

FINANCIAL STATEMENTS

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Statement of comprehensive income

for the six months ended 31 December 2016

		GROUP	
		UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	NOTES	\$M	\$M
Operating revenue	2	526.5	514.0
Operating expenses	3	138.4	135.3
Earnings before interest, tax, depreciation, amortisation, asset write-offs and changes in the fair value of financial instruments		388.1	378.7
Depreciation, amortisation and write-offs		141.4	133.1
Net interest expenses	4	105.0	107.3
Earnings before changes in the fair value of financial instruments and tax		141.7	138.3
(Gain) loss in the fair value of financial instruments	9	(87.5)	(32.1)
Earnings before tax		229.2	170.4
Income tax expense		64.6	48.3
Net profit and total comprehensive income		164.6	122.1
Total net profit and total comprehensive income for the period is attributable to:			
Non-controlling interest		2.1	(0.2)
Owners of the parent		162.5	122.3
		164.6	122.1

Reconciliation of net profit specifying the net impact of fair value movements

Earnings before changes in the fair value of financial instruments and tax		141.7	138.3
Income tax expense excluding changes in the fair value of financial instruments		40.1	39.3
Earnings before net changes in fair values of financial instruments	1	101.6	99.0
(Gain) loss in the fair value of financial instruments		(87.5)	(32.1)
Income tax expense (credit) on changes in the fair value of financial instruments		24.5	9.0
Net profit and total comprehensive income		164.6	122.1

These statements are to be read in conjunction with the accompanying notes.

Statement of financial position

as at 31 December 2016

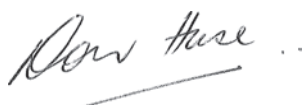
		GROUP	
		UNAUDITED 31 DECEMBER 2016	AUDITED 30 JUNE 2016
	NOTES	\$M	\$M
ASSETS EMPLOYED			
Cash and cash equivalents		92.0	79.9
Investments – short term		98.5	128.8
Trade receivables and other assets	7	138.2	135.7
Derivatives and hedge commitment in gain	7	228.1	346.3
NZPCL investment	7	77.3	76.3
Property, plant and equipment	5	4,548.8	4,599.7
Intangibles – long term		383.8	392.9
Capital work in progress	5	94.1	68.0
TOTAL ASSETS EMPLOYED		5,660.8	5,827.6
FUNDS EMPLOYED			
Liabilities			
Trade and other payables	7	81.4	96.2
Current tax liability		6.4	14.6
Deferred income		73.6	72.9
Derivatives and hedge commitment in loss	7	366.0	491.2
Provisions	7	28.9	31.0
Debt	6	3,212.2	3,334.0
NZPCL debt	7	77.5	79.4
Deferred tax		368.9	328.8
Total liabilities		4,214.9	4,448.1
EQUITY			
Capital		1,200.0	1,200.0
Accumulated surplus		246.1	181.8
Non-controlling interest		(0.2)	(2.3)
Total equity		1,445.9	1,379.5
TOTAL FUNDS EMPLOYED		5,660.8	5,827.6

The board of directors of Transpower New Zealand Limited authorised these financial statements for issue on 23 February 2017.

For, and on behalf of, the board



TONY RYALL
CHAIRMAN
23 February 2017



DON HUSE
DIRECTOR
23 February 2017

These statements are to be read in conjunction with the accompanying notes.

Statement of changes in equity

for the six months ended 31 December 2016

GROUP UNAUDITED

	ORDINARY SHARES	RETAINED EARNINGS	OWNERS OF THE PARENT	NON CONTROLLING INTEREST	TOTAL
	\$M	\$M	\$M	\$M	\$M
Equity at 1 July 2016	1,200.0	181.8	1,381.8	(2.3)	1,379.5
Profit for the period	–	162.5	162.5	2.1	164.6
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	162.5	162.5	2.1	164.6
Dividends	–	(98.2)	(98.2)	–	(98.2)
Total equity at 31 December 2016	1,200.0	246.1	1,446.1	(0.2)	1,445.9
Equity at 1 July 2015	1,200.0	177.5	1,377.5	(1.4)	1,376.1
Profit for the period	–	122.3	122.3	(0.2)	122.1
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	122.3	122.3	(0.2)	122.1
Dividends	–	(112.8)	(112.8)	–	(112.8)
Total equity at 31 December 2015	1,200.0	187.0	1,387.0	(1.6)	1,385.4

These statements are to be read in conjunction with the accompanying notes.

