THEPOWERCOMPANYLTD

ANNUAL REPORT 2014

The new Mossburn to Athol 66/22kV line under construction

Front cover: Gene Brookland and Brad Templeton (PowerNet)

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Registered Office

251 Racecourse Road
PO Box 1748
Invercargill 9840
New Zealand

Telephone:	03 211 1899
Email:	enquiries@powernet.co.nz
Website:	www.tpcl.co.nz

Principal Bankers

ANZ Bank

Auditors

PricewaterhouseCoopers, Christchurch

Solicitors

AWS Legal

Company Profile

The Power Company Limited (TPCL) was formed in 1991 and owns the network assets in the rural Southland/West Otago area. TPCL has approximately 35,000 customers.

TPCL has a long, proud history of being innovative and proactive in providing electricity to the people of the south. In the past the Company has operated under the names of the Southland Electric Power Board and Southland Electric Power Supply.

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

TPCL contracts PowerNet Limited to manage, construct and maintain its network and metering assets. PowerNet's costs are recovered via a mark-up on capital and maintenance work and an agency fee for management services.

PowerNet acts as agent for TPCL and charges line and metering charges to electricity retailers, pays transmission costs and passes the net revenue through to TPCL.

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

Other revenue is derived from the capital contributions of customers connecting new installations to the network and the commercial returns from the Company's investments in the OtagoNet Joint Venture (OJV), Otago Power Services Limited (OPSL) and Electricity Southland Limited (ESL).

TPCL continues to be one of the best performing predominantly rural networks in New Zealand.

TPCL statistics at 31 March 2014	
Connected Consumers - Total	**34,974**
Residential	25,649
Industrial	167
Commercial	9,158
Network Length	8,708km
Consumer Density	4.0 consumers/km
Number of Distribution Transformers	10,935
Distribution Transformer Capacity	406MVA
Distribution Transformer Density	47kVA/km
Maximum Demand	135MV
Total Energy Conveyed	738GWh
Regulatory Value	$300 million

Company Profile *continued*

Our Stakeholders

PowerNet Limited

The Power Company Limited has a 50% shareholding in PowerNet Limited, a joint venture with Electricity Invercargill Limited (EIL). PowerNet was established in 1994 by TPCL and EIL to achieve economies of scale through integrated network management and is contracted to manage the network and metering assets.

PowerNet manages TPCL's capital and maintenance works programme which constitutes the major part of the Business Plan approved by the Company's Directors.

It also operates a 24-hour, 7-day a week, control room that provides a high level of monitoring and control of the network operations and a faults call centre service.

PowerNet publishes its own annual report. Its performance is judged by the value and efficiency of its network asset management and business development for PowerNet and its stakeholders.

OtagoNet Joint Venture

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

OJV has approximately 14,800 customers and was formed following the purchase of the electricity network assets from the shareholders of the consumer co-operative company Otago Power Limited in 2002.

TPCL (24.5%), EIL (24.5%) and Marlborough Lines Limited (51%) are the parties in the joint venture.

Electricity Southland Limited

Electricity Southland Limited is an electricity network asset company that was formed in March 1995 by EIL and TPCL. It owns the Lakeland electricity network at Frankton in the Queenstown Lakes area.

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

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

The growth in the Frankton region shows little sign of slowing and the Directors look forward to the future opportunities the region brings.

Investment in network contractors

During the year the significant decision was made to amalgamate PowerNet Limited and Power Services Limited (PSL), with a subsequent operational integration with Peak Power Services Limited (51% of which was owned by PSL). TPCL held a 51% shareholding in PSL.

The new integrated company is achieving many operational efficiencies, with further opportunities to be delivered. Improved coordination between work planning and work delivery is being realised, as well as the removal of duplication of some aspects of work, especially in the support service areas.

TPCL also holds a 24.5% investment in the electrical contracting company OPSL in conjunction with EIL (24.5%) and Marlborough Lines Limited (51%).

The Year in Review

Operational Performance

It has been another year of investment and growth in the TPCL network.

Significant projects have been completed during the year, not least of which were the Mossburn to Athol line upgrade and the subsequent commissioning of the new Athol Substation.

The new 66/11kV 3/5MVA Athol Substation and Mossburn to Athol 66kV/22kV line completes an $11 million project that will ensure a secure and reliable supply to customers in that large Northern Southland area while also increasing capacity on the TPCL network.

The increasing need for extra capacity due to farming intensification, mainly through dairying, also saw the construction of the new 66/11kV 3/5MVA Hedgehope Substation. This $2.6 million project will help with the increased load from dairy intensification in the region, while also reducing the load on other substations.

TPCL's $22.8 million capital expenditure during the year was largely spent on upgrades and refurbishments ensuring the network remains reliable, secure and safe for our customers.

The commencement of the $18 million, three-year smart meter project was another highlight, with customers showing interest in the new technology once it was announced. The mesh relay networks are in place for this development, with the installation of the smart meters to follow.

TPCL has commenced the construction of a new office building in Racecourse Road Invercargill that will be leased to PowerNet on a long-term basis. While the project began in the financial year, it is not due for completion until late 2014.

The major projects for the year are listed below.

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

TPCL had a significant number of new connections and reticulation of subdivisons in the network during the year.

There were over 700 connection-related projects during the last year. Activity in the dairy sector fluctuated during the year, with the monthly applications for new dairy sheds ranging from one to nine applications. The year-end total was 46 compared to 34 for 2012/2013.

It is known some of these applications relate to new sheds replacing older sheds that will be decommissioned. There were six applications for new irrigators. These are generally up to three to four times the loading of a typical dairy shed and located in the central/northern Southland regions.

We continued to promote safety as a major focus, with a particular emphasis on public safety. Our ongoing vegetation management expenditure not only ensures network reliability through not having to deal with vegetation-related outages, but also enhances the safety of our customers and the public.

The Company has also been proactive in educating customers – particularly farmers and contractors – about the dangers of overhead lines when moving bales, irrigators or other equipment.

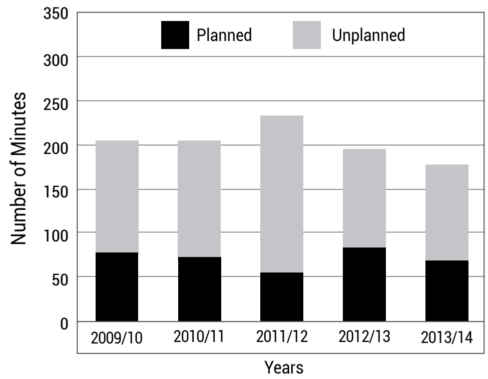
Two standard industry reliability performance measures are applied to the TPCL network. The measures, SAIDI and SAIFI, are outlined below with the Business Plan target and actual results for 2013/14.

SAIDI – System Average Interruption Duration Index
(the average total time in minutes each year that each customer connected to the network is without supply)

Target	Actual
161.75 minutes	177.77 minutes

The SAIDI of 177.77 minutes was higher than the Business Plan target of 161.75 minutes.

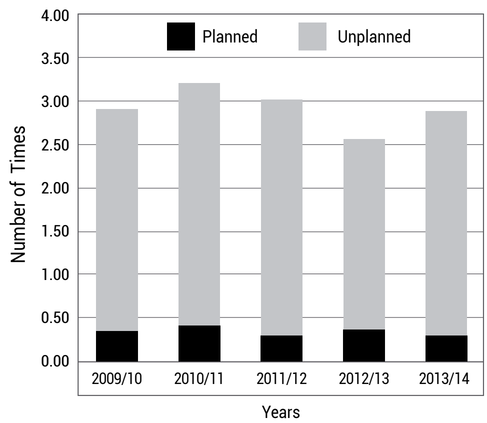
However it was an improvement on the 2012/2013 measure of 191.40.



SAIFI – System Average Interruption Frequency Index
(the average number of times each year that each customer connected to the network is without supply)

Target	Actual
3.21 times	2.87 times

The SAIFI result of 2.87 times was better than the Business Plan target of 3.21 times.



The Year in Review *continued*

Regulatory Environment

TPCL continues to be concerned with the costly and time consuming requirements of the Information Disclosure (ID) Determination which was released by the Commerce Commission (the Commission) in October 2012. In particular, the increase in compliance and audit costs are likely to outweigh benefits, if any, from the ID particularly given the inconsistent disclosure of information across the sector. The sector awaits with interest meaningful analysis of the disclosed data. The concern around the overlapping requirements of the Commission and the Electricity Authority (EA) continue, highlighted by the duplication in line pricing methodology requirements of the two regulatory bodies.

Encouragingly, the industry continues to work proactively with the Commission and EA with our goal to ensure regulations are targeted and effective.

Financial Performance

The Group net surplus after tax for the year ended 31 March 2014 was $3.590 million (2013 $5.690 million).

The reduction in the net surplus after tax of $2.1 million was mainly due to a movement in the fair value of the Gore District Council penny-a-unit onerous contract provision of $1.9 million and a reduction in line charge revenue from warmer weather in the 2013 winter.

The investments in OJV and OPSL have all met expectations both financially and operationally. OtagoNet Joint Venture and OPSL continue to contribute positively to both the cash flow and net profit of TPCL.

The consolidated result for TPCL is:

	31 March 2014 $000	Restated 31 March 2013 $000
Operating Surplus before Discount	12,039	14,602
Less Discount to Consumers	(6,950)	(6,952)
Operating Surplus before Taxation	5,089	7,650
Taxation (Expenses)/Benefit	(1,499)	(1,960)
Net Surplus after Taxation	3,590	5,690

Acknowledgements

Directors again wish to acknowledge the ongoing support of the Trustees throughout the year. The open and cooperative relationship with the Trustees is appreciated by the Directors and has been to the benefit of TPCL.

The Directors also acknowledge the benefits of the ongoing partnership with EIL with matters of common interest.

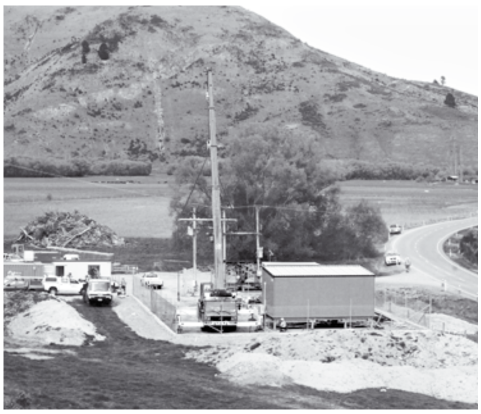
Additionally, the Directors acknowledge the contribution of Marlborough Lines Limited through the investment in the OtagoNet Joint Venture.

