audit of Financial Report	59	54	50	52
- Other Services	2	28	2	28
Bad Debts Written Off	18	30	18	30
Depreciation				
- Buildings	101	34	96	33
- Plant and Equipment	467	183	417	169
- Motor Vehicles	610	182	516	148
- Office Equipment	54	36	51	34
- Computer Hardware	154	117	138	106
- System Control Assets	4	5	4	5
Total Depreciation	1,390	557	1,222	495
Directors' Fees	252	234	228	226
Donations	6	5	6	5
Employee Benefit Expenses	9,935	8,253	8,823	7,922
Scholarships and Awards	6	1	6	1

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	
	2015 $000	2014 $000	2015 $000	2014 $000
Operating Surplus/(Deficit) Before Income Tax	**95**	**(647)**	**(256)**	**(658)**
Permanent Differences	42	14	42	14
Utilised Tax Loss Offset	-	-	-	-
Taxable Income	**137**	**(633)**	**(214)**	**(644)**
Prima Facie Taxation at 28% made up of:	38	(177)	(59)	(180)
Prior Period Adjustments	(38)	2	(28)	2
	-	(175)	(87)	(178)
Current Tax	(35)	3	(121)	-
Deferred Tax	35	(178)	34	(178)
Taxation (Benefit)/Expense for year	**-**	**(175)**	**(87)**	**(178)**
Effective Tax Rate	**0%**	**27%**	**34%**	**27%**
Imputation Credit Account				
Opening Credit Balance – PowerNet Limted			1,352	374
Balance Transferred on Amalgamation 2 Dec 2013			-	813
Credits				
Income Tax Payments			200	195
Debits				
Income Tax Refunded			(128)	(30)
Imputation Credits on Dividend Paid			-	-
Credit Balance at End of Year			**1,424**	**1,352**

The Imputation Credit Account relates to PowerNet Limited only.

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 equity invested and activity level on the networks owned by each joint venture party.

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Share Capital	4,000	4,000	4,000	4,000
Gain on Amalgamation	461	461	267	267
Closing Balance	**4,461**	**4,461**	**4,267**	**4,267**
Minority Interest	**321**	**191**	**-**	**-**
Retained Earnings				
Opening Balance	(299)	177	(303)	177
Net Surplus/(Deficit) for the Year	(35)	(476)	(169)	(480)
Dividend Declared/Paid	-	-	-	-
Closing Balance	**(334)**	**(299)**	**(472)**	**(303)**
Total Equity	**4,448**	**4,353**	**3,795**	**3,964**

6. Cash and Short Term Bank Deposits

Current Account	234	834	125	792
Short Term Bank Deposits	841	700	740	680
Total Cash and Short Term Bank Deposits	**1,075**	**1,534**	**865**	**1,472**

7. Receivables and Prepayments

	GROUP		PARENT	
	2015	2014	2015	2014
	$000	$000	$000	$000
Trade Debtors	1,516	831	442	289
The Power Company Limited	7,812	12,122	7,812	12,122
Electricity Invercargill Limited	5,100	2,155	5,100	2,155
Electricity Southland Limited	181	468	17	13
OtagoNet Joint Venture	539	1,018	539	1,018
Otago Power Services Limited	99	8	99	8
Peak Power Services Limited	-	-	60	22
M Popenhagen	1	3	-	-
	15,248	16,605	14,069	15,627
Prepayments and Other Receivables	511	467	498	452
Total Receivables and Prepayments	**15,759**	**17,072**	**14,567**	**16,079**

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 3% of the Group's trade receivables (Parent 1%) were 30-90 days past due and 3% of the Group's trade receivables (Parent 3%) were >90 days past due. A provision for impairment has been created for $1,425.

8. Construction Work in progress

On behalf of:

The Power Company Limited	6,918	6,689	6,918	6,689
Electricity Invercargill Limited	851	1,522	851	1,522
External Customers	238	252	-	-
Total Construction Work in Progress	**8,007**	**8,463**	**7,769**	**8,211**

9. Investment in Subsidiary

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

10. Minority Interest

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Opening Balance				
Minority Interest Investment in Shares Acquired	191	187	-	-
Minority Interest Share on Net Surplus/(Deficit)	130	4	-	-
Closing Balance	**321**	**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	680	732	398	538

12. Creditors and Accruals

Owing to:

Trade Payables	5,307	5,564	4,518	4,764
Accruals	714	1,017	628	970
Inland Revenue – GST Payable	913	934	877	916
The Power Company Limited	298	1,621	298	1,594
Electricity Invercargill Limited	106	358	106	358
OtagoNet Joint Venture	4	51	4	51
Otago Power Services Limited	622	386	622	386
Peak Power Services Limited	-	-	2	15
Electricity Southland Limited	27	1	27	1
Total Creditors and Accruals	**7,991**	**9,932**	**7,082**	**9,055**

13. Employee Entitlements

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Opening Balance	1,490	786	1,463	786
Additional Accrued	1,725	1,732	1,642	1,640
Amount Utilised	(1,470)	(1,028)	(1,395)	(963)
Total Employee Entitlements	**1,745**	**1,490**	**1,710**	**1,463**

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	19,150	18,180	18,200	17,180
Electricity Invercargill Limited	4,450	4,320	4,450	4,320
Total Advances	**23,600**	**22,500**	**22,650**	**21,500**

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 notice period.

