

2022

Annual Report



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Directory

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Principal Bankers

ANZ Bank New Zealand Ltd

Auditors

PricewaterhouseCoopers,
Christchurch

Solicitors

AWS Legal

Materials Procurement and Management

Corys Electrical Ltd

In 2021-22

Net Profit After Tax
\$2.3 million

Capital Expenditure

\$52.1 million

\$27.3 million

Maintenance Expenditure

310

Employees

Turnover

\$85.3 million

On behalf of our shareholders **We Manage**

\$691 million

in Electricity Distribution Assets (Regulatory Value)

Transformers

16,231

Zone substations

74

Lines and cables
14,207 kms

Customers

73,952

Distribution and Meter Revenue

\$115.1 million

57.8MW

Total Generation Capacity

\$84 million

In Renewable Generation Assets

Our Highlights...

1 One Billion Dollars of Assets Under Management

At the start of the financial year, PowerNet reached a significant milestone, with NZ\$1 billion in shareholder assets and investments under our management. PowerNet is a leading electricity management company, established in 1994 to manage the electricity network businesses of Electricity Invercargill Limited (EIL) and The Power Company Limited (TPCL). Through growth and diversification, the assets under management (TPCL Group of \$785 million and EIL Group of \$215 million) now make us one of the most substantial entities in the Southern region.

2 A 'Safety Always' Culture

Continuous safety improvements remains our greatest priority. Our critical control framework is now firmly embedded across PowerNet's operations, with our innovative Risk Mentor application being utilised across the organisation. This has helped drive ongoing improvements in our safety performance, with our safety performance indicators very favourable when compared to average industry indicators for workplace injuries and accidents.

3 Resilient COVID-19 Response

The PowerNet team continued to adapt and respond to the impacts of COVID-19 with agility, resilience, and an unwavering commitment to our communities. Every part of our business was impacted as we traversed the fluctuating pandemic environment to ensure we delivered safe, efficient, and reliable power to the regions we serve.

4 Nationally Recognised Achievements

Once again, our people continued to achieve on the national stage with PowerNet's Project Manager, Roger Scott, winning a prestigious national award from the Radio Frequency Users Association of New Zealand.

5 Renewable Generation Portfolio Growth

Our shareholders, Electricity Invercargill Limited (EIL) and The Power Company Limited (TPCL), continue to diversify and support renewable energy developments across New Zealand. Through the Southern Generation Limited Partnership (SGLP), three hydro generation stations were purchased this year in the North Island - at Speedys Road, Mangapehi, and Matawai. In addition, the new Mariti hydro station was commissioned near Murchison.

6 Extending Organisational Capability

We continue to build our in-house expertise and capability, becoming accredited in the ACC Accredited Employer Programme (AEP). With assistance from our partner Wellnz, PowerNet is now able to manage any work-related, or non-work injury claims in-house (rather than ACC managing them on our behalf).

7 Enhancing Customer Engagement

We remain committed to enhancing engagement with our customers. This saw the team redevelop the PowerNet website so customers can access the information they want through self-service navigation improvements - to request services, or to report and receive improved information relating to planned outages.

8 Partnering with our Communities

Investing in our local communities is the cornerstone to strengthening our regions. As part of our long-standing partnership with St John, we have contributed \$800,000 over the last eight years to help support a number of joint programmes. This has included Mental Health First Aid, First Aid Level 1, the Whātuaia te Waiora | Weaving Wellbeing programme, the ASB St John in Schools programme, rental funding for the training hub in Invercargill, and sponsorship of two EV charging stations to support St John's electric vans for their health shuttle service.

9 Supporting a Decarbonised Future

PowerNet is committed to being at the forefront of new energy technologies, and to support our communities in their decarbonisation efforts. We led a process heat stock-take across our networks for all industries wanting to convert to either electricity or biomass. This information has provided a valuable input to discussions with our major industrial and commercial customers as they plan to decarbonise. In addition, market research on technology trends, and analytic and visualisation tools are being developed to forecast future scenarios. Our Smart Energy Home project continued, as did our planning for options where microgrids may offer a more economical and efficient solution in some parts of our networks.

10 Continuing Business Innovation

We remain steadfast in our commitment to innovating for the benefit of our employees, our customers and the communities we serve. In 2021-22 we initiated the Redeye Drawing Management system, a business innovation that will ensure efficiency gains, improve visibility, and enable access to the entire drawing process, from design through to installation.



About PowerNet

Who We Are

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

What We Do

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

Our vision

Energy partner of choice

Our purpose

Safe, Efficient, Reliable Power to Communities

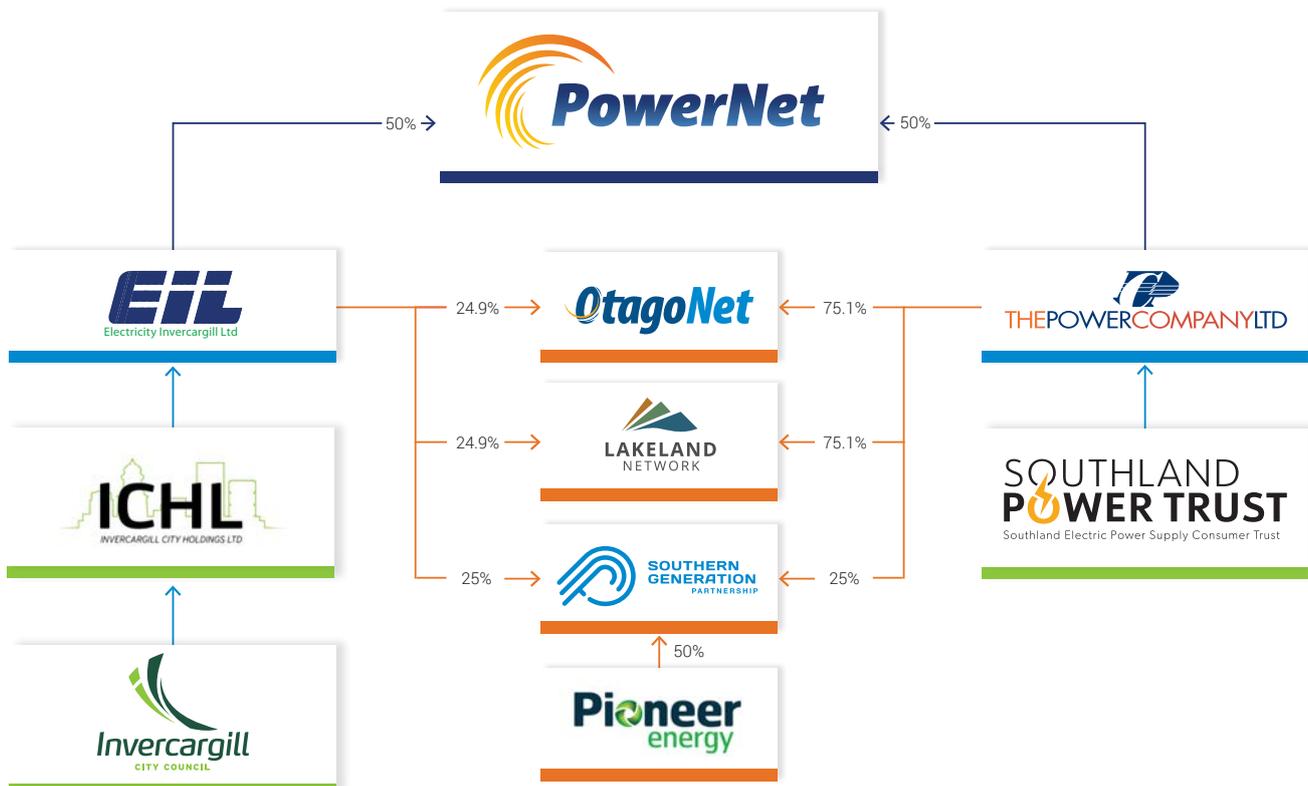
Critical success factors

- Safety always
- Customer focus
- Continuous improvement
- Passionate and empowered people
- Courageous leadership

Values

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

Company Structure



Electricity Assets we manage



We manage electricity assets for The Power Company, Electricity Invercargill, OtagoNet Joint Venture and Lakeland Network (formerly Electricity Southland Limited).

The Power Company Limited (TPCL)

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

Electricity Invercargill Limited (EIL)

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

OtagoNet Joint Venture (OJV)

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

Electricity Network Areas

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

Chief Executive and Chair's Report



Jason Franklin | Chief Executive

The 2021-22 year has seen significant progress made by the PowerNet team to deliver safe, efficient and reliable networks, within the backdrop of continuing challenges posed by the global COVID-19 pandemic and the increasing shift across the globe to drive decarbonisation efforts.

The dedication from our people has been steadfast, where a continued focus on customer-centricity, safety and innovation has perpetuated across the business and seen our team deliver exceptional results for the communities we serve.

Enhanced Network Developments for Future Resilience

We have progressed major capital and maintenance projects across Southland and Otago to enhance the resilience and capacity of the networks we manage.

Ongoing asset replacements and renewals have continued across all networks for those critical to the delivery of safe, efficient and reliable supply to our communities. In the Invercargill region, the upgrade and seismic strengthening of the Southern Zone substation was completed on the EIL network, together with enabling future power demands as part of Invercargill's CBD redevelopment. Substation upgrades were completed in Dipton in Northern Southland on TPCL network, and we continued our multi-year investment in upgrading the Athol 5 Feeder. Work on the OJV network saw the first of seven identified mobile substation sites constructed at Lawrence Zone substation, and for Lakeland Network (LNL) we continued to support regional growth by providing electrical capacity as part of the Hanley's Farm subdivision and the Remarkables Park development in Queenstown. In addition, PowerNet continued its network and operational services management of the Stewart Island Electrical Supply Authority network, completing the first year of its renewed five-year agreement with the Southland District Council.

Challenging Times Continue

The ongoing impact of COVID-19 has brought similar challenges to the previous year, requiring us to adapt and respond with agility to the ever-changing pandemic environment. Every part of our business was impacted by the challenges it posed, yet our team's continued resilience to work through such uncertainty showcased an unwavering commitment to delivering for our customers, our employees and our communities. The lessons learnt last year were applied to 2021-22, with improvements made as we traversed the fluctuating pandemic environment and the traffic light changes throughout the year. We are immensely proud of the team's dedication and grateful for their relentless focus to deliver results for the regions we serve.



Bob Taylor | PowerNet Chair



Southern Generation Limited Partnership assets.

Decarbonisation and Electrification is Here

New Zealand's response to climate change has been signalled recently through the commitments made as part of the Paris Accord, the Climate Change Response (Zero-Carbon) Amendment Act 2019, and the Government's first Emissions Reduction Plan announced in May 2022. For our sector, and at PowerNet, we are focusing on how we can support the electrification and decarbonisation of the New Zealand economy, whilst understanding the impacts to the networks we manage for our shareholders and the Southland-Otago region in general. With this in mind, we led the commissioning of a process heat stock-take for all industries across our region and their plans to decarbonise their process heat by converting to either electricity or biomass. This information has been invaluable to the development of updated asset management plans and has provided the catalyst for engaging with large network-connected customers.

In addition to process heat transition, the electrification of the transport sector will provide opportunities and challenges for our business. In the future, charging of electric vehicles will be predominately in-home — a transition that will increase the reliance on, and importance of, a safe, efficient and reliable electricity supply for all network-connected customers.

We are well-positioned to respond to the transformation of the energy sector, with continued investment in technology and people capability, in areas such as smart meters and our new energy team. Through a wide set of initiatives, we are growing our expertise to manage network demand growth, to achieve low voltage visibility and to support our communities in their shift towards decarbonisation. In addition, our shareholders remain committed to growing the renewable generation portfolio as part of the SGLP, and commissioned three new hydro-electric generation stations at Speedys Road, Mangapehi, and Matawai in the 2021-22 year.

Workplace Safety Improvements

After significant development and employee engagement, our critical control framework (CCF) has been embedded across PowerNet's operations. This has been enabled through the deployment of Risk Mentor, a tablet-based tool that actively confirms the controls required to manage our critical risks. The integrated nature of Risk Mentor validates controls are in place, and that they are operating effectively. Acceptance of the CCF by the operational team is testament to the comprehensive team engagement efforts undertaken during the design, planning, implementation and embedding of the system.

We are now seeing ongoing and sustained improvements in workplace safety performance, with the industry-accepted indicators of total recordable injury frequency rate and lost time injury frequency rate now at levels where achieving zero workplace incidents involving personal harm is within reach.

Future Ready Strategy and Vision

During the reporting year, we undertook a review of our business strategy, including PowerNet’s vision and purpose to ensure our direction embodied and supported the transformation underway in our external environment to enable the electrification of our communities, and to drive a net-zero carbon region. This strategic review was governance-led, with equal input from our directors and executive team. As a result, we will continue with our efforts in building the foundations to ensure PowerNet and our managed networks are focused on preparing for 2030, whilst understanding the pathway to meet the challenges and opportunities as we get ready for 2050. Our core purpose remains “Safe, Efficient, Reliable Power to Communities”, with our refreshed vision being “Energy Partner of Choice”.

The PowerNet Team Continues to Deliver

Our people are the backbone of our organisation. Located across the Southland - Otago region, our team is the cornerstone to driving our strategy and delivering our operational work programme, continuing to do their best for our wide-ranging stakeholders and customers.

Over the past year, we have continued to grow, develop and support our team, with investments made in PowerNet’s leadership programme, “Leading with Courage”, the Vision and Values induction workshops, and the Psychological First Aid Programme to name a few.

The leadership and commitment shown to ongoing improvements in workplace and public safety have been excellent and we are seeing the benefits of many years of dedicated work. We look forward to the opportunities and challenges ahead, grounded in the knowledge that we have the team to deliver.

