



Power to the People





MainPower New Zealand Limited

is a community owned electricity distributor. We are responsible for delivering and maintaining a safe, secure and reliable power supply to more than 37,000 customers in the North Canterbury and Kaikoura region. Our network of 4,932 kilometres of overhead lines and underground cables delivers electricity to our region's homes, businesses, schools and communities.





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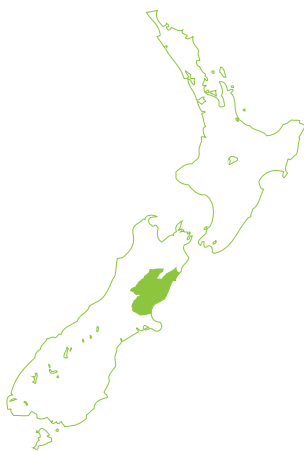
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Our electricity
network spans
approximately

11,180

square
kilometres

from north of
Christchurch
City and across
the Waimakariri,
Hurunui and
Kaikoura Districts.





MainPower's ownership structure is designed to benefit the communities of North Canterbury and Kaikoura. Qualifying customers, each person or business connected to the MainPower network*, are by definition preference shareholders in MainPower. The MainPower Trust holds the ownership of MainPower New Zealand Limited on behalf of the community and for qualifying customers.

The MainPower Trust's seven Trustees appoint MainPower's Board of Directors, monitor the company's performance through its Statement of Corporate Intent and by regularly meeting with the Directors.

* Customers previously connected to the Kaiapoi Electricity Network are not deemed qualifying customers under the Trust Deed.

Power to the People

– a phrase so pertinent to all that MainPower does!

We deliver electricity, this enables people to do things that they want or need to do. It means that what we do is essential to maintaining the wellbeing of our community.

There are however a number of dimensions to the phrase – Power to the People. To be successful and meet the needs of those who use our services we must make real efforts to relate to, and understand those people. They are our customers. In many cases, they are also our owners. We need to reach out to these people and learn what they want from us. It is only by responding that we can be really sure that we are delivering value. On some occasions this means taking the lead – showing what levels of service people can have, rather than simply providing more of the same.

Another dimension of our headline phrase is the relationship that MainPower has with its own employees. Creating a culture of empowerment for staff, to enable them to do their job, is critical to MainPower's ability to move toward its aspiration of being 'the best electricity lines company in New Zealand'.

Finally, a less direct, but equally important aspect of the phrase Power to the People is about providing leadership to our community through time, money and effort to continually improve our region as a place to live and work. We can do this through being involved in community development and support. In this regard, in addition to the \$9.3M of rebates paid to customers in this last year, MainPower has also provided a further \$320,000 of direct community support.

To play these roles MainPower needs to remain strong – not only in terms of values, culture and leadership, but also finances, people development and planning.

Much of this review document addresses these matters – for my part I will focus only on a couple.

1. Health and Safety

More than anything else that we do at MainPower, health and safety is about 'our people', including employees, contractors, customers and the general public. All are exposed to electricity and the system we manage to deliver electricity to the home and workplace.

Previously I have commented that health and safety is a 'journey without end' - nothing has happened to change my view in this regard.

MainPower will continue to place health and safety as the number one priority for both its own people and for the wider community.

While we are seeing improvement in health and safety practice and culture in all areas of our business, we have some way to go before we reach the ultimate goal of zero harm.

2. Financial Strength

In the year ended 31 March 2015, MainPower earned a profit before qualifying customer rebate and tax of \$15.5M, almost exactly matched by cash generated from operations of \$15M.

Performance such as this, coupled with a very strong balance sheet (net assets totalled \$212.411M at 31 March 2015) enables MainPower to confidently plan for the rapidly expanding needs of both our current and future urban and rural customers.

In the year ended 31 March 2015 the company invested a further \$25.3M in network expansion and upgrades in our region, with plans for a similar level of work in the current and ensuing years.