15. Deferred Taxation

Opening Balance	256	58	237	58
Charged to Income Statement				
- Depreciation (non current liability)	(8)	(78)	(6)	(78)
- Tax Losses (current assets)	(5)	231	(5)	231
- Employee Entitlements (current assets)	70	45	70	26
- Other (current assets)	-	-	-	-
- Losses Utilised	-	-	-	-
Timing differences now treated as permanent adjustments	(94)	-	(94)	-
Total Deferred Taxation Asset/(Liability)	**219**	**256**	**202**	**237**

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 $476,214 (2014; $825,106) with a tax effect of $133,340 (2014 $231,030) 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.

16. Property, Plant and Equipment

	GROUP							
	Land	Buildings	Plant & Equip.	Motor Vehicles	Office Equip.	Computer Hardware	System Control Assets	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Cost								
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**
Balance at 1 April 2014	387	2,874	3,872	4,705	488	925	58	13,309
Additions	-	1,105	892	879	440	170	-	3,486
Disposals	-	(75)	(18)	(112)	(277)	(114)	-	(596)
Balance at 31 March 2015	**387**	**3,904**	**4,746**	**5,472**	**651**	**981**	**58**	**16,199**
Depreciation and Impairment								
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**
Balance at 1 April 2014	-	221	2,087	1,963	252	633	29	5,185
Depreciation for Period		101	467	610	54	154	4	1,390
Disposals	-	(23)	(17)	(90)	(241)	(113)	-	(484)
Balance at 31 March 2015	**-**	**299**	**2,537**	**2,483**	**65**	**674**	**33**	**6,091**
Carrying Amount/Book Value								
Book Value at 31 March 2014	**387**	**2,653**	**1,785**	**2,742**	**236**	**292**	**29**	**8,124**
Book Value at 31 March 2015	**387**	**3,605**	**2,209**	**2,989**	**586**	**307**	**25**	**10,108**

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.

16. Property, Plant and Equipment *continued*

	PARENT							
	Land	Buildings	Plant & Equip.	Motor Vehicles	Office Equip.	Computer Hardware	System Control Assets	Total
	$000	$000	$000	$000	$000	$000	$000	Total $000
Cost								
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**
Balance at 1 April 2014	387	2,830	3,518	4,076	452	869	58	12,190
Additions	-	1,105	864	871	440	163	-	3,443
Disposals	-	(75)	(18)	(112)	(277)	(114)	-	(596)
Balance at 31 March 2015	**387**	**3,860**	**4,364**	**4,835**	**615**	**918**	**58**	**15,037**
Depreciation and Impairment								
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**
Balance at 1 April 2014	-	210	1,965	1,813	243	596	29	4,856
Depreciation for Period	-	96	417	516	51	138	4	1,222
Disposals	-	(24)	(17)	(90)	(241)	(113)	-	(485)
Balance at 31 March 2015		**282**	**2,365**	**2,239**	**53**	**621**	**33**	**5,593**
Carrying Amount/Book Value								
Book Value at 31 March 2014	**387**	**2,620**	**1,553**	**2,263**	**209**	**273**	**29**	**7,334**
Book Value at 31 March 2015	**387**	**3,578**	**1,999**	**2,596**	**562**	**297**	**25**	**9,444**

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.

17. Intangible Assets

	GROUP	GROUP	PARENT	PARENT
	2015	2014	2015	2014
	$000	$000	$000	$000
Computer Software				
Cost				
Balance at 1 April 2014	3,686	2,416	3,686	2,416
Additions	290	1,270	290	1,270
Disposals	-	-	-	-
Balance at 31 March 2015	**3,976**	**3,686**	**3,976**	**3,686**
Amortisation and Impairment				
Balance at 1 April 2014	2,191	1,856	2,191	1,856
Amortisation for Period	340	335	340	335
Disposals	-	-	-	-
Balance at 31 March 2015	**2,531**	**2,191**	**2,531**	**2,191**
Carrying Amount/Book Value				
Book Value at 31 March 2015	**1,445**	**1,495**	**1,445**	**1,495**
Goodwill				
Goodwill on acquisition	100	100	-	-
Total	**1,545**	**1,595**	**1,445**	**1,495**

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

The Goodwilll 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.

