



POWERCO

CONTENTS

Chairman and CEO's Introduction	3
---------------------------------------	---

FINANCIALS

Condensed Consolidated Interim Statement of Comprehensive Income	6
Condensed Consolidated Interim Statement of Changes in Equity	7
Condensed Consolidated Interim Statement of Financial Position	8
Condensed Consolidated Interim Statement of Cash Flows	9
Reconciliation of Consolidated Profit for the Period to Net Cash Flows from Operating Activities	10
Notes to and Forming Part of the Condensed Consolidated Interim Financial Statements	11 - 17
Directory	18



**CONTINUING OUR FOCUS
ON CUSTOMERS AND BEING
A RELIABLE PARTNER
DELIVERING NEW ZEALAND'S
ENERGY FUTURE**

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 2014.



John Loughlin
Chairman



Nigel Barbour
Chief Executive

Financial performance

The amount of energy (electricity and gas) conveyed across Powerco's distribution networks increased by 2.1%, when compared to the six months to 30 September 2013. The six months to 30 September 2014 included one of the warmest winters on record.

Revenue was up \$15.8 million to \$233.2 million. Included in the revenue result was:

- \$57.6 million of transmission and other pass-through costs. Increases in transmission and other pass-through costs accounted for \$5.1 million of the increase in revenue compared to the same period last year.
- \$7.8 million of customer contributions to capital works, up \$1.1 million from the same period last year.

Earnings before interest expense, taxation, depreciation and fair value adjustments (EBITDAF) increased by \$12.6 million to \$134.0 million. This compares to \$124.4 million for the six months to 30 September 2013.

Net profit after tax was up \$16.2 million to \$51.6 million. This compares to \$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 \$8.3 million to \$51.2 million. This compares to \$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 \$61.8 million for the six months to 30 September 2014. This compares to \$53.7 million for the six months to 30 September 2013.

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

The table below shows the reconciliation between reported net profit after tax and underlying profit before tax for the six months ending 30 September 2014 and 30 September 2013.

	2014			2013		
	REPORTED EARNINGS \$000	ADJUSTMENTS \$000	UNDERLYING EARNINGS \$000	REPORTED EARNINGS \$000	ADJUSTMENTS \$000	UNDERLYING EARNINGS \$000
EBITDAF per Income Statement	134,032	-	134,032	121,405	-	121,405
Other gains on financial instruments	7,219	(7,219)	-	5,184	(5,184)	-
Net loss on disposal of fixed assets	(6,173)	-	(6,173)	(6,095)	-	(6,095)
Depreciation and amortisation	(38,303)	-	(38,303)	(36,715)	-	(36,715)
Finance costs	(38,349)	-	(38,349)	(35,642)	-	(35,642)
Profit for the period before tax	58,426	(7,219)	51,206	48,137	(5,184)	42,953
Income tax expense	(6,829)	2,312	(4,517)	(12,748)	8,952	(3,796)
Profit for the period after tax	51,597	(4,907)	46,689	35,390	3,768	39,158

Safety focus

Safety is embedded in our values and is an important part of Powerco's culture. Our top priority is the safety of the public, our employees and contractors.

This involves having a sustained focus on safety across our networks and within the business. Staff and management involvement, meeting legislative requirements and improving systems and processes are among the initiatives to keep safety a top priority.

During the period we unfortunately had four lost-time injuries. All related to manual activities, rather than prescribed electrical or gas work, and had a low probability of resulting in a fatality or permanent injury. While it is disappointing that anyone has been harmed it is positive that we are receiving incident reports from sub-contractors several layers down the contractual chain.

Management response has involved thorough investigations of these incidents, sharing of what has been learnt and an increase in leadership site visits.

Our Powercare safety campaign has been another success story. We have rolled out our Safety in Schools Programme in Taranaki, much to the delight of young audiences. Our real-life character, called Sparky, visits schools to help spread safety messages to children and has also appeared in local cinemas.

Regulation

The Commerce Commission's decision to change the Weighted Average Cost of Capital (WACC) percentile was disappointing. The Commission's decision to change the WACC percentile outside of a full Input Methodologies review and ahead of the scheduled review date has negatively impacted investor confidence in the regime.

Our Customers

Powerco exists to serve the needs of the communities and businesses on its networks, which play a vital role in delivering energy for growth.

Our customers are central to all our business operations. We work hard to provide them with a safe and reliable stream of energy while ensuring our prices remain fair.

