



# POWERCO

Interim Report 2015

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# Chairman and Chief Executive Introduction

On behalf of the Board of Directors and Executive Management Team, we are pleased to present shareholders and security holders with this Interim Report for the six months to 30 September 2015.



**John Loughlin**  
Chairman



**Nigel Barbour**  
Chief Executive



## Financial performance

The amount of energy (electricity and gas) conveyed across Powerco's electricity and gas distribution networks was up 3%, when compared to the six months to 30 September 2014. Revenue was up \$10.7 million to \$243.9 million. Included in the revenue result was:

- \$57.8 million of transmission and other pass-through costs
- \$10.8 million of customer contributions to capital works, up \$3.0 million from the same period last year

Earnings before interest expense, taxation, depreciation and fair value adjustments (EBITDAF) increased by \$8.9 million to \$142.9 million. This compares to \$134.0 million for the six months to 30 September 2014 and \$121.4 million for the six months to 30 September 2013.

Net profit after tax was down \$8.0 million to \$43.6 million. This compares to \$51.6 million for the six months to 30 September 2014 and \$35.4 million for the six months to 30 September 2013.

Underlying profit before tax (profit for the period excluding gains/losses on financial instruments) increased by \$4.2 million to \$55.4 million. This compares to \$51.2 million for the six months to 30 September 2014 and \$42.9 million for the six months to 30 September 2013.

Powerco increased investment in its core electricity and gas networks with capital expenditure of \$63.9 million for the six months to the 30 September 2015. This compares to \$61.8 million for the six months to 30 September 2014 and \$53.7 million for the six months to 30 September 2013.

Dividends for the six months to 30 September 2015 were \$25.7 million. This compares to \$23.3 million for the six months to 30 September 2014 and \$27.5 million for the six months to 30 September 2013.

The table below shows how we reconciled reported net profit after tax and underlying profit before tax for the six months ended 30 September 2015 and 30 September 2014.

	2015			2014		
	REPORTED EARNINGS \$'000	ADJUSTMENTS \$'000	UNDERLYING EARNINGS \$'000	REPORTED EARNINGS \$'000	ADJUSTMENTS \$'000	UNDERLYING EARNINGS \$'000
<b>EBITDAF per Income Statement</b>	<b>142,914</b>	<b>-</b>	<b>142,914</b>	<b>134,032</b>	<b>-</b>	<b>134,032</b>
Other (losses)/gains on financial instruments	(8,578)	8,578	-	7,219	(7,219)	-
Net loss on disposal of fixed assets	(8,901)	-	(8,901)	(6,173)	-	(6,173)
Depreciation and amortisation	(38,006)	-	(38,006)	(38,303)	-	(38,303)
Finance costs	(40,565)	-	(40,565)	(38,349)	-	(38,349)
Profit for the period before tax	46,864	8,578	55,442	58,426	(7,219)	51,206
Income tax expense	(3,303)	(2,003)	(5,306)	(6,829)	2,312	(4,517)
<b>Profit for the period after tax</b>	<b>43,561</b>	<b>6,575</b>	<b>50,136</b>	<b>51,597</b>	<b>(4,907)</b>	<b>46,689</b>



Powerco Ltd

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# Interim Financial Statements

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For the six months ended  
30 September 2015

# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2015

	NOTE	UNAUDITED SIX MONTHS TO 30 SEPTEMBER 2015 \$000	UNAUDITED SIX MONTHS TO 30 SEPTEMBER 2014 \$000
Revenue and other income		243,918	233,201
Pass-through and recoverable costs		57,764	57,636
Network operational expenditure		17,009	18,971
System operations and network support		6,359	6,399
Business support		19,872	16,163
Operating expenses		101,004	99,169
<b>Earnings before finance costs, loss on disposal, taxation, depreciation, amortisation and financial instruments (EBITDAF)</b>		<b>142,914</b>	<b>134,032</b>
Net loss on disposal of fixed assets		8,901	6,173
Depreciation and amortisation		38,006	38,303
<b>Earnings before finance costs and taxation (EBIT)</b>		<b>96,007</b>	<b>89,556</b>
Finance costs		40,565	38,349
Loss/(gain) on financial instruments	4	8,578	(7,219)
<b>Profit before taxation</b>		<b>46,864</b>	<b>58,426</b>
Income tax expense		3,303	6,829
<b>Profit for the period after tax</b>		<b>43,561</b>	<b>51,597</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently in profit/loss:			
Cash flow hedges amortised		339	339
Income tax expense on cash flow hedges		(95)	(95)
<b>Total other comprehensive income</b>		<b>244</b>	<b>244</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>43,805</b>	<b>51,841</b>

## Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2015

	ATTRIBUTABLE TO OWNERS			TOTAL \$000
	SHARE CAPITAL \$000	ACCUMULATED DEFICITS \$000	HEDGE RESERVE \$000	
<b>Balance as at 31 March 2014</b>	<b>698,165</b>	<b>(177,856)</b>	<b>(5,092)</b>	<b>515,217</b>
Profit for the period	-	51,597	-	51,597
Cash flow hedges amortised	-	-	339	339
Income tax expense on amortisation of cash flow hedges	-	-	(95)	(95)
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>51,597</b>	<b>244</b>	<b>51,841</b>
<b>Transactions with owners</b>				
Dividends (6.31 cents per share)	-	(23,343)	-	(23,343)
<b>Balance as at 30 September 2014</b>	<b>698,165</b>	<b>(149,602)</b>	<b>(4,848)</b>	<b>543,715</b>
<b>Balance as at 31 March 2015</b>	<b>698,165</b>	<b>(159,163)</b>	<b>(4,605)</b>	<b>534,397</b>
Profit for the period	-	43,561	-	43,561
Cash flow hedges amortised	-	-	339	339
Income tax expense on amortisation of cash flow hedges	-	-	(95)	(95)
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>43,561</b>	<b>244</b>	<b>43,805</b>
<b>Transactions with owners</b>				
Dividends (6.94 cents per share)	-	(25,673)	-	(25,673)
<b>Balance as at 30 September 2015</b>	<b>698,165</b>	<b>(141,275)</b>	<b>(4,361)</b>	<b>552,529</b>

# Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2015

	NOTES	UNAUDITED AS AT 30 SEPTEMBER 2015 \$000	UNAUDITED AS AT 30 SEPTEMBER 2014 \$000	AUDITED AS AT 31 MARCH 2015 \$000
<b>Current assets</b>				
Cash and cash equivalents		919	-	357
Trade and other receivables		43,524	40,058	37,261
Finance lease receivable		447	412	429
Other financial assets	8	-	1,003	319
Other current assets		95	98	89
		44,985	41,571	38,455
<b>Non-current assets</b>				
Property, plant and equipment	5	1,939,860	1,895,270	1,920,420
Finance lease receivable		9,245	9,691	9,473
Other financial assets	8	152,705	21,621	67,805
Intangible assets	6	19,324	14,046	17,251
		2,121,134	1,940,628	2,014,949
<b>TOTAL ASSETS</b>		<b>2,166,119</b>	<b>1,982,199</b>	<b>2,053,404</b>
<b>Current liabilities</b>				
Bank overdraft		-	39	-
Trade and other payables		41,806	36,575	37,868
Employee benefits		3,978	4,119	4,837
Other financial liabilities	8	9,220	21,950	19,784
Borrowings	7	93,130	185,057	131,326
		148,134	247,740	193,815
<b>Non-current liabilities</b>				
Employee benefits		1,715	1,142	1,583
Other financial liabilities	8	76,648	76,257	73,705
Borrowings	7	1,186,068	928,994	1,052,278
Deferred tax liability		201,025	184,351	197,626
		1,465,456	1,190,744	1,325,192
<b>Equity</b>				
Issued capital	10	698,165	698,165	698,165
Retained earnings		(141,275)	(149,600)	(159,163)
Reserves		(4,361)	(4,850)	(4,605)
		552,529	543,715	534,397
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,166,119</b>	<b>1,982,199</b>	<b>2,053,404</b>