In addition to this direct network investment, strong financial performance will allow the company to investigate emerging power management technologies benefitting existing and future customers. While it may at times be tempting to follow higher return (and risk) opportunities, the Directors are committed to focusing on the electricity distribution business and closely related activities.

I would be remiss if I did not use this opportunity to once again pay tribute to the service of Allan Berge who retired as Managing Director of MainPower in January 2015. Allan, the first Managing Director of MainPower, had a tenure of 28 years with the company and its predecessor organisations and made a huge contribution to what we have at MainPower today. The legacy of strength in so many areas that Allan has left with the company will serve us well as we strive to meet the demands of our communities.

Of course, when a void is created – it is filled! I am delighted to formally acknowledge and welcome Bruce Emson as Chief Executive of MainPower (from January 2015). Bruce brings a wealth of corporate experience to the role – both from within New Zealand and from the wider international stage. He is already providing new energetic and refocused leadership to the company. Bruce 'walks the talk' of Power to the People and I am sure many will have the opportunity to engage with him and share in his vision for the future of the company.

Finally I would like to acknowledge on behalf of the Board and the management and employees of MainPower the active and continuing support of both our ordinary shareholder – the MainPower Trust – and our preference shareholders and customers. It is the confidence that this support provides that allows the company to continue to play such an active role in the economic and social development of our region.

I would also like to record just how appreciative the Board of MainPower is for the efforts and skill of all of our people in the MainPower Group, that have combined to deliver such an outstanding performance for the past year. Thank you.



Gill Cox
Chairman

2015

**Left to right,
top to bottom:**

Gill Cox
Chairman

Peter Cox

Trevor Burt

Stephen Lewis

Judith Hoban



Photo taken by MainPower employee Brian Greenwood.

Financials

NET PROFIT

before tax and rebates



2015

\$15.5
million

2014 \$17.7M 2013 \$18.7M



**NETWORK
CAPITAL
INVESTMENT**

2015

\$25.3
million

2014 \$14.6M 2013 \$16.1M



**QUALIFYING
CUSTOMER
REBATES**

2015

\$9.257
million

2014 \$8.447M 2013 \$8.251M



**COMMUNITY
SUPPORT**

2015

\$320,495

2014 \$313,500 2013 \$304,000



Community ownership

of MainPower entitles customers and the local communities to a share of profit. Qualifying customers receive a rebate or 'pay back' which is credited on your monthly electricity bill. MainPower also provides profit distribution in the form of funding for community initiatives, which is administered through our community support sponsorship programme.

Network

NEW CONNECTIONS



2015

1,240

2014 **1,398** 2013 **1,335**



TOTAL LINE SERVICE CUSTOMERS

2015

37,891

2014 **36,892** 2013 **35,994**



VOLUME DISTRIBUTED
(Gigawatt hours)

2015

604

2014 **559.53** 2013 **551.63**



CUSTOMER SERVICE

SAIDI (Average minutes customers are without power during the year)

2015

191.98

2014 **206.27** 2013 **137.60**

Becoming customer focused

A message from our Chief Executive

Welcome to our 2015 Annual Report, this is an opportunity for MainPower to share with our customers and shareholders, our performance and outlook for the year ahead.

As an essential service provider, we are responsible for delivering a safe, secure and reliable supply of electricity to our region.

MainPower has had a strong business performance over the 2014/15 financial year, we have continued our comprehensive programme of new network investment and maintained network asset renewal and replacement, ensured network reliability, and kept our employees and the public safe.

The owners of MainPower, the people of North Canterbury and Kaikoura, can have confidence in what has been achieved on their behalf as shareholders.

As a community-owned enterprise, our responsibility is about more than maintaining a strong financial result. During the year, we credited \$9.3M in qualifying customer rebates as part of our profit distribution programme. Direct funding and in-kind sponsorship support totalling in excess of \$300,000 provided real value to local communities, ranging from venue sponsorship such as the MainPower Oval, through to supporting volunteer organisations like the local agricultural and pastoral associations. I'd particularly like to acknowledge our employees who are making a difference in the community through their participation in volunteer and fundraising programmes.