Business System Development Paying Dividends

The Business System Development (BSD) programme started in mid-2020 and is in its final stages towards completion, where we are now shifting our focus to sustaining it. Quality asset management is at the core of the programme along with our safety, quality and environmental systems. Our BSD system has led to the re-accreditation of our Health & Safety Management System (ISO 45001), Public Safety (ISO 7901) and Quality Management System (ISO 9001). Certification is planned for our Asset Management System (ISO 55001) and Environmental Management System (ISO 1400) in the 2022-23 year.



Directors’ testing the critical control framework on a worksite.



Members of the quality management system foundations improvement team celebrate achieving ISO 9001 certification. (L-R) Anton Booyzen, Maree Fyffe, Eric Sng, Deanna Turner, Rachael Watt, Analise Petas, Tracey Hutchison, Rachel Saunders and Riaan Swanepoel. Absent: Sally Mcleod, Rangi Solomon and Holly Rouse.

Management Agreements Renewed

PowerNet as a network management company operates as a joint venture between our two shareholders, EIL and TPCL. Whilst the shareholders formed PowerNet through the shareholders’ agreement, there are also management agreements in place for the four electricity distribution network companies we manage – EIL, TPCL, OJV and LNL. During 2021-22, significant work has been completed in renewing and modernising these management agreements to ensure PowerNet is meeting its shareholder and networks’ requirements.

The four new management agreements were finalised on 26 May 2022 and will be effective from 1 April 2023 for a ten-year period.

In 2021, we surpassed the \$1 billion mark for assets and investments under PowerNet management. Ensuring we have up-to-date management agreements in place is critical for an asset base of this scale.

Governance Changes

We would like to take this opportunity to acknowledge two directors who left the board during the year, Tom Campbell and Joe O’Connell. Tom Campbell joined the board in 2010 and has made a significant contribution. He provided significant advice and direction, particularly in health and safety and operational excellence, and was instrumental in the establishment of the SGLP between EIL, TPCL and Pioneer Energy. Tom also retires from his role as chair and director of both EIL and SGLP. Joe O’Connell joined in 2016 and made an invaluable contribution, including chairing the board’s health, safety and environment committee. His leadership in this area has contributed to the ongoing improvement in workplace safety at PowerNet.

We welcome Christopher Boyle to the board. Chris was appointed in November 2021 and we look forward to his contribution.

The PowerNet shareholders’ agreement provides for the shareholders, EIL and TPCL, to chair PowerNet by three-yearly rotations. On 1 January 2022, Bob Taylor took over as board chair, replacing Don Nicolson. We would like to thank Don for his leadership over this period and are very pleased Don will remain a director of PowerNet.

As chair and chief executive, we thank all directors for their support and direction, especially during another demanding year.

The 2021-22 year presented its challenges, yet it was rewarding and we are grateful for the ongoing commitment and enthusiasm of our PowerNet team. Reflecting on the successes made during the year it is through the group of capable, supported and focused people we have here at PowerNet and, together, we look forward to continuing our efforts to deliver for our customers, communities and stakeholders.

Jason Franklin
Chief Executive

Bob Taylor
PowerNet Chair

Networks we manage

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

Network Management

PowerNet manages the networks for TPCL, EIL, OJV and LNL. LNL was formerly known as Electricity Southland Limited. PowerNet also has a service contract agreement with the Southland District Council-owned Stewart Island Electrical Supply Authority (SIESA). The four major networks - TPCL, EIL, OJV and LNL - have a combined regulatory value in electricity distribution assets of \$691 million. Each month, PowerNet reports to the boards of these networks and undertakes all regulatory management, including reporting to the Commerce Commission and Electricity Authority on their behalf.

PowerNet Relationship

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



Phil Johnston (Decom) and Dave Tose (PowerNet) at Southern zone substation.



Allendale Regulator (photo supplied by Decom).

37,102
CONNECTED CUSTOMERS

8,862 km
NETWORK LENGTH

CONSUMER DENSITY **4.2**
consumers/km

11,339
DISTRIBUTION TRANSFORMERS



In 2021-22, significant investment continued in new and existing assets on the TPCL network. A number of key projects delivered throughout the year will help maintain and improve service levels and create additional network capacity. Capital expenditure totaled \$24.8 million, with a further \$10.3 million spent on maintenance.

Seaward Bush 33kV Structure Substation Upgrade

The obsolete Remote Terminal Unit has now been renewed. The aged 33kV overhead structure has been replaced with 33kV Ring Main Units and the protection has been upgraded to provide arc flash protection of the 11kV indoor switchboard.

Athol 5 Feeder Upgrade

This is a multi-year project. The upgrade of the Athol 5 Feeder began in January 2021 and the first 5km of line upgrade was completed by March 2021. The second phase to establish two voltage regulators (one of which is Allendale) within the circuit was progressed in the 2021-22 year.



Maintenance work in Otago.

Earth Upgrades

Ensuring satisfactory and safe ground resistance for an earth system requires regular monitoring. A \$4 million programme on the TPCL network was carried out to improve installations and reduce network risk during faults. Upgrade works included installation of additional earthing rods or banks, replacing surface material (asphalt or gravel) and regular testing and inspection of all network earth locations and conductive fences.

Customer Connections and Asset Replacements

TPCL invested \$3.7 million in new customer connections in 2021-22, an increase in investment from the 2020-21 year.

In total, \$7.6 million was invested in line and pole replacements as part of TPCL’s enduring commitment to maintain a reliable and safe network.

The Power Company Projects

Project	Approximate Expenditure
Line and pole replacement and renewal	\$7,636,000
Earth upgrades	\$4,058,000
New customer connections and subdivisions	\$3,701,000
Air break switch renewals	\$1,755,000
Transformer replacements	\$1,219,000
Seaward Bush Remote Terminal Unit	\$889,000

17,524
CONNECTED CUSTOMERS

663 km
NETWORK LENGTH

CONSUMER DENSITY **26.4**
consumers/km

450
DISTRIBUTION TRANSFORMERS



Projects to enhance network reliability and safety were at the centre of work carried out on the EIL network during 2021-22. Total capital investment was \$6.7 million, with a further \$1.9 million spent on maintenance.

Southern Zone Substation Upgrade

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

The upgrade included additional steel supports installed to the switchroom building, and the existing outdoor 33kV busbar and structures have been replaced with indoor 33kV switchgear. Old 11kV switchgear has been replaced and a second 11.5/23MVA transformer from the former Doon Street Zone substation has been installed. Construction work began in mid-2019 and the project was completed in the 2021-22 year.

Invercargill Central Business District (CBD) Development

PowerNet is supporting the redevelopment of Invercargill's CBD. During 2021-22 a new substation was installed that will supply the area and connect the Langlands Hotel to the electricity network. Our team has also been installing cabling and utilising the opportunity to upgrade existing cabling where needed to increase reliability of supply.

Stead Street Upgrade

PowerNet supported the Invercargill City Council project to raise the existing stopbank between Invercargill and Otatara by removing 1.1km of overhead line assets (which supplied the Meteorological Office and the existing pump station). To give sufficient clearance and ensure safety, an 11kV underground cable was installed.

Customer Connections and Asset Replacements

New customer connections to the EIL network reached \$1.7 million in 2021-22, significantly above the long-term average. This elevated level of customer connection activity will be sustained by the Invercargill CBD redevelopment.

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

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



Langlands Hotel substation.

Electricity Invercargill Projects

Project	Approximate Expenditure
New customer connections and subdivisions	\$1,793,000
Stead Street upgrade – Undergrounding project	\$1,069,000
11kV cable replacements	\$892,000
Ring main unit replacements	\$701,000



In 2021-22 PowerNet managed \$19.6 million in capital investment on the OJV network (which includes the LNL network) and \$5.3 million of maintenance expenditure.

Mobile Substation Sites

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

Mobile substation sites will continue to be constructed when required to schedule routine maintenance on major equipment. A total of \$1 million has been allocated for seven mobile substation sites over the next 10 years to ensure they are mobile-substation ready.

Substation Neutral Earthing Resistors (NERs) and 33kV Transformer Circuit Breakers

NERs were installed at Lawrence and Waipiata substations in 2021-22, as part of a broader programme of work to install NERs where necessary on zone substations to limit earth fault currents on the 11kV network. \$670,000 has been allocated for stand-alone NER installation projects over the next four years, and nine NERs are planned for installation in conjunction with substation upgrade projects.

While NERs alone will not ensure network safety, they significantly reduce the hazard from earth rise potential on and around network equipment when an earth fault occurs. 33kV circuit breakers are also being installed to protect the NERs and power transformers, providing improved protection compared to the existing 33kV fuses.

Remote Area Power Supplies (RAPS)

Planning continues for options to install a RAPS to supply a communications site in the Blue Mountains. This is part of the condition assessment work carried out on the OJV network to identify where a line's condition indicates it should be rebuilt. In these cases, a RAPS, which is an off-the-grid power system (using solar, a battery and a back-up generator) may be a more economical solution than upgrading a long-length line to only service a few customers. The RAPS must have the lowest overall capital cost and the lifetime cost when compared to rebuilding a traditional line.

Customer Connections and Asset Replacements

OJV invested \$1.7 million in new customer connections across the OJV network. \$6.4 million was also invested in line and pole replacements over the OJV network to ensure security of the network and maintain reliability and safety.

OtagoNet Projects (includes LNL projects)

Project	Approximate Expenditure
11kV line and pole replacement	\$4,626,000
Hanley's Farm development	\$2,155,000
33kV line and pole replacement	\$1,740,000
New customer connections and subdivisions	\$1,710,000
Remarkables Park Village	\$797,000
Queenstown Country Club development	\$789,000

15,446
CONNECTED CUSTOMERS

4,505 km
NETWORK LENGTH

CONSUMER DENSITY **3.43**
consumers/km

4,311
DISTRIBUTION TRANSFORMERS



Ben-Raftery (PowerNet) at Greenfield Zone substation.



LAKELAND NETWORK

The Lakeland Network (LNL) in the Queenstown-Lakes and Central Otago region is owned by shareholders TPCL and EIL. Formed in 1995 as Electricity Southland Limited (ESL), it was rebranded in 2021-22 to the 'Lakeland Network'. The rebrand has been integral to promoting the network to the public and developers, as regional growth drives development in the area and subsequent network capacity requirements.

Regulatory reporting is under the OJV network. With continuous growth it is now acknowledged as the network of choice for new developments in the region, with installation control points reaching over 3,400 customer-connection milestone. The modern Lakeland Network (LNL) is built completely underground and has invested over \$35 million in electricity infrastructure.

3,435
CONNECTED
CUSTOMERS

NETWORK
LENGTH
126km

CONSUMER
DENSITY **27.2**
consumers/km

88

DISTRIBUTION
TRANSFORMERS



Aerial photo of Remarkables Park Ltd Village (photo supplied by Neville Porter).

Network Growth Projects

The network is reticulated on the Frankton Flats area. It extends to the eastern corridor across the Shotover River to supply the Shotover Country subdivision, Queenstown Country Club retirement village, Bridesdale and Kawarau Heights subdivisions, with future growth planned for the Ladies Mile area.

It also brings electricity to the southern corridor across the Kawarau bridge to Kawarau Falls area, including the Hilton Queenstown Resort and extends south to supply the fast growing Hanley's Farm subdivision.

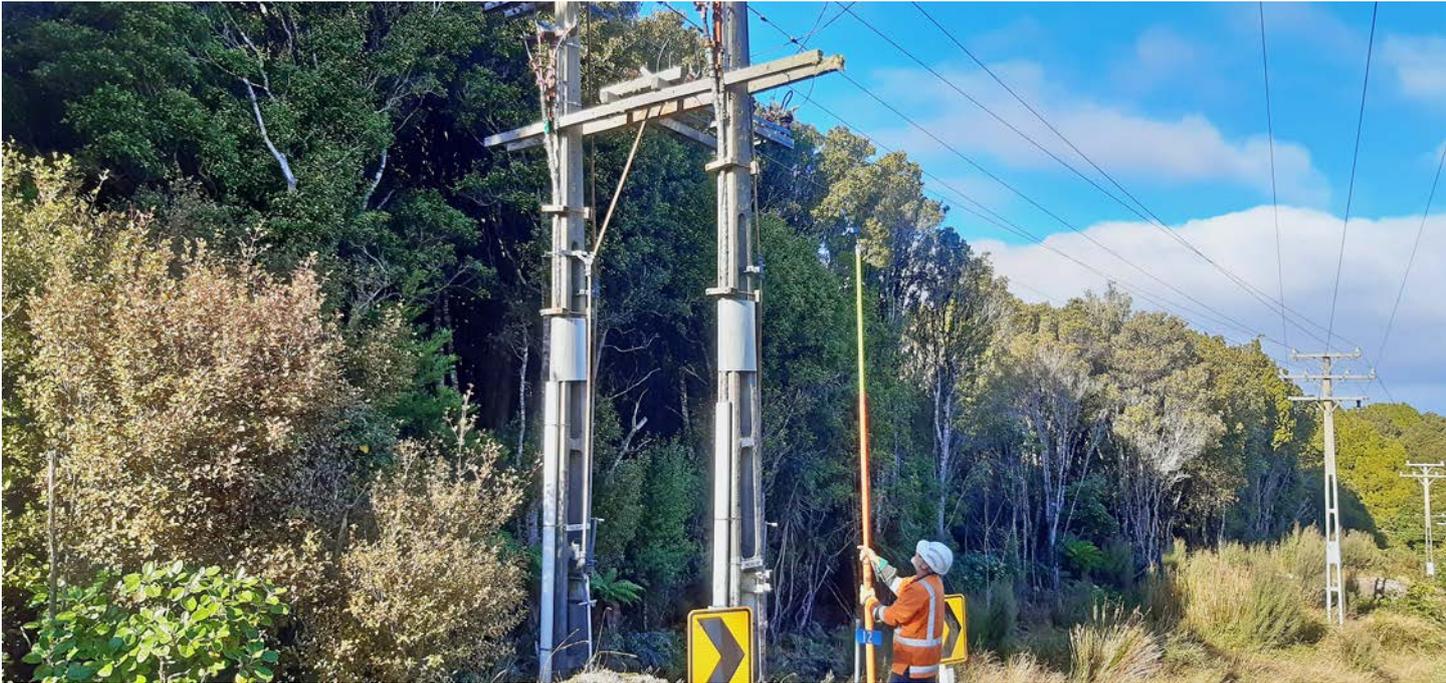
Development continues at Remarkables Park, with construction for a new Hyatt Centric Hotel, a Research and Innovation Centre, and the Hawthorne North commercial subdivision planned for the 2022-23 year. LNL also supported the electricity supply needs of the growing health and medical services in the region, helping enable the opening of a new Southern Cross Hospital and Club House by Queenstown Country Club (which includes a new aged care facility).

