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Chairman and Chief Executive Introduction

On behalf of the Board of Directors and Executive Management Team, we are pleased to present shareholders and security holders with this Interim Report for the six months to 30 September 2017.

Financial performance

The amount of energy (electricity and gas) conveyed across Powerco's electricity and gas distribution networks increased 2.1%, when compared to the six months to 30 September 2016. Revenue was up \$9.5 million to \$256.6 million. Included in the revenue result was:

- \$65.2 million of transmission and other pass-through costs, up \$4.3 million from the same period last year
- \$12.9 million of customer contributions to capital works, down \$1.1 million from the same period last year

Earnings before interest expense, taxation, depreciation and fair value adjustments (EBITDAF) increased by \$3.8 million to \$144.4 million. This compares to \$140.6 million for the six months to 30 September 2016 and \$142.9 million for the six months to 30 September 2015.

Net profit after tax was up \$0.4 million to \$70.4 million. This compares to \$70.0 million for the six months to 30 September 2016 and \$43.6 million for the six months

to 30 September 2015. This includes an \$11.0 million gain on the revaluation of financial derivative instruments related to Powerco's debt obligations. Valuations of derivatives used to hedge these obligations flow through the profit and loss statement as either gains or losses, depending upon market movements. Powerco holds foreign currency loans and related hedges to expiry and, as such, the \$11.0 million gain reported in this six month period will, except in extraordinary circumstances, never be realised by the company.

Underlying profit before tax (profit for the period excluding gains/losses on financial instruments) increased by \$10.2 million to \$63.7 million. This compares to \$53.5 million for the six months to 30 September 2016 and \$50.1 million for the six months to 30 September 2015.

Powerco increased investment in its core electricity and gas networks with capital expenditure of \$83.1 million for the six months to the 30 September 2017. This compares to \$77.8 million for the six months to 30 September 2016 and \$63.9 million for the six months to 30 September 2015.

Dividends for the six months to 30 September 2017 were \$22.5 million. This compares to \$23.7 million for the six months to 30 September 2016 and \$25.7 million for the six months to 30 September 2015.

Powerco remains of the opinion that both EBITDAF and profit before taxation, adjusted to remove the impact of unrealised gains and losses, are better measures of the operating performance of the company, showing a 2.7% year-on-year increase and a 19.0% increase respectively. The 2017 reported and underlying profits before taxation and reported and underlying profits for the period after tax all increased by a \$5.8 million one-off gain on sale of assets to NZ Windfarms Ltd.

The table below shows how the company reconciled reported net profit after tax and underlying profit before tax for the six months ended 30 September 2017 and 30 September 2016.



John Loughlin
Chairman



Nigel Barbour
Chief Executive

	2017			2016		
	Reported Earnings \$000	Adjustments \$000	Underlying Earnings \$000	Reported Earnings \$000	Adjustments \$000	Underlying Earnings \$000
EBITDAF per Income Statement	144,447	-	144,447	140,594	-	140,594
Other (losses)/gains on financial instruments	10,995	(10,995)	-	24,862	(24,862)	-
Net loss on disposal of fixed assets	65	-	65	(3,016)	-	(3,016)
Depreciation and amortisation	(41,196)	-	(41,196)	(37,654)	-	(37,654)
Finance costs	(39,163)	-	(39,163)	(39,345)	-	(39,345)
Profit for the period before tax	75,148	(10,995)	64,153	85,441	(24,862)	60,579
Income tax expense	(4,750)	4,321	(429)	(15,408)	8,365	(7,043)
Profit for the period after tax	70,398	(6,674)	63,724	70,033	(16,498)	53,536