Cash flow statement

for the six months ended 31 December 2016

	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M
CASH FLOW FROM OPERATIONS		
Receipts from customers	524.6	509.0
Interest received	3.0	5.6
Payments to suppliers and employees	(144.5)	(150.5)
Tax payments	(32.6)	(19.7)
Interest paid	(108.0)	(113.3)
Net cash inflows (outflows) from operations	242.5	231.1
CASH FLOW FROM INVESTMENTS		
Sale of property, plant and equipment	0.3	3.1
Short term investments	66.4	15.3
Purchase of property, plant and equipment	(118.8)	(122.5)
Short term investments	(36.1)	(24.5)
Net cash inflows (outflows) from investments	(88.2)	(128.6)
CASH FLOW FROM FINANCING		
Net decrease in collateral posted	–	0.1
Increase in loans	52.4	491.3
Dividends paid	(98.2)	(112.8)
Repayment of loans	(96.4)	(497.6)
Net cash inflows (outflows) from financing	(142.2)	(119.0)
Net increase (decrease) in cash held	12.1	(16.5)
Opening balance brought forward	79.9	33.9
Closing net cash carried forward	92.0	17.4
Closing net cash carried forward comprises:		
Cash and cash equivalents – asset	92.0	17.4

These statements are to be read in conjunction with the accompanying notes.

Reconciliation of net profit (loss) with net cash flow from operations

	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M
Net profit (loss)	164.6	122.1
Add (deduct) non-cash items:		
Change in fair value of financial instruments	(87.5)	(32.1)
Depreciation, amortisation and write-offs	141.4	133.1
Deferred tax	40.1	25.2
Capitalised interest	(2.7)	(3.6)
Movements in working capital items:		
(Increase)/decrease in trade and other receivables	(2.5)	(5.7)
(Decrease)/increase in trade and other payables, interest payable and deferred income	(0.6)	(11.0)
(Decrease)/increase in taxation payable	(8.2)	3.5
(Decrease)/increase in provisions	(2.1)	(0.4)
Net cash flow from operations	242.5	231.1

Notes to the financial statements

for the six months ended 31 December 2016

1. TRANSPOWER GROUP INFORMATION

Reporting entity and statutory base

Transpower New Zealand Limited (Transpower) is a State-Owned Enterprise registered in New Zealand under the Companies Act 1993. The financial statements are in New Zealand dollars and are of Transpower and its subsidiaries (together, the Group).

The Group is the owner and operator of New Zealand's national electricity grid. The Group is a for-profit entity in accordance with XRB A1 Application of the Accounting Standards Framework.

Basis of preparation

The financial statements included in this half yearly report have been prepared in compliance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and should be read in conjunction with the 2015/16 audited annual financial statements.

The accounting policies used in preparation of these financial statements are consistent with those used in preparation of the 2015/16 audited annual financial statements. The 2015/16 audited annual financial statements can be viewed at www.transpower.co.nz.

The 2015/16 audited annual financial statements changed the presentation for the statement of financial position and the statement of comprehensive income from previous years. These interim financial statements have also adopted these presentational changes. The comparative period has been restated.

Transpower's operations are not considered seasonal or cyclical in nature.

Measurement basis

The measurement basis adopted in the preparation of these financial statements is historical cost except as modified for certain investments, held for sale assets, financial assets and financial liabilities.

Transpower discloses an alternative measure of profit, which is earnings before net changes in fair values of financial instruments. Transpower discloses this information as it provides a different measure of underlying performance to the IFRS mandated profit measures, which are also disclosed. The directors consider that this additional profit measure is useful additional information for users of the financial statements. Transpower has consistently reported an alternative profit on this basis since the adoption of IFRS.

New standards not yet adopted

Transpower has elected not to early adopt the following standards (or revisions to standards) considered to be relevant to the financial statements but not yet effective.

NZ IFRS 9 Financial instruments, effective from 1 July 2018

On adoption of NZ IFRS 9, the fair value movement attributable to own credit risk will be presented in other comprehensive income. Hedge accounting of cross-currency and interest rate swaps may have a material impact upon the Group financial statements in the event that Transpower chooses to adopt hedge accounting for these instruments.

NZ IFRS 15 Revenue from contracts with customers, effective from 1 July 2018

Management has not yet assessed whether this standard will cause any material measurement, recognition or disclosure changes for Transpower.

NZ IFRS 16 Leases, effective from 1 July 2019

Management has not yet fully assessed this standard.

