ANNUAL REPORT 2015

THEPOWERCOMPANYLTD

Fairfax to Isla Bank 66kV line

Cover photo: Hedgehope Substation

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Principal Bankers

ANZ Bank

Auditors

PricewaterhouseCoopers, Christchurch

Solicitors

AWS Legal

Company Profile

The Power Company Limited (TPCL) continues to be one of the best performing predominantly rural networks in New Zealand. In 2014/15, the company spent $35 million on capital and maintenance works to enhance and improve the network.

TPCL was formed in 1991 and owns the network assets in the rural Southland/West Otago area, as well as having a majority ownership of the OtagoNet (OJV) network and 75.1 per cent ownership of the Electricity Southland Limited (ESL) Lakeland network at Frankton in Queenstown.

TPCL has 35,396 customers. TPCL has a long, proud history of being innovative and proactive in providing electricity to the people of the south.

In the past the Company has operated under the names of the Southland Electric Power Board and Southland Electric Power Supply.

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

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

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

The regulatory value of the TPCL network is $308 million.

TPCL statistics at 31 March 2015	
Connected Customers - Total	35,396
Residential	25,832
Industrial	183
Commercial	9,381
Network Length	8,808km
Consumer Density	4.0 customers/km
Number of Distribution Transformers	11,014
Distribution Transformer Capacity	414MVA
Distribution Transformer Density	47kVA/km
Maximum Demand	133MV
Total Energy Conveyed	754GWh
Regulatory Value	$308 million

Company Profile *continued*

Our Stakeholders

PowerNet Limited
TPCL has a 50% shareholding in PowerNet, a joint venture with Electricity Invercargill Limited (EIL) which has successfully operated for over 20 years.

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 of TPCL.

PowerNet also manages and undertakes TPCL's multi-million dollar annual capital and maintenance works programme which constitutes the major part of the Business Plan approved by the Company's Directors.

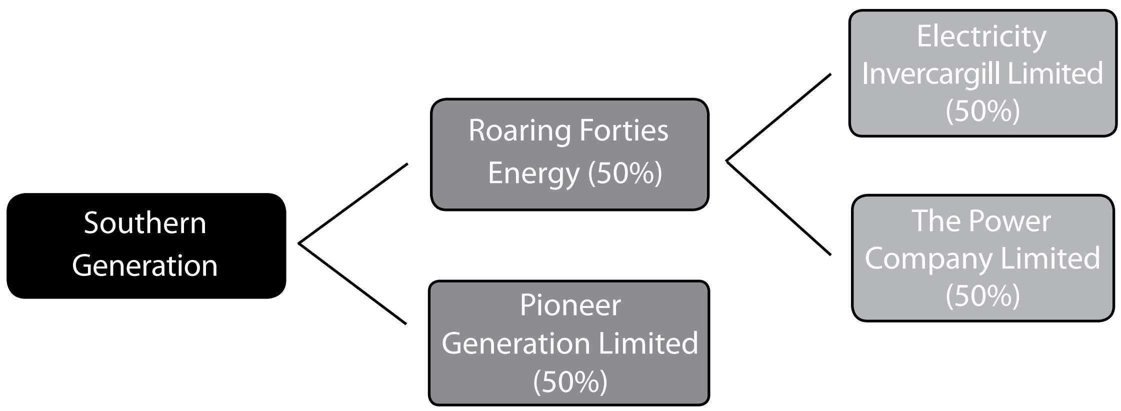
It also operates a 24-hour, 7-day a week faults call centre and a System Control room to provide a high level of monitoring and control of the network operations which is unique in the South Island.

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

Electricity Southland Limted
Electricity Southland Limited (ESL) is an electricity network asset company that was formed in 1995 by TPCL and EIL. TPCL is the majority shareholder of ESL owning 75.1% of the company. The ESL network continues to grow, mainly due to the new Shotover Country development and also through the ongoing commercial and retail expansion in the Frankton and Remarkables Park area.

OtagoNet Joint Venture
In 2014, TPCL and EIL took 100 per cent ownership of the OJV network. TPCL became the majority party, holding 75.1 per cent of the company. OJV 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 14,806 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.

Southern Generation Limited Project
A move to wind energy generation has started in the South. In April 2014 TPCL joined with EIL and Pioneer Generation to create the new Southern Generation Limited Partnership. The partnership owns the Mt Stuart generation site near Balclutha and will purchase in September 2015 the Flat Hill generation site near Bluff. In addition there are five wind testing sites within the Otago and Southland region. The partnership marks a significant strategic investment by TPCL to distributed renewable energy generation and offers an exciting and strategic investment for the future.



The Year in Review

Operational Performance

TPCL reinforces PowerNet's new core values of

Safe | Efficient | Reliable

Power to Communities

These values run across all TPCL projects.

SAFE

Our new relationship with The Order of St John through PowerNet promotes electricity safety messages from primary school level through to community based first aid training to meet the programme goal of a first responder in every home. The partnership has already seen significant numbers of students and TPCL network customers receive introductions to first aid.

TPCL continues to invest significantly in safety on our network through proactive vegetation management and getting safety messages out to our customers about taking care around electricity lines, particularly in rural communities.

EFFICIENT

Over $35 million was spent on capital and maintenance expenditure on the network in the 2014/15 year.

We completed a range of substantial projects during the year to make our network safer, efficient and more reliable for our customers. Significant projects on the TPCL network over the 2014/15 year included the commissioning of the new Hedgehope Substation, Athol 66kV line and new Athol Substation. Ongoing construction of the new Colyer Road Substation, Centre Bush to Winton 66kV line and Fairfax to Isla Bank 66kV line and the new Isla Bank Substation, along with Zone Substation upgrades at Riverton and Waikiwi made up most of the rest of our capital expenditure.

TPCL owns the new office building in Racecourse Road, Invercargill that is leased to PowerNet on a long-term basis. Energy Minister Simon Bridges opened the new building in May 2015 after staff moved to the new premises in December 2014.

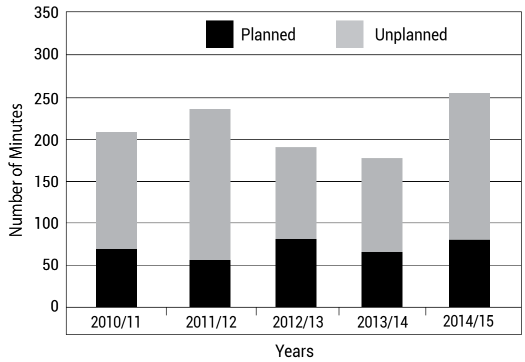
There were over 680 connection-related projects during the 2014/15 year. Activity in the dairy sector fluctuated, with the number of monthly applications for new dairy sheds ranging from two to six. The year-end total of new dairy sheds was 40 with nine applications received on the network for new irrigators.

RELIABLE

Two standard industry performance measures are applied to the TPCL network.

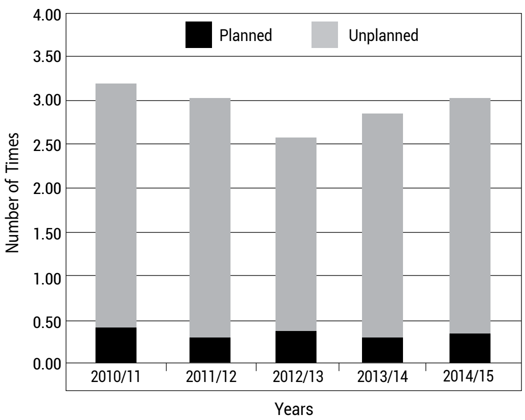
SAIDI – System Average Interruption Duration Index (the average total non normalised time in minutes each year that each customer connected to the network is without supply) for TPCL in 2014/15 was 259.1 minutes.