18. Commitments

Capital Commitments

Capital Commitments as at 31 March 2015 total $276,855 (2014: $1,356,000).

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Operating Lease Commitments				
Operating Lease Commitments are payable as follows:				
- Not later than one year	1,391	1,052	1,325	997
- Later than one year and not later than two years	1,221	868	1,155	812
- Later than two years and not later than five years	1,986	1,349	1,986	1,349
- Later than five years	12,584	9,198	12,584	9,198
Total Operating Lease Commitments	**17,182**	**12,467**	**17,050**	**12,356**

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 2015 (2014: Nil).

20. Finance Lease

Finance Lease Payable				
Not later than one year	32	32	-	-
Later than one year, not later than five years	39	83	-	-
	71	**115**	**-**	**-**
Comprising:				
Current	32	32	-	-
Non Current	39	83	-	-

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. Effective from 30 September 2014, Pylon Limited and Last Tango Limited jointly hold a 100% 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Asset Construction, Management Fees, Agency Fees and Directors Fees Supplied To:				
The Power Company Limited	39,514	37,467	39,514	37,467
Electricity Invercargill Limited	11,967	8,436	11,967	8,436
Electricity Southland Limited	2,709	675	188	136
OtagoNet Joint Venture	2,505	1,281	2,505	1,279
Otago Power Services Limited	168	-	168	-
Peak Power Services Limited	-	-	86	18
Receivables Outstanding at Balance Date (GST incl):				
The Power Company Limited	7,812	12,122	7,812	12,122
Electricity Invercargill Limited	5,100	2,155	5,100	2,155
Electricity Southland Limited	181	468	17	13
OtagoNet Joint Venture	539	1,018	539	1,018
Otago Power Services Limited	99	8	99	8
Peak Power Services Limited	-	-	60	22
M Popenhagen	1	3	-	-
Miscellaneous Charges Supplied By:				
The Power Company Limited	1,123	611	1,083	597
Electricity Invercargill Limited	217	156	217	156
OtagoNet Joint Venture	165	146	165	106
Otago Power Services Limited	3,934	3,774	3,797	3,773
Peak Power Services Limited	-	-	145	314
Creditors Outstanding at Balance Date (GST incl):				
The Power Company Limited	298	1,621	298	1,594
Electricity Invercargill Limited	106	358	106	358
OtagoNet Joint Venture	4	51	4	51
Otago Power Services Limited	622	386	622	386
Peak Power Services Limited	-	-	2	15
Electricity Southland Limited	27	1	27	1
Advances Supplied By/(Repaid To):				
The Power Company Limited	970	8,979	1,020	8,979
Electricity Invercargill Limited	130	2,270	130	2,270

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 $181,009 (excl GST) (2014: $453,000 excl GST) of which $115,061 (incl GST) is owing at balance date.

PowerNet Limited uses Crowe Horwarth Limited as its tax advisors, of which Duncan Fea is a Principal. Fees for taxation advice paid to Crowe Horwarth Limited during the year amounted to $42,302 (excl GST) (2014: $8,000 excl GST) of which $11,962 (incl GST) is owing at balance date.

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	
	2015 $000	2014 $000	2015 $000	2014 $000
Net Surplus After Taxation	**95**	**(472)**	**(169)**	**(480)**
Add/(Less) Non Cash Items:				
Amortisation	340	335	340	335
Depreciation	1,391	557	1,222	495
Deferred Tax	37	(178)	34	(178)
Deficit/(Profit) on Sale of Plant Property and Equipment	50	25	50	15
	1,818	**739**	**1,646**	**667**
Add/(Less) Movements in Working Capital:				
Creditors, Accruals and Employee Entitlements	(1,700)	(2,556)	(1,721)	(3,240)
Receivables and Prepayments	1,349	(1,034)	1,547	(479)
Inventories	52	(129)	140	(98)
Construction Work in Progress	456	(3,557)	442	(3,426)
GST Payable/(Receivable)	(21)	583	(39)	604
Taxation Payable	(93)	(176)	(175)	(173)
	43	(6,869)	194	(6,812)
Net Cash Flow From/(Used In) Operating Activities	**1,956**	**(6,602)**	**1,671**	**(6,625)**

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.

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

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	
	2015	2014	2015	2014
	$000	$000	$000	$000
Maximum exposures to credit risk at balance date are:				
Current Account	234	834	125	792
Short Term Bank Deposits	841	700	740	680
Receivables	1,516	831	442	289
Receivables from Related Parties	13,732	15,774	13,627	15,338
	16,323	**18,139**	**14,934**	**17,099**

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.