New standards adopted during the period

There were no new or revised standards adopted during the period that had a material impact on the financial statements.

Notes to the financial statements

for the six months ended 31 December 2016

2. OPERATING REVENUE

	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M
Transmission revenue		
HVAC interconnection	344.5	332.2
HVAC connection	62.0	63.5
EV (rebate) charge – HVAC	(13.9)	(16.0)
HVDC	62.9	60.5
EV (rebate) charge – HVDC	13.3	14.5
Other regulated transmission	2.4	4.0
Customer investment contracts	22.1	21.5
Other transmission	3.4	2.4
	496.7	482.6
Other revenue		
System operator	22.5	21.4
Other	7.3	10.0
	29.8	31.4
Total operating revenue	526.5	514.0

Government-related transactions

Transpower, being a State-Owned-Enterprise, transacts with other government-related entities. The most significant transactions and balances (greater than \$15 million) are as follows:

	6 MONTHS 31 DECEMBER 2016	6 MONTHS 31 DECEMBER 2015
	\$M	\$M
Meridian Energy Limited – revenue	55.9	57.2
Electricity Authority – revenue	22.5	21.2
	78.4	78.4

Description

Transmission revenue

Transmission revenue consists of charges for the transmission of electricity from the point of generation to the point of supply, being high voltage alternating current (HVAC) interconnection, connection and high voltage direct current (HVDC).

Customer investment contracts are contracts entered into with customers to build grid connection assets.

Other revenue

System operator

System operator income relates to payments received for the provision of real-time services to ensure the short term security of the New Zealand electricity system.

Notes to the financial statements

for the six months ended 31 December 2016

3. OPERATING EXPENSES

	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M
Grid maintenance		
HVAC substations maintenance	22.1	19.1
HVDC substations and cables maintenance	4.5	6.5
HVAC lines maintenance	14.4	17.3
HVDC lines maintenance	0.8	0.2
Transmission related rates	3.8	3.7
Other	4.1	3.3
	49.7	50.1
IST maintenance and operations		
Support and maintenance	5.0	4.6
Outsourced services	7.3	7.2
Licences	4.0	4.0
IST leases	4.4	4.9
	20.7	20.7
Other operating expenses		
Investigations	6.5	5.2
Ancillary service costs	2.7	1.5
Employee benefits	49.0	49.3
Capitalised salary costs	(9.4)	(10.1)
Salary transferred to investigations	(2.5)	(2.7)
Operating lease and rental costs	1.8	2.2
Industry levies	5.1	4.4
Insurance	2.3	2.7
Other business support costs	12.5	12.0
	68.0	64.5
Total operating expenses	138.4	135.3

Description

Maintenance includes inspection, servicing and repair costs.

Other grid maintenance expenses include maintenance support, communication system and training for service providers and third parties.

Investigations includes work that the Group conducts prior to the commencement of a capital project, updates to maintenance standards and demand response costs.

Other business support costs include such items as legal fees, office equipment, communications, vehicles, travel, consultants, contractors, donations and study grants.

Notes to the financial statements

for the six months ended 31 December 2016

3. OPERATING EXPENSES continued

Fees paid to external auditor	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$000	\$000
Audit of financial statements		
Audit and reviews of financial statements	249	236
Other services		
Training courses	53	55
Trust deed requirements	13	13
Financial model assurance	14	40
	80	108
Total fees paid to external auditor	329	344

4. NET INTEREST EXPENSES

	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M
Interest revenue		
Interest received	3.0	5.2
	3.0	5.2
Interest expenses		
Interest paid and associated fees	107.5	113.3
Capitalised interest	(2.7)	(3.6)
Imputed interest	3.2	2.8
	108.0	112.5
Total net interest expenses	105.0	107.3

Description

Capitalised interest is based on Transpower's forecast weighted average cost of borrowing, which, for the six months to December 2016, was 6.92% (six months to December 2015: 7.1%).

Imputed interest arises on deferred income and discounted future cash flows of provisions.