This was higher than the supply quality limit of 195.19 minutes and was mainly due to winter storms in July and August and subtransmission interruptions that affected Zone Substations.



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

The SAIFI figure for TPCL of 3.04 being better than the supply quality limit of 2.96.



Major Projects For The Year ($)	
New customer connections	4,650,000
New Colyer Road Zone Substation - Stage two	4,360,000
11kV Line Refurbishments	2,280,000
Winton to Centre Bush 66kV line	1,900,000
New Isla Bank Zone Substation - Stage two	1,230,000
Distribution Transformer Replacements	1,160,000

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 waits 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 operating surplus after discount (and before tax and fair value adjustments) increased to $9.070 million for the year ended 31 March 2015 up $2.458 million from last year's $6.612 million.

The increased operating surplus was due in part to the additional return generated from the increase in the OJV and Otago Power Services Limited (OPSL) investment compared with the after tax cost of financing the investment. Other contributors to the increased operating surplus were additional line charge revenue due to growth on TPCL's network and a CPI price increase. This was offset by increased depreciation and network maintenance costs.

At the same time as reporting an increased operating surplus after discount for the Group from increases in an investment, TPCL is faced with the International Financial Reporting Standard (IFRS) requirement to review the investment and the goodwill associated with the investment for signs of impairment.

IFRS requires the cash-flows from an investment to be discounted using an assessment of TPCL's cost of capital which is significantly above the after tax cost of debt for the investment. Despite OJV providing an increased return to the Group the result is a fair value write-down of $51.276 million. Bizarrely TPCL is required to make a fair value assessment of the cash out flows for the Gore District Council penny-a-unit onerous contract provision using a cost of debt discount rate rather than a cost of capital discount rate. This results in a higher value for the onerous contract liability than using a cost of capital discount rate.

The investments in OJV and OPSL have continued to meet expectations both financially and operationally before and after the September 2014 increase in investment.

The consolidated result for TPCL is:

	31 March 2015 $000	31 March 2014 $000
Operating Surplus before Discount	15,970	13,562
Less Discount to Customers	(6,900)	(6,950)
Operating Surplus after Discount	9,070	6,612
Less Fair Value Adjustments	(55,463)	(1,523)
Taxation Expense	(1,327)	(1,499)
Net	(47,720)	3,590

Acknowledgements

The TPCL Directors again wish to recognise the continuing encouragement of the Trustees for another busy 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 recognise the advantages of our ongoing partnership with EIL, which has been strengthened this year through the investment in OJV and look forward to the new relationship with Pioneer Generation Limited.

In conclusion, the Directors also want to note their appreciation of the work done by the management and staff of PowerNet, who have successfully managed the business for another year.

Alan Harper
Chair

Our Community

Asset Management Plan

The TPCL Asset Management Plan (AMP) was prepared to provide the detailed outlines of what projects and operating expenditure the company will focus on over the next 10 years.

In keeping with our goal of providing safe, efficient and reliable electricity supply to customers, TPCL's AMP identifies the key goals for the network, both in the short and medium term. At the same time, the AMP identifies how we will maintain TPCL's network assets.

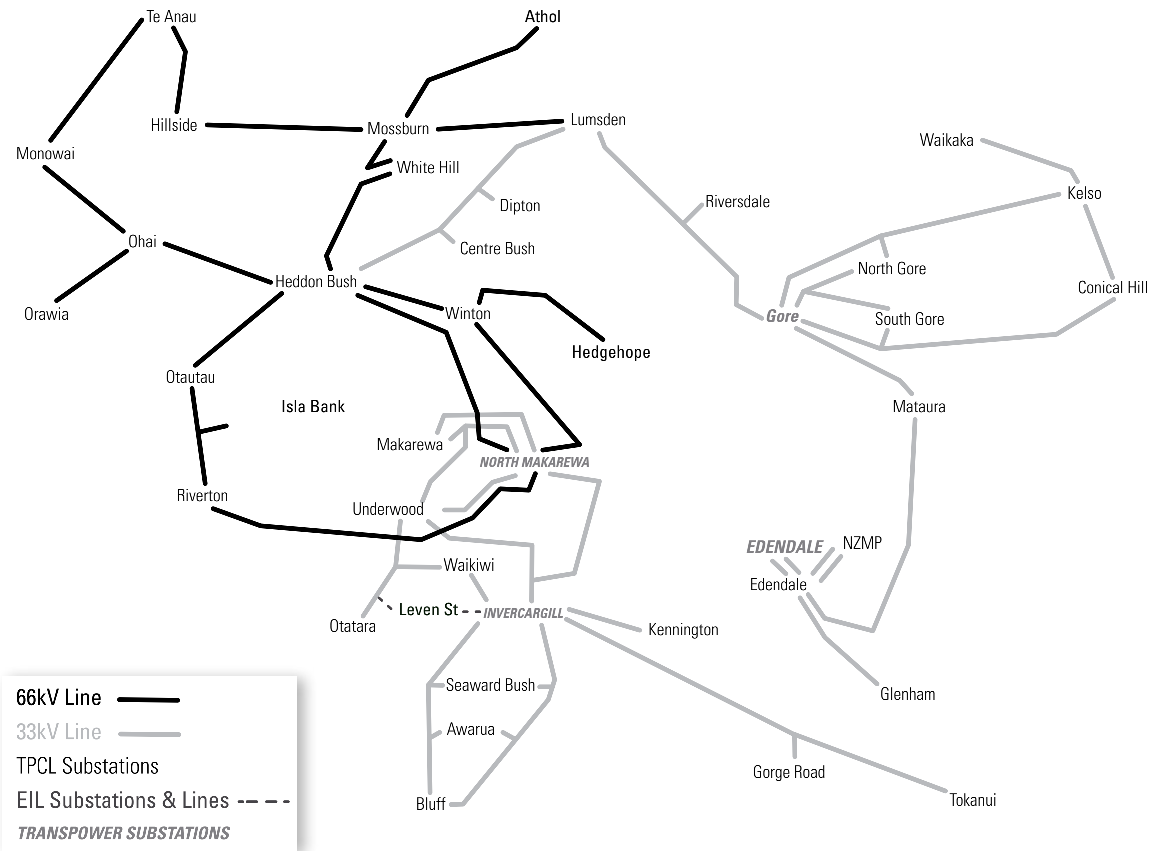
Major projects in the AMP include the continuation of the Oreti Valley Project to change sections of the 33kV network to 66kV. At a date when load growth makes the 33kV unable to meet the service levels in the region, these sites can be upsized to 66/11kV transformers with the present 66/33kV transformer at Heddon Bush relocated to a new substation at Castlerock.

Completing the new Colyer Road Substation is also a focus for the coming year, with the project well underway to upgrade supply capacity and reliability in that area.

The AMP identifies significant expenditure over the coming decade to ensure technical equipment is kept up to date, and that customers can continue to expect a high level of service to meet their requirements.

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

Overview of TPCL Subtransmission Network 1 April 2014



Our Community *continued*

Capital expenditure during the next 10 years is forecasted to be between $31.1 million in 2015/16 and $16.3 million in 2024/25.

Once again TPCL customers were given the opportunity to provide input on their plans through:

- public comment on the AMP,
- the network customer annual telephone survey,
- interviews with some of our larger commercial customers,
- working with customers and developers on new connections to the network,
- hosting annual TPCL customer functions

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

Community Support

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

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

Customer discount
In 2014, The Power Company Limited and the Southland Power Trust returned a collective discount of $8 million (including GST) to our customers.