We have placed an increased focus on developing more meaningful dialogue with our customers. This has been done through a range of consultation events, meetings, key account management, surveys and other activities.

We channel our customers' views into our planning processes to ensure our long-term investment plans are aligned with customer and community expectations.

One of the most successful ways we interact with our customers is attending the National Field Days at Mystery Creek each year. Thousands of people pass through our stand, completing surveys or taking part in our safety competitions. In June 2014, 3,600 surveys were filled out. Of these, 1,100 were connected to Powerco's electricity networks. Our customer satisfaction rating was 95%, consistent with previous years' results.

Powerco works closely with other parties to minimise disruptions to customers. A recent example of this was when Transpower advised they needed to replace critical equipment at Karapiro, in the central North Island. After talking to the local communities of Hinuera, Tirau, Putaruru, Matamata and surrounding areas and seeking major customer support we negotiated a time that would minimise the inconvenience. We were mindful of how critical the timing was to farmers and milk processors as it was at a time of peak milk production.

Powerco engineers were able to use new network configurations and back-feed power to the main streets of Tirau and Matamata, as well as a rest home in Matamata, sparing them an interruption of supply.

Keeping the lights on and the gas flowing

A significant part of Powerco's electricity network crosses rural, remote and coastal land, with around 75% being overhead lines. This makes our networks susceptible to power cuts during severe storms.

High winds break trees and snap branches, which fall and damage power lines. This is exactly what happened on 10 and 11 June 2014 when severe weather struck the North Island. Supply was cut to 30,000 customers in Tauranga, South Waikato and Coromandel. Field crews did an excellent job restoring supply as quickly and safely as possible.

Powerco's gas network provides an important service to thousands of households and businesses across the North Island. Our aim is to manage the network to deliver a safe, high-quality and highly efficient gas supply.

For our gas business, delivering exceptional service to customers is a key focus. We strive to efficiently use resources to balance the price and service quality trade-offs that our customers tell us they require.

One of the major projects being undertaken is to increase supply to Wellington's CBD gas network. The pressure upgrade project will also enhance security of supply along with catering for continued growth in the area.

Looking to the future

Energy choices and demands are changing and we want to know how we can best provide for our customer's future needs. Powerco's two-year Powering Tomorrow's Homes Project aims to help provide some of the answers. To do this, houses have been kitted out with a mix of solar panels, insulation, space and water heating, monitoring and controlling systems, energy efficient lighting and energy storage.

The trial considers a range of factors such as peak loads, behavioural changes, solar panels, smart technology and back-up energy storage. Participants are recording their experiences in a diary, helping Powerco assess engineering and behavioural aspects. The company is monitoring electricity, gas and water use, temperatures and moisture levels in the homes. The data collected will be beneficial to Powerco and the wider electricity sector.

We look forward to continuing our focus on customers and being a reliable partner delivering New Zealand's energy future.



John Loughlin
Chairman



Nigel Barbour
Chief Executive

POWERCO LIMITED

FINANCIALS

For the six months ended 30 September 2014

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	NOTES	UNAUDITED 6 MONTHS TO 30 SEPTEMBER 2014 NZ\$000	UNAUDITED 6 MONTHS TO 30 SEPTEMBER 2013 NZ\$000
CONTINUING OPERATIONS			
Revenue		230,719	215,487
Other income		2,482	1,957
Total income		233,201	217,444
Operating expenses		(73,891)	(70,753)
Employee benefit expenses		(17,791)	(16,225)
Indirect expenses		(7,487)	(9,061)
		(99,169)	(96,039)
Earnings before finance costs, loss on disposal, taxation, depreciation, amortisation and financial instruments		134,032	121,405
Other gains on financial instruments	3	7,219	5,184
Net loss on disposal of fixed assets		(6,173)	(6,095)
Depreciation and amortisation	7, 8	(38,303)	(36,715)
Earnings before finance costs and taxation		96,775	83,779
Finance costs		(38,349)	(35,642)
Profit before taxation		58,426	48,137
Income tax expense		(6,829)	(12,748)
Profit for the period		51,597	35,389
Other comprehensive income			
Items that may be reclassified subsequently through profit and loss:			
Cashflow hedge reserve amortised	4	339	338
Income tax expense on amortisation of cashflow hedge reserve		(95)	(95)
Total other comprehensive income		244	243
Total comprehensive income for the period		51,841	35,632