Finally, the Directors wish to record their appreciation to the management and staff of PowerNet Limited, who have successfully managed the business for another year.

Alan Harper
Chair

Maryann Macpherson
Director

The 3/5MVA transformer being lifted on site at Hedgehope Substation


Athol Substation under construction

Our Community

Asset Management Plan

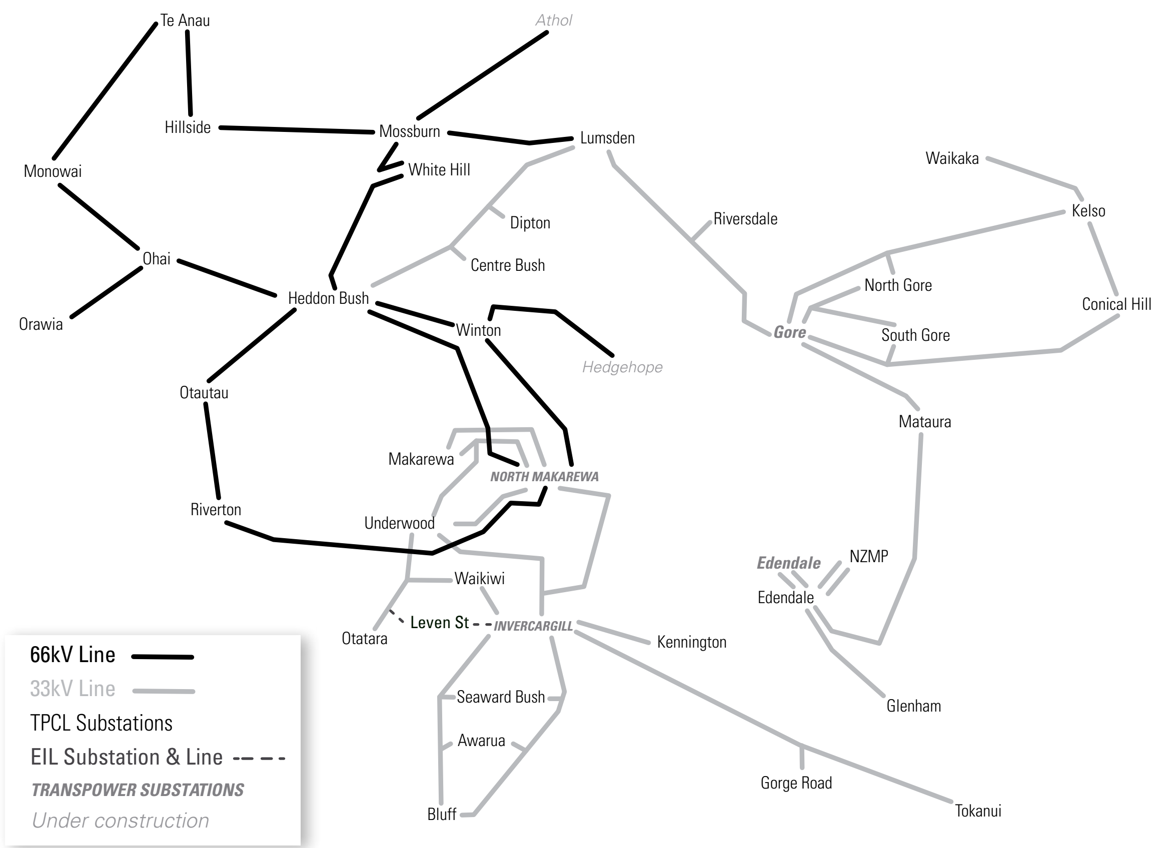
PowerNet again prepared the TPCL Asset Management Plan (AMP) which provides details on the TPCL network assets and how they will be managed to provide a safe, efficient, reliable electricity supply and service to customers and stakeholders over the next 10 years.

The network will continue to be renewed and enhanced to meet expected growth. Major projects in the coming year include the new Colyer Road Substation at Awarua to meet the increasing demands of industry in that area, a new 66kV line starting at Fairfax and tying into a new substation at Isla Bank, the Waikiwi Substation upgrade and the North Makarewa to Winton 66kV replacement line.

The maximum demand on the network has increased 2.0% per annum over the last 10 years with energy consumption increasing by 1.3% per annum. The consumption over the 2013 winter was low due to mild weather.

TPCL's latest AMP update includes significant expenditure to meet network growth, as well as renewal and maintenance work over the next 10 years.

The Company's focus on safety is also reflected in the AMP, with Neutral Earth Resistor (NER) installations, seismic upgrading of infrastructure assets and new distribution automation projects all programmed for the near future.



Our Community *continued*

Capital expenditure during the next 10 years is forecast to be between $29.8 million in 2014/15 and $17.9 million in 2023/24.

During the year customers were again given opportunity to provide input on TPCL's plans through:

- public comment on the AMP,
- the annual telephone survey of network customers,
- interviews with some of our larger commercial customers,
- regular contact with commercial customers by PowerNet staff,
- working with customers and developers when they were planning new connections to the network,
- hosting annual customer functions for those connected to the TPCL network.

This contact ensures TPCL better understands the needs of its stakeholders, including the community.

The AMP can be viewed at: www.tpcl.co.nz

Community Support

TPCL and the Southland Power Trust continued to provide support to the community by providing:

- a discount to consumers connected to its network, and
- support to the Southland Warm Homes Trust (SWHT) for insulation and heating installations in the Southland and West Otago region and
- supplying emergency first aid training equipment to community groups.

Consumer discount

A successful year enabled a discount of $8 million (including GST) to be shared amongst all customers connected to the TPCL electricity network at midnight on Saturday, 31 August 2013.

Discounts of $60 million (including GST) have been shared by customers over the last 13 years.

Manikin donation to the Winton Volunteer Fire Brigade (from left); Alan Harper (TPCL Chair), Brian Somerville and Steve Milne (Winton Volunteer Fire Brigade) and Jason Franklin (PowerNet Chief Executive)

Southland Warm Homes Trust

The Southland Warm Homes Trust was formed in 2008 by EIL and the Southland Power Trust.

The SWHT, in conjunction with the Energy Efficiency and Conservation Authority (EECA), has carried out insulation and heating retrofits in over 5,000 Southland and West Otago homes since 2008.

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

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

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

The SWHT is very pleased to be able to carry on the work begun in 2008 and assist the more vulnerable members of our community. The SWHT project not only benefits the residents of these houses but also contributes to improving energy efficiency and reduces investment on the network.

First Aid Training Equipment

At a customer function in Winton during the year, TPCL directors donated a Resusci Anne CPR manikin to the Winton Volunteer Fire Brigade for use by their volunteers and other community groups.

Resusci Anne is a full-bodied adult CPR training manikin used in first aid training.

Southland Power Trust

The Southland Power Trust was established in December 1997 to hold the shares in TPCL on behalf of all consumers connected to the Company's electricity network.

The Trust Deed sets out the rules governing the proceedings of the Trust and specifically precludes Trustees from taking part in the governance of TPCL. The Trustees' duty is to act on behalf of the shareholders, that is, the consumers connected to the network who are the only beneficiaries of both income and capital investment.

Trustees serve for a term of four years, with elections to fill vacancies every two years.

The current Trustees are:

Jim Hargest (Chair)

Wade Devine

Carl Findlater

David Rose

Graham Sycamore

Directors' Profiles

Alan Harper (Chair) LLB BCom

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

He is a Director of PowerNet Limited, a Member of the OtagoNet Joint Venture Governing Committee and a Member of the Institute of Directors Otago/Southland Branch Committee.

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

Duncan Fea BCom CA

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

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

Duncan is a Member of the Institute of Directors.

Douglas Fraser BSc (Chemistry)

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

He is a Director of PowerNet Limited and Telford Farm Management Board. Previous governance roles include NZ Wool Board, Wools of NZ, Woolpro and AgITO.

Doug is a Member of the Institute of Directors.

Maryann Macpherson

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

Her career background is farming and taxation management.

Maryann is Chair of PowerNet Limited and a Director of Venture Southland.

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

Maryann is a Member of the Institute of Directors.

Directors' Report

The Directors have pleasure in presenting their Annual Report and Financial Statements for the year ended 31 March 2014.

Principal Activities

The principal activity of the parent entity The Power Company Limited is the provision of electricity distribution services. The Company is a wholly owned subsidiary of the Southland Electric Power Supply Consumer Trust. The Group consists of The Power Company Limited, its subsidiaries, associates and joint ventures.

Result and Distribution

The Directors report that the Group's profit after tax and interest for the year under review was $3,590,000. No dividends have been paid out or declared during the year by the Group.

State of Company's Affairs

The Directors consider the state of the Company's affairs to be satisfactory.

Directors

The Directors are appointed by the Shareholder.

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.

Director	Company	Position
Duncan Fea		
	Crowe Horwath	Principal
	Electricity Southland Ltd	Director
	Last Tango Ltd	Director
	Peak Power Services Ltd	Director
	PowerNet Ltd	Director
	WHK	Principal
	WHK Cook Adam Ltd	Director
Douglas Fraser		
	Electricity Southland Ltd	Director
	Last Tango Ltd	Director
	PowerNet Ltd	Director
	Power Services Ltd	Director
	Telford Farm Management Board	Director
Alan Harper		
	AWS Legal	Partner
	Barnes Oysters Ltd	Director
	Campbelltown Seafoods Ltd	Director
	Electricity Southland Ltd	Director
	Last Tango Ltd	Director
	OtagoNet Joint Venture	Member, Governing Committee
	OtagoNet Ltd	Director
	OtagoNet Properties Ltd	Director
	PowerNet Ltd	Director
Maryann Macpherson		
	Electricity Southland Ltd	Chair
	Last Tango Ltd	Director
	PowerNet Ltd	Chair
	Venture Southland	Director

Alan Harper is a partner of AWS Legal, Solicitors and The Power Company Limited and PowerNet Limited have engaged this firm for legal services on a commercial basis.

Directors' Report *continued*

Remuneration of Directors

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

Alan Harper	-	Chair	Douglas Fraser	-	Director
Duncan Fea	-	Director	Maryann Macpherson	-	Director

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

Alan Harper	$52,500	Douglas Fraser	$29,000
Duncan Fea	$29,000	Maryann Macpherson	$29,000

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

Alan Harper	$24,700	Douglas Fraser	$24,700
Duncan Fea	$24,700	Maryann Macpherson	$49,400

Employee Remuneration

No employees or former employees received remuneration to the value of $100,000 or greater during the period.

Donations

The Company did not make any donations during the period.