The discount takes the total amount of discounts over the last 14 years to $68 million (including GST). Domestic customers received a discount of 1.78 cents per kWh (including GST) on their annual power consumption, with an average domestic consumer using 9,000 kWh/pa receiving a discount of $160.20 (including GST).

Southland Warm Homes Trust
The long-standing work of the Southland Warm Homes Trust (SWHT) has continued for another year after funding was approved by the Energy Efficiency and Conservation Authority (EECA) for the ongoing Healthy Homes Programme.

The SWHT, in conjunction with EECA, has carried out more than 6,000 insulation and heating retrofits in Southland and West Otago homes since 2008.

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

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

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 also offer a summertime subsidy of up to $2,000 for middle income families to undertake insulation.

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 demand on the network.

First Aid Equipment
At a customer function in Gore in September, TPCL directors donated defibrillators to the Gore Volunteer Fire Brigade for use in the community. The defibrillators have already been used to save lives.

Southland Power Trust

The Southland Power Trust was established in December 1997 to hold the shares in TPCL on behalf of all customers 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 customers 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, Chair of the OtagoNet Joint Venture Governing Committee and a Member of the Institute of Directors Otago/ Southland Branch Committee.

Alan is an Accredited Fellow of the Institute of Directors.

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

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

Doug is a Chartered Fellow of the Institute of Directors.

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 Chartered Fellow 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 2015.

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 loss after tax and interest for the year under review was $47,720,000. 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
	E Type Engineering Ltd	Director
	JK's & WBE Ltd	Director
	Last Tango Ltd	Director
	OtagoNet Joint Venture	Member, Governing Committee
	OtagoNet Properties Limited	Director
	OtagoNet Limited	Director
	Peak Power Services Ltd	Director
	PowerNet Ltd	Director
Douglas Fraser	Electricity Southland Ltd	Director
	Last Tango Ltd	Director
	Otago	Chair
	PowerNet Ltd	Director
	Telford Farm Management Board	Director
Alan Harper	AWS Legal	Partner
	Barnes Oysters Ltd	Director
	Campbelltown Seafoods Ltd	Director
	Electricity Southland Ltd	Director
	GWD	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.

Remuneration of Directors

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

Alan Harper	-	Chair	Duncan Fea	-	Director
Douglas Fraser	-	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 no changes in accounting policies during the year. These 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 seventeenth year of operation the Trustees have continued to exercise the ownership rights of The Power Company Limited (the Company) on behalf of its customer 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 customers.

Trustees note the current high level of capital investment in the network and electricity meters that is in excess of the annual depreciation. This is required to meet the new technology requirements for meter providers and the projected network load growth.

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 $9.070 million before tax and fair value adjustments (2014: $6.612 million) which was above the target of $6.951 million for the year. The increase reflects the increase in revenues over and above the financing costs for the additional investment in the OtagoNet Joint Venture (OtagoNet) and Otago Power Services Limited (OPSL) following the successful acquisition of Marlborough Lines Limited 51% interest in these entities.

Trustees noted with concern the effect that the fair value adjustments resulting from the OtagoNet investment, interest rate hedges and the Gore District Council onerous contract provision have had on the year's financial results.

Line Charges

The distribution component of line charges were increased by CPI and decreases in Transpower costs were retained by the Company at the beginning of the year to fund additional network expenditure above depreciation. 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 customers.

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 customers are fully protected by the nature of the Consumer Trust ownership and the regular election of Trustees by customers. They are supportive of the price and quality control exemptions for the Company due to its customer ownership under the Commerce Act.

Customers Discount

An explicit discount of $7million (excluding GST) was credited to customers in September 2014.

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) target of 195.19 minutes with an actual duration of 259.08 minutes. Storm conditions affecting supply in the Makarewa area and extensive maintenance and capital works programme contributed to the year-end values recorded. The SAIFI (System Average Interruption Frequency Index) figure of 3.04 times was slightly above the planned Statement of Intent target of 2.96 times.

OtagoNet Joint Venture

The OtagoNet Joint Venture continues to provide positive cash flows for the Company and, along with OPSL, is performing satisfactorily. These entities are currently meeting the profitability projections made at the time of initial 24.5% acquisition in 2002 and the subsequent increase in ownership in September 2014 for OtagoNet to 75.1% and OPSL to 50%.

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 energy assessment and insulation installation. 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 customers. The Trust is supportive of ETNZ view about the overly burdensome regulatory regime, particularly the Information Disclosure regime which also affects customer 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 continue to be disappointed with the lack of progress in this area.

Low Fixed (High Variable) Charge Regulations (LFC)

Trustees share the Company's concerns regarding the continuation of the LFC regulations and the inefficient incentives the politically driven tariff has in promoting investment in expensive solar generation when compared to cheaper solutions offered by generators. The continuation of the tariff is not in the long term interest of customers or New Zealand. The LFC subsidises expensive solar investment by those who can afford it to the detriment of the remaining customers who cannot.

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 customers.

Administration

Trustees wish to acknowledge the work of their Secretary Amy Coats and thank Blair Morris 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 2015 on pages 14 to 49.

Alan Harper
Chair

Maryann Macpherson
Director

For and on behalf of the Board of Directors

10 August 2015

Statement of Service Performance

For the Year Ended 31 March 2015

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			
	2015	2015		2014	
	$000	$000		$000	
Financial Measures		Inclusive of Discount	Exclusive of Discount	Inclusive of Discount	Exclusive of Discount
Operating Surplus before Tax and Fair Value Adjustments	6,951	9,070	15,970	6,612	13,562
EBIT before Fair Value Adjustments to Assets before Fair Value Adjustments %	1.95%	2.30%	3.44%	1.54%	3.17%
(Deficit) Surplus before Tax		(46,393)	(39,493)	5,089	12,039
EBIT to Total Assets %		(7.54)%	(6.29)%	1.35%	2.97%
Return on Equity before Fair Value Adjustments %	3.44%	1.94%	3.97%	2.00%	4.09%
Return on Equity %		(17.56)%	(14.65)%	1.14%	3.28%
Equity to Total Assets %	74.11%	49.25%	50.50%	73.67%	75.30%

Network Reliability Performance

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	
	2015	2015	2014
System Average Interruption Duration Index (SAIDI) The average total time in minutes each customer connected to the network is without supply.			
SAIDI	195.19	259.08	177.77
System Average Interruption Frequency Index (SAIFI) The average number of times each customer connected to the network is without supply.			
SAIFI	2.96	3.04	2.87

Supplementary Information

Network Statistics	2015	2014
Length of overhead line	8,448 km	8,357 km
Length of underground cable	360 km	351 km
Total number of interruptions	1,357	1,221
Faults per 100km of line	7.41	6.19
Transformer capacity MVA	414	406
Maximum demand kW	132,815	135,146
Energy into network GWh	754	738
Total customers	35,396	34,974