**John Loughlin**  
Director  
19 November 2015



**Murray Bain**  
Director  
19 November 2015

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2015

	UNAUDITED SIX MONTHS TO 30 SEPTEMBER 2015 \$000	UNAUDITED SIX MONTHS TO 30 SEPTEMBER 2014 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	263,989	251,527
Cash paid to suppliers and employees	(111,606)	(112,513)
	152,383	139,014
GST paid	(12,061)	(11,642)
Interest paid	(39,533)	(38,340)
	(51,594)	(49,982)
<b>Net cash provided by operating activities</b>	<b>100,789</b>	<b>89,032</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	88	86
Purchase of property, plant and equipment	(68,975)	(58,300)
<b>Net cash used in investing activities</b>	<b>(68,887)</b>	<b>(58,214)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	192,900	20,000
Proceeds from finance leases	210	194
Loan establishment costs	(377)	(416)
Repayment of borrowings	(198,400)	(27,000)
Dividend paid	(25,673)	(23,343)
<b>Net cash used in financing activities</b>	<b>(31,340)</b>	<b>(30,565)</b>
<b>Net increase in cash and cash equivalents</b>	<b>562</b>	<b>253</b>
Cash and cash equivalents at the beginning of the period	357	(292)
<b>Cash and cash equivalents at the end of the period</b>	<b>919</b>	<b>(39)</b>
<b>Comprises the following:</b>		
Cash and cash equivalents	919	-
Bank overdraft	-	(39)
	<b>919</b>	<b>(39)</b>

Cash and cash equivalents comprise cash on hand, cash in banks and investments in working capital facilities.

## Transactions recorded net in the Financial Statements

The GST paid component of operating activities reflects the net GST paid and received with Inland Revenue. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial reporting purposes. The gross cashflows are presented inclusive of GST.



## Reconciliation of Profit to Net Cash Flows from Operating Activities

For the six months ended 30 September 2015

	NOTE	UNAUDITED SIX MONTHS TO 30 SEPTEMBER 2015 \$000	UNAUDITED SIX MONTHS TO 30 SEPTEMBER 2014 \$000
<b>Profit after taxation</b>		<b>43,561</b>	<b>51,597</b>
<b>Add/(less) non-cash items</b>			
Depreciation and amortisation		38,006	38,303
Loss on disposal of assets		8,989	6,259
Non-cash component of finance costs		393	510
Other losses/(gains) on financial instruments	4	8,578	(7,219)
Non-cash items in relation to investing/financing activities		(2,281)	(4,867)
Increase in deferred tax liability		3,304	7,021
<b>Other items</b>			
Capital contributions received in cash		3,299	401
<b>Movements in working capital</b>			
<i>(Increase)/decrease in assets</i>			
Trade and other receivables		(6,263)	(5,291)
Other current assets		(6)	-
<i>Increase/(decrease) in liabilities</i>			
Trade and other payables		3,938	2,084
Employee entitlements		(729)	234
<b>Net cash provided by operating activities</b>		<b>100,789</b>	<b>89,032</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2015

## 1. Basis of accounting

### Basis of preparation

Powerco Ltd (the Company or Powerco) and its subsidiaries Powerco Transmission Services Ltd (PTS), Powerline Ltd (Basepower) and The Gas Hub Ltd form the Powerco Group (the Group). Powerco is a limited liability company incorporated in New Zealand with debt listed on the NZDX and is required to prepare interim financial statements under section 10.4 of the NZSX/NZDX Listing Rules. The address of its registered office is Level 2, New Plymouth District Council Civic Centre, 84 Liardet St, New Plymouth 4310, New Zealand. The consolidated interim financial statements have been prepared in accordance with, and comply with, *NZ IAS 34: Interim Financial Reporting*, *IAS 34: Interim Financial Reporting* and NZ GAAP. For the purposes of financial reporting, Powerco is a profit-oriented entity. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2015.

### Significant accounting policies

The Group financial statements incorporate the financial statements of Powerco Ltd and its subsidiaries which have been consolidated using the acquisition method.

During the period, the expense categories disclosed in the Statement of Comprehensive Income were changed to better reflect the regulatory nature of our operations. All costs previously recorded against operating, employee benefit and indirect expenses are now disclosed in the following categories: pass-through and recoverable costs; network operational expenditure; system operations and network support; and business support.

As a result, in the comparative period, the expenses have been reclassified in accordance with the revised categories. Details of the changes in the comparative numbers are as follows:

EXPENSES	ORIGINAL 2014 DISCLOSURE \$000	REVISED 2014 DISCLOSURE \$000
Operating expenses	73,891	
Employee benefit expenses	17,791	
Indirect expenses	7,487	
Pass-through and recoverable costs		57,636
Network operational expenditure		18,971
System operations and network support		6,399
Business support		16,163
	<b>99,169</b>	<b>99,169</b>

The accounting policies adopted and methods of computation are consistent with those followed in the preparation of the Powerco Group financial statements for the year ended 31 March 2015.