Use of Company Information

During the year the Board received no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been made available to them.

Directors' and Employees' Indemnity and Insurance

Liability insurance was effected for Directors of the Company and its subsidiary companies.

Accounting Policies

There has been a change in the accounting policy for Capital Contributions during the year – refer to Note 1(b)(ii) of the Financial Statements. Other accounting policies have been applied on a basis consistent with those used in the previous year.

Auditor Remuneration

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

For and on behalf of the Directors.

Alan Harper	Maryann Macpherson
Chair	**Director**

Trustees' Report

Governance and Consultation

In its sixteenth year of operation the Trustees have continued to exercise the ownership rights of The Power Company Limited (the Company) on behalf of its consumer owners.

Trustees had the opportunity to comment on the Company Statement of Intent and Business Plan projections prior to finalisation by the Directors. Of particular focus were the Asset Management Plan, capital investments, return on investment and the price and quality of service to consumers.

Trustees note the continued high level of capital investment in the network required to meet the projected network load growth due to the continuing expansion in dairy farm conversions, associated industry and residential developments.

The Company performance is monitored throughout the year in relation to the Statement of Intent and Business Plan. The Trust's Strategic Plan is reviewed annually as an aid to ensure compliance with all aspects of its Trust Deed.

Core Business

The Company's core business continues to be the ownership and management of assets involved in the distribution of electricity or similar products and associated services.

Management of these assets is principally through the joint venture company PowerNet Limited.

Financial

The Group achieved a satisfactory operating surplus of $12.039 million before tax and the discount which was below the target of $16.529 million for the year reflecting lower than budgeted line charge revenue due to the warm winter of 2013 and a $1.894 million movement in the onerous contract provision related to the Gore District Council "penny-a-unit" power agreement.

Trustees note the cost of meeting the obligations under the historic deed with the Gore District Council is now valued at $9.911 million with the ratepayers of Gore continuing to be subsidised by the Company with electricity at a "penny-a-unit".

Line Charges

Line charges were increased by CPI and increases in Transpower costs were passed through to consumers at the beginning of the year. In the 2014/2015 financial year for an Urban Domestic 20kVa Off-Peak customer consuming 9000 units, the annual line charge is $982.42 which averages at 10.92 cents per unit (excluding GST).The current levels of pricing provide the Company with a sustainable return on investment, enabling the Company to carry out reinvestment in the network that is required to meet the current and projected load growth and improve the quality of supply to consumers.

The Trust supports the current line pricing as being in the best long-term interests of its consumer owners and the performance of the network. Trustees believe that the interests of consumers are fully protected by the nature of the Consumer Trust ownership and the regular election of Trustees by consumers. They are supportive of the price and quality control exemptions for the Company due to its consumer ownership under the Commerce Act.

Consumer Discount

An explicit discount of $8million (including GST) was credited to consumers in August/ September 2013.

Lines Operation

The Trust supports the programme of major investment in its network to meet the increases in demand, maintain the required quality of supply and ensure the overall value of investment in the network assets is maintained.

The Company did not meet the Statement of Intent SAIDI (System Average Interruption Duration Index) Business Plan target of 161.75 minutes with an actual duration of 177.77 minutes. Extensive maintenance and capital works programme contributed to the year-end values recorded. The SAIFI (System Average Interruption Frequency Index) figure of 2.87 times was better than the planned Business target of 3.21 times.

Trustees note the planned improvements in SAIDI and SAIFI as detailed in the 2014-2024 Asset Management Plan including the network automation (controlled switching) project.

Trustees' Report *continued*

OtagoNet Joint Venture

The OtagoNet Joint Venture continues to provide positive cashflows for the Company and, along with Otago Power Services Limited, is performing satisfactorily and is currently meeting the profitability projections made at the time of acquisition. Trustees are satisfied with this long term investment.

Southland Warm Homes Trust

The Trustees continue to support the Southland Warm Homes Trust (SWHT) initiative that provides a range of subsidies to householders in our network to foster warmer, healthier homes. Householders on our network have the ability to receive a subsidised heating assessment as well as insulation and heating retrofits. To date households benefiting from heating and insulation installed by SWHT throughout Southland and West Otago is approaching 5,000. The SWHT receives funding from local funders and central government via the Energy Efficiency and Conservation Authority (EECA).

Energy Trusts Association

Trustees continue to support the Energy Trusts of New Zealand (ETNZ) as an effective voice representing the interests of Energy Trusts and their consumers. The Trust is supportive of the ETNZ view about the overly burdensome regulatory regime, particularly the Information Disclosure regime which also affects consumer owned businesses. The Trust is of the view the information required is too detailed, costly to provide and unnecessary as it goes beyond the Commerce Commission's requirement to monitor and analyse the performance of lines businesses.

Transparency of Line Charges

Trustees support the transparency of line charges on consumer invoices and through ETNZ continue to lobby with the Electricity Authority (EA) for more transparency. Trustees were disappointed with the factually incorrect statement made during the year by Infratil Limited, an owner of generation and retail investments, about reasons for power price increases over a number of years. Trustees wrote to Infratil expressing concerns with the statement and note that such statements would have no credibility if line charges were separated on consumer invoices. Trustees are disappointed with the EA's lack of apparent progress in this area.

Directors

Trustees and Directors have maintained a good working relationship during the year under review. Trustees appreciate the efforts of the Board and PowerNet management and staff in ensuring the security of electricity supply to their consumers.

Administration

Trustees wish to acknowledge the work of their Secretary Amy Coats and thank Blair Morris of Crowe Horwath for his financial services provided during the year.

JB Hargest

Jim Hargest
Chair
Southland Electric Power Supply Consumer Trust

Approval by Directors

The Directors have approved the Financial Statements of The Power Company Limited for the year ended 31 March 2014 on pages 14 to 49.

Alan Harper	Maryann Macpherson
Chair	**Director**

For and on behalf of the Board of Directors

25 June 2014

Statement of Service Performance

For the Year Ended 31 March 2014

The objectives of The Power Company Limited for this financial year are specified in the Statement of Intent, which was approved by the Shareholders. The performance targets and measures identified in the Statement of Intent, along with the performance achieved during the financial year, are detailed below.

Performance Targets

	GROUP				
	Target	Achievement			
	2014	2014		2013	
	$000	$000		$000	
				Restated	
Financial Measures		Inclusive of Discount	Exclusive of Discount	Inclusive of Discount	Exclusive of Discount
Operating Surplus Before Tax	16,529	5,089	12,039	7,650	14,602
Earnings Before Interest and Tax to Total Assets %	4.01%	1.35%	2.97%	2.02%	3.70%
Return on Equity %	3.19%	1.14%	3.28%	1.81%	3.94%
Equity to Total Assets %	75.85%	73.67%	75.30%	75.88%	77.57%

Network Reliability Performance Measures

The following results were calculated using information from the Company's non-financial systems, which due to the manual recording processes have inherent limitations relating to the completeness of interruption data and the accuracy of interconnection point (ICP) numbers included in the SAIDI and SAIFI.

	Target	Achievement	
	2014	2014	2013
	$000	$000	$000
System Average Interruption Duration Index (SAIDI)			
The average total time in minutes each customer connected to the network is without supply.			
SAIDI	161.75	177.77	191.40
System Average Interruption Frequency Index (SAIFI)			
The average number of times each customer connected to the network is without supply.			
SAIFI	3.21	2.87	2.59

Supplementary Information

Network Statistics	2014	2013
Length of overhead line	8,357 km	8,347 km
Length of underground cable	351 km	343 km
Total number of interruptions	1,221	1,229
Faults per 100km of line	6.19	5.81
Transformer capacity MVA	406	403
Maximum demand kW	135,146	133,782
Energy into network GWh	738	755
Total consumers	34,974	34,603

Statements of Financial Performance

For the Year Ended 31 March 2014

		GROUP		PARENT	
			Restated		
	Note	2014	2013	2014	2013
		$000	$000	$000	$000
Operating Revenue	(2)	58,214	30,110	58,214	30,110
Other Income	(2)	10,730	13,773	3,949	4,395
Operating Expenses	(3)	(59,526)	(32,337)	(50,942)	(21,801)
Finance Costs	(3)	(309)	(603)	(284)	(518)
Share of Profit of Associates and Joint Ventures	(9/11)	2,930	3,659	-	-
Operating Surplus Before Discount		**12,039**	**14,602**	**10,937**	**12,186**
Discount to Consumers	(3)	(6,950)	(6,952)	(6,950)	(6,952)
Operating Surplus Before Taxation		**5,089**	**7,650**	**3,987**	**5,234**
Taxation Expense					
Current	(4)	(3,738)	(3,534)	(2,982)	(2,573)
Deferred	(4/18)	2,239	1,574	2,438	1,638
Net Surplus After Taxation		**3,590**	**5,690**	**3,443**	**4,299**

Statements of Comprehensive Income

For the Year Ended 31 March 2014

		GROUP		PARENT	
	Note	2014	2013	2014	2013
		$000	$000	$000	$000
Net Surplus After Taxation		**3,590**	**5,690**	**3,443**	**4,299**
Other Comprehensive Income					
- Asset Revaluation		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		**3,590**	**5,690**	**3,443**	**4,299**
Net Surplus Attributable to Minority Interests	(12)	(216)	(220)	-	-
Net Surplus Attributable To Parent		**3,374**	**5,470**	**3,443**	**4,299**

The accompanying notes on pages 19 to 49 form part of and should be read in conjunction with these financial statements.

Statements of Changes in Equity

For the Year Ended 31 March 2014

	Note	GROUP 2014 $000	GROUP Restated 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Total Comprehensive Income					
Net Surplus for the Year comprising:					
Parent Interest		3,374	5,470	3,443	4,299
Minority Interest	(12)	216	220	-	-
Other Comprehensive Income		-	-	-	-
		3,590	5,690	3,443	4,299
Contributions from Shareholders					
Minority Interest Investment in Shares	(12)	-	-	-	-
Disposal of Subsidiary	(12)	(2,280)	-	-	-
Distributions to Shareholders					
Parent Interest		-	-	-	-
Minority Interest	(12)	-	-	-	-
Changes in Equity for the Year		1,310	5,690	3,443	4,299
Equity at Beginning of Year comprising:					
Parent Interest		311,783	306,313	303,983	299,684
Minority Interest		2,064	1,844	-	-
		313,847	308,157	303,983	299,684
Equity at End of Year comprising:					
Parent Interest		315,157	311,783	307,426	303,983
Minority Interest	(12)	-	2,064	-	-
	(5)	315,157	313,847	307,426	303,983

The accompanying notes on pages 19 to 49 form part of and should be read in conjunction with these financial statements.