Statements of Financial Performance

For the Year Ended 31 March 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Operating Revenue	(2)	60,974	58,214	60,974	58,214
Other Income	(2)	2,895	10,730	7,194	3,949
Operating Expenses	(3)	(51,400)	(57,632)	(51,400)	(49,048)
Finance Costs - Interest	(3)	(4,791)	(680)	(4,791)	(655)
Share of Profit of Associates and Joint Ventures	(9/11)	8,292	2,930	-	-
Operating Surplus Before Discount		**15,970**	**13,562**	**11,977**	**12,460**
Discount to Customers	(3)	(6,900)	(6,950)	(6,900)	(6,950)
Operating Surplus After Discount		**9,070**	**6,612**	**5,077**	**5,510**
Fair Value Adjustments					
- Impairment of Advance in Subsidiary	(10)	-	-	(32,388)	-
- Impairment of Goodwill	(11)	(51,276)	-	-	-
- Unrealised (Loss)/Gain on Derivatives	(3)	(5,090)	371	(5,090)	371
- (Loss)/Gain on Onerous Contract	(19)	903	(1,894)	903	(1,894)
Total Fair Value Adjustments		**(55,463)**	**(1,523)**	**(36,575)**	**(1,523)**
(Deficit) Surplus before Taxation		**(46,393)**	**5,089**	**(31,498)**	**3,987**
Taxation Expense					
Current		(1,384)	(3,738)	(572)	(2,982)
Deferred	(4/18)	57	2,239	1,402	2,438
Net (Deficit) Surplus After Taxation		**(47,720)**	**3,590**	**(30,668)**	**3,443**

Statements of Comprehensive Income

For the Year Ended 31 March 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Net (Deficit) Surplus After Taxation		**(47,720)**	**3,590**	**(30,668)**	**3,443**
Other Comprehensive Income					
- Asset Revaluation	(5)	2,788	-	-	-
Other Comprehensive Income		**2,788**	**-**	**-**	**-**
Total Comprehensive Income		**(44,932)**	**3,590**	**(30,668)**	**3,443**
Net (Deficit) Surplus Attributable to Minority Interests	(12)	-	(216)	-	-
Net (Deficit) Surplus Attributable To Parent		**(44,932)**	**3,374**	**(30,668)**	**3,443**

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 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Total Comprehensive Income					
Net (Deficit) Surplus for the Year comprising:					
Parent Interest		(47,720)	3,374	(30,668)	3,443
Minority Interest	(12)	-	216	-	-
Other Comprehensive Income		2,788	-	-	-
		(44,932)	3,590	(30,668)	3,443
Contributions from Shareholders					
Minority Interest	(12)	1,581	-	-	-
Disposal of Subsidiary		-	(2,280)	-	-
Distributions to Shareholders					
Parent Interest		-	-	-	-
Minority Interest	(12)	-	-	-	-
Changes in Equity for the Year		(43,351)	1,310	(30,668)	3,443
Equity at Beginning of Year comprising:					
Parent Interest		315,157	311,783	307,426	303,983
Minority Interest		-	2,064	-	-
		315,157	313,847	307,426	303,983
Equity at End of Year comprising:					
Parent Interest		270,225	315,157	276,758	307,426
Minority Interest	(12)	1,581	-	-	-
	(5)	271,806	315,157	276,758	307,426

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 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Equity					
Share Capital	(5)	67,522	67,522	67,522	67,522
Asset Revaluation Reserve	(5)	82,309	79,698	75,607	75,784
Retained Earnings	(5)	120,394	167,937	133,629	164,120
Parent Equity		270,225	315,157	276,758	307,426
Minority Interest	(12)	1,581	-	-	-
Total Equity	**(5)**	**271,806**	**315,157**	**276,758**	**307,426**
Represented By:					
Current Assets					
Cash and Cash Equivalents	(6)	156	35	114	35
Receivables and Prepayments	(7)	7,113	6,871	6,862	6,871
Inventories	(8)	48	-	-	-
Provision for Tax		598	-	896	-
Total Current Assets		**7,915**	**6,906**	**7,872**	**6,906**
Non Current Assets					
Advances to Associates		3,336	1,511	2,222	1,511
Investments in Associates	(9)	1,965	4,536	-	-
Advances to Subsidiaries		-	-	120,088	2,919
Investments in Subsidiaries	(10)	-	-	28,075	28,075
Advances to Joint Ventures		21,325	18,914	20,375	17,914
Investments in Joint Ventures	(11)	137,443	38,254	-	-
Advances to Other Related Parties		-	-	950	1,000
Investments in Other Entities		146	146	146	146
Property, Plant and Equipment	(13)	358,812	339,979	349,389	339,979
Capital Work in Progress		20,958	17,538	19,408	17,538
Intangibles	(14)	-	-	-	-
Total Non Current Assets		**543,985**	**420,878**	**540,653**	**409,082**
Total Assets		**551,900**	**427,784**	**548,525**	**415,988**
Current Liabilities					
Creditors and Accruals	(15)	19,677	19,846	19,186	19,846
Employee Entitlements	(16)	-	-	-	-
Onerous Contract	(19)	558	675	558	675
Interest Rate Swaps	(23)	32	20	32	20
Income Tax Payable		-	122	-	(79)
Total Current Liabilities		**20,267**	**20,663**	**19,776**	**20,462**
Non Current Liabilities					
Term Loans	(17)	181,289	19,169	180,169	19,169
Deferred Tax Liabilities	(18)	64,820	63,370	58,104	59,506
Onerous Contract	(19)	8,450	9,236	8,450	9,236
Interest Rate Swaps	(23)	5,268	189	5,268	189
Total Non Current Liabilities		**259,827**	**91,964**	**251,991**	**88,100**
Total Liabilities		**280,094**	**112,627**	**271,767**	**108,562**
Net Assets		**271,806**	**315,157**	**276,758**	**307,426**

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 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		56,695	61,202	56,950	50,640
Interest Received		1,210	602	1,092	623
Dividends Received		-	-	4,301	2,063
		57,905	61,804	62,343	53,326
Cash Was Disbursed To:					
Payments to Suppliers and Employees		34,615	31,113	34,637	22,343
GST Paid/(Received)		(210)	(388)	(85)	(378)
Income Tax Paid		2,100	4,792	1,374	4,005
Interest Paid		4,458	658	4,567	660
		40,963	36,175	40,493	26,630
Net Cash Flows From Operating Activities	(22)	**16,942**	**25,629**	**21,850**	**26,696**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Property, Plant and Equipment Sales		56	86	56	86
Sale of shares in Associates		1,660	-	-	-
Proceeds from Disposal of Subsidiary		-	1,951	-	-
		1,716	2,037	56	86
Cash Was Applied To:					
Property, Plant and Equipment Purchases		29,946	25,441	29,946	25,441
Investment in Joint Venture		144,125	-	-	-
Purchase of shares in Associate		3,565	-	-	-
Purchase of shares in Subsidiary		1,700	-	-	-
Investments in Associates, Subsidiaries		-	-	152,681	-
Investments		-	9,246	-	7,772
		179,336	34,687	182,627	33,213
Net Cash Flows (Used in) Investing Activities		**(177,620)**	**(32,650)**	**(182,571)**	**(33,127)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Provided From:					
Issue of Shares		-	-	-	-
Term Loans		160,799	6,610	160,800	6,610
		160,799	6,610	160,800	6,610
Cash Was Applied To:					
Dividend Paid		-	-	-	-
Term Loans		-	187	-	187
		-	187	-	187
Net Cash Flows (Used in) Financing Activities		**160,799**	**6,423**	**160,800**	**6,423**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		121	(598)	79	(8)
Add Opening Cash Brought Forward		35	633	35	43
Closing Cash and Cash Equivalents To Carry Forward	(6)	**156**	**35**	**114**	**35**

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 2015

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 10 August 2015.

Basis of Preparation

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

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, and the Financial Reporting Act 2013. They follow New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). 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

There have been no new standards adopted in the current period that will have a material effect on the financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2014;

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

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.

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 (effective for annual periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

IFRS 15, Revenue from contract with customers, (effective for annual periods beginning on or after 1 January 2017)

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

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 fair value measurement of the distribution network is categorised under Level 3 of the fair value hierarchy.