## 2. Segmental reporting

For reporting to the Chief Executive and the Board of Directors, the Group is currently organised into two operating divisions:

- i) Electricity – regulated electricity line distribution
- ii) Gas – regulated gas line distribution

All other unregulated revenues and costs are included in the unallocated segment.

**For the six months ended 30 September 2015**

	REGULATED BUSINESSES		UNALLOCATED SEGMENT \$000	TOTAL \$000
	ELECTRICITY \$000	GAS \$000		
<b>External revenue</b>	<b>197,284</b>	<b>30,404</b>	<b>16,230</b>	<b>243,918</b>
Pass-through and recoverable costs	56,662	1,102	-	57,764
Network operational expenditure	13,709	2,908	392	17,009
System operations and network support	4,555	1,761	43	6,359
Business support	14,629	5,209	34	19,872
Depreciation and amortisation and net loss on disposal of fixed assets	39,295	6,454	1,158	46,907
<b>Segment result</b>	<b>68,434</b>	<b>12,970</b>	<b>14,603</b>	<b>96,007</b>
Finance costs				40,565
Losses on financial instruments				8,578
<b>Profit before tax</b>				<b>46,864</b>
Income tax expense				3,303
<b>Net profit for the period</b>				<b>43,561</b>
<b>Other information</b>				
Capital additions	61,203	6,241	1,060	68,506

**For the six months ended 30 September 2014**

	REGULATED BUSINESSES		UNALLOCATED SEGMENT \$000	TOTAL \$000
	ELECTRICITY \$000	GAS \$000		
<b>External revenue</b>	<b>191,736</b>	<b>29,844</b>	<b>11,621</b>	<b>233,201</b>
Pass-through and recoverable costs	56,743	893	-	57,636
Network operational expenditure	16,024	2,508	439	18,971
System operations and network support	4,167	2,211	21	6,399
Business support	13,346	2,807	10	16,163
Depreciation and amortisation and net loss on disposal of fixed assets	37,626	6,741	109	44,476
<b>Segment result</b>	<b>63,830</b>	<b>14,684</b>	<b>11,042</b>	<b>89,556</b>
Finance costs				38,349
Gains on financial instruments				(7,219)
<b>Profit before tax</b>				<b>58,426</b>
Income tax expense				6,829
<b>Net profit for the period</b>				<b>51,597</b>
<b>Other information</b>				
Capital additions	57,434	4,802	720	62,956

Revenue in both the electricity and gas segments includes regulated line revenue.

Revenue included in the unallocated segment category includes gas metering revenue, customer contributions, transmission revenue, third party damages and other miscellaneous revenue received. The reportable segments have been changed during this financial period to better reflect regulatory and non-regulatory activities and to report expenses based on regulatory categories. The comparative information has been restated in line with the changes.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segmental profit represents the profit earned by each segment without allocation of customer contributions, other revenue, other gains, finance costs and income tax expense.

### 3. Seasonality of interim operations

Due to climatic conditions and based on historical data, operating revenue recognised in the six months ending 30 September each financial year tends to be slightly higher than that for the six months ending 31 March.

### 4. Losses/(gains) on financial instruments

The change in value of financial assets and liabilities held for trading is recognised in the profit and loss and are categorised as other losses/(gains).