Statements of Financial Position

As at 31 March 2014

	Note	GROUP 2014 $000	GROUP Restated 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Equity					
Share Capital	(5)	67,522	67,522	67,522	67,522
Asset Revaluation Reserve	(5)	79,698	79,808	75,784	75,894
Retained Earnings	(5)	167,937	164,453	164,120	160,567
Parent Equity		315,157	311,783	307,426	303,983
Minority Interest Equity	(12)	-	2,064	-	-
Total Equity	(5)	**315,157**	**313,847**	**307,426**	**303,983**
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	35	633	35	43
Receivables and Prepayments	(7)	6,871	5,058	6,871	3,308
Inventories	(8)	-	247	-	-
Work in Progress		-	233	-	-
Total Current Assets		**6,906**	**6,171**	**6,906**	**3,351**
Non Current Assets					
Investments in Associates	(9)	6,047	5,402	1,511	864
Investments in Subsidiaries	(10)	-	-	30,994	34,728
Investments in Joint Ventures	(11)	57,168	44,497	18,914	8,200
Investments in Other Entities		146	-	146	-
Property, Plant and Equipment	(13)	339,979	344,219	339,979	338,067
Capital Work in Progress		17,538	12,803	17,538	12,528
Intangibles	(14)	-	491	-	-
Total Non Current Assets		**420,878**	**407,412**	**409,082**	**394,387**
Total Assets		**427,784**	**413,583**	**415,988**	**397,738**
Current Liabilities					
Creditors and Accruals	(15)	19,846	10,255	19,846	9,523
Employee Entitlements	(16)	-	567	-	-
Onerous Contract	(19)	675	527	675	527
Provision for Dividend		-	-	-	-
Interest Rate Swaps	(23)	20	-	20	-
Income Tax Payable		122	1,159	(79)	944
Total Current Liabilities		**20,663**	**12,508**	**20,462**	**10,994**
Non Current Liabilities					
Term Loans	(17)	19,169	13,456	19,169	12,746
Deferred Tax Liabilities	(18)	63,370	65,701	59,506	61,944
Onerous Contract	(19)	9,236	7,490	9,236	7,490
Interest Rate Swaps	(23)	189	581	189	581
Total Non Current Liabilities		**91,964**	**87,228**	**88,100**	**82,761**
Total Liabilities		**112,627**	**99,736**	**108,562**	**93,755**
Net Assets		**315,157**	**313,847**	**307,426**	**303,983**

The accompanying notes on pages 19 to 49 form part of and should be read in conjunction with these financial statements.

Statements of Cash Flows

For the Year Ended 31 March 2014

	Note	GROUP 2014 $000	GROUP Restated 2013 $000	PARENT 2014 $000	PARENT 2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		61,202	37,305	50,640	26,614
Interest Received		602	426	623	507
Dividends Received		-	527	2,063	1,862
		61,804	38,258	53,326	28,983
Cash Was Disbursed To:					
Payments to Suppliers and Employees		31,113	9,048	22,343	1,528
GST Paid/(Received)		(388)	(138)	(378)	(71)
Income Tax Paid		4,792	3,825	4,005	2,817
Interest Paid		658	362	660	257
		36,175	13,097	26,630	4,531
Net Cash Flows From Operating Activities	(22)	**25,629**	**25,161**	**26,696**	**24,452**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Property, Plant and Equipment Sales		86	145	86	40
Proceeds from Disposal of Subsidiary		1,951	-	-	-
		2,037	145	86	40
Cash Was Applied To:					
Property, Plant and Equipment Purchases		25,441	23,454	25,441	21,790
Investments in Associates, Subsidiaries		-	-	-	-
Investments		9,246	2,947	7,772	2,734
		34,687	26,401	33,213	24,524
Net Cash Flows (Used in) Investing Activities		**(32,650)**	**(26,256)**	**(33,127)**	**(24,484)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Provided From:					
Issue of Shares		-	-	-	-
Term Loans		6,610	130	6,610	130
		6,610	130	6,610	130
Cash Was Applied To:					
Dividend Paid		-	205	-	-
Term Loans		187	120	187	120
		187	325	187	120
Net Cash Flows (Used in) Financing Activities		**6,423**	**(195)**	**6,423**	**10**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(598)	(1,290)	(8)	(22)
Add Opening Cash Brought Forward		633	1,923	43	65
Closing Cash and Cash Equivalents To Carry Forward	(6)	**35**	**633**	**35**	**43**

The accompanying notes on pages 19 to 49 form part of and should be read in conjunction with these financial statements.

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2014

1. Statement of Accounting Policies

Reporting Entity

The Parent Entity, The Power Company Limited, is a profit oriented limited liability company that was incorporated on 30 October 1990 and the address of its registered office is 251 Racecourse Road, Invercargill. The Company is wholly owned by a Consumer Trust (Southland Electric Power Supply Consumer Trust) and is registered under the Companies Act 1993. The Group consists of The Power Company Limited, its subsidiaries, and its interest in associates and jointly controlled entities referred to in Notes 9, 10 and 11.

The principal activity of The Power Company Limited is the provision of electricity distribution services.

The financial statements were approved by the Board of Directors on 25 June 2014.

Basis of Preparation

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

These financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992, the Companies Act 1993, and the Financial Reporting Act 1993. They follow New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). These financial statements also comply with International Financial Reporting Standards.

These financial statements have been prepared on the basis of historical cost except for the revaluation of certain financial instruments as outlined in Note 23 and property, plant and equipment as outlined in Note 13.

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

New Standards Adopted

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2013;

NZ IFRS 10: Consolidated Financial Statements (amendment from May 2011)

The amendment to NZ IFRS 10 from May 2011 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

The amendment builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.

Application of this standard has not had a material effect on the entities consolidated in The Power Company Limited Group.

NZ IFRS 13: Fair Value Measurement (amendment from May 2011)

The amendment to NZ IFRS 13 from May 2011 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

The standard provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

Application of this standard has not had a material effect on the Company or Group.

IAS 28: Investments in Associates and Joint Ventures.

This amendment to IAS 28 is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate and vice versa. The amendment also introduces a "partial disposal" concept. This amendment has not had an effect on the Company and Group as they currently do not expect to have any changes in ownership.

IFRS 11: Joint Ventures

The new standard is effective for the financial statements issued for the accounting periods beginning on or after 1 January 2013.

A distinction has been made between joint ventures and joint operations. The proposals require the accounting to reflect the contractual rights and obligations agreed by the parties. Therefore, a venture recognises the individual assets to which it has rights and the liabilities for which it is responsible regardless of the legal form of the joint arrangement. If a venture only has a right to a share of the outcome of the activities of the joint arrangement (that is, a joint venture), this interest is recognised using the equity method. The option to apply the proportional consolidation method when accounting for jointly controlled entities has been removed.

Accounting for joint arrangements is not driven by the legal form in which the activities take place. The accounting that applies to a joint arrangement in certain circumstances is similar to the accounting that might have applied using proportionate consolidation under the current IAS 31: Interests in Joint Ventures.

The new standard has had an impact on the Group as they had joint venture arrangements that were accounted for using the proportional consolidation method. These are now consolidated using the equity accounting method, with comparatives restated also using the equity accounting method. This has resulted in the joint ventures' profit after tax being recognised in the Statement of Financial Performance as share of profit of associates and joint ventures, and the Company's share of the net assets of the joint venture showing under investments in the Statement of Financial Position.

Standards or Interpretations not yet Effective

Various standards, amendments and interpretations have been issued by the External Reporting Board (XRB) but not yet adopted by The Power Company Limited as they are not yet effective.

NZ IFRS 9: Financial Instruments – Phase 1: Classification and Measurement

NZ IFRS 9 Phase 1 was issued in November 2009 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2015.

The new standard simplifies the classification criteria for financial assets, compared to the current requirements of NZ IAS 39, which results in a reduced number of categories of financial assets and some consequential amendments to disclosures required by NZ IAS 1 "Presentation of Financial Statements" and NZ IFRS 7 "Financial Instruments: Disclosures". The Company and Group's financial assets and liabilities currently fall into the category of "Loans" and "Receivables" within the NZ IAS 39 classification. If NZ IFRS 9 was adopted, these assets would fall into the definition of the category of "Financial assets and liabilities measured at amortised cost". However, their measurement and disclosure would not be affected. The Company and Group would not have any transactions to disclose under the NZ IAS 1 and NZ IFRS 7 disclosure requirements relating to gains or losses arising on derecognition of financial assets measured at amortised cost. This standard will be adopted when it is effective. There is no intention to adopt earlier.

Financial statement presentation – presentation of other comprehensive income (amendment to IAS1)

This amendment is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2014.

The amendment requires profit or loss and other comprehensive income (OCI) to be presented, either in a single continuous statement or in two separate but consecutive statements. There is little noticeable change from the current requirements. However, the format of the OCI section is required to be changed to separate items that might be recycled from items that will not be recycled. The changes do not effect the measurement of net profit or earnings per share; however, they change the way items of OCI are presented.

This amendment has minimal effect on the Company and Group as they currently have only one immaterial other comprehensive income transaction. This standard will be adopted when it is effective. There is no intention to adopt earlier.

IFRS 15: Revenue from Contracts with Customers

This is effective for financial statements issued for the fiscal years beginning on or after 1 January 2017.

IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 "Revenue" and IAS 11 "Construction contracts" and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company and Group have yet to assess IFRS 15's full impact. The Company and Group will apply this standard from 1 April 2017.

Use of Estimates and Judgements

The preparation of financial statements to conform to NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

In particular estimates and assumptions have been used in the following areas:

- Property, Plant and Equipment
- Value of Donated Assets
- Employee Benefits
- Recoverable Amount from Cash Generating Units
- Onerous Contract
- Joint Arrangement Classification

In the process of applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements.

The Group operates extensive integrated electricity distribution networks comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved network asset management plans. The costs associated with recording and tracking all individual components replaced and removed from the networks substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the networks in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net surpluses or carrying values of the networks.

Every five years, the company obtains a valuation of their electricity distribution network, determined by independent valuers, in accordance with their accounting policy. The valuation of the Company's electricity distribution network was performed as at 31 March 2012. The best evidence of fair value is discounted cash flow methodology. The major presumptions used include discount rate, growth rate and future cash flows. Changes in future cash flows arising from changes in regulatory review may result in the fair value of the electricity distribution network being different from previous estimates.

The Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest wash-up data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets/liabilities for any amounts which are estimated to be under/over charged during the reporting period. However, as final wash-up metering data is not available for in excess of twelve months, it is possible the final amounts payable or receivable may vary from that calculated.