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	2.0-13.5%	Straight line/Diminishing value
Network Assets (excluding land)	1.8-10.0%	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 Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

(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 Statement of Financial Position 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 Statement of Financial Position 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Operating Revenue				
- Network Charges	60,974	58,214	60,974	58,214
Other Income				
- Interest Revenue	1,209	602	1,209	710
- Dividends Received	-	-	4,301	2,063
- Capital Contributions	1,494	1,077	1,494	1,077
- Other Revenue	192	9,051	190	99
Total Income	**63,869**	**68,944**	**68,168**	**62,163**

3. Expenses

	Group		Parent	
	2015	2014	2015	2014
$000	$000	$000	$000	
Expenses Include:				
Amortisation of Intangibles	-	-	-	-
Auditor Remuneration				
- Audit of Financial Report				
- PricewaterhouseCoopers	34	52	34	35
- Other Services				
- PricewaterhouseCoopers				
- Information Disclosure	28	28	28	28
- Consultation Fees	15	4	15	4
Bad Debts Written Off	-	-	-	-
Depreciation				
- Buildings	36	43	36	11
- Plant and Office Equipment	1	226	1	2
- Motor Vehicles	-	338	-	-
- Metering Assets	394	523	394	523
- Network Assets	17,587	17,273	17,587	17,273
Total Depreciation	18,018	18,403	18,018	17,809
Directors' Fees	139	201	139	139
Discount to Customers	6,900	6,950	6,900	6,950
Donations	-	-	-	-
Employee Benefit Expenses	-	3,891	-	-
Impairment of Goodwill	51,276	-	-	-
Impairment of Advance in Subsidiary	-	-	32,388	-
Finance Expense				
- Interest Expense	4,791	680	4,791	655
- Unrealised Loss/(Gain) on Derivatives	5,090	(371)	5,090	(371)
Total Finance Expense	9,881	309	9,881	284
Loss on Disposal of Subsidiary	-	181	-	-
Loss/(Gain) on Onerous Contract	(903)	1,894	(903)	1,894
Loss on Disposal of Property, Plant and Equipment	592	627	592	623
Network Costs	14,137	13,646	14,137	13,183
Operating Lease Expenses	-	26	-	-
Transmission Costs	16,069	15,697	16,069	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.

		GROUP		PARENT	
	Note	2015 $000	2014 $000	2015 $000	2014 $000
Operating (Deficit) Surplus Before Income Taxation		(46,393)	5,089	(31,498)	3,987
Income Not Taxable					
- Exempt Dividends Received		-	-	(4,301)	(2,063)
- Equity Accounted Earnings of Associates		(586)	(30)	-	-
- Other		(49)	275	(33)	(1)
- Impairment of Advance in Subsidiary		-	-	32,388	-
- Impairment of Goodwill		51,276	-	-	-
Loss Offsets		-	-	-	-
Expenses Not Deductible		481	20	482	20
Taxable Income		**4,729**	**5,354**	**(2,962)**	**1,943**
Prima Facie Taxation at 28%		1,324	1,499	(830)	544
Made up of:					
Current Tax		1,381	3,743	572	2,982
Deferred Tax	(18)	(57)	(2,244)	(1,402)	(2,438)
		1,324	1,499	(830)	544
Under/(Over) Provisions in Prior Years					
Current Tax		3	(5)	-	-
Deferred Tax		-	5	-	-
Taxation Expense/(Benefit) for Year		**1,327**	**1,499**	**(830)**	**544**
Effective Tax Rate		**-**	**29%**	**-**	**14%**

Imputation Credit Account		
Credit Balance at Beginning of Year	18,126	14,269
Credits:		
Income Tax Payments	2,360	3,050
Imputation Credits on Dividends Received	1,673	802
Prior period adjustment	-	5
Debits:		
Income Tax Refunds	(986)	-
Imputation Credits on Dividends Paid	-	-
Credit Balance at End of Year	**21,173**	**18,126**

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	
	2015 $000	2014 $000	2015 $000	2014 $000
Share Capital	**67,522**	**67,522**	**67,522**	**67,522**
Minority Interest	**1,581**	**-**	**-**	**-**
Asset Revaluation Reserve				
Opening Balance	79,698	79,808	75,784	75,894
Revaluation	2,788	-	-	-
Revaluation Write Downs due to Asset Disposal	(177)	(110)	(177)	(110)
Closing Balance	**82,309**	**79,698**	**75,607**	**75,784**
Retained Earnings				
Opening Balance	167,937	164,453	164,120	160,567
Net (Deficit) Surplus for the Year	(47,720)	3,374	(30,668)	3,443
Revaluation Write Downs due to Asset Disposal	177	110	177	110
Closing Balance	**120,394**	**167,937**	**133,629**	**164,120**
Total Equity	**271,806**	**315,157**	**276,758**	**307,426**

The $2,788,000 asset revaluation relates to a revaluation of the OtagoNet network assets, less the deferred tax impact of that revaluation.

6. Cash and Cash Equivalents

Current Account	156	35	114	35
Short Term Bank Deposits	-	-	-	-
Total Cash and Cash Equivalents	**156**	**35**	**114**	**35**

7. Receivables and Prepayments

Trade Debtors	6,578	6,007	6,403	6,007
GST Receivable	493	824	417	824
Prepayments	42	40	42	40
Total Receivables and Prepayments	**7,113**	**6,871**	**6,862**	**6,871**

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 Statement of Financial Position date to determine whether there is any indication of impairment. If any indication exists, the receivable's recoverable amount is estimated.

At balance date 1% of the Group's trade receivables (Parent: 0%) 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

Network Spares and Sundry Network Consumables	48	-	-	-

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 2015	2014	Balance Date
Electricity Southland Ltd	New Zealand	-	50%	31 March
Otago Power Services Ltd	New Zealand	50.0%	24.5%	31 March

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Interests in associate entities are as follows:				
Carrying Amount at Beginning of Year	4,536	4,538	-	-
Dividends from Associates	(1,839)	(270)	-	-
Share of Equity Accounted Earnings of Associates	538	268	-	-
Transfer Associate to Subsidiary	(3,173)	-	-	-
Goodwill on Acquisition	1,410	-	-	-
Investment in Associates	493	-	-	-
Carrying Amount at End of Year	**1,965**	**4,536**	**-**	**-**

The Group's advances to Associates of $3,336,000 (31 March 2014: $1,511,000) are repayable on demand but with a 13 month notice period. The advances incur interest at 2% above the 90 day bank bill rate.

On 30 September 2014 the Group purchased an additional 47.8% shareholding in Otago Power Services Limited (a contracting company). On 31 March 2015, 22.3% of this shareholding was sold to leave a shareholding of 50%. Goodwill recognised in the acquisition was $1,410,000.

On 31 March 2015 the Group purchased an additional 25.1% of Electricity Southland Limited shareholding and this entity was then treated as a subsidiary. The tables below include Electricity Southland Limited revenue and expense figures, with the balance sheet figures being included in the Investment in Subsidiary note.

	GROUP	
	2015 $000	2014 $000
The Group's share of the results of its associate entities is as follows:		
Share of Surplus before Taxation	861	461
Less Taxation Expense	(323)	(193)
Total Recognised Revenues and Expenses of Associates After Tax	**538**	**268**

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

	2015	2014
Revenue	15,485	13,612
Less Expenses	(13,947)	(12,334)
Net Profit/(Loss)	**1,538**	**1,278**
Current Assets	4,508	3,487
Non Current Assets	6,063	14,842
Current Liabilities	(2,742)	(2,709)
Non Current Liabilities	(6,747)	(3,957)

10. Investments in Subsidiaries

Subsidiary Companies	Country of Incorporation	Percentage Held by Group 2015	2014	Balance Date
Last Tango Limited	New Zealand	100%	100%	31 March
Electricity Southland Ltd	New Zealand	75.1%	-	31 March

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.