Condensed Consolidated Interim Financial Statements

For the six months ended 30 September 2017

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 September 2017

	Note	Unaudited six months to 30 September 2017 \$000	Unaudited six months to 30 September 2016 \$000
Revenue and other income		256,554	247,088
Pass-through and recoverable costs		(65,155)	(60,834)
Network operational expenditure		(19,779)	(19,993)
System operations and network support		(8,165)	(6,575)
Business support		(19,008)	(19,092)
Operating expenses		(112,107)	(106,494)
Earnings before finance costs, loss on disposal, taxation, depreciation, amortisation and financial instruments (EBITDAF)		144,447	140,594
Net loss on disposal of fixed assets		65	(3,016)
Depreciation and amortisation		(41,196)	(37,654)
Earnings before finance costs and taxation (EBIT)		103,316	99,924
Finance costs		(39,163)	(39,345)
Gain on financial instruments	4	10,995	24,862
Profit before taxation		75,148	85,441
Income tax expense		(4,750)	(15,408)
Profit for the period after tax		70,398	70,033
Other comprehensive income			
Items that may be reclassified subsequently in profit/loss:			
Cash flow hedges amortised		339	339
Income tax expense on cash flow hedges		(95)	(95)
Total other comprehensive income		244	244
Total comprehensive income for the period, net of tax		70,642	70,277

The accompanying notes form part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2017

	Share capital \$000	Attributable to owners		Total \$000
		Accumulated deficits \$000	Hedge reserve \$000	
Balance as at 31 March 2016	698,165	(153,431)	(4,116)	540,618
Profit for the period	-	70,033	-	70,033
Cash flow hedges amortised	-	-	339	339
Income tax expense on amortisation of cash flow hedges	-	-	(95)	(95)
Total comprehensive income, net of tax	-	70,033	244	70,277
Transactions with owners				
Dividends (6.42 cents per share)	-	(23,749)	-	(23,749)
Balance as at 30 September 2016 (unaudited)	698,165	(107,147)	(3,872)	587,146
Balance as at 31 March 2017	698,165	(153,444)	(3,629)	541,092
Profit for the period	-	70,398	-	70,398
Cash flow hedges amortised	-	-	339	339
Income tax expense on amortisation of cash flow hedges	-	-	(95)	(95)
Total comprehensive income, net of tax	-	70,398	244	70,642
Transactions with owners				
Dividends (6.08 cents per share)	-	(22,492)	-	(22,492)
Balance as at 30 September 2017 (unaudited)	698,165	(105,538)	(3,385)	589,242

The accompanying notes form part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2017

	Notes	Unaudited	Unaudited	Audited
		as at 30 September 2017 \$000	as at 30 September 2016 \$000	as at 31 March 2017 \$000
Current assets				
Cash and cash equivalents		136	583	400
Trade and other receivables		46,911	43,484	38,503
Finance lease receivable	6	-	484	503
Other financial assets	9	-	5	6
Other current assets		378	323	383
		47,425	44,879	39,795
Non-current assets				
Property, plant and equipment	5	2,100,158	2,017,511	2,064,332
Finance lease receivable	6	-	8,761	8,504
Other financial assets	9	83,383	126,003	94,234
Intangible assets	7	13,945	16,413	14,971
		2,197,486	2,168,688	2,182,041
TOTAL ASSETS		2,244,911	2,213,567	2,221,836
Current liabilities				
Trade and other payables		42,969	41,333	45,069
Employee benefits		4,052	4,343	4,723
Other financial liabilities	9	161	22,787	1,451
Borrowings	8	8,213	187,623	58,192
		55,395	256,086	109,435
Non-current liabilities				
Employee benefits		1,400	1,537	1,892
Other financial liabilities	9	57,126	79,356	62,395
Borrowings	8	1,293,764	1,055,979	1,263,882
Deferred tax liability		247,984	233,464	243,140
		1,600,274	1,370,336	1,571,309
Equity				
Issued capital	11	698,165	698,165	698,165
Accumulated deficits		(105,538)	(107,147)	(153,444)
Hedge reserves		(3,385)	(3,872)	(3,629)
		589,242	587,145	541,092
TOTAL EQUITY AND LIABILITIES		2,244,911	2,213,567	2,221,836



John Loughlin
Director
23 November 2017



Paul Callow
Director
23 November 2017

The accompanying notes form part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2017