Other areas where judgement has been exercised in preparing these financial statements are in relation to calculating the recoverable amounts from Cash Generating Units and the amounts of employee entitlements.

Specific Accounting Polices

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

(a) Principles of Consolidation

(i) Subsidiaries

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

Minority interests in the results and equity of subsidiaries are shown separately in the Profit and Loss and Balance Sheet.

(ii) Associates

Associates are those entities over which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(iii) Joint Ventures

Joint Ventures are those entities over which the Group has joint control established by contractual agreement. The financial statements include the Group's share of the joint venture entities' total recognised gains and loses on an equity accounted basis, from the date that joint control commences to the date that joint control ceases.

(iv) Transactions eliminated on consolidation

All significant inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(v) Parent Investments

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

(b) Revenue

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

(i) Network Charges

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

(ii) Customer Contributions

Contributions from customers in relation to the construction of new lines for the network and donated assets are accounted for as income when the asset is connected to the network.

(iii) Government Grants

Government grants that compensate the Group for the cost of an asset are recognised initially in the Balance Sheet as deferred income and then recognised in the Profit and Loss as other operating income on a systematic basis over the useful life of the asset.

(iv) Financial Income

Financial income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets through the Profit and Loss. Interest income is recognised as it accrues, using the effective income method. Dividend income is recognised on the date the Group's right to receive payment is established.

(c) Finance Costs

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets through the Profit and Loss and impairment losses recognised on financial assets (except for trade receivables). All borrowing costs are recognised in the Profit and Loss using the effective interest method, unless they are directly related to the construction of a qualifying asset, when they are capitalised.

(d) Inventories

Inventories are stated at the lower of cost using weighted average cost price, and net realisable value. Obsolete items of inventory (if any) are written off as identified.

(e) Property, Plant and Equipment

All property, plant and equipment is 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 including borrowing costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

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

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation at a maximum of every five years, based on discounted cash flow methodology. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying amount of the distribution network is not materially different from its fair value.

Any revaluation increase arising on the revaluation of assets is credited to the Asset Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the Profit and Loss, in which case the increase is credited to the Profit and Loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation is charged as an expense in the Profit and Loss to the extent that it exceeds the balance, if any, held in the Asset Revaluation Reserve relating to a previous revaluation of that asset.

When a revalued asset is sold or retired the attributable revaluation surplus remaining in the Asset Revaluation Reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

Easements

Easements obtained in relation to access, construction and maintenance of network assets are capitalised. Such easements represent a right in perpetuity and are not depreciated.

(f) Depreciation

Depreciation is charged to the Profit and Loss on a combination of straight line and diminishing value bases on all property, plant and equipment 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	2.0-.4.8%	Straight line/Diminishing value
Network Assets (excluding land)	1.82-16.67%	Straight line/Diminishing value
Metering Assets	6.7-14.4%	Straight line/Diminishing value
Plant and Office Equipment	5.0-50.0%	Straight line/Diminishing value

(g) Impairment

At each reporting date the Group reviews the carrying amounts of its assets and assesses them for indications of impairment. If indications of impairment exist, then the assets' recoverable amounts are estimated in order to determine the extent of the impairment. The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects the market assessments of the time value of money and the risks specific to the assets involved. If the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down to its recoverable amount and an impairment loss is recognised in the Profit and Loss, except to the extent that the impairment loss reverses a previous revaluation increase for that asset to the extent of that revaluation increase. When the asset does not generate cash flows independent of other assets, the cash generating unit (CGU) to which the asset belongs is tested for impairment.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Any impairment of goodwill can not subsequently be reversed.

(h) Capital Work in Progress

Capital Work in Progress is stated at cost and is not depreciated. It includes an accrual for the proportion of work completed at the end of the period.

(i) Intangible Assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill (if it exists) has been recognised in the acquisitions of subsidiaries, associates and joint ventures. In respect of business acquisitions since 1 April 2006, Goodwill represents the difference between the cost of the acquisition and the fair value of the net assets acquired.

In respect of acquisitions prior to this date, Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous NZ GAAP at the transition date. The classification and accounting treatment of business combinations that occurred prior to transition have not been reconsidered in preparing the Group's opening NZ IFRS Balance Sheet as at 1 April 2006.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs and is no longer amortised but tested annually for impairment. In respect of Associates, the carrying amount of Goodwill is included in the carrying amount of the investment in the associate.

Negative Goodwill arising on an acquisition is recognised directly in the Profit and Loss. Impairment relating to Goodwill is not able to be reversed.

(ii) Computer Software

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

(iii) Research and Development

Research costs are expensed in the year in which they are incurred. Development costs are capitalised to the extent that future benefits (exceeding the costs) are expected to accrue.

(iv) Amortisation

Amortisation is charged to the Profit and Loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated amortisation rates for current and comparative periods are as follows:

Software	12.5-48%	Straight line/Diminishing value

(j) Goods and Services Tax (GST)

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

(k) Taxation

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

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

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

Deferred tax is recorded using tax rates enacted or substantially enacted at the Balance Sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Operating Leases

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

(m) Employee Entitlements

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

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

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

(n) Seasonality

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

(o) Financial Assets

Where applicable the Group classifies its investments in the following categories:

Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorized as held for trading unless they are designated as hedges.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the Balance Sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

(iii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-Sale Financial Assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Balance Sheet date.

Available-for-sale financial assets and financial assets at fair value through profit and Loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the Profit and Loss within Other Income or Other Expenses in the period in which they arise.

(p) Financial Instruments

(i) Derivative Financial Instruments

The Group enters into interest rate swaps. These transactions are undertaken within board approved policies and limits for the primary purpose of managing exposure to fluctuations in interest rates arising from financing activities. While these financial instruments are subject to the risk that market rates may change subsequent to the acquisition of the financial instrument, such changes would generally be offset by opposite effects on the items being hedged. The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

The Group has not designated any derivatives as hedges. Derivatives are initially recognised at fair value on the date the derivative is entered into. Subsequent to any initial recognition derivatives are revalued to their fair value at each reporting date. The resulting gain or loss is recognised in the Profit and Loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Balance Sheet date, taking into account current interest rates and the credit worthiness of the swap counterparties.

(ii) 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.

(iii) Trade and Other Payables

Trade and other payables are stated at fair value.

(iv) Receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(v) 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 Profit and Loss over the period of the borrowings using the effective interest method.

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

2. Income

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Operating Revenue				
- Network Charges	58,214	30,110	58,214	30,110
Other Income				
- Interest Revenue	602	426	710	532
- Dividends Received	-	-	2,063	1,862
- Capital Contributions	1,077	1,908	1,077	1,908
- Other Revenue	9,051	11,439	99	93
Total Income	**68,944**	**43,883**	**62,163**	**34,505**

3. Expenses

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Expenses Include:				
Amortisation of Intangibles	-	4	-	-
Auditor Remuneration				
Audit of Financial Report				
- PricewaterhouseCoopers	52	57	35	30
- Deloitte	-	-	-	-
Other Services				
- PricewaterhouseCoopers	32	17	32	17
- Deloitte	-	-	-	-
Bad Debts Written Off	-	-	-	-
Depreciation				
- Buildings	43	55	11	11
- Plant and Office Equipment	226	326	2	2
- Motor Vehicles	338	425	-	-
- Metering Assets	523	784	523	784
- Network Assets	17,273	16,871	17,273	16,871
Total Depreciation	18,403	18,461	17,809	17,668
Directors' Fees	201	199	139	120
Discount to Consumers	6,950	6,952	6,950	6,952
Donations	-	-	-	-
Employee Benefit Expenses	3,891	5,333	-	-
Interest Expense	680	692	655	607
Loss on Disposal of Subsidiary	181	-	-	-
Loss/(Gain) on Derivatives	(371)	(89)	(371)	(89)
Loss/(Gain) on Onerous Contract	1,894	690	1,894	690
Loss on Disposal of Property, Plant and Equipment	627	940	623	903
Network Costs	13,646	942	13,183	260
Operating Lease Expenses	26	160	-	-
Scholarships and Awards	-	-	-	-
Transmission Costs	15,697	-	15,697	-

The level of discount, if any, is determined by the Directors after considering the forecast operating surplus, capital expenditure, level of debt and other future commitments of the Company.

4. Taxation

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

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

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

	Note	GROUP 2014 $000	GROUP Restated 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Operating Surplus Before Income Taxation		5,089	7,650	3,987	5,234
Income Not Taxable					
- Exempt Dividends Received		-	-	(2,063)	(1,862)
- Equity Accounted Earnings of Associates		(30)	(599)	-	-
- Other		275	(13)	(1)	(19)
Loss Offsets		-	-	-	-
Expenses Not Deductible		20	(24)	20	-
Taxable Income		**5,354**	**7,014**	**1,943**	**3,353**
Prima Facie Taxation at 28%		1,499	1,964	544	939
Made up of:					
Current Tax		3,743	3,930	2,982	2,969
Deferred Tax	(18)	(2,244)	(1,966)	(2,438)	(2,030)
		1,499	1,964	544	939
Under/(Over) Provisions in Prior Years					
Current Tax		(5)	(396)	-	(396)
Deferred Tax		5	392	-	392
Taxation Expense/(Benefit) for Year		**1,499**	**1,960**	**544**	**935**
Effective Tax Rate		**29%**	**26%**	**14%**	**18%**

	PARENT 2014 $000	PARENT 2013 $000
Imputation Credit Account		
Credit Balance at Beginning of Year	14,269	10,670
Credits:		
Income Tax Payments	3,050	3,385
Imputation Credits on Dividends Received	802	798
Prior period adjustment	5	-
Debits:		
Income Tax Refunds	-	(568)
Imputation Credits on Dividends Paid	-	(16)
Credit Balance at End of Year	**18,126**	**14,269**

The Imputation Credit Account relates to The Power Company Limited only.

5. Equity

The authorised and issued share capital comprises 67,522,000 (Group) and 67,522,000 (Parent) ordinary shares which are fully paid up and are not subject to a par value. All shares have the same rights and privileges.