LNL continued its management of embedded networks in Wānaka, comprising Northlake (900), Clearview (112) and Hikuwai (250) subdivisions, as well as the Wooing Tree (250) subdivision in Cromwell.

Team Growth

These large-scale subdivision and growth projects have provided opportunities for expansion of PowerNet's staffing levels in Queenstown, with additional cable jointing staff recruited.

PowerNet's team based in Frankton, has worked closely with the wider Southland and Otago PowerNet teams. The team provides network design services, project management, capital construction works, and a maintenance and faults service for the LNL, and for other external high voltage customers. Senior management presence has also been enhanced locally given the strategic nature of the region's growth potential.



Maintenance on the SIESA network.



PowerNet continues to manage and service Stewart Island's electricity supply after renewing its contract with the Southland District Council (SDC) in 2020-21. Stewart Island Electrical Supply Authority (SIESA) is managed by the SDC and provides homes and businesses on Stewart Island with a reliable power supply.

Under the new five-year contract (extended from the previous three-year contract), PowerNet continues to supply network management and operational services, including the provision of a network control centre function to SIESA, with three field services staff stationed on the Island.

PowerNet also provides advice to SIESA on emerging technologies and their suitability with power supply options for Stewart Island.

445
CONNECTED
CUSTOMERS

NETWORK
LENGTH
51 km

CONSUMER
DENSITY **8.63**
consumers/km

43
DISTRIBUTION
TRANSFORMERS

People and Leadership



Team Brief at Blueskin Bay.

The people at PowerNet are the backbone of our organisation and are our greatest asset. Our team of over 300 employees are committed to delivering a safe, efficient and reliable electricity supply 24/7 to homes and businesses across Southland and Otago.

Our People

Our Approach

At PowerNet, we are committed to recruiting and retaining the best people, whether they are experienced veterans or new apprentices starting their careers. We want job seekers to be aware of the great career opportunities PowerNet offers and the fantastic lifestyle choices available in the regions we operate in.

We continue to build our recruitment brand by advertising in diverse channels, including both print and online mediums, and by sustaining our social media activity.

In the 2021-22 year we introduced an employee referral scheme, where employees who refer external candidates can receive payment if that candidate is employed and remains employed for at least six months.

We also engaged Deloitte to undertake an audit of our talent management practices, resulting in improvement recommendations in the areas of our employee value proposition, employer brand, recruitment strategy and how we can improve our current succession planning processes. We will commence action in these areas in the coming financial year.

The PowerNet and E tū negotiation teams agreed new terms and renewed our Collective Agreement. The newly ratified agreement spans the period 1 April 2022 to 30 June 2024.

Our Human Resource Partner Model

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

Working at PowerNet

Here at PowerNet, developing a diverse workforce is vitally important to us. Women make up approximately 18% of our workforce and we remain focused on increasing the number of females in our traditionally male-dominated industry.

With PowerNet offices and depots spread throughout the Southern region, we have responded to the challenge of working across a large area by sharing employees, resources and knowledge — to diversify across operational discipline, and through our many regional locations.

Our Flexible Working Arrangement (FWA) scheme is in its second year, and compresses 80 hours into nine working days. In return, employees benefit from a three-day weekend each fortnight. The scheme is part of a broader employee attraction and retention strategy and continues to be popular, with approximately one third of our workforce participating in the scheme. Reviewed annually, the most recent review (completed in February 2022) continued to show positive results and the scheme will remain available for a further 12 months.

Celebrating success is an integral part of our culture and embodies our values. In the 2021-22 year we were proud to celebrate with our team member, Roger Scott, as he won a prestigious national award from the Radio Frequency Users Association of New Zealand.

In 2021-22 we completed our employee survey. The survey results showed positive improvements across most of the areas surveyed. Improvement initiatives are already underway to address two survey areas regarding pay relativity to market and the effectiveness of meetings.



Vision and Values workshop attendees (L-R), Russell Duthie, Emil Mendoza, Joan Wickham, Kelli McGowan, Bridget-Mary McGown, Laura Fraser, Rebecca Cable, Glenda Poole and Tushnica Dissannayake. Back row: Marat Batrudinov, Alex Fraitto and Tony Peake.

Managing COVID-19 Lockdown

Lessons learned from the COVID-19 lockdown last year enabled the team to adapt during the traffic light settings introduced by the Government in 2021-22, where our use of new technology and communication tools ensured our workforce could continue to work in the field, in the office or remotely as needed. Our COVID-19 Protection Framework was streamlined in to a one-page, easy to understand summary, enabling our employees and contractors to safely complete essential and critical work on the networks we manage.

2021-22 saw us complete a COVID-19 Risk Assessment for all work types, resulting in the introduction of a vaccination policy requiring employees, contractors and visitors to be fully vaccinated when entering PowerNet worksites from January 2022. This, along with the introduction of surveillance Rapid Antigen Testing, gave our team the confidence to return to work in a safe environment.

Enabling Efficiency

We invested in IT hardware to improve our workforce's access to technology and the electronic timesheets project is on track to go live late-2022, which will further improve efficiency.

Supporting Our Leaders and Teams

PowerNet continues to work with our people to align their behaviours and performance to the company's purpose of providing safe, efficient and reliable power to our communities. In 2021-22, we continued PowerNet's vision and values workshops. Directed at new employees, these workshops explain PowerNet's purpose, vision and critical success factors. They also provide an opportunity for new employees to meet our senior leadership team as they join PowerNet.

We remain committed to equipping our leaders with the tools and skills they need to build an engaging and positive workplace culture. In 2021-22, a further cohort of 12 PowerNet leaders and aspiring leaders completed the "Leading with Courage" programme. The programme covers leadership theory and application over four, two-day workshops.

On 1 October 2021, PowerNet became an Accredited Employer in the ACC Accredited Employer Programme (AEP), permitting us to manage any work-related injury claims in-house rather than ACC managing them on our behalf. This was followed by the ability to also manage non-work injuries from 6 December 2021. Assisting us is Wellnz, an ACC approved provider who specialises in rehabilitation and injury management support services.

While our workplace recordable injury rates continued to be low in the 2021-22 financial year, we are already experiencing the benefits of the AEP participation. The programme entitles any injured employee access to a personal case manager and support with post injury care for a safe return to work (as soon as they are medically fit to do so). Payments are also streamlined so those off work can continue to be paid within their fortnightly pay cycle.



Dyson Gentle (PowerNet) with children Dela and Ashby, participating in the Wellbeing 'Spud in a bag' competition.

Employee Health and Wellbeing Programme

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

Employee feedback on the programme is held to ensure that it is meeting the needs of our people, and an annual calendar of events places a priority on supporting the mental, physical, and social wellbeing of our team.

Part of the Health and Wellbeing Programme promotes a healthy lifestyle outside of work. Our wellbeing subsidy contributes to memberships, participation or equipment costs so employees can pursue personal activities and interests.

In April 2021, the Health and Wellbeing team invited guest speaker, Lance Burdett, to present at several PowerNet office and depot locations. Positively received, these sessions focused on coping after COVID-19 lockdowns, how to motivate and energise ourselves when at work, how to switch off at the end of a busy day, together with tips for sleep and managing stress. His sessions received positive feedback and focused on practical solutions and stories for both leaders and team members.

Our Psychological First Aid Programme continues to help our employees navigate available support services, in conjunction with our Employee Assistance Programme service provider, OCP. Ten trained internal welfare support people at our office and depot locations provide confidential support to employees and their families.

Throughout 2021-22, in-house influenza vaccines were again provided for our team, and will continue to be offered to all employees in the future.

Workplace Health and Safety Initiatives

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

Health and Safety System Implementation

Our health and safety environment risk management system is well-embedded across our business activities. On one platform, the system displays all information about incidents, hazards, risks, actions and audits. It presents incident workflows, with ready access to investigation details and resolution actions to mitigate future harm. All leaders now use the system, which allows for a more efficient management of public and workplace incidents.



Brett Coradine (PowerNet) with the digital application - Risk Mentor.

Workplace Training and Assessment

PowerNet's induction and assessment process ensures our team knows how to work safely on the networks we manage. In addition to this, all identified high-risk training is supported with re-assessment modules and an improved back-end training system.

New field employees, from qualified staff to trainees, are supported by our leaders and our training and assessment team (which comprises three field trainers, and a training coordinator). This holistic approach to training and support helps our people achieve the compulsory industry training required to do their jobs, and to progress their own personal development.

To support their careers, PowerNet assesses the practical skills of newly qualified and apprentice line mechanics. Line mechanic apprentices complete a week-long induction that gives them a solid foundation in risk assessment and basic skills before they enter the work environment. This prepares them for keeping themselves and their work mates safe.

Managing Critical Risks

Hazardous activities that have the potential to kill or seriously injure our people are the key focus of PowerNet's critical control framework project.

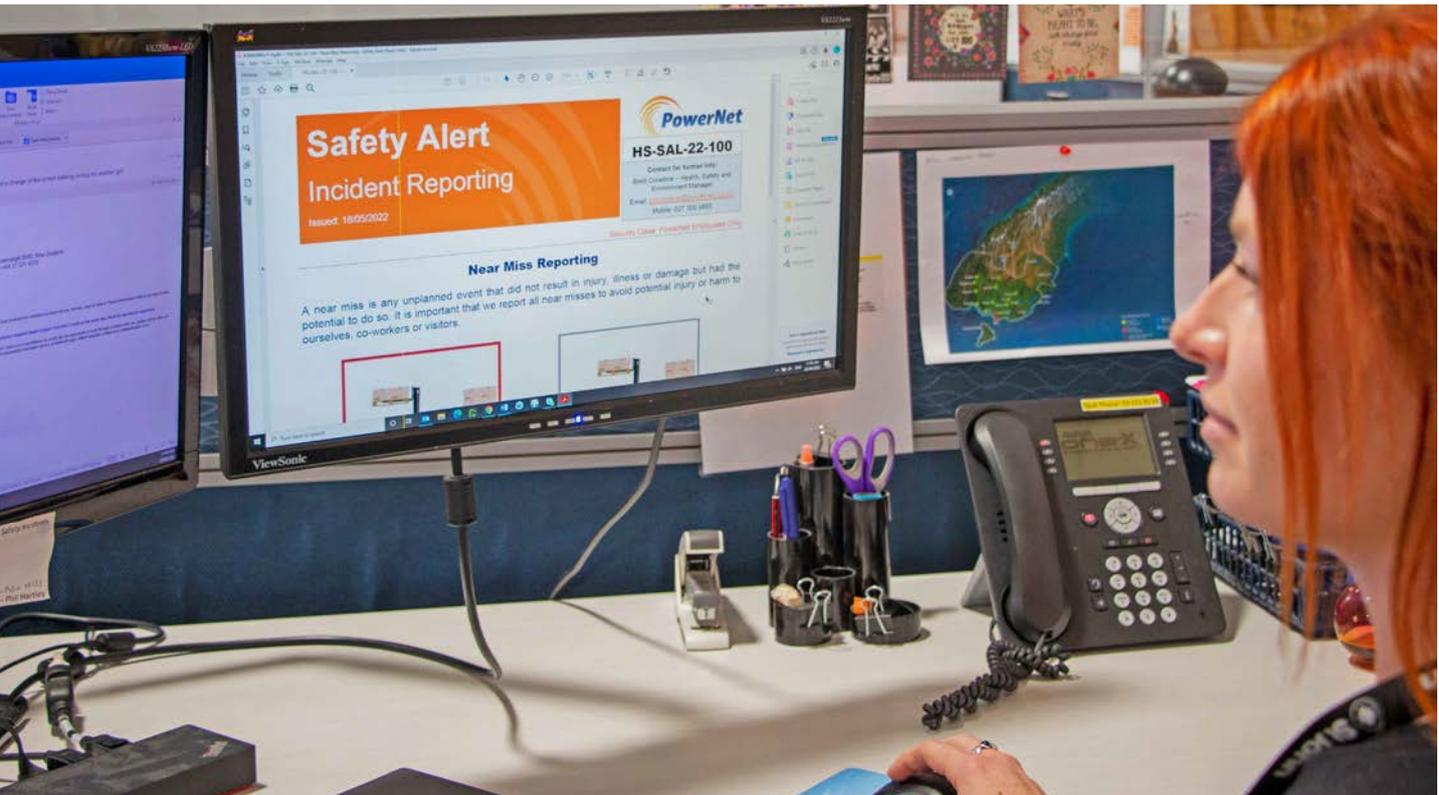
The project aims to ensure the management of critical risks is integral to all PowerNet operations. It equips our field teams with the tools they need so they can ensure the consistent application of our critical controls to keep themselves, and members of the public, safe. The framework also ensures we are meeting our compliance obligations such as industry rules.