### 5. Property, plant and equipment

	NETWORK SYSTEMS \$000	WORK IN PROGRESS \$000	LAND AND BUILDINGS \$000	PLANT AND EQUIPMENT \$000	TOTAL \$000
<b>At 31 March 2014</b>					
Cost	2,516,216	49,147	15,213	33,105	2,613,681
Accumulated depreciation	702,969	-	4,297	29,973	737,239
Net book value	1,813,247	49,147	10,916	3,132	1,876,442
<b>Movements in the six months ended 30 September 2014</b>					
Opening net book value	1,813,247	49,147	10,916	3,132	1,876,442
Additions	-	61,771	-	-	61,771
Transfers	54,691	(55,823)	-	1,132	-
Disposals	(6,256)	-	-	(3)	(6,259)
Depreciation expense	(35,678)	-	(257)	(749)	(36,684)
Closing net book value	1,826,004	55,095	10,659	3,512	1,895,270
<b>At 30 September 2014</b>					
Cost	2,564,651	55,095	15,213	34,234	2,669,193
Accumulated depreciation	738,647	-	4,554	30,722	773,923
Net book value	1,826,004	55,095	10,659	3,512	1,895,270
<b>At 31 March 2015</b>					
Cost	2,617,620	53,099	15,236	33,718	2,719,673
Accumulated depreciation	763,462	-	4,814	30,977	799,253
Net book value	1,854,158	53,099	10,422	2,741	1,920,420
<b>Movements in the six months ended 30 September 2015</b>					
Opening net book value	1,854,158	53,099	10,422	2,741	1,920,420
Additions	-	63,909	-	-	63,909
Transfers	57,434	(57,507)	-	73	-
Disposals	(8,987)	-	-	-	(8,987)
Depreciation expense	(34,313)	-	(260)	(909)	(35,482)
Closing net book value	1,868,292	59,501	10,162	1,905	1,939,860
<b>At 30 September 2015</b>					
Cost	2,666,067	59,501	15,236	33,791	2,774,595
Accumulated depreciation	797,775	-	5,074	31,886	834,735
Net book value	1,868,292	59,501	10,162	1,905	1,939,860

## 6. Intangible assets

	SOFTWARE \$000	EASEMENTS \$000	TOTAL \$000
<b>At 31 March 2014</b>			
Cost	30,796	4,085	34,881
Accumulated depreciation	20,400	-	20,400
Net book value	10,396	4,085	14,481
<b>Movements in the six months ended 30 September 2014</b>			
Opening net book value	10,396	4,085	14,481
Additions	291	893	1,184
Amortisation expense	-	(1,619)	(1,619)
Closing net book value	10,687	3,359	14,046
<b>At 30 September 2014</b>			
Cost	31,087	4,978	36,065
Accumulated depreciation	20,400	1,619	22,019
Net book value	10,687	3,359	14,046
<b>At 31 March 2015</b>			
Cost	36,496	4,449	40,945
Accumulated depreciation	23,694	-	23,694
Net book value	12,802	4,449	17,251
<b>Movements in the six months ended 30 September 2015</b>			
Opening net book value	12,802	4,449	17,251
Additions	3,687	910	4,597
Amortisation expense	(2,524)	-	(2,524)
Closing net book value	13,965	5,359	19,324
<b>At 30 September 2015</b>			
Cost	40,183	5,359	45,542
Accumulated depreciation	26,218	-	26,218
Net book value	13,965	5,359	19,324

## 7. Borrowings

The Group operates a \$2 million overdraft facility. As at 30 September 2015, there were no drawings against this facility. The guaranteed bonds, wholesale bonds, US dollar private placement notes, NZ dollar private placement notes, revolving cash facilities and working capital facility are all secured against the assets of the Company through the security trust deed.

On 29 June 2015, the Company repaid, on maturity, \$50 million of guaranteed bonds.

On 28 September 2015, the Company issued a \$150 million wholesale bond for seven years at 4.76%. Facilities are in place that will enable the Company to pay the upcoming US dollar private placement notes maturity of \$91 million in November 2015.

## 8. Other financial assets and liabilities

The fair value of derivatives is disclosed in the financial statements as follows:

	UNAUDITED AS AT 30 SEPTEMBER 2015 \$000	UNAUDITED AS AT 30 SEPTEMBER 2014 \$000	AUDITED AS AT 31 MARCH 2015 \$000
<b>Other current financial assets</b>			
Interest rate swaps	-	862	304
Foreign exchange contracts	-	141	15
	<b>-</b>	<b>1,003</b>	<b>319</b>
<b>Other non-current financial assets</b>			
US cross currency interest rate swap	135,595	16,213	52,733
Interest rate swaps	17,110	5,408	15,072
	<b>152,705</b>	<b>21,621</b>	<b>67,805</b>
<b>Other current financial liabilities</b>			
US cross currency interest rate swap	(5,823)	(21,950)	(16,493)
Interest rate swaps	(3,397)	-	(3,246)
Foreign exchange contracts	-	-	(45)
	<b>(9,220)</b>	<b>(21,950)</b>	<b>(19,784)</b>
<b>Other non-current financial liabilities</b>			
US cross currency interest rate swap	(2,937)	(40,478)	(16,379)
Interest rate swaps	(73,711)	(35,776)	(57,326)
Foreign exchange contracts	-	(3)	-
	<b>(76,648)</b>	<b>(76,257)</b>	<b>(73,705)</b>
	<b>66,837</b>	<b>(75,583)</b>	<b>(25,365)</b>