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	NOTES	UNAUDITED SHARE CAPITAL NZ\$000	UNAUDITED ACCUMULATED DEFICITS NZ\$000	UNAUDITED HEDGE RESERVE NZ\$000	UNAUDITED TOTAL NZ\$000
Balance as at 31 March 2013		698,165	(214,679)	(5,580)	477,906
Profit for the period		-	35,389	-	35,389
Cash flow hedges amortised	4	-	-	338	338
Income tax expense on amortisation of cashflow hedge reserve		-	-	(95)	(95)
Total comprehensive income		-	35,389	243	35,632
Transactions with owners:					
Dividends	6	-	(27,523)	-	(27,523)
Balance as at 30 September 2013		698,165	(206,813)	(5,337)	486,015
Balance as at 31 March 2014		698,165	(177,856)	(5,092)	515,217
Profit for the period		-	51,597	-	51,597
Cash flow hedges amortised	4	-	-	339	339
Income tax expense on amortisation of cashflow hedge reserve		-	-	(95)	(95)
Total comprehensive income		-	51,597	244	51,841
Transactions with owners:					
Dividends	6	-	(23,343)	-	(23,343)
Balance as at 30 September 2014		698,165	(149,602)	(4,848)	543,715

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	NOTES	UNAUDITED AS AT 30 SEPTEMBER 2014 NZ\$000	UNAUDITED AS AT 30 SEPTEMBER 2013 NZ\$000	AUDITED AS AT 31 MARCH 2014 NZ\$000
Equity				
Issued capital		698,165	698,165	698,165
Reserves		(154,450)	(212,150)	(182,948)
		543,715	486,015	515,217
Non-current liabilities				
Employee entitlements		1,142	565	1,030
Other financial liabilities	10	76,257	129,053	148,288
Borrowings	9	928,994	1,056,165	986,946
Deferred tax liability		184,351	193,630	177,426
		1,190,744	1,379,413	1,313,690
Current liabilities				
Bank overdraft		39	-	292
Trade and other payables		36,575	27,126	34,491
Employee entitlements		4,119	3,252	3,998
Other financial liabilities	10	21,950	33	58
Borrowings	9	185,057	22,431	72,629
		247,740	52,842	111,468
TOTAL EQUITY AND LIABILITIES		1,982,199	1,918,270	1,940,375
Non-current assets				
Property, plant and equipment	7	1,895,270	1,852,814	1,876,442
Finance lease receivable		9,691	10,104	9,902
Other financial assets	10	21,621	4,358	4,288
Intangible assets	8	14,046	12,276	14,481
		1,940,628	1,879,552	1,905,113
Current assets				
Cash and cash equivalents		58	504	58
Trade and other receivables		40,058	37,782	34,766
Finance lease receivable		412	381	396
Inventories		40	51	40
Other financial assets	10	1,003	-	2
		41,571	38,718	35,262
TOTAL ASSETS		1,982,199	1,918,270	1,940,375



John Loughlin
Director

19 November 2014



Murray Bain
Director

19 November 2014

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	NOTES	UNAUDITED 6 MONTHS TO 30 SEPTEMBER 2014 NZ\$000	UNAUDITED 6 MONTHS TO 30 SEPTEMBER 2013 NZ\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		251,516	234,360
Cash paid to suppliers and employees		(112,513)	(108,582)
Interest received		11	5
GST paid		(11,642)	(8,662)
Interest paid		(38,340)	(34,605)
Net cash provided by operating activities		89,032	82,516
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment and intangible assets		86	92
Purchase of property, plant and equipment and intangible assets		(58,300)	(53,288)
Net cash used in investing activities		(58,214)	(53,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		20,000	110,000
Repayment of borrowings		(27,000)	(111,900)
Establishment costs of borrowings		(416)	-
Dividends paid		(23,343)	(27,523)
Proceeds from finance leases		194	179
Net cash used in financing activities		(30,565)	(29,244)
Net increase in cash and cash equivalents		253	76
Cash and cash equivalents at the beginning of the period		(234)	428
Cash and cash equivalents at the end of the period		19	504
Comprises the following:			
Cash and cash equivalents		58	504
Bank overdraft		(39)	-
		19	504

RECONCILIATION OF CONSOLIDATED PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