This project has been the basis for the development of a digital application, Risk Mentor, used by team leaders and crews to ensure that correct critical controls are in place for each stage of work they do. The tablet-based application leads the user through elements of typical workflows, identifying and recording the required critical controls needed to effectively manage risks at each stage. It also provides seamless access to other PowerNet systems and reference material. All operational teams are now using Risk Mentor and are experiencing positive safety outcomes as a result.

The next phase of this project is to ensure the ongoing sustainability of our critical control framework. We intend to achieve this by establishing a team of end-users from across operations that will liaise with their peers and meet regularly with the HSE manager and developer to discuss ongoing improvements that can be made. This will help increase user support, and will also ensure PowerNet is meeting its employee engagement obligations.

Safety Messaging

Clear communications with the right safety messages are vital. PowerNet regularly uses simple and effective communication tools to support the dissemination of internal safety messages. These include incident investigation closeout alerts, where safety learnings are circulated to employees after an incident occurs as part of an ongoing commitment to strong safety performance and improvement.



Abbie March (PowerNet) producing a Safety Alert report.

Safety Representatives

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

During 2021-22, PowerNet's Health, Safety and Environment (HSE) board committee continued to meet regularly and provide guidance and assurance that PowerNet is meeting legislative and regulatory obligations.

PowerNet also has an Employee Health and Safety committee, made up of trained health and safety representatives who have become an integral link for communicating health and safety matters across the organisation.

External Verification

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

Collective Networks Operations Group (CNOG)

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

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

In other projects, the Group is working to establish the Common Competency Framework and is investigating a common approach to reducing inadvertent contact with overhead lines.

Electricity Sector and Government

The Electricity Network Association (ENA) is the industry membership body that represents all electricity distribution businesses, including the three networks managed by PowerNet. ENA's primary role is to guide the development of policy and engage with government agencies on the sector's behalf. PowerNet actively engages with the ENA facilitated working groups that harness the collective expertise of members. These groups included the Distribution Pricing Working Group which develops future pricing strategies, attended by our commercial manager; and the Smart Technology Group which discusses and shares best practice approaches to the introduction and use of 'smart' technology, attended by our New Energy team. They also include the Information Disclosure Working Group which works to ensure the most practical and useful information is reported clearly and consistently for consumers, attended by our regulatory manager. The groups actively provide industry direction in areas that include the two regulators, the Commerce Commission and the Electricity Authority.



Shared
Vision



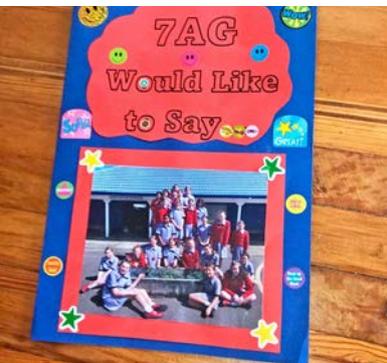
Our
People



Our
Greatest
Asset



Staff
Success



Safe
Efficient
Reliable



Our Executives



Jason Franklin | Chief Executive



Anton Booyzen
GM Asset Management



Justin Peterson
Chief Operating Officer



Kavi Singh
GM New Energy Development and Strategy



Rangji Solomon
GM Health, Safety and Environment



Greg Buzzard
Chief Financial Officer



David Stevens
GM People, Culture and Communication



Rachael Watt
GM Business Support and Improvement



Kewal Bagal
GM Business and Customer Growth

Power to Communities

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

Supporting our Community

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

PowerNet is committed to its ongoing investment in vegetation management across its managed networks, to keep trees and other vegetation clear from power lines and equipment. Trees that touch power lines can cause power outages and represent a significant public safety risk.

The online cable location service, Before U Dig, reduces the risk of contractors, farmers and the public encountering buried cables and potentially harming themselves or causing property damage when digging on their property. Specialised equipment is used to locate buried cables and identify cable routes so that all parties are aware of danger areas before they commence work.

PowerNet has a Safety Management System (SMS) which complies with the requirements of NZS 7901:2014 Electricity and Gas Industries - Safety Management System for Public Safety. The SMS is audited annually to retain a current audit certificate. Telarc undertook its annual compliance audit of our SMS in March 2021 and the audit report indicated the SMS was functioning well.

We continue to be proactive in promoting safety messages to our southern communities. Safety messages are shared with external audiences through mediums such as print advertising and social media, and PowerNet’s safety communication group continues to promote safety in our community — by displaying branded public safety messages on our vehicles and working in collaboration with major southern insurer, FMG, to promote our safety messages in rural communities.

Asset Management Plans

Asset Management Plans, the disclosure documents used to outline planned capital and maintenance expenditure on the TPCL, EIL, and OJV (which includes LNL) networks, have been updated for the 2022-2032 period. The Plans outline how network assets will be managed to meet stakeholder requirements and to ensure PowerNet provides a safe, efficient and reliable electricity supply to the communities each network serves. Considerations include drivers such as cost, equipment, and lifecycle, as well as regulatory requirements, demographic changes, environmental impacts, and required service levels. The Plans can be viewed on our website at www.powernet.co.nz.

PowerNet Farmers – What’s up above?

Look out for live lines on your property.

No matter how far away you might be from overhead power lines, if you are working in the vicinity you need to be careful.

Sometimes, something as simple as being focused on the stock or crops and not noticing what is above can result in potentially fatal incidents. Privately owned low voltage lines on a property are not always well maintained and wires may sag over time.

The 4 metre rule for electricity – stay at least 4 metres away from overhead lines. If you need to get closer, you must obtain a permit from PowerNet’s System Control. Freephone 0800 808 587

Common dangers when working near overhead power lines include:

- diggers hitting wires
- round bales on a loader obscuring your vision
- top trucks where the tilted deck can be higher than the power lines
- high loads on trucks such as silage, bales or a stock crate
- post hole rammers hitting wires
- grain augers hitting wires
- trimming vegetation too close to power lines

Farmers should also be careful when pulling up electric fences near power lines on rolling terrain. While these incidents are a nuisance to a lot of people, because our protection systems often turn the power off over a wide area, the real concern is the danger to you or your workers – the simple message is, be aware of your surroundings at all times.

PowerNet Proud to support the 50th FMG Young Farmer of the Year Competition 2018

An example of a PowerNet public safety message.



SAIDI AND SAIFI

There are two reliability measures that are commonly used by Electricity Distribution Businesses (EDB)s. They are SAIDI (system average interruption duration index) and SAIFI (system average interruption frequency index). SAIDI is a measure of the average duration of power interruptions for each customer served and is measured in minutes or hours over the course of a year. SAIFI is a measure of the average number of interruptions that a customer experiences over a year, measured in units of interruptions per customer.

We have enhanced our web interface which displays the location of planned interruptions on a map with key information to assist customers to identify and understand the impact of planned disruptions.

SAIDI is measured against both revenue-linked reliability targets, and limits that must be achieved, set by our regulator, the Commerce Commission. The targets provide distributors with the opportunity to balance the cost to invest in quality that reflects consumer demand, against the ability to earn profits at the expense of quality. Early notification of planned power interruptions are incentivised through a reduction in SAIDI for periods where the interruption occurs within the notified period.

PowerNet use the relationships that retailers have with customers to notify planned outages. The networks PowerNet manage target sending notifications to retailers at least 20 working days prior to the planned outage, to allow time for retailers to pass on notifications to customers as early as possible.

Unplanned interruptions are subject to normalisation. Normalisation limits the impact of unpredictable major events, such as severe weather events, being mistaken for signs of asset deterioration. All significant events and outages on PowerNet managed networks are investigated to identify failure modes. Once identified, improvement plans are implemented.



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

	Actual	Limit		Incentive Target	
TPCL SAIDI Planned	109.43	141.81	●	47.27	●
TPCL SAIFI Planned	0.8422	0.6640	●		
TPCL SAIDI Unplanned	159.83	156.53	●	128.66	●
TPCL SAIFI Unplanned	2.6161	3.5640	●		

SAIDI results for both planned and unplanned outages are assessed against an overall limit and a revenue incentive target. For non-exempt businesses, like EIL and OJV, the incentive target allows for additional revenue to be available to the EDB, based on improved service to customers.

Planned outage results have annual limits and targets, but are ultimately assessed against a limit set for the full regulatory period – in this case 2020-2025.

TPCL exceeded the SAIDI Planned and Unplanned Incentive Targets, and also exceeded the SAIDI and SAIFI Unplanned annual limits. The planned results indicate a high number of planned outages of shorter duration, as well as good usage of early customer notification.

The SAIDI Planned and SAIFI Unplanned interruptions were within the annual limits.



	Actual	Limit		Incentive Target		Cumulative Actual	Cumulative Limit	
EIL SAIDI Planned	15.11	22.90	●	7.63	●	28.42	114.49	●
EIL SAIFI Planned	0.1070	0.1037	●			0.1845	0.5183	●
EIL SAIDI Unplanned	15.38	25.86	●	15.39	●			
EIL SAIFI Unplanned	0.3231	0.6956	●					

SAIDI results for both planned and unplanned outages are assessed against an overall limit and a revenue incentive target. Annual results that remain within the incentive target allow for additional revenue to be available to the EDB, based on improved service to customers.

Planned outage results have annual limits and targets, but are ultimately assessed against a cumulative limit set for the full regulatory period – in this case 2020-2025. The cumulative result is a combination of the assessed results for the first (2020-21) and second (2021-22) years of the regulatory period.

EIL exceeded the SAIDI Planned Incentive Target, resulting in a revenue penalty. However, SAIDI Planned remained within the annual limit, and remains well within the cumulative limit for the regulatory period. Normalised SAIDI Unplanned result was within the Incentive Target, resulting in a small revenue incentive.

Normalised SAIDI and SAIFI for EIL Unplanned interruptions were also within the annual limits.

Although EIL SAIFI Planned exceeded the annual limit, it remains well within the cumulative limit for the regulatory period.



	Actual	Limit		Incentive Target		Cumulative Actual	Cumulative Limit	
OJV SAIDI Planned	128.79	422.89	●	140.96	●	317.90	2114.43	●
OJV SAIFI Planned	0.7772	1.9242	●			1.4972	9.6212	●
OJV SAIDI Unplanned	141.82	160.35	●	120.02	●			
OJV SAIFI Unplanned	2.3811	2.4172	●					

SAIDI results for both planned and unplanned outages are assessed against an overall limit and a revenue incentive target. Annual results that remain within the incentive target allow for additional revenue to be available to the EDB, based on improved service to customers.

Planned outage results have annual limits and targets, but are ultimately assessed against a cumulative limit set for the full regulatory period – in this case 2020-2025. The cumulative result is a combination of the assessed results for the first (2020-21) and second (2021-22) years of the regulatory period.

OJV SAIDI and normalised SAIFI Planned results were within the annual limits and the Planned Incentive Targets, resulting in a revenue incentive.

Both also remain well within the cumulative limit for the regulatory period.

OJV normalised Unplanned results remained within the annual limits for both SAIDI and SAIFI. Unplanned SAIDI exceeded the Unplanned Incentive Target, resulting in a revenue penalty.

Supporting our Community

Sponsoring St John

Empowering our southern communities continues to be an important part of PowerNet’s customer focus. Our sponsorship support of St John is now in its eighth year, and totals \$800,000.



St John First Aid training courses digitally promoted in the Invercargill CBD.

Over our eight-year partnership with St John, our sponsorship has funded:

- 85 public first aid training courses, where 1,366 people have received training across 17 southern region locations;
- Rental funding for the St John Training Centre in Invercargill, where up to 15 courses are delivered each month;
- The installation of 17 publicly accessible AEDs to our communities (completed in 2020);
- An additional \$8,000 in sponsorship to support the St John Electric Vehicle (EV) pilot trial, supplying EV charging units to St John stations in Bluff, Invercargill, Otautau and Winton.

In addition, and to support the development of our local tamariki, PowerNet co-funds the southern region’s ‘ASB St John in School’ programme which trains students in critical lifesaving skills. To date, almost 50,000 students have developed lifesaving skills through the programme, which is delivered to preschool, primary, and intermediate schools. The programme is also available in Te Reo for all kura and kohanga reo.

Our sponsorship of the Mental Health First Aid training has skilled over 250 people on how to identify and support work colleagues, friends, and family members experiencing mental distress, as well as learning how to understand and respond to signs of mental health issues. Since 2020, fifteen mental health first aid training sessions were held at six southern locations including in Invercargill, Queenstown, Balclutha, Winton, Gore and Stewart Island.

PowerNet remains principal sponsor of the St John’s pilot, Whātua te Waiora | Weaving Wellbeing in the southern region. For the 2021-22 year, over 500 year 7 and 8 students gained resilience and coping skills training through a series of sessions, across six southern schools.



St John community educator, Alan Reilly at Waihopai school.

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 completed over 8,000 insulation and heating retrofits in Southland and West Otago since 2008.

The Trust is a contracted insulation service provider in the Southland and West Otago area under the current government programme called Warmer Kiwi Homes. The subsidised insulation programme targets homeowners on low incomes, or homeowners who live in low socio-economic areas. The success of this programme in the first four years has resulted in the Government committing further funding of \$73 million in May 2022 to extend the programme up to June 2024. This funding is administered by EECA through service providers who meet installation and health and safety standards.

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

In addition to the EECA/SWHT programme, SWHT and Awarua Synergy offer other subsidies of up to \$2,000 for households with high health needs to install insulation or an efficient heating unit.



Shannon Kerr and Benji Biswas (Crunchy) with Jason Franklin (PowerNet chief executive).

Westpac Business Excellence Awards

PowerNet continued to sponsor the New and Emerging Business Award in the 2021 Westpac Business Excellence Awards. PowerNet's chief executive, Jason Franklin presented the winner (Crunchy) with its award at the rescheduled award ceremony held in February 2022.