Notes to the financial statements

for the six months ended 31 December 2016

5. NON CURRENT ASSETS

GROUP	HVAC TRANSMISSION LINES	HVDC TRANSMISSION LINES	HVAC SUBSTATIONS	HVDC SUBSTATIONS AND SUBMARINE CABLES	COMMUNICATIONS	ADMINISTRATION ASSETS	TOTAL PROPERTY, PLANT AND EQUIPMENT	CAPITAL WORK IN PROGRESS
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
At 31 December 2016								
Cost	2,446.7	147.3	2,353.6	865.0	333.0	182.0	6,327.6	94.1
Accumulated depreciation	(544.9)	(47.3)	(634.2)	(271.3)	(164.0)	(117.1)	(1,778.8)	–
Net book value	1,901.8	100.0	1,719.4	593.7	169.0	64.9	4,548.8	94.1
31 December 2016 reconciliation								
Opening net book value (1 July 2016)	1,914.5	101.0	1,731.3	611.1	174.2	67.6	4,599.7	68.0
Additions/transfers	26.1	1.0	27.4	0.7	8.8	5.2	69.2	108.8
Disposals/transfers	(8.2)	–	(3.8)	–	0.1	–	(11.9)	(82.7)
Depreciation	(30.6)	(2.0)	(35.5)	(18.1)	(14.1)	(7.9)	(108.2)	–
Closing net book value	1,901.8	100.0	1,719.4	593.7	169.0	64.9	4,548.8	94.1
At 30 June 2016								
Cost	2,429.8	146.3	2,331.8	864.3	324.8	176.9	6,273.9	68.0
Accumulated depreciation	(515.3)	(45.3)	(600.5)	(253.2)	(150.6)	(109.3)	(1,674.2)	–
Net book value	1,914.5	101.0	1,731.3	611.1	174.2	67.6	4,599.7	68.0
30 June 2016 reconciliation								
Opening net book value (1 July 2015)	1,897.4	103.0	1,729.2	641.5	192.2	68.6	4,631.9	77.7
Additions/transfers	82.9	2.0	82.7	6.3	9.9	15.6	199.4	229.5
Disposals/transfers	(5.0)	(0.1)	(6.8)	(0.2)	(1.8)	(2.2)	(16.1)	(239.2)
Depreciation	(60.8)	(3.9)	(73.8)	(36.5)	(26.1)	(14.4)	(215.5)	–
Closing net book value	1,914.5	101.0	1,731.3	611.1	174.2	67.6	4,599.7	68.0
At 31 December 2015								
Cost	2,361.8	145.5	2,286.3	863.7	345.3	167.6	6,170.2	122.7
Accumulated depreciation	(484.4)	(43.4)	(569.9)	(235.0)	(161.9)	(106.7)	(1,601.3)	–
Net book value	1,877.4	102.1	1,716.4	628.7	183.4	60.9	4,568.9	122.7
31 December 2015 reconciliation								
Opening net book value (1 July 2015)	1,897.4	103.0	1,729.2	641.5	192.2	68.6	4,631.9	77.7
Additions/transfers	13.7	1.1	28.0	5.4	4.4	1.2	53.8	101.2
Disposals/transfers	(4.4)	(0.1)	(3.8)	–	(0.6)	(2.0)	(10.9)	(56.2)
Depreciation	(29.3)	(1.9)	(37.0)	(18.2)	(12.6)	(6.9)	(105.9)	–
Closing net book value	1,877.4	102.1	1,716.4	628.7	183.4	60.9	4,568.9	122.7

Notes to the financial statements

for the six months ended 31 December 2016

5. NON CURRENT ASSETS continued

Description

Property, plant and equipment

Administration assets include computer hardware, plant, equipment, furniture and motor vehicles.

Key judgements

Transpower has exercised judgement, with assistance from independent engineers, in determining the useful life of property, plant and equipment and finite life intangible assets. For transmission line assets, a determining factor in the life assumption is proximity to the coast.

Transpower has also used judgement to determine the appropriate component level of asset at which to depreciate and whether or not an item is capital in nature.

6. DEBT

	GROUP	
	UNAUDITED 31 DECEMBER 2016 \$M	AUDITED 30 JUNE 2016 \$M
Current debt		
Short term debt	—	—
Current portion of long term debt	322.7	364.5
Total current debt	322.7	364.5
Long term debt		
Bonds	1,222.4	1,260.3
Euro Medium Term Notes	351.6	355.2
Australian Medium Term Notes	513.5	533.5
US Private Placement	1,124.7	1,185.0
	3,212.2	3,334.0
Less current portion of long term debt	(322.7)	(364.5)
Total long term debt	2,889.5	2,969.5
Total debt	3,212.2	3,334.0

Description

Debt is reported at fair value and therefore reflects value movements due to interest rate and exchange rate fluctuations.

Debt issuances and repayments during the period

During the six months to 31 December 2016, Transpower repaid the US Private Placement of NZD41 million in September 2016.