MainPower has a proud history of servicing the region for close to 100 years. In recent years we have experienced significant growth and all of the challenges that go along with it, including growth in residential developments and changes in land use to more intensive models of farming and the demand for irrigation.

Our challenge going forward is to continue to understand and anticipate the demands and expectations of our customers. This means proactively looking at the satisfaction of our customers and implementing meaningful change to bring about positive experiences.

This will require some work on our part. We need to ensure that we have empowered and engaged employees with a willingness for change and inspirational leadership and management to help drive change.

MainPower unquestionably performs at its best in times of emergency, for example during natural disasters and major weather events. Customer and community research continually shows that this is the time when we shine. Our objective going forward is to ensure that we maintain that level of performance for the entire year.

We realise that to achieve this, we need to think and do things differently. We recently went out and asked a selection of our customers to complete a customer service survey, to collect feedback that we can use to understand ways we can improve our customer service experience. We are continually working on elevating

“As we look to the year ahead, our commitment is to continue to keep the lights on for our 37,000 customers in the region and deliver on our promise of improved customer service.”

service quality to the highest level and need your help to get there. If you have any feedback or questions, I am always available and I encourage you to take the opportunity to contact me directly.

Having joined as MainPower's second only Chief Executive in January this year, following the retirement of Managing Director Allan Berge, my orientation into the enterprise has only just begun. The positive reception I have received, not just from MainPower employees, but also from business leaders and the local community, has been encouraging. As we look to the year ahead, our commitment is to continue to keep the lights on for our 37,000 customers in the region and deliver on our promise of improved customer service.



A handwritten signature in black ink, which appears to be 'B. Emson'. The signature is written in a cursive style and is positioned to the left of the printed name.

Bruce Emson
Chief Executive
MainPower New Zealand Limited

**MainPower's
values reflect
the way we
interact with our
community and
with each other.**

Safety First

Safety is our number one priority.

Teamwork

One team, one vision.

Loyalty

We support our local communities.

Pride

Pride in our work means we look for safer and better ways to do our job.

Fairness

Fairness means treating all people equally.

Integrity

We act honestly and ethically.



Photo taken by MainPower employee Brent Price

Fostering Safety through conversations

The best way to foster a safe environment is by talking about safety.



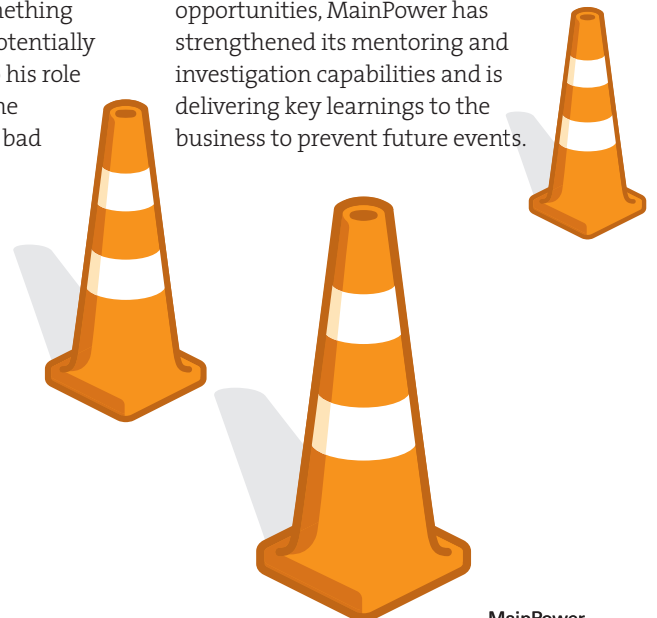
Safety, Health, Environment and Quality Advisor John Woodrow sees his role at MainPower as a facilitator, by providing assistance, guidance and mentoring to employees through work site observations to ensure safe outcomes. John has a strong belief