Supporting Skills Growth

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

PowerNet continued its support for the Southern Institute of Technology, sponsoring the Most Improved Student Award in the electrical pre-trade course. Due to COVID-19 restrictions the awards ceremony was however cancelled. PowerNet congratulates the 2021 Most Improved Student recipient - Evan Stephens from Southland.

Tour of Southland

Our PowerNet-sponsored cycling team was compromised due to COVID-19, with some of our regular riders unable to travel south to participate in the 2021 SBS Tour of Southland event. This allowed us to select some regional talent with 50% of the team being local Southlanders.

The team consisted of Ollie Jones, Paul Oldin, Kiaan Watts, Mitchel Fitzimons, Robert Huisman and Josh Haggerty.

The team produced enviable results, with Ollie Jones coming fourth in the overall title race (0.3 of a second from the third-place title), Mitchell Fitzsimons coming third in the 42km Opening Street race, and Paul Odlin once again contesting the title (in the over 35 category) and placing second.

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



Southern Institute of Technology student, Evan Stephens, with his Most Improved Student Award, sponsored by PowerNet.

Business Innovation and New Energy

At PowerNet we strive to innovate the way we work, and to enable new energy possibilities so we can maximise opportunities that will deliver an efficient and sustainable electricity supply for the future needs of our communities.

Business Innovation

Enhancing Business Processes

In 2021-22, we continued to optimise our operations, eliminating non-value adding activities from our processes and integrating work and information flows. Our overall goal is to improve productivity and efficiency, and to add value for our customers.

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

ISO 9001 Quality Management System

PowerNet has continued to develop its business management capability to achieve re-accreditation to ISO 9001 certification by adopting its best practice guidelines and principles.

This demonstrates our ability to consistently provide standardised products and services that meet customer and regulatory requirements and to showcase continuous improvement.

RedEye Drawing Management System

PowerNet has introduced the RedEye drawing management system into service. This is significant improvement on the previous bespoke system, which was obsolete, becoming difficult to maintain, and was not delivering the capabilities required. The benefits of RedEye ensures current drawings and proposed changes are visible to staff. This includes managing the drawing-change process through design development, approval, installation, and the As-Built cycle; controlling access to drawings, and enabling access via mobile devices. It is in use for all technical and field drawings.

Website Upgrade

In the 2021-22 year, we upgraded the PowerNet website to improve our digital experience for customers. The new user-friendly, clean and fresh platform helps drive PowerNet's brand awareness, and enables self-service for our customers wanting to request a service, or to report and receive updates on outages. Through an integrated web interface, we are now able to communicate with customers about planned outages occurring across our networks, with map identification and supporting information about each interruption. The site also provides easy access to information for contractors working on our managed networks.

Digital Ecosystem to Support Critical Control Framework Implementation

PowerNet has led the way in New Zealand's electricity industry by building a Digital Business Ecosystem Solution to implement its critical control framework.

Along with its Australian partner, Risk Mentor, an industry specific configuration has been developed which has potential to be deployed industry-wide in New Zealand.

This innovation has already delivered dramatic improvements in safety outcomes for PowerNet and has been recently announced as a finalist in the New Zealand Energy Excellence Awards.

PowerNet is in advanced stages of finalising an agreement with Risk Mentor for launching this innovation to the wider market.

PowerNet Connect

PowerNet has successfully developed and commercialised the PowerNet Connect software - a solution for the electricity distribution sector to manage new connections, retail billing, and processes such as fault management.

This year, Digital Stock, our partner in developing the solution was named winner of the Progress People Professional Service Award category at the Southland Business Excellence Awards for its contribution to this innovation.

PowerNet holds the intellectual property rights for the software and has a master license agreement with Digital Stock to market it. Digital Stock continues to add new clients through successful sales efforts.

ComplyWith Compliance Management Tool

PowerNet is using ComplyWith, a legal compliance management tool to provide assurances to the PowerNet board and the networks under management that the Group is meeting external obligations under legislative Acts and Regulations.

Legal obligations are mapped to responsible roles within the business, covering a total of 92 Acts and Regulations. Responsible roles complete an annual online compliance survey, enabling them to report on compliance and proactively identify any potential legal risks and issues. Action plans are identified and implemented to manage and mitigate risks or issues, and monitor progress against delivery.



(L-R): Hamish Prentice and Marlon McLean (PowerNet), using the Risk Mentor system.

New Energy

New Energy Developments

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

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

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

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

The Smart Energy Home

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

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

The use of the EV has brought valuable insights, with one of the tenants driving approximately 55kms to work each day. Their feedback indicated the drive was smooth and made a significant economic difference to their vehicle running costs. It would cost approximately \$14.90 to drive 100km using an equivalent-sized petrol vehicle, compared to just \$2.00 for the EV.

Distributed Generation Uptake

Solar photovoltaic installations have been the main type of Distributed Generation (DG) in PowerNet managed networks over the last 10 years. As of March 2022, there are 127 solar connections in EIL, 469 solar connections in TPCL and 250 solar connections in the OJV network. These 846 solar connections represent approximately 1.2% of our total connected customers.

Our annual customer engagement survey indicates that intentions to purchase and install solar panels on rooftops in the next five years has increased to 33%; an increase of 16% from 2019. The main barriers to adoption related to economic reasons where the projected payback period has a large influence on the purchase intention.

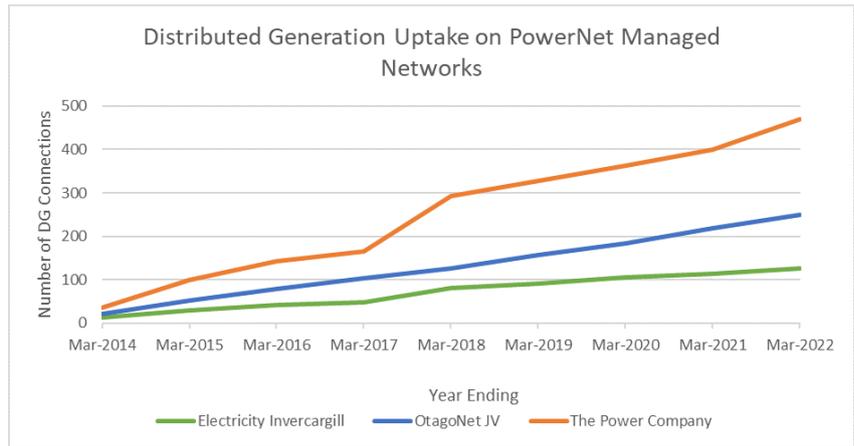


Figure 1: Distributed Generation Uptake on PowerNet Managed Networks.

Other considerations that may limit solar uptake are property ownerships and also energy cost-reduction options, such as home insulation and electric vehicles which are now gaining increasing attention and generally offer better returns.

Data-Driven Decisions Using Smart Meters

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

PowerNet also retrieves events data from the smart meters which allows us to identify and investigate issues before any potential disruptions to our customers occur. Some of the events data that we retrieve back from the smart meters are voltage and last gasps. Last gasps are alerts that are sent out by the smart meter when it does not receive any power, usually due to an outage.

For voltage events, we are able to measure and understand when voltage falls outside of acceptable tolerances. Fluctuating voltages may cause equipment damage and are usually a sign of overloading on the network, loose connections, or undersized equipment.

Our network asset team is also able to monitor the effects of Distributed Generation on our network with the voltage event information available. Figure 2 (below) shows some over and under-voltage events experienced by our customers for a particular period. This data will assist PowerNet in providing quality asset management of our networks.

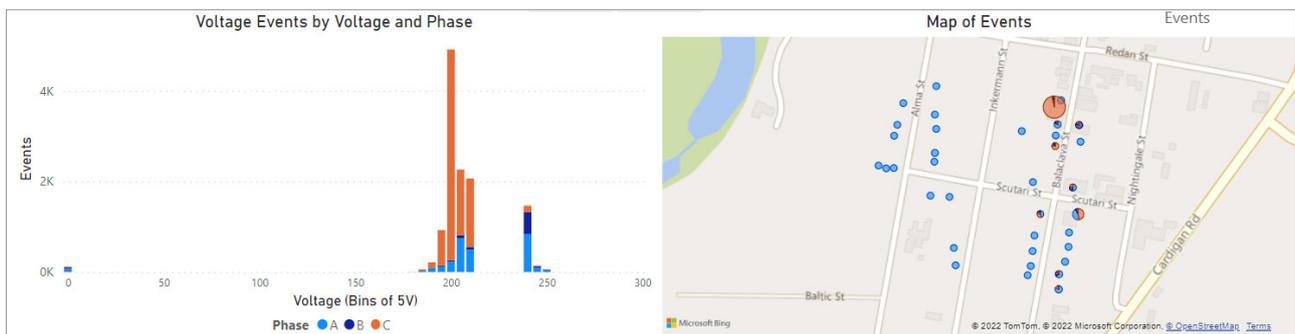


Figure 2: Number of voltage events on a transformer.

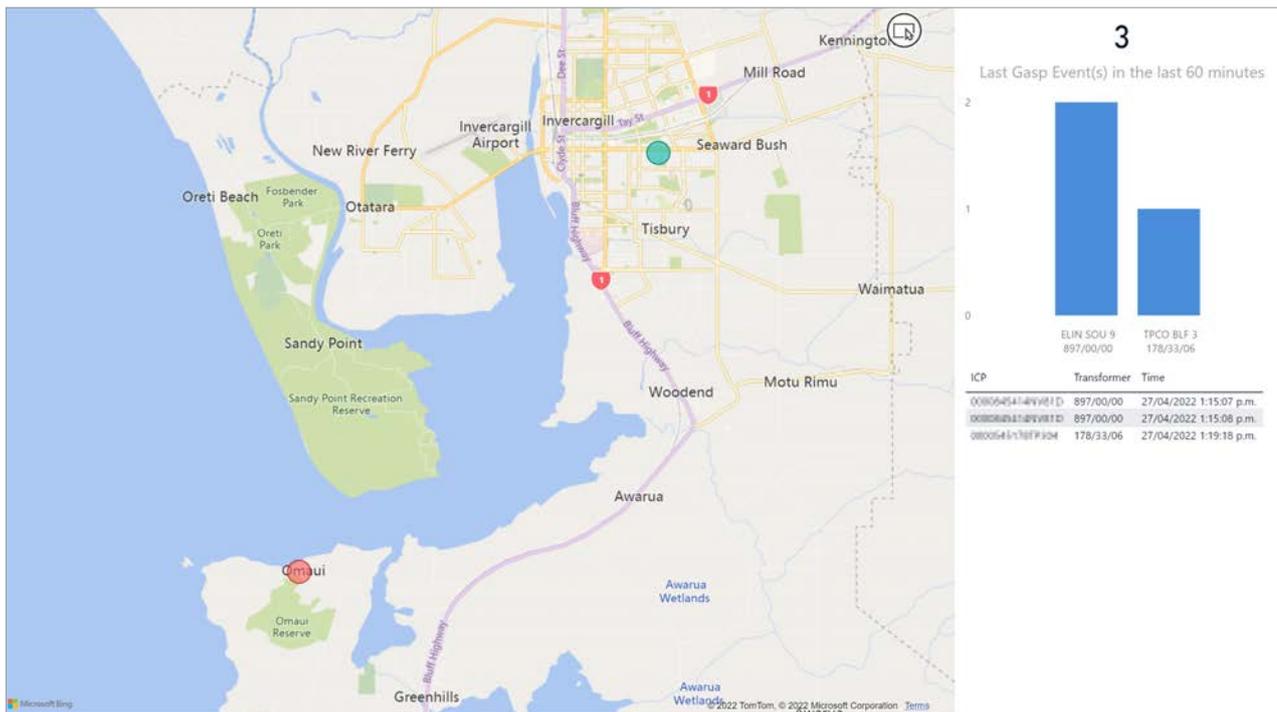


Figure 3: Historical last gasp events experienced by each transformer. The data that PowerNet receives is in near real-time.

The availability of this data, especially in visual representation (as seen in Figure 3 above) allows PowerNet to respond to outages prior to a customer calling in to report it.

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

Microgrids

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

Microgrids are typically comprised of solar generation, battery storage and back-up generation, producing energy primarily from clean and renewable local generation. PowerNet’s pilot microgrid system, on behalf of TPCL, has been successful in proving the microgrid concept as a reliable alternative to remote overhead power lines. PowerNet will continue to deploy microgrid systems as remote lines become due for maintenance and costs favour a microgrid option. PowerNet has also assessed viability of small-scale wind generation and will deploy wind turbines where these form part of an optimal technology mix.

PowerNet has developed a data-driven system to identify economic microgrid opportunities where cost efficiencies can be achieved for customers. This microgrid identification system is being refined and automated to ensure all opportunities are located, including cases where multiple customers within an area may be more cost-efficiently supplied from microgrid assets.

Decarbonising Industries

With the Government’s commitment to be carbon zero by 2050 and the introduction of the Government Investment in Decarbonising Industry (GIDI) Fund, PowerNet is seeing increased interest from our commercial and industrial customers to shift their large thermal fuel boilers to a more renewable source; electricity being one of them.

PowerNet is supporting these industries in their decarbonisation efforts and is working closely with them to provide solutions that are fit-for-purpose and future-proof for both the customer, and PowerNet.

In 2021, PowerNet carried out a survey of our customers to identify sites using large fuel boilers in the region and to collect relevant information to assist in the long-term infrastructure planning needed to deliver the carbon-reduction efforts by our customers.

Figure 4 provides a representation on the road map for our region, with input from our customers that were surveyed. We anticipate that there would be quite a significant increase in electricity capacity requirements of more than 55MW by 2035.

PowerNet is committed to supporting decarbonisation efforts across our regions, and is looking forward to developing and growing our networks to enable the new energy future.