For the six months ended 30 September 2014

	NOTES	UNAUDITED 6 MONTHS TO 30 SEPTEMBER 2014 NZ\$000	UNAUDITED 6 MONTHS TO 30 SEPTEMBER 2013 NZ\$000
Profit after taxation		51,597	35,389
Add/(less) non-cash items			
Depreciation and amortisation		38,303	36,715
Loss on disposal of fixed assets		6,259	6,187
Non-cash component of finance costs		510	510
Other gains on financial instruments		(7,219)	(5,184)
Non-cash items in relation to investing/financing activities		(4,466)	1,739
Increase in deferred tax		7,021	12,842
		40,408	52,809
CHANGES IN WORKING CAPITAL			
(Increase)/decrease in assets			
Trade and other receivables		(5,291)	(6,313)
Inventories		-	(4)
Increase/(decrease) in liabilities			
Trade and other payables		2,084	652
Employee entitlements		234	(17)
		(2,973)	(5,682)
Net cash flow from operating activities		89,032	82,516

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

Powerco Limited (the 'Company' or 'Powerco') and its subsidiaries Powerco Transmission Services Limited ('PTS') and Powerline Limited ('Basepower') form the Powerco 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 10.5 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* and *IAS 34: Interim Financial Reporting*. 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 2014.

2. Significant accounting policies

The consolidated interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain borrowings and financial instruments.

The accounting policies adopted are consistent with those followed in the preparation of the Powerco Group financial statements for the year ended 31 March 2014.

3. Other gains/(losses) on financial instruments

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

4. Reserves

Hedge reserve

The hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges (recorded in previous periods). The cumulative deferred gain or loss on the hedge is recognised in the profit or loss component of the Statement of Comprehensive Income when the hedged transaction impacts profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

5. Share Capital

The total number of ordinary shares authorised, issued and fully paid at 30 September 2014 was 369,929,053 (30 September 2013: 369,929,053).

Each ordinary share in the Company confers on the holder:

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

The shares have no par value.

6. Dividends

	UNAUDITED 30 SEPTEMBER 2014 NZ\$000	UNAUDITED 30 SEPTEMBER 2013 NZ\$000
Dividends paid on ordinary shares	23,343	27,523
Cents per share	6.3	7.4

7. Property, Plant and Equipment

	UNAUDITED LAND AND BUILDINGS NZ\$000	UNAUDITED PLANT AND EQUIPMENT NZ\$000	UNAUDITED NETWORK SYSTEMS NZ\$000	UNAUDITED WORK IN PROGRESS NZ\$000	UNAUDITED TOTAL NZ\$000
Gross carrying value					
Balance as at 31 March 2013	16,205	31,832	2,425,662	43,529	2,517,228
Transfers	805	368	40,958	(42,131)	-
Additions	16	381	576	52,725	53,698
Disposals	-	(15)	(10,557)	-	(10,572)
Balance as at 30 September 2013	17,026	32,566	2,456,639	54,123	2,560,354
Balance as at 31 March 2014	15,213	33,105	2,516,216	49,147	2,613,681
Transfers	-	1,132	54,691	(55,823)	-
Additions	-	-	-	61,771	61,771
Disposals	-	(107)	(10,624)	-	(10,731)
Balance as at 30 September 2014	15,213	34,130	2,560,283	55,095	2,664,721
Accumulated depreciation					
Balance as at 31 March 2013	3,761	28,051	645,699	-	677,511
Disposals	-	(9)	(4,377)	-	(4,386)
Depreciation expense	219	1,055	33,141	-	34,415
Balance as at 30 September 2013	3,980	29,097	674,463	-	707,540
Balance as at 31 March 2014	4,297	29,973	702,969	-	737,239
Disposals	-	(104)	(4,368)	-	(4,472)
Depreciation expense	257	749	35,678	-	36,684
Balance as at 30 September 2014	4,554	30,618	734,279	-	769,451
Net book value at 30 September 2013	13,046	3,469	1,782,176	54,123	1,852,814
Net book value at 31 March 2014	10,916	3,132	1,813,247	49,147	1,876,442
Net book value at 30 September 2014	10,659	3,512	1,826,004	55,095	1,895,270

8. Intangible Assets

	UNAUDITED EASEMENTS NZ\$000	UNAUDITED SOFTWARE NZ\$000	UNAUDITED TOTAL NZ\$000
Gross carrying value			
Balance as at 31 March 2013	1,890	28,849	30,739
Transfers to network systems	(450)	-	(450)
Additions	-	319	319
Balance as at 30 September 2013	1,440	29,168	30,608
Balance as at 31 March 2014	4,085	30,796	34,881
Additions	291	893	1,184
Balance as at 30 September 2014	4,376	31,689	36,065
Accumulated amortisation			
Balance as at 31 March 2013	-	16,032	16,032
Amortisation during the period	-	2,300	2,300
Balance as at 30 September 2013	-	18,332	18,332
Balance as at 31 March 2014	-	20,400	20,400
Amortisation during the period	-	1,619	1,619
Balance as at 30 September 2014	-	22,019	22,019
Net book value at 30 September 2013	1,440	10,836	12,276
Net book value at 31 March 2014	4,085	10,396	14,481
Net book value at 30 September 2014	4,376	9,670	14,046