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Share Capital	**67,522**	**67,522**	**67,522**	**67,522**
Minority Interest	**-**	**2,064**	**-**	**-**
Asset Revaluation Reserve				
Opening Balance	79,808	79,988	75,894	76,074
Revaluation	-	-	-	-
Revaluation Write Downs due to Asset Disposal	(110)	(180)	(110)	(180)
Closing Balance	**79,698**	**79,808**	**75,784**	**75,894**
Retained Earnings				
Opening Balance	164,453	158,803	160,567	156,088
Net Surplus for the Year	3,374	5,470	3,443	4,299
Dividend Declared	-	-	-	-
Revaluation Write Downs due to Asset Disposal	110	180	110	180
Closing Balance	**167,937**	**164,453**	**164,120**	**160,567**
Total Equity	**315,157**	**313,847**	**307,426**	**303,983**

6. Cash and Cash Equivalents

Current Account	35	190	35	43
Short Term Bank Deposits	-	443	-	-
Total Cash and Cash Equivalents	**35**	**633**	**35**	**43**

7. Receivables and Prepayments

Trade Debtors	6,007	4,866	6,007	2,927
GST Receivable	824	155	824	351
Prepayments	40	37	40	30
Total Receivables and Prepayments	**6,871**	**5,058**	**6,871**	**3,308**

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

At balance date 3% of the Group's trade receivables (Parent: 3%) were 30-90 days passed due, 0% of the Group's trade receivables (Parent: 0%) were > 90 days passed due. As most of these amounts are expected to be recovered, no provision for impairment has been created.

8. Inventories

	GROUP		PARENT	
	2014 $000	Restated 2013 $000	2014 $000	2013 $000
Network Spares and Sundry Network Consumables	-	247	-	-

No inventories are pledged as security for liabilities nor are inventories subject to retention of title clauses.

9. Investments in Associates

Associate Companies	Country of Incorporation	Percentage Held By Group 2014	Percentage Held By Group 2013	Balance Date
Electricity Southland Ltd	New Zealand	50%	50%	31 March
Otago Power Services Ltd	New Zealand	24.5%	24.5%	31 March

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Interests in associate entities are as follows:				
Carrying Amount at Beginning of Year	5,402	5,332	864	864
Dividends from Associates	(270)	(233)	-	-
Share of Equity Accounted Earnings of Associates	268	303	-	-
Increase/(Decrease) in Advances to Associates	647	-	647	-
Investment in Shares in Associates	-	-	-	-
Carrying Amount at End of Year	**6,047**	**5,402**	**1,511**	**864**

The Parent's advances to Associates of $1,511,000 (31 March 2013: $864,000) are repayable on demand but with a 13 month notice period. The advances incur interest at 2% above the 90 day bank bill rate.

	GROUP	
	2014 $000	2013 $000
The Group's share of the results of its associate entities is as follows:		
Share of Surplus before Taxation	461	422
Less Taxation Expense	(193)	(119)
Total Recognised Revenues and Expenses of Associates After Tax	**268**	**303**

Summary financial information for equity accounted associates, not adjusted to percentage ownership held by the Group is as follows:

	2014	2013
Revenue	13,612	12,699
Less Expenses	(12,334)	(11,399)
Net Profit/(Loss)	**1,278**	**1,300**
Current Assets	3,487	2,963
Non Current Assets	14,842	13,046
Current Liabilities	(2,709)	(1,935)
Non Current Liabilities	(3,957)	(2,588)

10. Investments in Subsidiaries

Subsidiary Companies	Country of Incorporation	Percentage Held by Group 2014	Percentage Held by Group 2013	Balance Date
Last Tango Limited	New Zealand	100%	100%	31 March
Power Services Limited	New Zealand	-	51%	31 March
Peak Power Services Limited	New Zealand	-	26%	31 March

On 21 February 2012 Power Services Limited, a subsidiary of the Group, purchased a 51% shareholding in Peak Power Services Limited. In the 2013 year the Group had a 51% shareholding in Power Services Limited, so the Group was deemed to have control over Peak Power Services Limited, therefore accounted for it as a subsidiary.

On 2 December 2013, PowerNet Limited, a joint venture of the Group acquired 100% of the share capital of Power Services Limited. Power Services Limited was then amalgamated into PowerNet Limited. PowerNet Limited has from that date a 51% shareholding in Peak Power Services Limited.

	PARENT 2014 $000	PARENT 2013 $000
Investment in Shares in Subsidiaries	28,075	28,075
Advances to Subsidiaries	2,919	6,653
Total Investments in Subsidiaries	**30,994**	**34,728**

The Parent's advance to Last Tango Limited of $2,919,000 (31 March 2013: $2,914,000) is repayable on demand but with a 13 month notice period and does not incur any interest.

The Parent's advance to Power Services Limited of $0 (31 March 2013: $2,739,000) was repayable on demand but with a 13 month notice period and incurred interest at 2.00% above the 90 day bank bill rate.

11. Investments in Joint Ventures

The Group has a participating interest in the following joint ventures through its wholly owned subsidiary Last Tango Limited.

Joint Ventures	Country of Residence	Percentage Held By Group 2014	Percentage Held By Group 2013	Balance Date
PowerNet Limited Group*	New Zealand	50%	50%	31 March
OtagoNet Joint Venture	New Zealand	24.5%	24.5%	31 March

*The PowerNet Limited Group has a 51% shareholding in Peak Power Services Limited.

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Interests in joint venture entities are as follows:				
Carrying Amount at Beginning of Year	44,497	40,576	8,200	5,320
Share of Equity Accounted Earnings of Joint Ventures	2,662	3,356	-	-
Less Drawings	(2,695)	(2,315)	-	-
Increase/(Decrease) in Advances to Joint Ventures	10,714	2,880	10,714	2,880
Investment in Shares in Joint Ventures	1,990	-	-	-
Carrying Amount at End of Year	**57,168**	**44,497**	**18,914**	**8,200**

The Parent's advances to joint ventures of $18,914,000 (31 March 2013: $8,200,000) are repayable on demand but with a 13 month notice period. The advances incur interest between 2.00% and 2.50% above the 90 day bank bill rate.

12. Minority Interest

	GROUP	
		Restated
	2014	2013
	$000	$000
Opening Balance	2,064	1,844
Minority Interest Dividends	-	-
Minority Interest Share of Net Surplus	216	220
Minority Interest Disposal of Subsidiary	(2,280)	-
Closing Balance	**-**	**2,064**

The Minority Interest related to Power Services Limited and to Peak Power Services Limited. (see also note 10).

13. Property, Plant and Equipment

PARENT

	Land $000	Buildings $000	Plant and Office Equipment $000	Network Assets $000	Meters $000	Total $000
Cost or Valuation						
Balance at 1 April 2012	202	493	21	334,271	4,617	339,604
Additions	-	-	1	19,020	226	19,247
Disposals	-	-	-	(988)	(1)	(989)
Balance at 31 March 2013	**202**	**493**	**22**	**352,303**	**4,842**	**357,862**
Balance at 1 April 2013	202	493	22	352,303	4,842	357,862
Additions	-	-	-	18,861	1,569	20,430
Revaluation	-	-	-	-	-	-
Disposals	-	(57)	-	(747)	-	(804)
Balance at 31 March 2014	**202**	**436**	**22**	**370,417**	**6,411**	**377,488**
Depreciation and Impairment Losses						
Balance at 1 April 2012	-	51	12	-	2,109	2,172
Depreciation for year	-	11	2	16,871	784	17,668
Disposals	-	-	-	(44)	(1)	(45)
Balance at 31 March 2013	**-**	**62**	**14**	**16,827**	**2,892**	**19,795**
Balance at 1 April 2013	-	62	14	16,827	2,892	19,795
Depreciation for year	-	11	2	17,273	523	17,809
Effect of Revaluation	-	-	-	-	-	-
Disposals	-	(16)	-	(79)	-	(95)
Balance at 31 March 2014	**-**	**57**	**16**	**34,021**	**3,415**	**37,509**
Carrying Amount/Book Value						
Book Value 31 March 2013	**202**	**431**	**8**	**335,476**	**1,950**	**338,067**
Book Value 31 March 2014	**202**	**379**	**6**	**336,396**	**2,996**	**339,979**

Carrying amounts of property, plant and equipment had they been recognised under the cost model:

31 March 2013	202	431	8	229,104	1,950	231,695
31 March 2014	202	379	6	230,024	2,996	233,607

13. Property, Plant and Equipment *continued*

RESTATED 2013 GROUP

	Land $000	Buildings $000	Plant and Office Equipment $000	Network Assets $000	Motor Vehicles $000	Meters $000	Total $000
Cost or Valuation							
Balance at 1 April 2012	202	688	2,399	334,271	3,326	4,617	345,503
Additions	410	2,278	291	19,020	793	226	23,018
Disposals	-	(140)	(46)	(988)	(329)	(1)	(1,504)
Balance at 31 March 2013	**612**	**2,826**	**2,644**	**352,303**	**3,790**	**4,842**	**367,017**
Depreciation and Impairment Losses							
Balance at 1 April 2012	-	140	1,073	-	1,494	2,109	4,816
Depreciation for year	-	55	326	16,871	425	784	18,461
Disposals	-	(85)	(27)	(44)	(322)	(1)	(479)
Balance at 31 March 2013	**-**	**110**	**1,372**	**16,827**	**1,597**	**2,892**	**22,798**
Carrying Amount/Book Value							
Book Value 31 March 2013	**612**	**2,716**	**1,272**	**335,476**	**2,193**	**1,950**	**344,219**

Carrying amounts of property, plant and equipment had they been recognised under the cost model:

31 March 2013	612	2,716	1,272	229,104	2,193	1,950	237,847

Valuation

The network assets of The Power Company Limited were revalued to fair value using discounted cash flow methodology on 31 March 2012 by Ernst & Young who are an independent valuer. This resulted in a revaluation movement of $67,447,000.

The following valuation assumptions were adopted;

- The free cash flows were based on the company's five year business plan and asset management plan adjusted for non-recurring or non-arms length transactions and for transactions that arose from expansionary growth in the network after the date of the valuation.
- The corporate tax rate used was 28%.
- The weighted average cost of capital (WACC) used was 7.5%.
- The sustainable growth adjustment used was 0.5%.

14. Intangibles

	PARENT		
	Computer Software $000	Goodwill $000	Total $000
Cost			
Balance at 1 April 2012	29	-	29
Additions	-	-	-
Disposals	-	-	-
Balance at 1 March 2013	**29**	**-**	**29**
Balance at 1 April 2013	29	-	29
Additions	-	-	-
Disposals	-	-	-
Balance at 31 March 2014	**29**	**-**	**29**
Amortisation and Impairment			
Balance at 1 April 2012	29	-	29
Amortisation for Year	-	-	-
Disposals	-	-	-
Balance at 31 March 2013	**29**	**-**	**29**
Balance at 1 April 2013	29	-	29
Amortisation for Year	-	-	-
Disposals	-	-	-
Balance at 31 March 2014	**29**	**-**	**29**
Carrying Amount/Book Value			
Book Value at 31 March 2013	**-**	**-**	**-**
Book Value at 31 March 2014	**-**	**-**	**-**

Software assets have a finite useful life and are amortised over that useful life of 3-8 years.