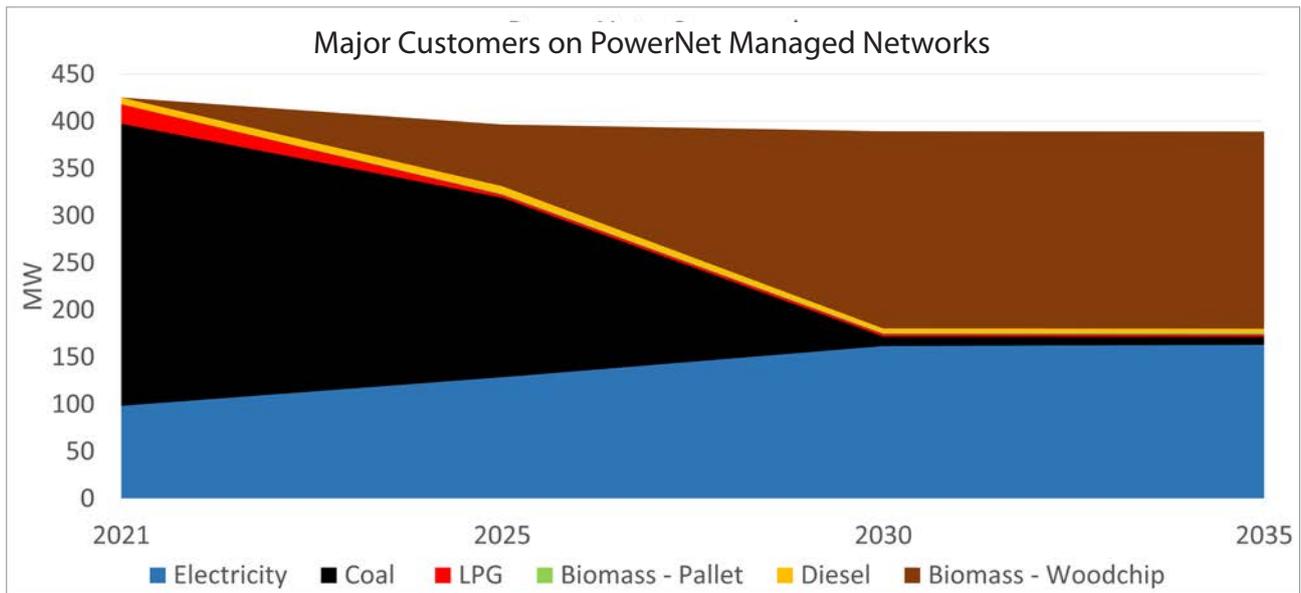


Figure 4: Thermal fuel transition plan on PowerNet network.

Managing Waste

PowerNet uses a best practice methodology to manage network waste with a ‘reduce, reuse or recycle’ approach.

Waste oil is a by-product of the transformers and switchgear used in electricity distribution. Disposing of oil in an environmentally sensitive manner is important to PowerNet, where all oil we use is returned to the supplier for recycling. There were no waste oil spills during the 2021-22 year.

Our critical success factor of ‘continuous improvement’ includes lean management and elimination of waste through our 5S Lean Management Programme. Power poles continue to be replaced as required because of public safety or network performance. In total, 1,240 poles were replaced in 2021-22, and removed poles were either recycled or disposed of safely.

Sulphur Hexafluoride (SF6) is a potent, colourless, odourless, greenhouse gas used as an insulating medium in high voltage circuit breakers. SF6 is only used in sealed, well-contained units. PowerNet has stringent procedures for monitoring gas-filled equipment and uses specialised equipment to regularly check for loss of pressure. Substitutes for SF6 gas have been trialled and we continue to search for alternatives. The estimated total SF6 gas on PowerNet managed networks is 629 kilograms.

Customer Notifications

PowerNet previously printed and posted paper-based notifications for planned power interruptions. We have now moved to a paperless system and send digital notifications to retailers who then notify customers. This means we have been able to reduce our environmental footprint and create efficiencies in our notification process. This also reflects the change we have made to move to a consistent approach of providing all outage notifications via retailers.

Supporting the Environment

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

Promoting the uptake of electric vehicles (EVs) and positively influencing public perceptions about the benefits and practicalities of EV use is one of PowerNet's strategic goals.

PowerNet has previously sponsored EV chargers for Southland businesses to support and encourage electrification of their fleet. PowerNet and these businesses have been able to use the EV chargers' data to understand the charging periods, energy usage and to estimate carbon dioxide emissions offset from operating an electric vehicle.

The latest PowerNet EV charger sponsorship was to St John, continuing our strong partnership with the organisation. This was in conjunction with St John's pilot to trial the use of electric vans for their health shuttle service, providing services to the communities in Bluff, Invercargill, Otautau, and Winton.

Feedback noted the electric shuttle vans were smooth and quiet, providing better social interaction between volunteer drivers and patients. The absence of harmful fumes at hospital and clinic drop-off bays were also signaled as a plus-point, not only for the environment, but also for overall patient health. Since the trial started, the electric shuttle vans have used over 1,600kWh of energy and have offset over 500kg of CO₂. With the savings in operational running costs, St John has been able to re-invest into programmes for the community, such as St John Youth and Outreach Therapy Pets.

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

PowerNet also continues to explore ways to reduce its own impact on the environment. We operate two EVs and five plug-in hybrid EVs as part of the company's vehicle fleet. These vehicles have proven popular with our employees and queries amongst staff on the affordability of EVs are increasing. PowerNet is also incentivising and encouraging employees to support the decarbonisation of the transportation sector by providing electric vehicle charging facilities at some PowerNet offices and depots for the team to use. The recent facilities installed were at our newly built Balclutha office and at our Gore depot. We will be continuing our efforts to encourage use of electric vehicles to the PowerNet team by installing chargers at remaining sites in due course.



The electric vehicle charging station at the PowerNet Balclutha office.

Corporate Governance Statement

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

Role of the Board of Directors

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

The Board is responsible for direction and governance, establishing and monitoring the strategic direction of the Company, with day-to-day management delegated to the Group Chief Executive.

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

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

Risk Management

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

The Company has a risk management policy and framework incorporating the ISO 31000:2009 risk management processes. Risk management programmes are in place to ensure that risks are identified and mitigated, where possible, and that risk is considered when internal policies and procedures are drafted. The Board has overall responsibility for the Company's systems of operational and financial control.

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

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

Health, Safety, and Environment Management

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

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

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

Board Committees

During the year, the Board had three standing Committees and one special purpose Working Group, established to enhance its effectiveness in key areas, while still retaining board responsibility.

Audit and Risk Committee

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

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

The Committee meets four times per year.

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

Duncan Fea - Chair

Douglas (Doug) Fraser - Member

Don Nicolson - Ex-officio

Paul Kiesanowski - Member

Thomas (Tom) Campbell - Member

Robert (Bob) Taylor - Ex-officio

Health, Safety, and Environment Committee

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

The Committee meets four times per year, with additional meetings as required.

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

Alan (Joe) O'Connell - *Chair*

Robert (Bob) Taylor - *Member*

Wayne Mackey - *Member*

Peter Moynihan - *Chair/Member*

Don Nicolson - *Ex-officio*

Remuneration Committee

The Board has a Remuneration Committee comprising of three non-executive Directors. The Remuneration Committee is responsible for assisting the Board in overseeing the appointment, performance and remuneration of the Chief Executive and Members of the Senior Leadership Team, which also includes succession planning. The Remuneration Committee reviews the company's policies and practices, with the objective of being an employer of choice.

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

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

Don Nicolson - *Chair*

Alan (Joe) O'Connell - *Member*

Robert (Bob) Taylor - *Member*

Peter Moynihan - *Chair/Member*

Network Management Agreement Working Group

The Network Management Agreement (NMA) Working Group is comprised of four non-executive Directors each representing PowerNet and the three EDBs that PowerNet acts as agent for. The NMA Working Group was established for a finite period to oversee the development of new Network Management Agreements.

The role of the NMA Working Group is to provide support and advice to PowerNet and the EDBs, being Electricity Invercargill Limited (EIL), The Power Company Limited (TPCL), Lakeland Network Limited (LNL) (previously Electricity Southland Limited (ESL)) Boards, and the OtagoNet Joint Venture (OJV) Governing Committee, for the revision and update of new NMAs between PowerNet and each of the EDBs.

The long established and successful relationship between EIL and TPCL has been enjoyed for 28 years, and it is the Working Group's role to ensure the NMAs are developed in the best interests of both the EDBs and PowerNet.

The NMA Working Group met ten times during the past year.

The following Directors were NMA Working Group Members during the year under review:

Don Nicolson (*Chair/OJV*)

Paul Kiesanowski (*EIL*)

Robert (Bob) Taylor (*PowerNet*)

Wayne Mackey (*TPCL*)

External Auditor

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

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

The Audit and Risk Committee has determined that there are no matters that have affected the auditor's independence. PwC provide the Board with the required independence declaration for the financial year ended 31 March 2022.

Internal Audit

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

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

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



Aerial photo of Shotover Country in Frankton (photo supplied by Neville Porter).

Directors' Profiles

Board of Directors



Robert (Bob) Taylor *Chair*

(BE Hons (Electrical), REA)

Bob has over 45 years strategic, business and operational management experience in the electricity supply industry, in both the United Kingdom and here in New Zealand.

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

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

Bob's experience in the sector and his knowledge of the electricity supply industry offers an invaluable perspective and trusted expertise to PowerNet's governance team.



Peter Moynihan *Deputy Chair*

(BAgSc)

After completing his Lincoln degree Peter embarked on a 3-year banking career where he was running Westpac's South Island Agribusiness team managing over \$5 billion of lending. Peter left in June 2021 but continues to expand his investment within the dairy industry.

Peter is deputy chair of PowerNet Ltd (appointed January 2022, director since November 2019) and a board director of The Power Company Ltd (since September 2017). He is chair of the PowerNet Health, Safety and Environment committee.

He is also a member of the Institute of Directors.

Peter's comprehensive understanding of balance sheets, trading performance, risk and how strategy and strategy implementation is vital for this industry.



Christopher (Chris) Boyle *(Appointed 1 November 2021)*
(BEng (Heavy Current) MBA)

Chris has worked internationally in power systems, bringing experience in bio-tech and SAS start-ups, hydrogen energy technologies and aerospace propulsion.

Chris is a director on the board of PowerNet Ltd, he also holds other board roles for Horizon Energy, Levno, and AFCryo Global.

He has a Bachelor Engineering (Heavy Current), Master of Business Administration and is a chartered member of the Institute of Directors.

Chris has a strong background in asset management, risk management, strategic thought and future energies and is passionate about assisting the adoption of reliable, cost-effective renewable resources for a lower emissions economy.



Thomas (Tom) Campbell *(Retired 31 October 2021)*
(BSc (Metallurgy), CFIInstD)

Tom was chair of Electricity Invercargill and Southern Generation GP Ltd, and director of PowerNet Ltd until his retirement. He was former managing director of Comalco and former general manager of the Tiwai Smelter. Tom's directorships include Todd Corporation Ltd and Port Otago Ltd. He was chair of the Energy Efficiency and Conservation Authority (EECA) and chair of the Southland Regional Development Strategy governance group.

Tom is a chartered fellow of the Institute of Directors.



Duncan Fea
(BCom, FCA, CFIInstD)

Duncan is a business advisor with 40 years' experience. He is a managing partner for Findex Central Otago Offices and has lived in Queenstown since 1989.

Duncan is a director on the boards of PowerNet Ltd and The Power Company Ltd. He chairs the OtagoNet Joint Venture governing committee, Lakeland Network Ltd (since September 2011) and the PowerNet Audit and Risk committee. He is also a director on the Southern Generation GP Ltd board (since April 2015).

He has a Bachelor of Commerce Degree, is a fellow chartered accountant CAANZ FCA and a chartered fellow of the Institute of Directors.

Duncan's business advisory background provides PowerNet with a strong voice in corporate needs around financing, risk analysis, compliance and business practice. He brings an inquisitive mind that adds to the company's strategic thinking, opportunity assessment, business development and growth.



Douglas (Doug) Fraser
(BSc (Chemistry), CFIInstD)

Self-employed in the primary sector, Doug owns and manages a 595-hectare dairy and sheep farm in Western Southland.

Doug is a director on the boards of PowerNet Ltd, Lakeland Network Ltd and is chair of The Power Company Ltd and a member of the OtagoNet Joint Venture governing committee. His previous governance roles include Otago Power Services Ltd, NZ Wool Board, Wools of NZ and AgITo.

He has a Bachelor of Science Degree in Chemistry and is a chartered fellow of the Institute of Directors.

Doug has a wealth of governance, regional and industry experience that has contributed to the PowerNet Group's strategic direction and growth. Under his tenure, joint venture relationships have prospered and Group assets have tripled in size.



Paul Kiesanowski

(BCom, FCA, CMIInstD)

Paul is a former partner of KPMG.

Paul is a director on the boards of PowerNet Ltd and Electricity Invercargill Ltd (since March 2019). His other directorships include Black Holdings Ltd and Amalgamated Holdings Ltd.

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

He brings strong financial management skills, risk management and assurance through his career working with a large number of clients.



Wayne Mackey

(BE (Electrical), MIEEE)

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

Wayne is a director on the boards of PowerNet Ltd and The Power Company Ltd (since September 2017). He is a member of the institute of Electrical and Electronic Engineers.

Wayne has extensive industry knowledge through his experience leading an electricity network and related directorships.



Donald (Don) Nicolson

Self-employed in the primary sector since 1979, Don has contributed through many advocacy and governance roles.