9. Borrowings

The first tranche of Powerco's 2003 US Private Placement issue, of \$94 million, will mature on 25 November 2014. During July 2014 Powerco entered into a new \$135 million Private Placement that matures on 15 April 2027 with proceeds received in October 2014.

10. Financial Instruments

The following tables detail the fair value of financial assets and liabilities.

	UNAUDITED 30 SEPTEMBER 2014		UNAUDITED 30 SEPTEMBER 2013		AUDITED 31 MARCH 2014	
	CARRYING AMOUNT NZ\$000	FAIR VALUE NZ\$000	CARRYING AMOUNT NZ\$000	FAIR VALUE NZ\$000	CARRYING AMOUNT NZ\$000	FAIR VALUE NZ\$000
Financial assets						
Interest rate swaps	22,483	22,483	4,358	4,358	4,288	4,288
Foreign exchange contracts	141	141	-	-	2	2
	22,624	22,624	4,358	4,358	4,290	4,290
Financial liabilities						
Guaranteed bonds	100,732	102,247	102,009	103,253	101,391	102,122
Wholesale bonds	100,962	102,546	100,942	102,158	100,970	101,648
US dollar private placement notes	708,879	674,518	679,554	634,252	647,166	607,299
Commercial bank debt and working capital advance	203,478	203,478	196,090	196,110	210,048	210,048
US cross currency interest rate swap	62,428	62,428	87,417	87,417	116,111	116,111
Interest rate swaps	35,777	35,777	41,637	41,637	32,177	32,177
Foreign exchange contracts	2	2	33	33	58	58
	1,212,258	1,180,996	1,207,682	1,164,860	1,207,921	1,169,463

The carrying value of cash and cash equivalents, trade and other receivables, other current assets, other current liabilities, finance lease receivables, trade and other payables and bank overdraft is equivalent to the fair value of these assets and liabilities.

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 resets.
- The fair value of financial derivatives and fixed rate debt are determined by reference to the market observable rates input into 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 as at the reporting date. The risk of non-performance by each party is also taken in to account.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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 within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

	UNAUDITED 30 SEPTEMBER 2014			
	LEVEL 1 NZ\$000	LEVEL 2 NZ\$000	LEVEL 3 NZ\$000	TOTAL NZ\$000
Financial Assets – Derivative financial assets				
NZD Interest rate swap contracts	-	22,483	-	22,483
Foreign Exchange Contracts	-	141	-	141
	-	22,624	-	22,624
Financial Liabilities – Derivative financial liabilities				
Foreign Exchange Contracts	-	2	-	2
USD Cross currency interest rate swaps	-	62,428	-	62,428
NZD Interest rate swap contracts	-	35,777	-	35,777
	-	98,207	-	98,207
	UNAUDITED 30 SEPTEMBER 2013			
	LEVEL 1 NZ\$000	LEVEL 2 NZ\$000	LEVEL 3 NZ\$000	TOTAL NZ\$000
Financial Assets – Derivative financial assets				
NZD Interest rate swap contracts	-	4,358	-	4,358
USD Cross currency interest rate swaps	-	-	-	-
	-	4,358	-	4,358
Financial Liabilities – Derivative financial liabilities				
Foreign Exchange Contracts	-	33	-	33
USD Cross currency interest rate swaps	-	87,417	-	87,417
NZD Interest rate swap contracts	-	41,637	-	41,637
	-	129,085	-	129,085
	AUDITED 31 MARCH 2014			
	LEVEL 1 NZ\$000	LEVEL 2 NZ\$000	LEVEL 3 NZ\$000	TOTAL NZ\$000
Financial Assets – Derivative financial assets				
NZD Interest rate swap contracts	-	4,288	-	4,288
USD Cross currency interest rate swaps	-	2	-	2
	-	4,290	-	4,290
Financial Liabilities – Derivative financial liabilities				
Foreign Exchange Contracts	-	58	-	58
USD Cross currency interest rate swaps	-	116,111	-	116,111
NZD Interest rate swap contracts	-	32,177	-	32,177
	-	148,346	-	148,346

11. 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 recognised for the six months ending 31 March.