that the people doing the job are the experts and have the knowledge and skills. “They know what is wrong and what is right” says John. “My job is to observe and capture this information to improve work practices for all. It’s the informal interactions between team members and identifying the hidden strengths and relationships of our teams that provides the most value. It’s also an opportunity for direct feedback that might otherwise go unsaid. We work in a high risk industry, electricity is something that is unforgiving, and potentially lethal”. John’s approach to his role as an Advisor is that no one purposely sets out to do a bad

job or get injured. “I’m working with guys that are highly skilled with years of experience in this industry. When something does go wrong, whether it’s an incident, near miss or a job that didn’t go to plan, there is valuable information to be unlocked which can lead to overall system improvements”.

On any one day MainPower could have up to ten crews working on sites throughout our region. While work site visits only make up around 10% of John’s weekly work load, he firmly believes that success is seeing improvements in the everyday recognition, evaluation and control of unsafe work practices by employees.

With a view to increasing learning opportunities, MainPower has strengthened its mentoring and investigation capabilities and is delivering key learnings to the business to prevent future events.



Rewarding innovation

MainPower's annual Workplace Safety Innovation Award encourages and acknowledges innovative ideas that improve safety. Utility Worker Neville Wade took out the 2014 award with his winning submission for a hinged stacking device for heavy vehicles that makes it easy to load and unload traffic management cones safely. Neville designed and made a prototype himself to suit his flat deck work truck. It was the simplicity of the device and clear safety solution that won the judges over. "The practicality and ease of use of Neville's prototype device eliminates the need to reach up to stack cones which exposes the back to potential injury. This innovative device will be rolled out for use on all suitable MainPower heavy vehicles" says MainPower Safety, Health, Environment and Quality Advisor Stephen Albrecht.



Using technology as a tool to improve safety

With close to 50% of employees working out in the field, MainPower is utilising mobility technology to provide instant and accurate information to team members. Mobility technology uses cellular communication by way of tablets, smartphones and other hand held devices, enabling users to roam freely while still being in touch with the necessary back-in-office infrastructure. We are currently trialling tablets that include electronic forms that are synchronized back to the office, meaning near real-time updates to our systems. This means safer practices through increased accessibility and also improvements in customer service in terms of response times.



Promoting electrical safety

MainPower continues to promote public safety around electricity to result in a strong community outcome in terms of electrical safety awareness. One of our core values is safety first – we will not compromise on the safety of our staff or our community. Our objective is to generate awareness and understanding about how to live safely with electricity within the community through education and awareness messages. Research conducted in the past year showed that MainPower's safety messages had good recall with 30 to 35% of people having a moderate or large change in behaviour as a result of the messages.



 *Think for
Safety's Sake*

Power to our customers

MainPower has connected 1,240 new customers to the network in the past year, continuing along the high growth trend seen over the past three years. In addition, customers have connected over 500kW (kilowatts) of rooftop solar photovoltaic panels to the MainPower system to generate electricity. That's enough to power around 100 homes. Irrigation use for dairy farming has also been experiencing high growth.

Over the past year we have received 556 requests for power supply quotations from customers, some of these requiring multiple options. This has been a challenge for this area of the business and one that has required additional resource. As the region continues to experience growth we need to ensure we have the capacity to deliver.

MainPower has placed a renewed focus on improving our communication, relationship and service to our 37,000 customers in the region. There are a number of interactions that we have with our customers and we will be taking every opportunity to ensure that each experience is a good one.

Trees & power lines don't mix

MainPower's power lines suffered from the impact of 11 windstorms during the year, with damage being caused by trees contacting power lines and poles. This follows the severe windstorm the previous year which caused widespread damage and resulted in customers being without power for up to seven days, with a significant tree plantation also being

lost to fire. Keeping vegetation clear of power lines means we can continue to deliver a safe, secure and reliable power supply to the region. We carefully consider vegetation management as a whole and will increasingly be engaging with tree owners to address potential hazards to our network lines. Negotiating the largest possible clearance from power lines helps to reduce these reoccurring faults to our region's power system.