A previous Trustee for the Southland Electric Power Supply Consumer Trust (SEPSCT), together with numerous roles within Federated Farmers locally and nationally, his experience culminated in 2008 by becoming the 27th National President of Federated Farmers of New Zealand, and presiding over New Zealand's largest primary sector Union.

Don is a director on the boards of PowerNet Ltd (since October 2015), The Power Company Ltd (since August 2015) and Lakeland Network Ltd (since September 2017). He is also a member of the OtagoNet Joint Venture governing committee (since September 2017). He retired from the role of chair on the PowerNet board on 31 December 2021.

Don's ability to assimilate data and apply his industry knowledge to his governance duties and the company's strategic direction is invaluable.



Alan (Joe) O'Connell *(Retired 30 June 2021)*

(BCom, FCA, CFInstD)

Joe joined the Boards of PowerNet Ltd (served as deputy chair) and Electricity Invercargill Ltd in 2016. He serves as a director on a number of companies and was chairman of Invercargill Airport Ltd from 2011 – 2016.

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

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

Statutory Report

The Directors are pleased to present the Annual Report and accompanying financial statements in respect of PowerNet Limited's operations for the year ended 31 March 2022.

Result and Distribution

The Directors report that the company's after tax profit for the year under review was \$2,289,699.

Principal Activities

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

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

State of Company's Affairs

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

Dividend

A fully imputed final dividend for the year ended 31 March 2021 of \$457,745 (\$635,757 inclusive of imputation credits), was declared during the year and paid to the shareholders on 31 May 2021.

A fully imputed interim dividend of \$988,250 (\$1,372,569 inclusive of imputation credits), was declared during the year and paid to the shareholders on 30 November 2021.

Directors

The Shareholding Companies have appointed Directors as follows:

Appointed by Electricity Invercargill Limited are:

Christopher Boyle (appointed 1 November 2021)
 Thomas (Tom) Campbell (ceased 31 October 2021)
 Paul Kiesanowski (appointed 28 March 2019)
 Alan (Joe) O'Connell (Deputy Chair) (ceased 30 June 2021)
 Robert (Bob) Taylor (Chair) (appointed 1 November 2020)

Appointed by The Power Company Limited are:

Duncan Fea (appointed 8 September 2011)
 Douglas (Doug) Fraser (appointed 9 September 2004)
 Wayne Mackey (appointed 6 September 2017)
 Peter Moynihan (Deputy Chair) (appointed 6 September 2017)
 Donald (Don) Nicolson (Chair) (appointed 1 October 2015)

Directors' Interests

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

General

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

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

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

Directors' Register

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

	PowerNet Limited	The Power Company Limited	Electricity Invercargill Limited	OtagoNet Limited	OtagoNet Joint Venture	OtagoNet Properties Limited	Roaring Forties Energy GP Limited	Southern Generation GP Limited	Lakeland Network Limited	Last Tango Limited	Pylon Limited
Christopher Boyle	●										
Donald Nicolson	●	●		●	●	●			●	●	
Doug Fraser	●	●		●	●	●			●	●	
Duncan Fea	●	●		●	●	●	●	●	●	●	
Joe O'Connell	●		●								●
Paul Kiesanowski	●		●								●
Peter Moynihan	●	●								●	
Robert (Bob) Taylor	●										
Tom Campbell	●		●	●	●	●	●	●	●		●
Wayne Mackey	●	●								●	

Directors' Disclosure of Interest

Interests Register

Register of Directors' external Interests - as at 31 March 2022 [Companies Act 1993, Section 189 (1) (c)].

Christopher Boyle

AFCryo Limited	<i>Director</i>	R Richardson Limited	<i>Director</i>
AFCryo Global Limited	<i>Director</i>	R WTransport Limited	<i>Director</i>
Boyle Consulting Limited	<i>Director</i>	SBS Bank	<i>Director</i>
Fabrum Solutions Limited	<i>Director</i>	SBS Charitable Trust	<i>Trustee</i>
Horizon Energy Group and Associated Companies	<i>Director</i>	Southfuels Limited	<i>Director</i>
Levno Limited	<i>Chair</i>	Southsure Assurance Limited	<i>Director</i>
Resonant Consulting Limited	<i>Director</i>	TNZ Growing Products Limited	<i>Director</i>
Resonant Consulting Trustee Limited	<i>Director</i>		
Quasar Systems Limited	<i>Chair</i>		

Tom Campbell

Energia Potior Limited	<i>Independent Director</i>	Amalgamated Holdings Limited	<i>Director</i>
Port Otago Limited	<i>Director</i>	Black Forrest Holdings Limited	<i>Director</i>
Todd Corporation Limited	<i>Director</i>	Black Holdings (NZ) Limited	<i>Director</i>
Todd Offshore Limited	<i>Director</i>	Paul Kiesanowski Advisory Limited	<i>Director / Shareholder</i>

Duncan Fea

Findex	<i>Partner</i>	Peter Moynihan	
		Aerodrome Farm Limited	<i>Director / Shareholder</i>
		Rathmore Farm Limited	<i>Director</i>
		Ravensdown Limited	<i>Director</i>

Joe O'Connell

Abbot NZ Holdings Limited	<i>Director</i>	Bob Taylor	
Abbot Management Limited	<i>Director</i>	Bob Taylor Limited	<i>Director / Consultant / Shareholder</i>
AJO Management Limited	<i>Director</i>	Electricity Engineers Association National Committee Live Work	<i>Chairman</i>
Craigpine Timber Limited	<i>Director</i>	Sterling Tree Limited	<i>Director / Shareholder</i>
Fraser Properties Limited	<i>Director</i>		
H & J Smith Holdings Limited (and associated companies)	<i>Director</i>		
K G Richardson Limited	<i>Association</i>		
KGR Properties Limited	<i>Association</i>		
Log Logistics Limited	<i>Director</i>		
Log Marketing New Zealand Limited	<i>Director</i>		
McNeill Distribution Limited	<i>Association</i>		
Niagara Forestry Limited	<i>Director</i>		
Niagara Sawmilling Company Limited	<i>Association</i>		
O'Connell Holdings Limited	<i>Director</i>		
OKC Holdings Limited	<i>Director</i>		
Property South Limited	<i>Director</i>		

Remuneration Of Directors

Directors' remuneration for PowerNet Limited of \$423,019 was distributed as follows:

Director	Appointment Date to PowerNet Limited Board	Retirement Date from Board	2021/2022
Bob Taylor <i>(Chair from 1 January 2022, Deputy Chair from 1 July 2021)</i>	1 November 2020	-	\$62,812
Christopher Boyle	1 November 2021	-	\$15,417
Joe O'Connell <i>(Deputy Chair to 30 June 2021)</i>	1 December 2016	30 June 2021	\$13,562
Tom Campbell	1 November 2010	31 October 2021	\$24,354
Duncan Fea	8 September 2011	-	\$46,500
Doug Fraser	9 September 2004	-	\$41,750
Paul Kiesanowski	28 March 2019	-	\$45,707
Wayne Mackey	6 September 2017	-	\$45,708
Peter Moynihan <i>(Deputy Chair from 1 January 2022)</i>	1 November 2019	-	\$51,250
Don Nicolson <i>(Chair to 31 December 2021)</i>	1 October 2015	-	\$75,958

Employee Remuneration

One hundred and five continuing or former employees received remuneration in the following bands

\$100,000 - \$110,000	32	\$180,000 - \$190,000	2
\$110,000 - \$120,000	26	\$190,000 - \$200,000	2
\$120,000 - \$130,000	20	\$250,000 - \$260,000	1
\$130,000 - \$140,000	6	\$280,000 - \$290,000	1
\$140,000 - \$150,000	4	\$300,000 - \$310,000	1
\$150,000 - \$160,000	6	\$320,000 - \$330,000	1
\$170,000 - \$180,000	2	\$500,000 - \$510,000	1

Scholarships, Awards and Donations

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

Auditor Remuneration

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

Directors' and Employees' Indemnity and Insurance

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

Accounting Policies

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

For and on behalf of the Directors.

Robert Bruce Taylor
Chair



Peter William Moynihan
Deputy Chair





Approval by Directors

The Directors have approved the Financial Statements of PowerNet Limited for the year ended 31 March 2022 pages 56 to 79.

For and on behalf of the Board.



Robert Taylor
Chair
27 May 2022



Peter Moynihan
Director
27 May 2022



Financial Statements

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 \$'000	2021 \$'000
Operating Revenue	2	84,672	81,218
Other Income	3	639	131
Operating Expenses	4	(79,825)	(77,144)
Financial Expenses	4	(2,413)	(1,511)
Operating Surplus Before Taxation		3,073	2,694
Taxation (Expense) / Benefit	5	(783)	(645)
Net Surplus after Taxation		2,290	2,049
Total Comprehensive Income		2,290	2,049

The accompanying notes on pages 60-79 form part of and should be read in conjunction with these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Notes	2022 \$'000	2021 \$'000
Total Comprehensive Income			
Net Surplus for the Year		2,290	2,049
Distributions to Shareholders			
Dividend Paid / Declared		(986)	(3,312)
Changes in Equity for the Year		(1,304)	(1,263)
Equity at the Beginning of the Year		4,312	5,575
Equity at End of Year		5,616	4,312

The accompanying notes on pages 60-79 form part of and should be read in conjunction with these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 \$'000	2021 \$'000
ASSETS			
Current Assets			
Cash and Short-Term Bank Deposits	7	616	1,399
Receivables and Prepayments	8	12,765	15,784
Unbilled Construction Work in Progress	10	5,587	5,945
Inventories	9	3,014	1,961
Total Current Assets		21,982	25,089
Non-Current Assets			
Property, Plant and Equipment	16	17,358	17,990
Capital Work in Progress		1,316	1,364
Intangibles	17	9,061	8,919
Deferred Taxation Asset	15	690	461
Deferred Revenue		16	-
Right-of-Use Assets	14	14,814	6,989
Total Non-Current Assets		43,255	35,723
Total Assets		65,237	60,812
LIABILITIES			
Current Liabilities			
Creditors and Accruals	11	5,633	7,586
Employee Entitlements	12	4,605	4,051
Dividend Payable		-	458
Taxation Payable		113	321
Lease Liabilities	14	58	167
Total Current Liabilities		10,409	12,583
Non-Current Liabilities			
Advances	13	33,469	36,669
Lease Liabilities	14	15,743	7,248
Total Non-Current Liabilities		49,212	43,917
Total Liabilities		59,621	56,500
Net Assets		5,616	4,312
EQUITY			
Share Capital	6	4,000	4,000
Retained Earnings	6	1,616	312
Total Equity		5,616	4,312

The accompanying notes on pages 60-79 form part of and should be read in conjunction with these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts from Customers		87,783	85,615
Interest Received		8	-
		87,791	85,615
Cash Was Applied To:			
Payments to Suppliers and Employees		77,608	76,466
Income Tax Paid		1,219	442
Interest Paid		2,325	1,608
		81,152	78,516
Net Cash Flows From Operating Activities	21	6,639	7,099
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Provided From:			
Sale of Fixed Assets		179	164
		179	164
Cash Was Applied To:			
Purchase of Fixed and Intangible Assets		2,852	3,218
		2,852	3,218
Net Cash Flows From / (Used In) Investing Activities		(2,673)	(3,054)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Provided From:			
Advances and Loans		2	6
		2	6
Cash Was Applied To:			
Advances and Loans		3,200	3,101
Payment of Dividends		1,446	2,854
Principal Elements of Lease Payments		105	200
		(4,751)	(6,155)
Net Cash Flows From Financing Activities		(4,749)	(6,149)
Net Increase (Decrease) in Cash and Cash Equivalents		(783)	(2,104)
Cash and Cash Equivalents at the Beginning of the Financial Year		1,399	3,503
Cash and Cash Equivalents at End of Year	7	616	1,399

The accompanying notes on pages 60-79 form part of and should be read in conjunction with these Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2022

1 Statement of Accounting Policies

Reporting Entity

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

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

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

The financial statements were approved by the Board of Directors on 26 May 2022.

Basis of Preparation

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

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

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

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

Impact of COVID-19 on Financial Statements

The New Zealand COVID 19 protection framework has transitioned from the Alert Level System to the more permissive Traffic Light System. The continued response to the COVID 19 pandemic and the emergence of new variants such as Delta and Omicron will continue to be a major influence in conducting business operations and represent a significant source of uncertainty and risk.

Having considered the potential impact of COVID 19 on the business, and concluded that there is no significant impact to PowerNet Limited we believe no changes to the presentation of the financial statements are required.

Use of Estimates and Judgments

The preparation of financial statements to conform to NZ IFRS requires management to make 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 (includes assumptions around useful life of assets, Note 16)
- Intangibles (an impairment review is performed on the value of goodwill, Note 17)
- Revenue (timing of revenue is assessed under NZ IFRS 15 guidance, Note 2)
- Leases (determination of lease term and incremental borrowing rate applied in accordance with NZ IFRS 16, Note 14)

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

For The Year Ended 31 March 2022

Specific Accounting Policies

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

(a) Revenue from Contracts with Customers

(i) Line and Metering Charges

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

(ii) Capital Works Programme

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

(iii) Agency Services

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

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

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

(iv) Maintenance Services

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

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

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

(v) External Contracting Income

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

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

(vi) Management Service Fixed Fee

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

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

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

For The Year Ended 31 March 2022

(b) Financial Expenses

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

(c) Unbilled Construction Work in Progress

Construction Work in Progress primarily relates to The Power Company Limited's, Electricity Invercargill Limited's, OtagoNet Joint Venture's and Lakeland Network 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.

(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 or their intended service.