### Fair value of assets and liabilities

Powerco enters into derivative transactions under International Swaps and Derivatives Association (ISDA) Master Agreements and Schedules. The various asset and liability valuation positions of these instruments are not offset against each other in the Statement of Financial Position. In the event of an early termination of the ISDA agreements, these assets and liabilities are able to be offset. Refer to the table above for the asset and liability of these instruments.

The Group holds the following instruments:

NOTIONAL PRINCIPAL	UNAUDITED 30 SEPTEMBER 2015 \$000	UNAUDITED 30 SEPTEMBER 2014 \$000	AUDITED 31 MARCH 2015 \$000
US cross currency swaps	638,861	733,026	638,861
Interest rate swaps (pay floating)	285,000	185,000	185,000
Interest rate swaps (pay fixed)	1,525,000	1,525,000	1,333,000
Foreign exchange contracts	-	2,708	801
	<b>2,448,861</b>	<b>2,445,734</b>	<b>2,157,662</b>

FAIR VALUE	UNAUDITED 30 SEPTEMBER 2015 \$000	UNAUDITED 30 SEPTEMBER 2014 \$000	AUDITED 31 MARCH 2015 \$000
US cross currency swaps	126,836	(46,215)	19,862
Interest rate swaps (pay floating)	17,110	5,011	15,376
Interest rate swaps (pay fixed)	(77,109)	(34,519)	(60,573)
Foreign exchange contracts	-	140	(30)
	<b>66,837</b>	<b>(75,583)</b>	<b>(25,365)</b>

  

MOVEMENT OF DERIVATIVES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS	UNAUDITED FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015 \$000	UNAUDITED FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 \$000	AUDITED FOR THE YEAR ENDED 31 MARCH 2015 \$000
US cross currency swaps	106,973	69,896	113,485
Interest rate swaps (pay floating)	1,734	3,549	13,913
Interest rate swaps (pay fixed)	(16,536)	(5,167)	(31,221)
Foreign exchange contracts	(140)	195	26
	<b>92,031</b>	<b>68,473</b>	<b>96,203</b>

#### Fair values

Carrying value approximates fair value for the following assets and liabilities:

Cash and cash equivalents	Trade and other receivables
Other current assets	Other current liabilities
Trade and other payables	Bank overdraft
Finance lease receivable	Commercial bank debt and working capital advances
NZD private placement notes	

Derivatives are the only items carried at fair value. For the following financial liabilities, fair value does not equate to carrying value:

	UNAUDITED 30 SEPTEMBER 2015 CARRYING AMOUNT \$000	UNAUDITED 30 SEPTEMBER 2015 FAIR VALUE \$000	UNAUDITED 30 SEPTEMBER 2014 CARRYING AMOUNT \$000	UNAUDITED 30 SEPTEMBER 2014 FAIR VALUE \$000	AUDITED 31 MARCH 2015 CARRYING AMOUNT \$000	AUDITED 31 MARCH 2015 FAIR VALUE \$000
<b>Financial liabilities at amortised cost</b>						
Guaranteed bonds	49,791	52,770	100,732	102,247	100,087	102,581
Wholesale bonds	250,711	255,446	100,962	102,546	100,989	104,588
US dollar private placement notes	761,248	735,792	708,879	674,518	659,862	630,063
	<b>1,061,750</b>	<b>1,044,008</b>	<b>910,573</b>	<b>879,311</b>	<b>860,938</b>	<b>837,232</b>

The fair value of financial assets and financial liabilities are determined as follows:

- For floating rate debt, carrying value approximates fair value due to continuing interest rate reset
- The fair value of financial derivatives and fixed rate debt are determined by reference to the market quoted rates input into discounted cash flow valuation models

The valuation method takes into account the interest rate curve and foreign exchange rates by calculating the discounted future cash flows on derivatives at the reporting date. The risk of non-performance by each party is also taken into account.