14. Intangibles *continued*

	RESTATED 2013 GROUP		
	Computer Software $000	Goodwill $000	Total $000
Cost			
Balance at 1 April 2012	60	487	547
Additions	-	-	-
Disposals	-	-	-
Balance at 1 March 2013	**60**	**487**	**547**
Balance at 1 April 2013	60	487	547
Additions	-	-	-
Disposal of Subsidiary	(31)	(487)	(518)
Disposals	-	-	-
Balance at 1 March 2014	**29**	**-**	**29**
Amortisation and Impairment			
Balance at 1 April 2012	52	-	52
Amortisation for Year	4	-	4
Disposals	-	-	-
Balance at 31 March 2013	**56**	**-**	**56**
Balance at 1 April 2013	56	-	56
Amortisation for Year	-	-	-
Disposal of Subsidiary	(27)	-	(27)
Disposals	-	-	-
Balance at 31 March 2014	**29**	**-**	**29**
Carrying Amount/Book Value			
Book Value at 31 March 2013	**4**	**487**	**491**
Book Value at 31 March 2014	**-**	**-**	**-**

Software assets have a finite useful life and are amortised over that useful life of 3-8 years.

15. Creditors and Accruals

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Trade Creditors	12,159	5,744	12,159	5,140
Accruals	7,687	4,511	7,687	4,383
GST Payable	-	-	-	-
Total Creditors and Accruals	**19,846**	**10,255**	**19,846**	**9,523**

16. Employee Entitlements

Balance at Beginning of Year	567	522	-	-
Additional Accrual	-	542	-	-
Amount Utilised	-	(497)	-	-
Disposal of Subsidiary	(567)	-	-	-
Total Employee Entitlements	**-**	**567**	**-**	**-**

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

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

17. Term Loans

Multi Option Credit Facility	14,430	7,820	14,430	7,820
Advance – Southland Electric Power Supply Consumer Trust	4,739	4,926	4,739	4,926
Advance – Electricity Invercargill Limited	-	710	-	-
	19,169	**13,456**	**19,169**	**12,746**

Multi Option Credit Facility

The Company has a Multi Option Credit Facility of $25 million (31 March 2013: $15 million) with ANZ (previously Westpac New Zealand Limited). The facility has a revolving two year term and is extendable by one year by agreement between the Company and ANZ.

The facility provides for drawdowns to be made ranging from overnight to six months and are subject to interest rates at Bank Bill Buy Rates plus a margin. The facility is unsecured and subject to a Deed of Negative Pledge.

At balance date the Company had interest rate swaps on the above facilities which total $8 million (31 March 2013: $8 million) at interest rates between 4.76% and 7.26%, excluding bank margins.

Advance - Southland Electric Power Supply Consumer Trust

The Company has an unsecured, interest bearing Advance with the Southland Electric Power Supply Consumer Trust which is repayable on demand with a 13 month notice period. Interest is payable at 7% and if demanded is added to the loan.

Advance - Electricity Invercargill Limited

The Minority Interest share of the Advance that Power Services Limited had with Electricity Invercargill Limited was repayable on demand but with a 13 month notice period. Interest on the Advance was paid quarterly at 2.00% above the 90 day bank bill rate.

18. Deferred Tax Liabilities

		GROUP		PARENT	
			Restated		
	Note	2014	2013	2014	2013
		$000	$000	$000	$000
Opening Balance		65,701	67,275	61,944	63,582
Charged to Profit and Loss	(4)				
- Temporary Difference Reversals					
Depreciation		(1,956)	(2,164)	(2,008)	(2,200)
- Temporary Difference Reversals					
Other		(427)	590	(430)	562
Charged to Equity					
- Revaluation Adjustment		-	-	-	-
- Disposal of Subsidiary		52	-	-	-
- Other		-	-	-	-
Total Deferred Tax Liabilities		**63,370**	**65,701**	**59,506**	**61,944**

The primary component of the deferred tax balance is related to property, plant and equipment assets and software assets.

Deferred taxation of approximately $1,800,000 is expected to be reversed in the next 12 months.

19. Provision for Onerous Contract

Provision for Onerous Contract				
- Current Portion	675	527	675	527
- Non-current Portion	9,236	7,490	9,236	7,490
Provision for Onerous Contract	**9,911**	**8,017**	**9,911**	**8,017**

A liability had been recognised in relation to the Company's obligations under an onerous contract agreement. A provision of $9,911,000 (2013: $8,017,000) has been established for this onerous contract. Deferred Tax of $2,775,080 (2013: $2,245,000) has also been recognised in relation to this onerous contract.

The following valuation assumptions were adopted;

- The weighted average cost of capital (WACC) used was 6.50%
- The CPI increases used were 2.0%
- The corporate tax rate used was 28%
- The sustainable growth adjustment used was 0.5%

20. Commitments

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Operating Lease Commitments				
Operating Lease Commitments are payable as follows:				
Not later than one year	-	59	-	-
Later than one year and not later than two years	-	59	-	-
Later than two years and not later than five years	-	59	-	-
Later than five years	-	4	-	-
Total Operating Lease Commitments	-	181	-	-

Operating leases consist of vehicle leases, office equipment leases, tenancy leases and Transpower leases.

Capital Commitments

The Group, through its joint ventures PowerNet Limited and OtagoNet Joint Venture, and its subsidiary Power Services Limited has capital expenditure contracted for but not provided for in the financial statements.

Capital Commitments	16,458	7,993	16,458	7,917
Total Capital Commitments	16,458	7,993	16,458	7,917

21. Contingent Liabilities

The Company has a contingent liability as at 31 March 2014 of $825,000 (2013: $1,970,000). This liability relates to an agreement with Smart Co, for the Company to provide a subordinated loan to Smart Co once a number of terms have been met.

22. Reconciliation of Net Surplus After Taxation with Net Operating Cash Flows

The following is a reconciliation between the Net Surplus After Taxation shown in the Profit and Loss and the Net Cash Flows From Operating Activities.

	GROUP		PARENT	
		Restated		
	2014	2013	2014	2013
	$000	$000	$000	$000
Net Surplus After Taxation	3,590	5,690	3,443	4,299
Plus/(Less) Non Cash Items:				
Depreciation	18,403	18,465	17,809	17,668
Amortisation of Intangibles	-	4	-	-
Deferred Taxation	(2,239)	(1,574)	(2,438)	(1,638)
Loss on Disposal of Property, Plant and Equipment	627	879	623	904
Interest Rate Swaps	(371)	(310)	(371)	(310)
Interest paid on SEPSCT loan	-	330	-	330
Onerous Contract	1,894	690	1,894	690
Share of Profit of Associates and Joint Ventures	(2,930)	(1,344)	-	-
	15,384	17,140	17,517	17,644
Plus/(Less) Net Movements in Working Capital:				
Creditors and Accruals	8,221	1,994	9,521	2,221
Receivables, Prepayments and Work in Progress	(776)	648	(2,762)	533
Inventories	247	(20)	-	-
Income Tax Payable	(1,037)	(291)	(1,023)	(245)
	6,655	2,331	5,736	2,509
Net Cash Flows From Operating Activities	**25,629**	**25,161**	**26,696**	**24,452**

23. Financial Instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

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

Credit Risk

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

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities. An amount of $4,818,000 (2013: $5,156,000) is owed by energy retailers at balance date.

The following liquidity tables show the Group and Parent's maximum credit exposure at balance date.

Liquidity Risk

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

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

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

	Maturity Dates <1 Month $000	Maturity Dates <1 Year $000	Maturity Dates 1-5 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	35	-	-	35
Trade and Other Receivables	6,007	-	-	6,007
Construction Work In Progress	-	-	-	-
Advances	-	-	146	146
Interest Rate Swaps	-	-	-	-
	6,042	-	146	6,188
Financial Liabilities				
Trade Creditors	12,159	-	-	12,159
Accruals	-	7,687	-	7,687
Advances	-	-	19,169	19,169
Interest Rate Swaps	-	20	189	209
	12,159	7,707	19,358	39,224

23. Financial Instruments *continued*

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

	Maturity Dates <1 Month $000	Maturity Dates <1 Year $000	Maturity Dates 1-5 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	35	-	-	35
Trade and Other Receivables	6,007	-	-	6,007
Construction Work In Progress	-	-	-	-
Advances	-	-	23,490	23,490
Interest Rate Swaps	-	-	-	-
	6,042	**-**	**23,490**	**29,532**
Financial Liabilities				
Trade Creditors	12,159	-	-	12,159
Accruals	-	7,687	-	7,687
Advances	-	-	19,169	19,169
Interest Rate Swaps	-	20	189	209
	12,159	**7,707**	**19,358**	**39,224**

Advances to associates, subsidiaries and joint ventures, are repayable on demand but with a 13 month notice period. Advance repayment arrangements are discussed in Note 17.

The accruals are funded by either short-term advance funds or from future cash generated from operating activities.

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

	Maturity Dates <1 Month $000	Maturity Dates <1 Year $000	Maturity Dates 1-5 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	43	-	-	43
Trade and Other Receivables	2,927	-	-	2,927
Construction Work In Progress	-	-	-	-
Advances	-	-	15,717	15,717
Interest Rate Swaps	-	-	-	-
	2,970	**-**	**15,717**	**18,687**
Financial Liabilities				
Trade Creditors	5,140	-	-	5,140
Accruals	-	4,383	-	4,383
Advances	-	-	12,746	12,746
Interest Rate Swaps	-	-	581	581
	5,140	**4,383**	**13,327**	**22,850**

Advances to associates, subsidiaries and joint ventures, are repayable on demand but with a 13 month notice period. Advance repayment arrangements are discussed in Note 17.

The accruals are funded by either short-term advance funds or from future cash generated from operating activities.