Key judgements

A key judgement has been made in relation to the fair values of debt and derivatives. Fair values are determined by discounting cash flows based on the relevant yield curve. The yield curve is adjusted to reflect the credit risk of the counterparty to the transaction or the credit risk of Transpower. These valuations are considered level two in the IFRS three-level valuation hierarchy.

Notes to the financial statements

for the six months ended 31 December 2016

6. DEBT continued

Debt at face value as amended by foreign exchange derivatives

	GROUP	
	UNAUDITED 31 DECEMBER 2016	AUDITED 30 JUNE 2016
	\$M	\$M
Short term debt	–	–
Current portion of long term debt	357.6	398.7
Total current debt	357.6	398.7
Bonds	1,175.0	1,175.0
Euro Medium Term Notes	380.7	380.7
Australian Medium Term Notes	506.9	506.9
US Private Placement	1,013.2	1,054.3
	3,075.8	3,116.9
Less current portion of debt	(357.6)	(398.7)
Total long term debt	2,718.2	2,718.2
Total debt	3,075.8	3,116.9

7. STATEMENT OF FINANCIAL POSITION SHORT TERM LONG TERM SPLIT

Transpower has elected to present its statement of financial position based on liquidity in accordance with NZ IAS 1. The table below presents the short term and long term assets and liabilities where this distinction is not otherwise apparent in the financial statements.

	GROUP					
	SHORT TERM ASSET	LONG TERM ASSET	TOTAL ASSET	SHORT TERM (LIABILITY)	LONG TERM (LIABILITY)	TOTAL (LIABILITY)
31 DECEMBER 2016	\$M	\$M	\$M	\$M	\$M	\$M
Trade receivables, payables and other	113.4	24.8	138.2	(80.2)	(1.2)	(81.4)
Derivatives and hedge commitment	45.3	182.8	228.1	(158.3)	(207.7)	(366.0)
NZPCL investment/debt	–	77.3	77.3	–	(77.5)	(77.5)
Provisions	–	–	–	(6.2)	(22.7)	(28.9)
30 JUNE 2016						
Trade receivables, payables and other	110.1	25.6	135.7	(95.0)	(1.2)	(96.2)
Derivatives and hedge commitment	39.0	307.3	346.3	(149.4)	(341.8)	(491.2)
NZPCL investment/debt	2.1	74.2	76.3	(2.1)	(77.3)	(79.4)
Provisions	–	–	–	(8.2)	(22.8)	(31.0)

Notes to the financial statements

for the six months ended 31 December 2016

8. SEGMENT REPORTING

At December 2016, the segments and their measurement basis are unchanged from the 2015/16 annual financial statements. However, the monthly internal management report, upon which the segment information is based, no longer discloses expenses. This has resulted in a change to the disclosures below, where only segmental revenue is disclosed.

	TRANSMISSION		OTHER		ADJUSTMENTS		TOTAL	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
External revenue	493.6	479.9	29.9	31.4	3.0	2.7	526.5	514.0

9. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	GROUP	
	UNAUDITED 6 MONTHS 31 DECEMBER 2016	UNAUDITED 6 MONTHS 31 DECEMBER 2015
	\$M	\$M
Accounting hedges		
Foreign exchange forward contracts – hedge accounted	(0.6)	1.7
Hedge commitment	0.6	(1.7)
	–	–
Other		
Foreign debt	(50.2)	(83.0)
Cross currency interest rate swaps	55.3	60.1
Foreign interest rate swaps	–	–
NZD interest rate swaps	(56.8)	(6.4)
Investments	2.0	(0.4)
NZD debt	(37.8)	(3.8)
FX swaps	–	1.4
	(87.5)	(32.1)
Total fair value (gain) loss	(87.5)	(32.1)

Description

The Group experiences fair value movements principally through movements in underlying interest rates and exchange rates on debt and derivatives. The Group generally seeks to fix interest rates to provide certainty of interest rate costs. This means that, prima facie, a decrease in market interest rates will result in the Group sustaining fair value losses, and conversely, an increase in market interest rates will result in fair value gains.

Fair values in statement of financial position

For cash and cash equivalents, accounts payable and receivables, fair values are materially similar to their cost due to the short term nature of these items. The level of the fair value items in the fair value hierarchy and the method of valuation is unchanged from the 2015/16 annual financial statements. There have been no movements between hierarchies during the period.