On 31 March 2015 the Group acquired 25.1% of the share capital of Electricity Southland Limited. The Group has from that date a 75.1% shareholding.

	PARENT 2015 $000	2014 $000
Investment in Shares in Subsidiaries	28,075	28,075
Advances to Subsidiaries		
- Electricity Southland Limited Advance	2,920	-
- Last Tango Limited Advance	149,556	2,919
- Impairment of Last Tango Limited Advance	(32,388)	-
Total Investments in Subsidiaries	**148,163**	**30,994**

The Parent's advance to subsidiaries of $152,476,000 (31 March 2014: $0) is repayable on demand but with a 13 month notice period. The advances incur interest between 0.00%, and 2.00% above the 90 day bank bill rate.

The advance was tested for fair value on 31 March 2015 and found to be impaired by $32,388,000

The recoverable amount of the Last Tango Limited advance is based on fair value less costs to sell.

	GROUP 2015 $000	2014 $000
The Group's share of the results of its subsidiaries entities is as follows:		
Share of (Loss)/Surplus before Taxation	(41,730)	4,007
Less Taxation Expense	(2,156)	(785)
Total Recognised (Expenses) and Revenues of Subsidiaries After Tax	**(43,886)**	**3,222**

Summary financial information for subsidiaries, not adjusted to percentage ownership held by the Group.

	2015	2014
Revenue	9,546	4,182
Less Expenses	(53,432)	(960)
Net (Loss)/Profit	**(43,886)**	**3,222**
Current Assets	322	-
Non Current Assets	168,789	53,479
Current Liabilities	(770)	(201)
Non Current Liabilities	(160,505)	(6,783)

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 2015	2014	Balance Date
PowerNet Limited Group*	New Zealand	50%	50%	31 March
OtagoNet Joint Venture	New Zealand	75.1%	24.5%	31 March

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

		GROUP 2015 $000	GROUP 2014 $000
Interests in joint venture entities are as follows:			
Carrying Amount at Beginning of Year		38,254	36,297
Goodwill on Acquisition	60,395		-
Impairment of Goodwill	(51,276)		-
Net Goodwill on Acquisition of OtagoNet Joint Venture		9,119	-
Investment in Joint Ventures		82,708	-
Revaluation of OtagoNet Joint Venture		3,872	-
Share of Equity Accounted Earnings of Joint Ventures		7,754	2,662
Less Drawings		(4,264)	(2,695)
Investment in Shares in Joint Ventures		-	1,990
Carrying Amount at End of Year		**137,443**	**38,254**

The Group's advances to joint ventures of $21,325,000 (31 March 2014: $18,914,000) 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. The goodwill resulting from the OtagoNet Joint Venture investment was tested for impairment on 31 March 2015 and found to be impaired by $51,276,000.

The recoverable amount of the OtagoNet Joint Venture investment is based on fair value less costs to sell. The fair value used is the equity valuation of OtagoNet Joint Venture together with Electricity Southland Limited as prepared by EY using free cash flows methodology.

The key assumptions management has based the fair value on are:

- The discount rate used was 5.8%, being the long term nominal risk free rate provided by Treasury for accounting valuation purposes.
- The CPI increases used were 2.0%
- The corporate tax rate used was 28%
- The sustainable growth adjustment used was 0.8%

	GROUP 2015 $000	GROUP 2014 $000
The Group's share of the results of its joint venture entities is as follows:		
Share of Surplus	7,754	2,662
Total Recognised Revenues and Expenses of Joint Ventures	**7,754**	**2,662**

Summary financial information for equity accounted joint ventures, not adjusted to percentage ownership held by the Group.

	2015	2014
Revenue	98,515	83,372
Less Expenses	(84,077)	(72,008)
Net Profit/(Loss)	**14,438**	**11,364**
Current Assets	29,581	33,187
Non Current Assets	183,637	159,630
Current Liabilities	(13,849)	(15,615)
Non Current Liabilities	(27,075)	(25,976)

12. Minority Interest

	GROUP 2015 $000	GROUP 2014 $000
Opening Balance	-	2,064
Minority Interest Investment in Shares	1,619	-
Minority Interest Share of Net Surplus	-	216
Minority Interest Acquisition of Subsidiary	(38)	-
Minority Interest Disposal of Subsidiary	-	(2,280)
Closing Balance	**1,581**	**-**

The Minority Interest relates to Electricity Southland Limited, and related to Power Services Limited in 2014.

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 2013	202	493	22	352,303	4,842	357,862
Additions	-	-	-	18,861	1,569	20,430
Disposals	-	(57)	-	(747)	-	(804)
Balance at 31 March 2014	**202**	**436**	**22**	**370,417**	**6,411**	**377,488**
Balance at 1 April 2014	202	436	22	370,417	6,411	377,488
Additions	34	4,180	-	23,673	190	28,077
Disposals	-	-	-	(785)	-	(785)
Balance at 31 March 2015	**236**	**4,616**	**22**	**393,305**	**6,601**	**404,780**
Depreciation and Impairment Losses						
Balance at 1 April 2013	-	62	14	16,827	2,892	19,795
Depreciation for year	-	11	2	17,273	523	17,809
Disposals	-	(16)	-	(79)	-	(95)
Balance at 31 March 2014	**-**	**57**	**16**	**34,021**	**3,415**	**37,509**
Balance at 1 April 2014	-	57	16	34,021	3,415	37,509
Depreciation for year	-	36	1	17,587	394	18,018
Disposals	-	-	-	(136)	-	(136)
Balance at 31 March 2015	**-**	**93**	**17**	**51,472**	**3,809**	**55,391**
Carrying Amount/Book Value						
Book Value 31 March 2014	**202**	**379**	**6**	**336,396**	**2,996**	**339,979**
Book Value 31 March 2015	**236**	**4,523**	**5**	**341,833**	**2,792**	**349,389**

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

	Land	Buildings	Plant and Office Equipment	Network Assets	Meters	Total
31 March 2014	202	379	6	230,024	2,996	233,607
31 March 2015	236	4,523	5	235,461	2,792	243,017

13. Property, Plant and Equipment *continued*

	GROUP					
	Land $000	Buildings $000	Plant and Office Equipment $000	Network Assets $000	Meters $000	Total $000
Cost or Valuation						
Balance at 1 April 2014	202	436	22	370,417	6,411	377,488
Acquisition of Subsidiary	-	-	-	10,551	-	10,551
Additions	34	4,180	-	23,674	190	28,078
Disposals	-	-	-	(785)		(785)
Balance at 31 March 2015	**236**	**4,616**	**22**	**403,857**	**6,601**	**415,332**
Depreciation and Impairment Losses						
Balance at 1 April 2014	-	57	16	34,021	3,415	37,509
Change to Subsidiary	-	-	-	1,128	-	1,128
Depreciation for year	-	36	1	17,588	394	18,019
Disposals	-	-	-	(136)	-	(136)
Balance at 31 March 2015	**-**	**93**	**17**	**52,601**	**3,809**	**56,520**
Carrying Amount/Book Value						
Book Value 31 March 2015	**236**	**4,523**	**5**	**351,256**	**2,792**	**358,812**

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

31 March 2015	236	4,523	5	244,884	2,792	252,440

There are no 2014 comparatives as the group structure has changed. In the prior year the parent was effectively the group.