#### Fair value measurements recognised in the Statement of Financial Position

All financial instruments that are measured subsequent to initial recognition at fair value on a recurring basis can be grouped into levels 1 to 3, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 fair value measurements are those derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

NZD interest rate swap contracts, foreign exchange contracts and USD cross currency interest rate swaps are all categorised as level 2.

## 9. Related parties

	UNAUDITED FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015 \$000	UNAUDITED FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 \$000
<b>Transactions between Powerco Ltd and PNZHL</b>		
Dividends paid to Powerco New Zealand Holdings Ltd (PNZHL)	25,673	23,343
Tax losses transferred to Group from PNZHL	45,463	37,660

PNZHL tax loss transfers to the Powerco Group are for nil consideration. Powerco Ltd performs the accounting function of PNZHL for nil consideration.

## 10. Share capital

Total number of ordinary shares authorised, issued and fully paid at 30 September 2015 is 369,929,053. There has been no movement in the number of shares in the period.

Each ordinary share in the Company confers on the holder:

- The right to one vote on a poll at a meeting of the Company on any resolution
- The right to an equal share in the distributions approved by the Board of Directors
- The right to an equal share in distribution of the surplus assets of the Company

The shares have no par value.

## 11. Contingent liabilities and commitments

### Contingent assets and liabilities

As at 30 September 2015, the Group had no contingent assets or liabilities.

### Commitments

	UNAUDITED 30 SEPTEMBER 2015 \$000	UNAUDITED 30 SEPTEMBER 2014 \$000	AUDITED 31 MARCH 2015 \$000
Commitments for future capital expenditure resulting from contracts entered into	3,431	296	2,325
Commitments for future operational expenditure resulting from contracts entered into	5,826	6,185	5,407
Commitments resulting from Electricity Field Service Agreement (EFSA) contract entered into	150,000	195,499	170,000

The Group and Downer Utilities Alliance New Zealand Ltd have entered into an EFSA for capital and operational service for both the Eastern and Western regions. There is a separate EFSA for each region with a service commencement date of 30 June 2014 and an end date of 30 June 2019. The targeted annual expenditure is \$20 million per year for each agreement (\$40 million in total).

## 12. Subsequent events

There have been no significant subsequent events since 30 September 2015 requiring adjustment to these financial statements and disclosures.



# Directory

## Directors

J Loughlin (Chairman)  
M Bain (also Alternate to T Parry)  
M Bessell  
M Cummings  
M Dorreen (Alternate to M Cummings)  
G Hay  
A Karl (Alternate to G Hay)  
T Parry (also Alternate to M Bain)  
D Rees (Alternate to M Bessell)

On 29 April 2015:

- Mr Law (as Alternate to Mr Cummings) resigned from the Board
- Mr Bessell was appointed to the Board
- Mr Rees was appointed Mr Bessell's Alternate
- Mr Verrion was appointed Mr Cummings' Alternate

On 24 August 2015:

Mr Verrion (as Alternate to Mr Cummings) resigned from the Board

On 25 August 2015:

Mr Dorreen was appointed Mr Cummings' Alternate

## Executive Management Team

### **N Barbour**

Chief Executive

### **J Birnie**

Group Manager Human Resources

### **S Dickson**

General Manager Gas

### **R Fletcher**

General Manager Regulation and Government Relations

### **P Goodeve**

General Manager Operations Support

### **D Martin**

Chief Financial Officer

### **J McAvoy**

Group Manager Health, Safety, Environment and Quality  
(F Ewing held this position during the report period)

### **A McLeod**

General Manager Electricity

## Registered office

Level 2, NPDC Civic Centre  
84 Liardet Street  
New Plymouth 4310  
New Zealand

## Auditors

Deloitte

## Bankers

Westpac Institutional Bank  
ANZ National Bank Limited  
Bank of Tokyo-Mitsubishi UFJ Limited  
Commonwealth Bank of Australia

## Bond Registrar

Computershare Investor Services Limited  
Private Bag 92119  
Auckland 1142  
159 Hurstmere Road  
Takapuna, Auckland 0622

## Bondholder enquiries

To change your address or bank account and to view your registered details including transactions visit [www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

Private Bag 92119  
Auckland 1142  
Telephone +64 9 488 8777  
Facsimile +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.



**POWERco**