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

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

(f) Depreciation

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

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

(g) Capital Work in Progress

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

(h) Impairment

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

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

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

For The Year Ended 31 March 2022

(i) Intangible Assets

(i) Goodwill

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

(ii) Computer Software

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

(iii) Amortisation

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

Software	8.0 - 50.0%	Straight line / Diminishing value
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(j) Goods and Services Tax (GST)

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

(k) Taxation

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

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

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

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

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

(l) Employee Benefits

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

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

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

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

For The Year Ended 31 March 2022

(m) Seasonality

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

(n) Financial Instruments

(i) Cash and Cash Equivalents

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

(ii) Receivables

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

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

Impairment losses:

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

(iii) Trade and Other Payables

Trade and Other Payables are stated at cost.

(iv) Borrowings

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

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

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

For The Year Ended 31 March 2022

2 Income

	2022 \$'000	2021 \$'000
<i>Agency</i>		
Line Charges	110,573	111,421
Metering	4,498	4,509
	115,071	115,930
<i>Less</i>		
Transmission	26,607	25,351
Net Agency	88,464	90,579
 Revenue from Contracts with Customers		
External Contracting Revenue	2,715	4,280
Maintenance Fees	18,640	18,422
Agency Fees	9,396	9,501
Capital Works Programme	53,738	48,796
Management Fees	183	219
	84,672	81,218
Over Time	84,672	81,218
At a Point in Time	-	-
	84,672	81,218

3 Other Income

	2022 \$'000	2021 \$'000
Sundry Revenue	631	131
Interest Revenue	8	-
	639	131

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

For The Year Ended 31 March 2022

4 Expenses

	2022 \$'000	2021 \$'000
<i>Expenses Include:</i>		
Network Costs (excl. Depreciation)	52,811	51,708
Interest Expense	2,413	1,511
Loss on Disposal of Property, Plant and Equipment	1	31
Amortisation of Intangibles	435	525
Auditors' Fees		
Audit of Financial Statements - PwC	95	98
Regulatory and Consulting Fees - PwC	9	8
Depreciation		
Land and Buildings	201	201
Plant and Equipment	1,281	1,377
Motor Vehicles	1,050	1,080
Office Equipment	78	82
Computer Hardware	316	314
Right-of-Use Assets	666	370
Total Depreciation	3,592	3,424
Directors' Fees	423	370
Donations	6	13
Employee Benefit Expenses	16,758	14,316

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

For The Year Ended 31 March 2022

5 Taxation

Current Tax

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

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

Deferred Tax

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

	2022 \$'000	2021 \$'000
Operating Surplus / (Deficit) Before Income Tax	3,073	2,694
Prima Facie Taxation at 28% made up of:	860	754
Permanent Differences	54	78
Prior Period Adjustments	3	(26)
Tax effects of:		
• Tax benefit from use of group losses	(134)	(161)
Tax on Taxable Income	783	645
Current Tax	1,070	528
Prior Period Adjustments in respect of Current Tax	(58)	19
Prior Period Adjustments in respect of Deferred Tax	61	(45)
Deferred Tax	(290)	142
Taxation Expense	783	645

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

For The Year Ended 31 March 2022

6 Equity

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

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

	2022 \$'000	2021 \$'000
Share Capital	4,000	4,000
Closing Balance	4,000	4,000
Retained Earnings		
Opening Balance	312	1,575
Net Surplus for the Year	2,290	2,049
Dividend Declared / Paid	(986)	(3,312)
Closing Balance	1,616	312
Total Equity	5,616	4,312

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

For The Year Ended 31 March 2022

7 Cash and Short-Term Bank Deposits

	2022 \$'000	2021 \$'000
Current Account	315	199
Short-Term Bank Deposits	301	1,200
Total Cash and Short-Term Bank Deposits	616	1,399

8 Receivables and Prepayments

	2022 \$'000	2021 \$'000
Trade Debtors	476	432
The Power Company Limited	5,489	8,999
Electricity Invercargill Limited	1,434	1,512
OtagoNet Joint Venture	2,690	2,297
Lakeland Network Limited	1,249	1,550
Prepayments and Other Receivables	1,427	993
Total Receivables and Prepayments	12,765	15,783

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

For The Year Ended 31 March 2022

9 Inventories

	2022 \$'000	2021 \$'000
Network Spares and Sundry Network Consumables	3,014	1,961

Network Spares includes Smart Meters totalling \$2,445,000 (2021: \$1,180,000).

10 Unbilled Construction Work in Progress

	2022 \$'000	2021 \$'000
<i>On behalf of:</i>		
The Power Company Limited	3,217	3,733
Electricity Invercargill Limited	460	544
OtagoNet Joint Venture	766	1,003
Lakeland Network Limited	674	491
External Customers	470	174
Total Unbilled Construction Work in Progress	5,587	5,945

11 Creditors and Accruals

	2022 \$'000	2021 \$'000
Trade Payables	3,730	4,465
Accruals	822	1,499
Inland Revenue - GST Payable	595	1,015
Income in Advance	4	63
The Power Company Limited	334	268
Electricity Invercargill Limited	77	58
OtagoNet Joint Venture	71	216
Lakeland Network Limited	-	2
	5,633	7,586

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

For The Year Ended 31 March 2022

12 Employee Entitlements

	2022 \$'000	2021 \$'000
Opening Balance	4,051	4,124
Additional Accrued	3,836	3,677
Amount Utilised	(3,282)	(3,750)
Total Employee Entitlements	4,605	4,051

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

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

13 Advances

	2022 \$'000	2021 \$'000
<i>Advances from:</i>		
The Power Company Ltd	26,443	28,843
Electricity Invercargill Ltd	7,026	7,826
Total Advances	33,469	36,669

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

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

For The Year Ended 31 March 2022

14 Leases

	2022 \$'000	2021 \$'000
Right-of-Use Assets Net Book Value		
Properties	14,633	6,904
Vehicles	-	-
Equipment	145	41
Others	36	44
	14,814	6,989
Lease Liabilities		
Current	58	167
Non-Current	15,743	7,248
	15,801	7,415

(a) Amounts recognised in the Statement of Comprehensive Income

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

	2022 \$'000	2021 \$'000
Depreciation Charge of Right-of-Use Assets		
Properties	614	300
Vehicles	-	19
Equipment	41	41
Others	11	10
	666	370
Interest Expense (included in finance cost)	1,053	410
Expense Relating to Short-Term Leases (included in operating expenses)	123	533
Additions to Right-of-Use Assets	8,481	1,589
Income from sub-leasing right-of-use assets (included in sundry revenue)	132	-

The total cash outflow for leases for the year was \$1,157,388 (31 March 2021: \$612,025).

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in substance fixed payments), less any lease incentives receivable.

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

For The Year Ended 31 March 2022

14 Leases (*continued*)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in PowerNet Limited, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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

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

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

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

15 Deferred Taxation

	Depreciation	Employee Entitlements	Leases	Other	Total
Balance at 1 April 2020	(675)	1,067	72	94	558
Charged to Income Statement	(149)	(20)	47	25	(97)
Balance at 31 March 2021	(824)	1,047	119	119	461
Balance at 1 April 2021	(824)	1,047	119	119	461
Charged to Income Statement	(36)	155	153	(43)	229
Balance at 31 March 2022	(860)	1,202	272	76	690

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

For The Year Ended 31 March 2022

16 Property, Plant and Equipment

	Land \$'000	Buildings and Fit-Out \$'000	Plant and Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Computer Hardware \$'000	Total \$'000
Cost							
Balance at 1 April 2020	412	6,023	16,549	1,741	14,886	2,414	42,025
Additions	15	45	675	312	736	292	2,075
Disposals	-	-	(86)	(140)	(389)	(231)	(846)
Balance at 31 March 2021	427	6,068	17,138	1,913	15,233	2,475	43,254
Balance at 1 April 2021	427	6,068	17,138	1,913	15,233	2,475	43,254
Additions	-	78	858	32	1,125	228	2,321
Disposals	-	-	(153)	-	(440)	(99)	(692)
Balance at 31 March 2022	427	6,146	17,843	1,945	15,918	2,604	44,883
Depreciation and Impairment							
Balance at 1 April 2020	-	1,985	9,415	1,256	8,542	1,729	22,927
Depreciation for Period	-	201	1,377	82	1,080	314	3,054
Disposals	-	-	(53)	(118)	(316)	(231)	(718)
Balance at 31 March 2021	-	2,186	10,739	1,220	9,306	1,812	25,263
Balance at 1 April 2021	-	2,186	10,739	1,220	9,306	1,812	25,263
Depreciation for Period	1	200	1,281	78	1,050	316	2,926
Disposals	-	-	(146)	-	(421)	(96)	(663)
Balance at 31 March 2022	1	2,386	11,874	1,298	9,935	2,032	27,526
Book Value at 31 March 2021	426	3,882	6,400	692	5,926	664	17,990
Book Value at 31 March 2022	425	3,761	5,970	646	5,982	574	17,358

Deemed Cost

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

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

For The Year Ended 31 March 2022

17 Intangible Assets

	Goodwill \$'000	Computer Software \$'000	Total \$'000
Cost			
Balance at 1 April 2021	7,134	6,382	13,516
Additions	-	577	577
Disposals	-	(69)	(69)
Balance at 31 March 2022	7,134	6,890	14,024
Amortisation and Impairment			
Balance at 1 April 2021	-	4,597	4,597
Amortisation for Period	-	435	435
Disposals	-	(69)	(69)
Balance at 31 March 2022	-	4,963	4,963
Book Value at 31 March 2021	7,134	1,785	8,919
Book Value at 31 March 2022	7,134	1,927	9,061

Goodwill in respect of acquisition is stated at cost. Goodwill is not amortised but tested for impairment annually. Key assumptions in the impairment testing include:

- Capital expenditure and depreciation based on the current year business plan
- WACC sourced from Commerce Commission mid point post tax EDB WACC
- No allowance made for growth

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

18 Commitments

Capital Commitments

Capital Commitments as at 31 March 2022 total \$1,957,106 (2021: \$904,595).

19 Contingent Liabilities

There are no Contingent Liabilities as at 31 March 2022 (2021: \$nil).

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

For The Year Ended 31 March 2022

20 Transactions with Related Parties

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

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

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

Lakeland Network Limited has the same ownership as the OtagoNet Joint Venture.

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

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

	2022 \$'000	2021 \$'000
Asset Construction, Management Fees, Agency Fees and Directors Fees Supplied To:		
The Power Company Limited	42,663	43,395
Electricity Invercargill Limited	11,379	8,969
OtagoNet Joint Venture	18,694	17,725
Lakeland Network Limited	9,037	6,629
Roaring Forties Energy Limited Partnership	153	135
Receivables and Unbilled WIP Outstanding at Balance Date (GST incl):		
The Power Company Limited	8,674	12,711
Electricity Invercargill Limited	1,886	2,033
OtagoNet Joint Venture	3,462	3,282
Lakeland Network Limited	1,923	2,033
Roaring Forties Energy Limited Partnership	15	13
Miscellaneous Charges Supplied By:		
The Power Company Limited	1,579	1,462
Electricity Invercargill Limited	288	229
OtagoNet Joint Venture	745	481
Lakeland Network Limited	159	233

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

For The Year Ended 31 March 2022

20 Transactions with Related Parties (*continued*)

	2022 \$'000	2021 \$'000
Creditors Outstanding at Balance Date (GST incl):		
The Power Company Limited	334	268
Electricity Invercargill Limited	77	58
OtagoNet Joint Venture	71	216
Lakeland Network Limited	-	2
Advances Supplied By:		
The Power Company Limited	14,988	1,700
Electricity Invercargill Limited	5,588	250
Advances Repaid To:		
The Power Company Limited	17,388	5,025
Electricity Invercargill Limited	6,388	1,025

Advance balances owed to related parties at 31 March 2022 re disclosed in Note 13.

Other Related Parties

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

PowerNet Limited uses Findex Limited as its tax advisors, of which Duncan Fea is a Principal. Fees for taxation advice paid to Findex Limited during the year amounted to \$10,747 (excl GST) (2021: \$2,799 excl GST) of which \$nil (2021: \$nil) is owing at balance date.

Key Management Personnel

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

	2022 \$'000	2021 \$'000
Salaries and Short-Term Employee Benefits	2,855	3,222

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

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

For The Year Ended 31 March 2022

21 Reconciliation Of Net Surplus With Net Operating Cash Flows

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

	2022 \$'000	2021 \$'000
Net Surplus After Taxation	2,290	2,049
Add / (Less) Non-Cash Items:		
Amortisation	435	525
Depreciation	3,592	3,424
Movement in Deferred Tax	(229)	97
Deficit / (Profit) on Sale of Plant Property and Equipment	(151)	(33)
	3,647	4,013
Add / (Less) Movements in Working Capital:		
Creditors, Accruals and Employee Entitlements	(980)	(309)
Receivables and Prepayments	3,019	5,057
Inventories	(1,053)	(13)
Construction Work in Progress	358	(3,066)
GST Payable / (Receivable)	(419)	(687)
Taxation Payable	(207)	105
Provisions	(16)	(50)
	702	1,037
Net Cash Flow From Operating Activities	6,639	7,099

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

For The Year Ended 31 March 2022

22 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit Risk

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

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

Liquidity Risk

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

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

Market Risk

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

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

Fair Value

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

Capital Management

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

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

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

23 Subsequent Events

On 26th of May PowerNet signed updated Management Agreements with each of the networks it manages, Electricity Invercargill Limited, The Power Company Limited, OtagoNet Joint Venture and Lakeland Network Limited. The term of these agreements span 10 years.

AUDITORS' REPORT

For The Year Ended 31 March 2022



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Independent Auditor's Report

To the Shareholders of PowerNet Limited

Our opinion

In our opinion, the accompanying financial statements of PowerNet Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

What we have Audited:

The financial statements comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Other Information

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

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

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

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

AUDITORS' REPORT *continued*

For The Year Ended 31 March 2022

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:



Chartered Accountants
26 May 2022