Power system reliability

Electricity was hammered through the year by a series of windstorms which caused the average duration a customer was without electricity to be higher than we would have liked. After normalising for extreme weather events the System Average Interruption Duration Index (average minutes customers are without power during the year) was 164 customer minutes, well over our target of 124 customer minutes. The majority of windstorm faults were the result of trees and branches being blown into power lines, followed by machinery coming into contact with power lines and vehicle accidents resulting in collisions with power poles.



Major projects

By far our largest major project over the past three years has been providing additional capacity into the Western region of the Waimakariri District to meet the irrigation and dairy farming load growth. This \$23M project progressed well over the past year and remains on target for completion and commissioning by September 2015. The project includes the construction of the new Burnt Hill substation, the upgrade of the Swannanoa substation and the construction and upgrade of 66kV (kilovolts) and 22kV supply lines.

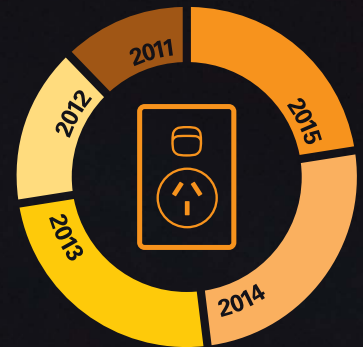
Customer engagement survey

MainPower undertakes an annual survey of customers to help determine if we are meeting their expectations. Key results from last year are as follows:

- The most important deliverable across all customers was reliability
- Overall customer satisfaction with MainPower's performance was 8.02 out of 10
- Average deliverable rating was 8.01 out of 10 based on attitudes of staff, ease of contact, how quickly power was restored, keeping power fluctuations to a minimum, and notification of planned shutdowns

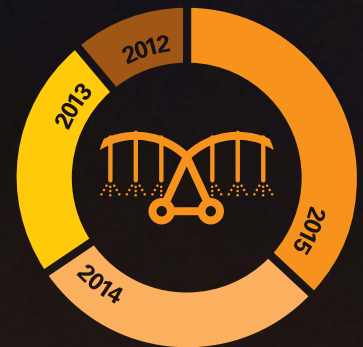
NEW CONNECTIONS

- 1,240 per year
- 1,398 per year
- 1,335 per year
- 830 per year
- 657 per year



IRRIGATION CONNECTED (kW)

- 4,000 kW (projected)
- 3,050 kW
- 2,528 kW
- 1,172 kW



Our greatest asset is our dedicated and committed team of 180 field and office based employees.



Photo taken by MainPower employee Matthew Bate.

MainPower recognises that our success as a company relies on our employees and the work they do.

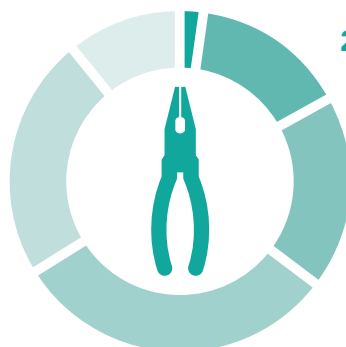
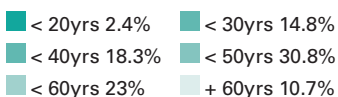
MainPower has a family focused workplace culture where people are supported and empowered to deliver in their roles.

Our employee turnover is consistently below 5%. Working at MainPower means you are contributing to providing an essential service to the community – it’s a responsibility that our employees are highly committed to.