	Unaudited six months to 30 September 2017 \$000	Unaudited six months to 30 September 2016 \$000
Cash flows from operating activities		
Cash receipts from customers	275,602	261,918
Cash paid to suppliers and employees	(135,483)	(123,978)
	140,119	137,940
GST paid	(9,173)	(9,004)
Interest paid	(38,844)	(39,013)
	(48,017)	(48,017)
Net cash provided by operating activities	92,102	89,923
Cash flows from financing activities		
Proceeds from sale of property, plant and equipment	8,341	37
Purchase of property, plant and equipment and intangibles	(82,447)	(75,951)
Net cash used in investing activities	(74,106)	(75,914)
Cash flows from financing activities		
Proceeds from borrowings	65,000	132,200
Proceeds from finance leases	9,007	228
Loan establishment costs	(175)	(237)
Repayment of borrowings	(69,600)	(122,500)
Dividend paid	(22,492)	(23,749)
Net cash used in financing activities	(18,260)	(14,058)
Net increase in cash and cash equivalents	(264)	(49)
Cash and cash equivalents at the beginning of the period	400	632
Cash and cash equivalents at the end of the period	136	583
Comprises the following:		
Cash and cash equivalents	136	583
	136	583

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

Transactions recorded net in the Financial Statements

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

Reconciliation of Profit to Net Cash Flows from Operating Activities

For the six months ended 30 September 2017

	Note	Unaudited six months to 30 September 2017 \$000	Unaudited six months to 30 September 2016 \$000
Profit after taxation		70,398	70,033
Add/(less) non-cash items			
Depreciation and amortisation		41,196	37,654
(Gain) / loss on disposal of assets		(65)	3,053
Non-cash component of finance costs		349	335
Other gains on financial instruments	4	(10,995)	(24,862)
Non-cash items in relation to investing/financing activities		(2,476)	(2,062)
Non-cash customer contributions		(9,871)	(11,859)
Increase in deferred tax liability		4,750	15,409
Other items			
GST on property, plant and equipment purchases		10,481	9,548
Movements in working capital			
<i>(Increase)/decrease in assets</i>			
Trade and other receivables		(8,407)	(6,792)
Other current assets		4	(2)
<i>Increase/(decrease) in liabilities</i>			
Trade and other payables		(2,100)	367
Employee entitlements		(1,162)	(899)
Net cash provided by operating activities		92,102	89,923

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2017

1. Basis of accounting

Basis of preparation

Powerco Ltd (the Company or Powerco) and its subsidiaries Powerco Transmission Services Ltd (PTS), Powerline Ltd (Base Power) and The Gas Hub Ltd form the Powerco Group (the Group). Powerco is a limited liability company incorporated in New Zealand and is required to prepare interim financial statements under section 10.4 of the NZSX/NZDX Listing Rules. The address of its registered office is Level 2, New Plymouth District Council Civic Centre, 84 Liardet St, New Plymouth 4310, New Zealand. The Consolidated Interim Financial Statements have been prepared in accordance with, and comply with, NZ IAS 34: Interim Financial Reporting, IAS 34: Interim Financial Reporting and NZ GAAP. For the purposes of financial reporting, Powerco is a profit-oriented entity. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017.

Significant accounting policies

The Group financial statements incorporate the financial statements of Powerco Ltd and its subsidiaries which have been consolidated using the acquisition method. The accounting policies adopted and methods of computation are consistent with those followed in the preparation of the Powerco Group financial statements for the year ended 31 March 2017.

2. Segmental reporting

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

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

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

For the six months ended 30 September 2017

	Regulated businesses Unaudited Electricity \$000	Unaudited Gas \$000	Unallocated Unaudited segment \$000	Unaudited Total \$000
External revenue	207,464	31,278	17,812	256,554
Pass-through and recoverable costs	(64,015)	(1,140)	-	(65,155)
Network operational expenditure	(16,330)	(3,008)	(441)	(19,779)
System operations and network support	(5,939)	(2,139)	(87)	(8,165)
Business support	(15,652)	(3,177)	(179)	(19,008)
Depreciation and amortisation and net loss on disposal of fixed assets	(39,834)	(7,096)	5,799	(41,131)
Segment result	65,694	14,718	22,904	103,316
Finance costs				(39,163)
Gains on financial instruments				10,995
Profit before tax				75,148
Income tax expense				(4,750)
Net profit for the period				70,398
Other information				
Capital additions	76,185	7,273	1,078	84,536