12. Segmental Reporting

For management purposes, the Powerco Group is organised into three operating divisions:

- 1) Electricity lines – electricity distribution
- 2) Gas lines – gas distribution
- 3) Transmission – design and construction of electrical transmission assets

All other revenues and costs (including head office costs) are included in Unallocated.

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014	UNAUDITED ELECTRICITY LINES NZ\$000	UNAUDITED GAS LINES NZ\$000	UNAUDITED TRANSMISSION NZ\$000	UNAUDITED UNALLOCATED NZ\$000	UNAUDITED TOTAL NZ\$000
Revenue					
External sales	199,464	32,022	895	820	233,201
Total segment revenues	199,464	32,022	895	820	233,201
Segment result	85,670	19,302	686	(8,883)	96,775
Finance costs					(38,349)
Profit before tax					58,426
Income tax expense					(6,829)
Profit for the period					51,597
OTHER INFORMATION					
Capital additions	52,347	4,839	2,126	3,644	62,956
Depreciation and amortisation	29,386	6,216	202	2,499	38,303
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013					
Revenue					
External sales	187,233	28,579	888	744	217,444
Total segment revenues	187,233	28,579	888	1,038	217,444
Segment result	80,372	16,202	572	(13,367)	83,779
Finance costs					(35,642)
Profit before tax					48,137
Income tax benefit					(12,748)
Profit for the period					35,389
OTHER INFORMATION					
Capital additions	45,915	4,016	698	2,938	53,566
Depreciation and amortisation	26,753	6,315	160	3,488	36,715

13. Transactions with Related Parties

Trading transactions

Powerco paid a \$11.65 million dividend to Powerco NZ Holdings Limited ('PNZHL') in June 2014 and a further dividend of \$11.69 million in September 2014. Powerco paid a \$13.76 million dividend to PNZHL in May 2013 and a further dividend of \$13.76 million in August 2013. PNZHL has transferred \$37.66 million in tax losses to the Powerco Group in the six months to 30 September 2014 for nil consideration (30 September 2013: \$3.40 million).

No expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

14. Commitments

Powerco enters into contracts with its service providers to complete future capital expenditure and maintenance expenditure projects. Powerco also enters into various contracts relating to the supply of Information Technology services and equipment.

COMMITMENTS	UNAUDITED 30 SEPTEMBER 2014 NZ\$000	AUDITED 31 MARCH 2014 NZ\$000
Commitments for future capital expenditure resulting from contracts entered into:	296	5,742
Commitments for future operational expenditure resulting from contracts entered into:	6,185	17,320
Other future commitments expenditure resulting from contracts entered into:	195,499	-
	201,980	23,062

The Group and Tenix Alliance New Zealand Limited have entered into Electricity Field Service Agreements (EFSA's) for capital and operational services for both the Eastern and Western regions. There is a separate EFSA for each region and the service commencement date was 30 June 2014 and the end date is 30 June 2019. The targeted annual expenditure is \$20 million per year for each agreement (i.e. \$40 million).

15. Subsequent Events

The proceeds from the NZD135 million private placement arranged in July were received on October 15, 2014. There were no other subsequent events.

DIRECTORY

Directors

J Loughlin (Chair)

M Bain (also Alternate to T Parry)

M Cummings

G Hay (Alternate to A Karl)

A Karl

G Law (Alternate to M Cummings)

T Parry (also Alternate to M Bain)

D Rees (Alternate to C Wade)

C Wade

On 22 May 2014, R Israel resigned from the Powerco Board. Gordon Hay was appointed as Director and alternate to A Karl.

Executive Management Team

N Barbour
Chief Executive

S Dickson
General Manager Gas

R Fletcher
General Manager Regulation
and Government Relations

J Birnie
Group Manager Human Resources

P Goodeve
General Manager Operations Support

D Martin
Chief Financial Officer

A Mcleod
General Manager Electricity

F Ewing
Group Manager Health, Safety, Environment
and Quality

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

General enquiries:
www.investorcentre.com/nz

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.

OUR CUSTOMERS ARE CENTRAL
TO ALL OUR BUSINESS OPERATIONS.

WE WORK HARD
TO PROVIDE THEM WITH A
SAFE & RELIABLE
STREAM OF ENERGY



POWERCO