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 2015:

	Maturity Dates < 1 Month $000	Maturity Dates <1 Year $000	Maturity Dates >1 Year $000	Total $000
Financial Assets				
Cash and Cash Equivalents	1,075	-	-	1,075
Trade and Other Receivables	15,248	-	-	15,248
	16,323	**-**	**-**	**16,323**
Financial Liabilities				
Trade Payables	6,364	-	-	6,364
Accruals	-	714	-	714
Advances	-	-	23,600	23,600
	6,364	**714**	**23,600**	**30,678**

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 2015:

	Maturity Dates < 1 Month $000	Maturity Dates <1 Year $000	Maturity Dates >1 Year $000	Total $000
Financial Assets				
Cash and Cash Equivalents	865	-	-	865
Trade and Other Receivables	14,069	-	-	14,069
	14,934	**-**	**-**	**14,934**
Financial Liabilities				
Trade Payables	5,577	-	-	5,577
Accruals	-	628	-	628
Advances	-	-	22,650	22,650
	5,577	**628**	**22,650**	**28,855**

Advance repayment arrangements are discussed in Note 14.

24. Financial Instruments *continued*

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	16,605	-	-	16,605
	18,139	**-**	**-**	**18,139**
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**

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	15,627	-	-	15,627
	17,099	**-**	**-**	**17,099**
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.

24. Financial Instruments *continued*

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 2015:

	Variable Interest Rate $000	Maturity Dates <1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	1,075	-	-	1,075
Trade and Other Receivables	-	-	15,248	15,248
	1,075	**-**	**15,248**	**16,323**
Financial Liabilities				
Trade and Other Payables	-	-	7,078	7,078
Advances	23,600	-	-	23,600
	23,600	**-**	**7,078**	**30,678**

Advance repayment arrangements are discussed in Note 14.

The following table details the Parent's exposure to interest risk as at 31 March 2015:

	Variable Interest Rate $000	Maturity Dates <1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	865	-	-	865
Trade and Other Receivables	-	-	14,069	14,069
	865	**-**	**14,069**	**14,934**
Financial Liabilities				
Trade and Other Payables	-	-	6,205	6,205
Advances	22,650	-	-	22,650
	22,650	**-**	**6,205**	**28,855**

Advance repayment arrangements are discussed in Note 14.

24. Financial Instruments *continued*

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.

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**

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 $194,532 (2014: $129,725).

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 2015

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Telephone +64 3 374 3000
Facsimile +64 3 374 3001
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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 ("the Company") on pages 34 to 61, which comprise the statements of financial position as at 31 March 2015, the statement of comprehensive income and statements of changes in equity and statements 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 for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

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 and the Group'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 and the Group'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.

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

Auditors' Report *continued*

For The Year Ended 31 March 2015

Opinion

In our opinion, the financial statements on pages 34 to 61:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2015, and their financial performance and cash flows for the year then ended.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with 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 Christchurch
27 May 2015

Our Executives

Left to Right
Justin Peterson - Service & Delivery Integration Manager OPSL
Keith Burns - GM Technical & Network Performance
Greg Buzzard - Chief Financial Officer
Trish Hazlett - GM Human Resources
Jason Franklin - Chief Executive
Gary Pritchard - GM Customer, Metering & Distribution Services
Tim Brown - GM Business Support
Roger Paterson - Chief Engineer

Directory

PowerNet Limited

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Website: www.powernet.co.nz
E-Mail: powernet@powernet.co.nz

Principal Bankers

ANZ Bank New Zealand Limited

Auditors

PricewaterhouseCoopers, Christchurch

Solicitors

AWS Legal

Materials Procurement and Management

Corys Ltd

Karakia Tawhito
(older Maori karakia blessing from Taranaki)

Unuhia Unuhia
Ko te pou mua
Ko te pou roto
Ko te pou whakauru

Whanga tu kit e tonga
A te manu huirangi
I te tawi ka roko
Kiri ki te mate
Ka hoki ki te ora
Kia mihia, kia mihia, kia mihia

Whiti whiti hari mai te toki
Hui e
Taiki e

Draws strength from the tupuna out of the world of darkness and into the world of light.

This karakia is used for the opening of buildings or exhibitions. It calls on all those who have arrived.

It becomes a guiding light for the unborn and puts aside those things evil and seeks out those things good.

Back Cover photo:
The new PowerNet building
The Blessing Fern used in the Official PowerNet Building Opening

PowerNet

Partnering with St John

Supporting Southern Communities

PowerNet Annual Report 2015