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 2013	29	-	29
Additions	-	-	-
Disposals	-	-	-
Balance at 1 March 2014	**29**	**-**	**29**
Balance at 1 April 2014	29	-	29
Additions	-	-	-
Disposals	-	-	-
Balance at 31 March 2015	**29**	**-**	**29**
Amortisation and Impairment			
Balance at 1 April 2013	29	-	29
Amortisation for Year	-	-	-
Disposals	-	-	-
Balance at 31 March 2014	**29**	**-**	**29**
Balance at 1 April 2014	29	-	29
Amortisation for Year	-	-	-
Disposals	-	-	-
Balance at 31 March 2015	**29**	**-**	**29**
Carrying Amount/Book Value			
Book Value at 31 March 2014	**-**	**-**	**-**
Book Value at 31 March 2015	**-**	**-**	**-**

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

14. Intangibles *continued*

	GROUP		
	Computer Software $000	Goodwill $000	Total $000
Cost			
Balance at 1 April 2013	60	487	547
Additions	-	-	-
Disposal of Subsidiary	(31)	(487)	(518)
Balance at 1 March 2014	**29**	**-**	**29**
Balance at 1 April 2014	29	-	29
Additions	-	-	-
Acquisition of Joint Venture	-	-	-
Disposals	-	-	-
Balance at 31 March 2015	**29**	**-**	**29**
Amortisation and Impairment			
Balance at 1 April 2013	56	-	56
Amortisation for Year	-	-	-
Disposal of Subsidiary	(27)	-	(27)
Balance at 31 March 2014	**29**	**-**	**29**
Balance at 1 April 2014	29	-	29
Amortisation for Year	-	-	-
Disposal of Subsidiary	-	-	-
Disposals	-	-	-
Balance at 31 March 2015	**29**	**-**	**29**
Carrying Amount/Book Value			
Book Value at 31 March 2014	**-**	**-**	**-**
Book Value at 31 March 2015	**-**	**-**	**-**

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

15. Creditors and Accruals

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Trade Creditors	6,669	11,357	6,478	11,357
Accruals	10,587	7,687	10,487	7,687
Bonds	200	-	-	-
Revenue in advance	2,221	802	2,221	802
Total Creditors and Accruals	**19,677**	**19,846**	**19,186**	**19,846**

16. Employee Entitlements

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

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	175,230	14,430	175,230	14,430
Advance – Southland Electric Power Supply Consumer Trust	4,939	4,739	4,939	4,739
Advance – Electricity Invercargill Limited	1,120	-	-	-
	181,289	**19,169**	**180,169**	**19,169**

Multi Option Credit Facility
The Company has a Cash Advance Facility of $190 million (31 March 2014: $25 million) with ANZ. 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 active interest rate swaps on the above facilities which total $102 million (31 March 2014: $8 million) at interest rates between 4.12% and 5.77%, 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 Electricity Southland Limited has with Electricity Invercargill Limited is repayable on demand but with a 13 month notice period. Interest on the Advance is paid quarterly at 2.00% above the 90 day bank bill rate.

18. Deferred Tax Liabilities

	Note	GROUP 2015 $000	GROUP 2014 $000	PARENT 2015 $000	PARENT 2014 $000
Opening Balance		63,370	65,701	59,506	61,944
Charged to Profit and Loss	(4)				
- Temporary Difference Reversals					
- Depreciation		(726)	(1,956)	(1,829)	(2,008)
- Temporary Difference Reversals					
- Other		669	(427)	427	(430)
Charged to Equity					
- Revaluation Adjustment		1,085	-	-	-
- Disposal of Subsidiary		-	52		
- Purchase of Subsidiary		422	-	-	-
Total Deferred Tax Liabilities		**64,820**	**63,370**	**58,104**	**59,506**

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

19. Provision for Onerous Contract

	GROUP 2015	GROUP 2014	PARENT 2015	PARENT 2014
Provision for Onerous Contract				
- Current Portion	558	675	558	675
- Non-current Portion	8,450	9,236	8,450	9,236
Provision for Onerous Contract	**9,008**	**9,911**	**9,008**	**9,911**

A liability had been recognised in relation to the Company's obligations under an onerous contract agreement. A provision of $9,008,000 (2014: $9,911,000) has been established for this onerous contract. Deferred Tax of $2,522,000 (2014: $2,775,000) has also been recognised in relation to this onerous contract.

The following valuation assumptions were adopted;

- The discount rate used was 5.5% being the long term nominal risk free rate provided by Treasury for accounting valuation purposes.
- 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Operating Lease Commitments				
Operating Lease Commitments are payable as follows:				
Not later than one year	40	-	-	-
Later than one year and not later than two years	40	-	-	-
Later than two years and not later than five years	120	-	-	-
Later than five years	1,479	-	-	-
Total Operating Lease Commitments	**1,679**	**-**	**-**	**-**

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

Capital Commitments
The Group has capital expenditure contracted for but not provided for in the financial statements.

Capital Commitments	23,523	16,458	21,256	16,458
Total Capital Commitments	**23,523**	**16,458**	**21,256**	**16,458**

21. Contingent Liabilities

The Company has a contingent liability as at 31 March 2015 of $825,000 (2014: $825,000). 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 reconciliation between the Net Surplus After Taxation shown in the Profit and Loss and the Net Cash Flows From Operating Activities.

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Net (Deficit) Surplus After Taxation	(47,720)	3,590	(30,668)	3,443
Plus/(Less) Non Cash Items:				
Depreciation	18,019	18,403	18,019	17,809
Amortisation of Intangibles	-	-	-	-
Deferred Taxation	57	(2,239)	(1,402)	(2,438)
Loss on Disposal of Property, Plant and Equipment	592	627	592	623
Impairment of Advance in Subsidiary	-	-	32,388	-
Impairment of Goodwill	51,276	-	-	-
Interest Rate Swaps	5,092	(371)	5,092	(371)
Net SEPSCT transactions	200	-	200	-
Onerous Contract	(903)	1,894	(903)	1,894
Share of Profit of Associates	(8,292)	(2,930)	-	-
	66,041	15,384	53,986	17,517
Plus/(Less) Net Movements in Working Capital:				
Creditors and Accruals	(1,788)	8,221	(2,079)	9,521
Receivables, Prepayments and Work in Progress	1,177	(776)	1,428	(2,762)
Inventories	(48)	247	-	-
Income Tax Payable	(720)	(1,037)	(817)	(1,023)
	(1,379)	6,655	(1,468)	5,736
Net Cash Flows From Operating Activities	**16,942**	**25,629**	**21,850**	**26,696**

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 $5,102,766 (2014: $4,818,000) is owed by energy retailers at balance date.