A great place to work

2015 is a milestone year for MainPower Surveyor, Ron Archer. Ron is celebrating 41 years with the company and has also announced his retirement effective mid-2015. It was 1973 and Ron was just 18 years old when he relocated from Nelson and joined the North Canterbury Electric Power Board (predecessor to MainPower). His role as a trainee lineman meant working in the underground team. Today, working in underground is a great career pathway to an overhead apprenticeship. Ron’s apprenticeship included two years of on the job training before becoming a qualified line mechanic which meant he could work on the overhead power network that supplies electricity to our region’s customers. Linemen work outdoors, up poles, in a variety of weather conditions. In the early days, that meant a lot of manual work. “We were digging holes by hand, there certainly wasn’t the equipment

EMPLOYEES BY AGE



2015



Retiring Surveyor Ron Archer

and machinery that we have today” says Ron. Within four years Ron was promoted to leading hand and not long after that, foreman, in charge of running his own overhead gang. Live line training was Ron’s next challenge, being part of the first group at MainPower to gain the qualification to work on live electricity lines. Ron has great memories of his time spent out in the field. “From one day to the next, we did the same job but in a different location. We were fortunate to see parts of the country that not many get to see, working in remote areas installing poles and wires. I count those early years as some of the best in my life” says Ron. Ron moved ‘indoors’ to his current role as a Surveyor in 2003. Ron is shocked to realise that it’s been over 10 years. “It goes so quick” he says. When asked why he spent 41 years with the same company, Ron explains that it’s because MainPower is a great place to work. “They look after you, whether it’s time off when your kids get sick or encouraging your development by opening up career pathways within the company. It’s got a good culture, a good bunch of people. There is so much opportunity in the company. The young fellows that are coming in now have a bright future ahead of them. The big thing is the people that you meet, working to provide an essential service for your local community”. As for retirement, there will be some travel, spending time with family and a bit of golf. A keen horseman, Ron is planning on training the next harness racing champion horse.

Line Mechanic Competition

The annual competition is an opportunity to showcase the best and brightest in our industry with teams from throughout New Zealand competing at the three day event. In 2014 MainPower came away with a win, taking out the hardware installation and transformer installation sections of the competition. MainPower’s team included linemen Andrew Robinson, Johnny Wilson, Warren Palmer, Daryl Smith, Sam Palmer and Dan Stokes. MainPower staff member Kirk McDonald represented the company in the cable jointer competition, taking out the cable spiking section of the competition.

Outlook

Planned initiatives for the coming year include measuring our company’s organisational culture and how individual and team performance ties into overall organisational effectiveness. It will create an opportunity for MainPower to improve our performance and support our objectives for improved customer service.

As a major employer in the region, we are constantly looking at resourcing to cope with customer demand. Finding experienced tradespeople locally is an ongoing challenge. We will continue to engage with local high schools to encourage students to pursue career opportunities in the electricity industry. We also encourage graduates to pursue study in electrical engineering through our Electrical Engineering Scholarship with the University of Canterbury and involvement with the Electric Power Engineering Centre (EPECentre).

GENDER DIVERSITY

2015

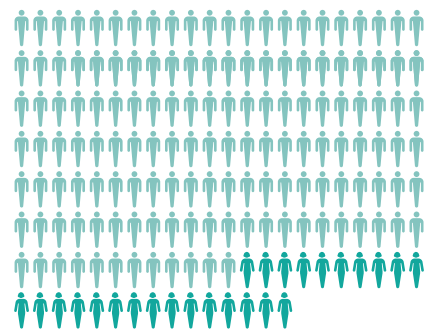
How are we performing?



DIRECTORS

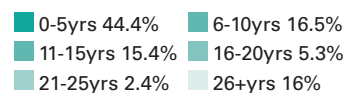


EXECUTIVE LEADERSHIP



ALL EMPLOYEES

EMPLOYEES BY LENGTH OF SERVICE



2015

MainPower is committed to supporting the communities of North Canterbury and Kaikoura.

MainPower supports a number of programmes and events each year with a focus on youth, community energy efficiency programmes and activities, environmental sustainability and economic development.

“The Trust’s activities in our community would be severely restricted if not for the support provided by MainPower over the past 11 years, and the results we are now seeing through all our youth sporting initiatives are testament to the quality of the programmes we have been able to deliver in partnership with MainPower”.