For the six months ended 30 September 2016

	Regulated businesses Unaudited Electricity \$000	Unaudited Gas \$000	Unallocated Unaudited segment \$000	Unaudited Total \$000
External revenue	198,289	29,434	19,365	247,088
Pass-through and recoverable costs	(59,832)	(1,002)	-	(60,834)
Network operational expenditure	(16,729)	(2,776)	(487)	(19,993)
System operations and network support	(4,204)	(2,349)	(22)	(6,575)
Business support	(15,912)	(3,115)	(66)	(19,092)
Depreciation and amortisation and net loss on disposal of fixed assets	(33,486)	(6,257)	(927)	(40,670)
Segment result	68,126	13,935	17,863	99,924
Finance costs				(39,345)
Gains on financial instruments				24,862
Profit before tax				85,441
Income tax expense				(15,408)
Net profit for the period				70,033
Other information				
Capital additions	74,096	5,290	898	80,284

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

Revenue included in the unallocated segment category includes gas metering revenue, customer contributions, transmission revenue, third party damages and other miscellaneous revenue received.

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

3. Seasonality of interim operations

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

4. (Gains)/losses on financial instruments

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

5. Property, plant and equipment

	Network systems \$000	Work in progress \$000	Land and buildings \$000	Plant and equipment \$000	Total \$000
At 31 March 2016					
Cost	2,735,659	43,229	16,091	40,780	2,835,759
Accumulated depreciation	(820,016)	-	(5,356)	(32,637)	(858,009)
Net book value	1,915,643	43,229	10,735	8,143	1,977,750
Movements in the six months ended 30 September 2016					
Opening net book value	1,915,643	43,229	10,735	8,143	1,977,750
Additions	-	77,045	-	727	77,773
Transfers	58,873	(61,184)	69	2,242	-
Disposals	(3,034)	-	(12)	(3)	(3,049)
Depreciation expense	(33,901)	-	(263)	(798)	(34,962)
Closing net book value	1,937,581	59,090	10,529	10,311	2,017,511
At 30 September 2016 (unaudited)					
Cost	2,786,257	59,090	16,114	43,073	2,904,534
Accumulated depreciation	(848,676)	-	(5,585)	(32,762)	(887,023)
Net book value	1,937,581	59,090	10,529	10,311	2,017,511
At 31 March 2017					
Cost	2,840,688	77,392	16,121	45,004	2,979,205
Accumulated depreciation	(875,531)	-	(5,834)	(33,508)	(914,873)
Net book value	1,965,157	77,392	10,287	11,496	2,064,332
Movements in the six months ended 30 September 2017					
Opening net book value	1,965,157	77,392	10,287	11,496	2,064,332
Additions	-	82,780	24	302	83,106
Transfers	67,275	(68,651)	-	1,376	-
Disposals	(8,542)	-	-	-	(8,542)
Depreciation expense	(37,660)	-	(237)	(842)	(38,739)
Closing net book value	1,986,230	91,521	10,074	12,332	2,100,158
At 30 September 2017 (unaudited)					
Cost	2,892,221	91,521	16,145	46,638	3,046,526
Accumulated depreciation	(905,991)	-	(6,071)	(34,306)	(946,368)
Net book value	1,986,230	91,521	10,074	12,332	2,100,158

Included in disposals in 2017 is the sale of Powerco Transmission Services sub-transmission assets to NZ Windfarms Ltd. Further detail is provided in note 6.

6. Finance lease receivable

	Minimum future lease payments		Present value of minimum future lease payments	
	Unaudited as at 30 September 2017 \$000	Audited as at 31 March 2017 \$000	Unaudited as at 30 September 2017 \$000	Audited as at 31 March 2017 \$000
Amount receivable under finance lease				
Not later than one year	-	1,433	-	503
Later than one year and not later than five years	-	5,904	-	2,468
Later than five years	-	9,902	-	6,036
Minimum future lease payments	-	17,239	-	9,007
Unguaranteed residual value	-	-	-	-
Gross finance lease receivable	-	17,239	-	9,007
Less unearned finance income	-	(8,232)	-	-
	-	9,007	-	9,007
Classified as:				
Current			-	503
Non-current			-	8,504
			-	9,007

Powerco Transmission Services Ltd entered into a lease with NZ Windfarms Ltd. The term of the lease was 20 years, with an expiry in 2028. The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The effective interest rate on the finance lease receivable was 10.15% per annum. On 29 September 2017 the finance lease and sub-transmission assets were sold to NZ Windfarms Ltd for \$17.3 million.

Policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

7. Intangible assets

	Software \$000	Easements \$000	Total \$000
At 31 March 2016			
Cost	41,356	3,941	45,297
Accumulated depreciation	(28,698)	-	(28,698)
Net book value	12,658	3,941	16,599
Movements in the six months ended 30 September 2016			
Opening net book value	12,658	3,941	16,599
Additions	2,488	18	2,506
Amortisation expense	(2,692)	-	(2,692)
Closing net book value	12,454	3,959	16,413
At 30 September 2016 (unaudited)			
Cost	43,844	3,959	47,803
Accumulated depreciation	(31,390)	-	(31,390)
Net book value	12,454	3,959	16,413
At 31 March 2017			
Cost	44,829	4,053	48,882
Accumulated depreciation	(33,911)	-	(33,911)
Net book value	10,918	4,053	14,971
Movements in the six months ended 30 September 2017			
Opening net book value	10,918	4,053	14,971
Additions	1,430	0	1,430
Amortisation expense	(2,456)	-	(2,456)
Closing net book value	9,892	4,053	13,945
At 30 September 2017 (unaudited)			
Cost	46,259	4,053	50,312
Accumulated depreciation	(36,367)	-	(36,367)
Net book value	9,892	4,053	13,945

8. Borrowings

The Group operates a \$2.0 million overdraft facility. As at 30 September 2017, there were no drawings against this facility. The wholesale bonds, US dollar private placement notes, NZ dollar private placement notes, revolving cash facilities and working capital facility are all secured against the assets of the Company through the Security Trust Deed.

On 28 September 2017 the Company repaid a \$50.0 million guaranteed bond issued in September 2005. The Company has agreed terms for a \$125.0 million NZ dollar private placement issue, that will be completed in November 2017. The cash flow statement shows \$65.0 million as proceeds from, and \$69.6 million as repayment of, borrowings, this reflects movements within facilities, as well as the repayment of the guaranteed bond during the period.

9. Other financial assets and liabilities

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

	Unaudited as at 30 September 2017 \$000	Unaudited as at 30 September 2016 \$000	Audited as at 31 March 2017 \$000
Other current financial assets			
Interest rate swaps	-	-	-
Foreign exchange contracts	-	5	6
	-	5	6
Other non-current financial assets			
US cross currency interest rate swap	59,958	85,947	74,292
Interest rate swaps	23,425	40,056	19,942
	83,383	126,003	94,234
Other current financial liabilities			
US cross currency interest rate swap	0	(19,513)	0
Interest rate swaps	(151)	(3,264)	(1,448)
Foreign exchange contracts	(10)	(10)	(3,376)
	(161)	(22,787)	(1,451)
Other non-current financial liabilities			
US cross currency interest rate swap	-	-	-
Interest rate swaps	(57,126)	(79,356)	(62,395)
Foreign exchange contracts	-	-	-
	(57,126)	(79,356)	(62,395)
	26,096	23,865	30,394

Fair value of assets and liabilities

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

The Group holds the following instruments:

Notional Principal	Unaudited 30 September 2017 \$000	Unaudited 30 September 2016 \$000	Audited 31 March 2017 \$000
US cross currency swaps	438,760	548,059	438,760
Interest rate swaps (pay floating)	385,000	285,000	385,000
Interest rate swaps (pay fixed)	1,372,000	1,295,000	1,460,000
Foreign exchange contracts	1,535	1,070	1,490
	2,197,295	2,129,129	2,285,250

Fair value	Unaudited 30 September 2017 \$000	Unaudited 30 September 2016 \$000	Audited 31 March 2017 \$000
US cross currency swaps	59,958	66,434	74,292
Interest rate swaps (pay floating)	21,556	40,056	16,402
Interest rate swaps (pay fixed)	(55,408)	(82,620)	(60,303)
Foreign exchange contracts	(10)	(5)	3
	26,096	23,865	30,394