The following liquidity tables show the Group and Parents 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 2015:

	Maturity Dates < 1 Month $000	Maturity Dates <1 Yr $000	Maturity Dates 1-5 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	156	-	-	156
Trade and Other Receivables	6,578	-	-	6,578
Advances	-	-	146	146
Interest Rate Swaps	-	-	-	-
	6,734	**-**	**146**	**6,880**
Financial Liabilities				
Trade Creditors	6,669	-	-	6,669
Accruals	-	10,587	-	10,587
Advances	-	-	181,289	181,289
Interest Rate Swaps	-	32	5,268	5,300
	6,669	**10,619**	**186,557**	**203,845**

23. Financial Instruments *continued*

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

	Maturity Dates < 1 Month $000	Maturity Dates <1 Yr $000	Maturity Dates 1-5 Yrs $000	Total $000
Financial Assets				
Cash and Cash Equivalents	114	-	-	114
Trade and Other Receivables	6,403	-	-	6,403
Advances	-	-	176,169	176,169
Interest Rate Swaps	-	-	-	-
	6,517	**-**	**176,169**	**182,686**
Financial Liabilities				
Trade Creditors	6,478	-	-	6,478
Accruals	-	10,487	-	10,487
Advances	-	-	180,168	180,168
Interest Rate Swaps	-	32	5,268	5,300
	6,478	**10,519**	**185,436**	**202,433**

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 2014:

	Maturity Dates < 1 Month $000	Maturity Dates <1 Yr $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
Advances	-	-	23,490	23,490
Interest Rate Swaps	-	-	-	-
	6,042	**-**	**23,490**	**29,532**
Financial Liabilities				
Trade Creditors	11,357	-	-	11,357
Accruals	-	7,687	-	7,687
Advances	-	-	19,169	19,169
Interest Rate Swaps	-	20	189	209
	11,357	**7,707**	**19,358**	**38,422**

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. Also available in the next twelve months is $14,770,000 of unused facility from ANZ.

23. Financial Instruments *continued*

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

	Maturity Dates < 1 Month $000	Maturity Dates <1 Yr $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
Advances	-	-	146	146
Interest Rate Swaps	-	-	-	-
	6,042	**-**	**146**	**6,188**
Financial Liabilities				
Trade Creditors	11,357	-	-	11,357
Accruals	-	7,687	-	7,687
Advances	-	-	19,169	19,169
Interest Rate Swaps	-	20	189	209
	11,357	**7,707**	**19,358**	**38,422**

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 2015:

	Variable Interest Rate $000	Maturity Dates <1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	114	-	-	114
Trade and Other Receivables	-	-	6,403	6,403
Advances	26,467	-	149,702	176,169
	26,581	**-**	**156,105**	**182,686**
Financial Liabilities				
Trade and Other Payables	-	-	16,965	16,965
Advances	78,169	-	-	78,169
	78,169	**-**	**16,965**	**95,134**

The loan value of $181,289,000 is covered by $102,000,000 of active swaps at balance date. The company has additional swaps which are inactive at balance date, which will provide additional cover in the future.

23. Financial Instruments *continued*

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

	Variable Interest Rate $000	Maturity Dates <1 Yr $000	Non Interest Bearing $000	Total $000
Financial Assets				
Cash and Cash Equivalents	156	-	-	156
Trade and Other Receivables	-	-	6,578	6,578
Advances	24,661	-	146	24,807
	24,817	**-**	**6,724**	**31,541**
Financial Liabilities				
Trade and Other Payables	-	-	17,256	17,256
Advances	79,289	-	-	79,289
	79,289	**-**	**17,256**	**96,545**

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

	Variable Interest Rate $000	Maturity Dates <1 Yr $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	-	-	19,044	19,044
Advances	11,169	-	-	11,169
	11,169	**-**	**19,044**	**30,213**

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 Yr $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	-	-	19,044	19,044
Advances	11,169	-	-	11,169
	11,169	**-**	**19,044**	**30,213**

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 all interest rate swap agreements as at 31 March 2015:

	Notional Principal		Fair Value	
	2015 $000	2014 $000	2015 $000	2014 $000
Less than one year	4,000	1,000	32	20
One to five years	25,000	9,000	569	189
Over five years	85,000	-	4,699	-
	114,000	**10,000**	**5,300**	**209**

Foreign Exchange Risk
The Group is not subject to foreign exchange risk.

Sensitivity Analysis for Interst 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 decrease/(increase) the operating profit before tax and equity by $348,000 (2014: $120,000).

23. Financial Instruments *continued*

Fair Value

The estimate 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, which consist of interest rate swaps and the OtagoNet Joint Venture investment are classified within level 2 and level 3 of the fair value hierarchy respectively.

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 abovementioned parties during the year are as follows:

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Goods and Services Supplied to:				
PowerNet Limited (Joint Venture)	1,083	682	1,083	682
Electricity Southland Limited (Subsidiary)	-	29	85	29
Power Services Limited (Subsidiary)	-	-	-	86
Otago Power Services Limited (Associate)	64	28	64	28
Receivables Outstanding at Balance Date (GST incl):				
PowerNet Limited (Joint Venture)	298	1,577	298	1,577
Electricity Southland Limited (Subsidiary)	-	10	28	10
Power Services Limited (Subsidiary)	-	-	-	-
Otago Power Services Limited (Associate)	21	7	21	7
Goods and Services Supplied by:				
PowerNet Limited (Joint Venture)	39,514	37,470	39,514	37,470
Power Services Limited (Subsidiary)	-	-	-	32
Creditors Outstanding at Balance Date (GST incl):				
PowerNet Limited (Joint Venture)	7,812	12,129	7,812	12,129
Otago Power Services Limited (Associate)	-	-	-	-
Dividends Paid by:				
Last Tango Limited (Subsidiary)	-	-	4,301	2,063
Advances Provided to/(Due from):				
Last Tango Limited (Subsidiary)	-	-	148,996	790
Otago Power Services Limited (Associate)	3,031	97	3,031	97
Southland Electric Power Supply Consumer Trust (Other Related Party)	131	187	131	187
OtagoNet Joint Venture (Joint Venture)	2,175	735	2,175	735
Electricity Southland Limited (Subsidiary)	-	550	2,100	550
PowerNet Limited (Joint Venture)	10,500	12,179	10,500	12,179
Advances Provided from:				
Southland Electric Power Supply Consumer Trust (Other Related Party)	331	-	331	-
Otago Power Services Limited (Associate)	1,500	-	1,500	2,739
PowerNet Limited (Joint Venture)	9,480	3,200	9,480	3,200
Last Tango Limited (Subsidiary)	-	-	2,358	786
Peak Power Limited (Joint Venture)	50	-	-	-

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 $344,000 excl GST (31 March 2014: $5,000) of which $11,000 incl GST (31 March 2014: $0) 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 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 $8,000 excl GST (31 March 2014: $7,000) of which $0 incl GST (31 March 2014: $0) 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 $4,939,000 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 $131,000 (31 March 2014: $187,000). 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 $332,0000 (31 March 2014: $0) has been added to the loan.

Key Management Personnel

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

	GROUP		PARENT	
	2015 $000	2014 $000	2015 $000	2014 $000
Salaries and Short-term Employee Benefits	139	291	139	139

Executive staff remuneration comprises salary and other short-term benefits.

26. Subsequent Events

Subsequence to these accounts, The Power Company Limited though its subsidiary (Last Tango Limited) purchased a 25% interest in Southern Generation Limited Partnership. This partnership was formed as a Wind Farm investment joint venture.

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Independent Auditors' Report

to the shareholders of The Power Company Limited

Report on the Financial Statements

We have audited the Group financial statements of The Power Company Limited ("the Company") on pages 15 to 49, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, the statement of comprehensive income, the statement of changes in equity and the statement 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 the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements 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'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.

In addition to the audit, and our role as auditors of its associates and joint ventures, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Determination 2012, Electricity Distribution Services Default Price-Quality Path Determination 2012 and other regulatory requirements of the Commerce Act 1986, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its associates or joint ventures.

Opinion

In our opinion, the financial statements on pages 15 to 49 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

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

Chartered Accountants
10 August 2015

Christchurch

The Power Company customer function, Gore

Colyer Road Substation under construction

PowerNet line mechanics working on The Power Company network

Geoff Gorton (Decom) at Colyer Road Substation

THEPOWERCOMPANYLTD