Notes to the financial statements

for the six months ended 31 December 2016

9. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS continued

The following items are recorded at fair value:

	GROUP	
	UNAUDITED 31 DECEMBER 2016	AUDITED 30 JUNE 2016
	\$M	\$M
	ASSET (LIABILITY)	ASSET (LIABILITY)
Investments	98.5	128.8
Derivatives and hedge commitment in gain	228.1	346.3
NZPCL investment	77.3	76.3
Derivatives and hedge commitment in loss	(366.0)	(491.2)
Debt	(3,212.2)	(3,334.0)
NZPCL debt	(77.5)	(79.4)

10. CONTINGENCIES**(i) Guarantees****NZPCL**

In November 2009, the Group partially terminated the 2003 cross-border lease in respect of the majority of the HVAC transmission assets in the South Island. As a result of the partial termination, Transpower has consolidated a special-purpose vehicle, NZPCL.

NZPCL has a USD deposit with a financial institution and a USD loan from another financial institution. The cash flows from the deposit and loan offset. No consideration was transferred. The loan to NZPCL is guaranteed by Transpower.

The substance of the transaction is such that Transpower rather than the non-controlling interest would be responsible for any shortfall between the value of the asset and the liability. The likelihood of losses in respect of these matters is considered to be remote.

Debt

Transpower has given a negative pledge covenant to certain debt holders that, while any debt issued remains outstanding, we will not, subject to certain exceptions, create or permit to exist any charge or lien over any of our assets.

(ii) Economic gain (loss) account

Transpower operates its revenue-setting methodology within an economic value (EV) framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. Under Commerce Commission regulations, Transpower is required to pass onto or claim from customers the economic value of the net balance of any historical gains or losses incurred prior to 30 June 2012 over the regulatory periods until June 2020. Historical balances are those that pre-date the input methodologies developed by the Commission. In addition to the historical balances, further economic gains or losses arising from the beginning of Regulatory Control Period 1, which commenced on 1 July 2012, are required to be passed on or claimed from customers in the following pricing year.

Notes to the financial statements

for the six months ended 31 December 2016

10. CONTINGENCIES continued

The balances and expected cash flows from the EV accounts for HVAC and HVDC customers at 30 June 2016 are set out below.

	HVAC \$M	HVDC \$M	TOTAL \$M
30 June 2016 balance			
Pre-input methodology EV balances to be recovered (paid) 1 July 2016 to 31 March 2020	(29.6)	59.0	29.4
Post-input methodology EV balances to be recovered (paid) 1 April 2017 to 31 March 2018	26.2	(1.4)	24.8
Post-input methodology EV balances to be recovered (paid) 1 July 2016 to 31 March 2017	(10.3)	2.1	(8.2)
Total to be recovered (paid)	(13.7)	59.7	46.0
30 June 2015 balance			
Pre-input methodology EV balances to be recovered (paid) 1 July 2015 to 31 March 2020	(35.9)	71.6	35.7
Post-input methodology EV balances to be recovered (paid) 1 July 2015 to 31 March 2016	(11.0)	3.0	(8.0)
Post-input methodology EV balances to be recovered (paid) 1 April 2016 to 31 March 2017	(12.8)	2.7	(10.1)
Total to be recovered (paid)	(59.7)	77.3	17.6

(iii) Various other lawsuits, claims and investigations

Various other lawsuits, claims and investigations have been brought or are pending against the Group. The directors of Transpower cannot reasonably estimate the adverse effect (if any) on the Group if any of the foregoing claims are ultimately resolved against the Group's interests.

11. NET TANGIBLE ASSETS PER SHARE

	GROUP		
	UNAUDITED 31 DECEMBER 2016 \$M	UNAUDITED 31 DECEMBER 2015 \$M	AUDITED 30 JUNE 2016 \$M
Net assets (equity)	1,445.9	1,385.4	1,379.5
Less intangibles	(383.8)	(375.3)	(392.9)
Total net tangible assets	1,062.1	1,010.1	986.6
Net tangible assets per share (\$)	0.89	0.84	0.82

The non-GAAP measure above is disclosed to comply with NZX Debt market listing rule 2.3 (f).

12. SUBSEQUENT EVENTS

On 23 February 2017 the board of directors approved the payment of a half year dividend of \$66.0 million to be paid on 20 March 2017. The dividend will be fully imputed.

The directors are not aware of any other matter or circumstance since 31 December 2016 that has significantly or may significantly affect the operations of Transpower or the Group.