Movement of derivatives held at fair value through profit or loss	Unaudited For the six months ended 30 September 2017 \$000	Unaudited For the six months ended 30 September 2016 \$000	Audited For the year ended 31 March 2017 \$000
US cross currency swaps	(14,334)	(23,391)	(32,541)
Interest rate swaps (pay floating)	5,154	10,903	(12,751)
Interest rate swaps (pay fixed)	4,895	3,738	26,055
Foreign exchange contracts	(13)	(5)	3
	(4,298)	(8,755)	(19,234)

Fair values

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

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

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

	Unaudited 30 September 2017		Unaudited 30 September 2016		Audited 31 March 2017	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
Financial liabilities at amortised cost						
Guaranteed bonds	-	-	49,910	51,626	49,978	50,934
Wholesale bonds	451,980	454,258	350,926	363,004	451,897	454,175
US dollar private placement notes	502,413	486,981	590,902	571,897	518,103	501,165
NZD private placement notes	135,928	153,380	136,096	166,852	136,114	153,505
	1,090,321	1,094,620	1,127,836	1,153,378	1,156,092	1,159,781

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

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

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

Fair value measurements recognised in the Statement of Financial Position

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

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

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

10. Related parties

	Unaudited For the six months ended 30 September 2017 \$000	Unaudited For the six months ended 30 September 2016 \$000
Transactions between Powerco Ltd and PNZHL		
Dividends paid to Powerco New Zealand Holdings Ltd (PNZHL)	22,492	23,749
Tax losses transferred to Group from PNZHL	70,607	44,438

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

11. Share capital

Total number of ordinary shares authorised, issued and fully paid at 30 September 2017 is 369,929,053. There has been no movement in the number of shares in the period.

Each ordinary share in the Company confers on the holder:

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

The shares have no par value.

12. Contingent liabilities and commitments

Contingent assets and liabilities

As at 30 September 2017, the Group had no contingent assets or liabilities.

Commitments

	Unaudited 30 September 2017 \$000	Unaudited 30 September 2016 \$000	Audited 31 March 2017 \$000
Commitments for future operational expenditure resulting from contracts entered into	12,026	9,604	6,738
Commitments resulting from Electricity and Gas Field Service Agreements and CPP Field Services Foundation Agreement contracts entered into	215,229	113,797	91,654

The Group is party to six field services contracts with its four key field service providers for capital and operational services. For the year ending 31 March 2018 the total targeted minimum expenditure under these agreements is \$59.0 million, increasing to \$67.0 million from FY19.

13. Subsequent events

There have been no significant subsequent events since 30 September 2017 requiring adjustment to these financial statements and disclosures.

Directory

Directors

J Loughlin (Chair)
 M Bessell (also Alternate to M Cummings)
 P Callow (also Alternate to T Parry)
 M Cummings (also Alternate to M Bessell)
 G Hay
 A Karl (Alternate to G Hay)
 T Parry (also Alternate to P Callow)
 D Rees (Alternate to M Bessell)

Executive Management Team

N Barbour

Chief Executive

J Birnie

Group Human Resources Manager

B Colombo

Chief Information Officer

S Dickson

General Manager (Gas)

R Fletcher

General Manager Commercial and Regulatory

J McAvoy

Group Health, Safety, Environment and Quality Manager

A McLeod

General Manager (Electricity)
 (Held this position until 14 July 2017)

G Sharratt

General Manager Service Delivery and Network Operations
 (Began this role 26 June 2017)

C Taylor

Chief Financial Officer

R Verster

General Manager Asset Management and Network Transformation
 (Began this role 26 June 2017)

Registered office

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

Auditors

Deloitte

Bankers

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

Bond Registrar

Computershare Investor Services Ltd
 159 Hurstmere Rd
 Takapuna
 Auckland 0622

Bondholder inquiries

Computershare Investor Services Ltd
 Private Bag 92119
 Auckland 1142
 Telephone +64 9 488 8777
enquiry@computershare.co.nz

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

To change your address or bank account and to view your registered details, including transactions, visit: www.investorcentre.com/nz.

POWERCO

This interim report is printed on paper that is manufactured using a totally chlorine free process and is chain of custody certified recycled with 100% post consumer waste.