23. Financial Instruments *continued*

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

	Maturity Dates <1 Month $000	Maturity Dates <1 Year $000	Maturity Dates 1-5 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	633	-	-	633
Trade and Other Receivables	4,866	-	-	4,866
Construction Work In Progress	-	233	-	233
Advances	-	-	-	-
Interest Rate Swaps	-	-	-	-
	5,499	**233**	**-**	**5,732**
Financial Liabilities				
Trade Creditors	5,744	-	-	5,744
Accruals	-	4,511	-	4,511
Advances	-	-	13,456	13,456
Interest Rate Swaps	-	-	581	581
	5,744	**4,511**	**14,037**	**24,292**

Market Risk

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

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

	Variable Interest Rate $000	Maturity Dates <1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	35	-	-	35
Trade and Other Receivables	-	-	6,007	6,007
Advances	20,425	-	3,064	23,489
	20,460	**-**	**9,071**	**29,531**
Financial Liabilities				
Trade and Other Payables	-	-	19,846	19,846
Advances	11,169	-	-	11,169
	11,169	**-**	**19,846**	**31,015**

23. Financial Instruments *continued*

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

	Variable Interest Rate $000	Maturity Dates <1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	35	-	-	35
Trade and Other Receivables	-	-	6,007	6,007
Advances	-	-	146	146
	35	-	6,153	6,188
Financial Liabilities				
Trade and Other Payables	-	-	19,846	19,846
Advances	11,169	-	-	11,169
	11,169	-	19,846	31,015

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

	Variable Interest Rate $000	Maturity Dates <1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	43	-	-	43
Trade and Other Receivables	-	-	2,927	2,927
Advances	12,803	-	2,914	15,717
	12,846	-	5,841	18,687
Financial Liabilities				
Trade and Other Payables	-	-	9,523	9,523
Advances	4,746	-	-	4,746
	4,746	-	10,104	14,269

23. Financial Instruments *continued*

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

	Variable Interest Rate $000	Maturity Dates <1 Year $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	633	-	-	633
Trade and Other Receivables	-	-	4,866	4,866
Advances	-	-	-	-
	633	**-**	**4,866**	**5499**
Financial Liabilities				
Trade and Other Payables	-	-	10,255	10,255
Advances	4,746	-	-	4,746
	4,746	**-**	**10,255**	**15,001**

The Group uses interest rate swap agreements to manage its exposure to interest rate movements on its borrowings. The treasury policy set by the Board requires that interest rate swap agreements are in place to ensure adequate hedging is maintained within a series of time periods.

The interest rate agreements are held with independent and high credit quality financial institutions. The credit risk is limited because the counterparties are banks with high quality credit ratings assigned by international credit rating agencies.

The following table details the notional principal amounts and remaining terms of interest rate swap agreements effective as at 31 March 2014:

	Notional Principal		Fair Value	
	2014 $000	2013 $000	2014 $000	2013 $000
Less than one year	1,000	-	20	-
One to five years	7,000	8,000	180	533
	8,000	**8,000**	**200**	**533**

Foreign Exchange Risk

The Group is not subject to foreign exchange risk.

Sensitivity Analysis for Interest Rate Change

The Power Company Limited is subject to exposure to interest rate variations through both its cash and short-term investments and loans.

An increase/(decrease) in the interest rate of 1% is estimated to increase/(decrease) the operating profit before tax and equity by $120,000 (2013: $13,000).

23. Financial Instruments *continued*

Fair Value

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

NZ IFRS 7 Financial Instruments: Disclosures requires the Group to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quotes prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributable or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

All financial assets measured at fair value, totalling $200,000 consisting of interest rate swaps are classified within level 2.

The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Capital Management

The Group's capital includes share capital, reserves and retained earnings. The Group'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.

24. Segmental Reporting

The Power Company Limited operates predominantly in one segment, being the management of assets involved in the distribution of electricity in Southland and Otago.

25. Transactions With Related Parties

The Power Company Limited is wholly owned by the Southland Electric Power Supply Consumer Trust.

The Power Company Limited has an interest in the PowerNet Limited Joint Venture, the OtagoNet Joint Venture, Electricity Southland Limited, Otago Power Services Limited and previously Power Services Limited through their wholly owned subsidiary company Last Tango Limited. PowerNet Limited has an interest in Peak Power Services Limited. (Previously Power Services Limited had an interest in Peak Power Services Limited).

All transactions between The Power Company Limited and related parties relate to the normal trading activities of The Power Company Limited.

No related party debts have been written off or forgiven during the year.

Material transactions The Power Company Limited has had with the above mentioned parties during the year are as follows:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Goods and Services Supplied to:				
PowerNet Limited (Joint Venture)	682	23,559	682	23,559
Electricity Southland Limited (Associate)	29	13	29	13
Power Services Limited (Subsidiary)	-	-	86	128
Otago Power Services Limited (Associate)	28	28	28	28
Receivables Outstanding at Balance Date (GST incl):				
PowerNet Limited (Joint Venture)	1,577	2,878	1,577	2,878
Electricity Southland Limited (Associate)	10	3	10	3
Power Services Limited (Subsidiary)	-	-	-	31
Otago Power Services Limited (Associate)	7	7	7	7
Goods and Services Supplied by:				
PowerNet Limited (Joint Venture)	37,470	22,006	37,470	22,006
Power Services Limited (Subsidiary)	-	-	32	-
Creditors Outstanding at Balance Date (GST incl):				
PowerNet Limited (Joint Venture)	12,129	5,073	12,129	5,073
Power Services Limited (Subsidiary)	-	-	-	-
Dividends Paid by:				
Last Tango Limited (Subsidiary)	-	-	2,063	1,862
Advances Provided to/(Due from):				
Last Tango Limited (Subsidiary)	-	-	790	745
Otago Power Services Limited (Associate)	97	-	97	-
Southland Electric Power Supply Consumer Trust	187	120	187	120
OtagoNet Joint Venture (Joint Venture)	735	-	735	-
Electricity Southland Limited (Associate)	550	-	550	-
PowerNet Limited Joint Venture	12,179	6,180	12,179	6,180
Advances Provided from:				
Southland Electric Power Supply Consumer Trust (Other Related Party)	-	330	-	330
Power Services Limited (Subsidiary)	-	-	2,739	-
PowerNet Limited (Joint Venture)	3,200	3,200	3,200	3,200
Last Tango Limited (Subsidiary)	-	-	786	992

25. Transactions With Related Parties *continued*

Other Related Parties

There have been no material transactions between The Power Company Limited Group and Directors with the exception of the following:

The Power Company Limited, OtagoNet Joint Venture, PowerNet Limited and Power Services Limited use AWS Legal as their solicitors of which Alan Harper is a Partner. Legal fees paid to AWS Legal during the year amounted to $5,000 excl GST (31 March 2013: $114,000) of which $0 incl GST (31 March 2013: $14,000) is owing at balance date.

PowerNet Limited, The Power Company Limited and Power Services Limited use Crowe Horwath (previously WHK) as their tax advisors of which Philip Mulvey was Chief Executive and Duncan Fea is a Principal. The Power Company Limited's share of fees for taxation advice paid to Crowe Horwath during the year amounted to $7,000 excl GST (31 March 2013: $32,000) of which $0 incl GST (31 March 2013: $1,000) is owing at balance date.

All transactions between The Power Company Limited, PowerNet Limited, OtagoNet Joint Venture, Power Services Limited, AWS Legal and Crowe Horwath relate to normal activities.

The Southland Electric Power Supply Consumer Trust owns 100% of the shares in The Power Company Limited. The Power Company Limited has a $4,739,000 unsecured interest bearing loan with the Southland Electric Power Supply Consumer Trust.

During the year expenses were paid out on behalf of the Trust totalling $187,000 (31 March 2013: $120,000). The expenses paid by The Power Company Limited on behalf of the Southland Electric Power Supply Consumer Trust have been deducted from the loan and interest of $0 (31 March 2013: $330,000) has been added to the loan. No loan interest was demanded during the 2014 year.

Key Management Personnel

Compensation of the Directors and Executives, being the key management personnel of the entities, is set out below:

	GROUP		PARENT	
	2014 $000	Restated 2013 $000	2014 $000	2013 $000
Salaries and Short-term Employee Benefits	291	363	139	120

26. Subsequent Events

There have been no subsequent events impacting these financial statements.

Auditor's Report

PricewaterhouseCoopers
5 Sir Gil Simpson Drive
PO Box 13244
Christchurch 8053
New Zealand
Telephone +64 3 374 3000
Facsimile +64 3 374 3001
www.pwc.com/nz

Independent Auditors' Report

to the shareholders of The Power Company Limited

Report on the Financial Statements

We have audited the financial statements of The Power Company Limited ("the Company") on pages 15 to 49, which comprise the statements of financial position as at 31 March 2014, the statements of financial performance, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2014 or from time to time during the financial year.

We have audited the statement of service performance of the company and group on page 14.

Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for preparing financial statements and statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Auditors' Responsibility

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

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

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

We have no relationship with, or interests in, The Power Company Limited or any of its subsidiaries other than in our capacities as auditors, issuing certificates pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008 and the provision of advice on industry related matters. These services have not impaired our independence as auditors of the Company and the Group.

Opinion

In our opinion, the financial statements on pages 15 to 49:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

Disclaimer of opinion on the SAIDI and SAIFI performance measures in the company and group's statement of service performance

Reason for our disclaimer of opinion

Our audit was limited because we could not confirm the completeness and accuracy of all the SAIDI and SAIFI outage data due to:

- no independent evidence being available to support the completeness and accuracy of the recorded faults used to measure the company and group's achievement against the SAIDI and SAIFI performance targets adopted for the year ended 31 March 2014 and 31 March 2013; and
- limited control over the completeness and accuracy of interconnection point ('ICP') data representing individual customer connections to the network included in the SAIDI and SAIFI calculations throughout the period.

There are no practical audit procedures to determine the effect of these limitations in independent evidence and controls. As a result we are unable to form an opinion as to whether the amounts and details set out in the SAIDI and SAIFI performance measures, of which the outage and ICP data are integral elements, in the company and group's performance targets for the year ended 31 March 2014 gives a true and fair view of the company and group's achievements.

Disclaimer of opinion

Because of the significance of the matters described in the "reason for our disclaimer of opinion" paragraph above, we are unable to form an opinion as to whether the SAIDI and SAIFI performance measures adopted for the years ended 31 March 2014 and 31 March 2013, which are reflected in the statement of service performance of the company and group on page 2:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's achievements measured against the SAIDI and SAIFI performance measures adopted for the year ended 31 March 2014.

Unmodified opinion on the other performance measures in the statement of service performance

In our opinion, the other performance measures (that is the measures other than the SAIDI and SAIFI performance measures) in the company and group's performance targets:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

Report on Other Legal and Regulatory Requirements

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

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Christchurch

26 June 2014

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

Aaron Sinclair (PowerNet) and Aiann Cairns (Alliance Group)

PowerNet Technical and Network Performance staff replacing a pole on the network

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

Back cover: Geoff Gorton (Decom) and Roger Scott (PowerNet)

THE POWER COMPANY LTD