Michael Sharpe

CEO, North Canterbury Sport and Recreation Trust

YOUTH

MAINPOWER NORTH CANTERBURY PRIMARY SCHOOL WAISWIM PROGRAMME

Annually delivering close to 35,000 swimming lessons to 3,478 children from

35
schools.



PRIMARY & SECONDARY SCHOOL PRIZES

Close to **\$7,000** awarded each year to outstanding students in our region’s primary and secondary schools.



MAINPOWER PRIMARY SCHOOLS COACHING PROGRAMME

Sport coaching sessions provided annually to 6,500 students in

42
schools.

MAINPOWER YOUTH SPORTS SCHOLARSHIPS

In 10 years, over \$140,000 has been awarded to

48

young stars to help support their sporting careers.



MAINPOWER NORTH CANTERBURY SPORTS AWARDS

Recognising the outstanding performance of our region in terms of sporting pursuits **since**

2009



ENERGY EFFICIENCY



INSULATION IN NETWORK AREA

75

low income households provided with insulation at no cost each year.



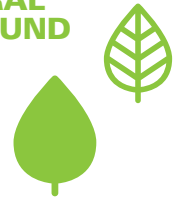
ENERGY ADVICE SERVICE

60

home energy checks, phone and online advice, and outreach talks within the region at no cost each year.



ENVIRONMENTAL SUSTAINABILITY



MAINPOWER HURUNUI NATURAL ENVIRONMENT FUND

Over 10 years, \$110,000 in grants has been awarded to

50

recipients to assist with work that protects, restores or reinstates indigenous biodiversity in the Hurunui District.

ECONOMIC DEVELOPMENT



NORTH CANTERBURY RADIO TRUST

Ensuring community radio station COMPASS FM can continue to broadcast to its listeners in the region.



ENTERPRISE NORTH CANTERBURY

Supporting the growth of existing businesses and promoting new business in the region.



NORTH CANTERBURY BUSINESS AWARDS

Recognising exceptional businesses in our region since 2008.

Doing the right thing

We encourage our employees to reach out and actively participate in our local community. This year we have assisted staff to become involved in Leukaemia & Blood Cancer New Zealand's signature fundraising event Shave for a Cure, join Big Brothers Big Sisters of North Canterbury's school-based mentoring programme, and participate in the fundraising campaign for the RSA Poppy Appeal.

Outlook

Planned initiatives for the coming year include an independent review of our sponsorship programme to ensure it adheres to industry best-practice and represents a fair and equitable programme of community support. We are also reviewing our energy efficiency strategy to ensure that we continue to support and encourage energy efficient initiatives in our region.

MainPower's 37,000 customers consume 600 million units of electricity annually and this consumption is growing. With no energy generation in North Canterbury or Kaikoura, the region is reliant on external sources of energy.

MainPower has been investigating options for renewable distributed generation in and around the North Canterbury region since 2004. In that time, we have built a mini-hydro station at Cleardale, gained resource consent for a wind farm at Mt Cass and applied for water consents for Kakapo Brook, a micro-hydro scheme near Hanmer.

Distributed generation refers to energy that is generated by small scale generating technologies (eg. water, solar, wind) that is connected to the electric power network.

A **microgrid** is a localised grouping of electricity generation and energy storage that normally operates connected to a traditional centralised grid.

Local generation can support local electricity demand

Hanmer is the third largest town in the Hurunui District and second largest tourism destination in the MainPower region, host to more than half a million visitors each year and currently supplied via a single 33kV (kilovolt) feeder which is vulnerable to snow storms, landslip and erosion.

Solution

Increase security of supply by developing a community resilience microgrid incorporating the Kakapo Brook hydro scheme, micro-hydro at Boyle River Outdoor Education Centre, any other local customer owned generation and investigating other options for distributed generation.

Kakapo Brook

- Combined irrigation and hydro scheme taking water from Kakapo Brook and returning it to the Hope River.
- Currently seeking water use consents and could be built within two years.
- Project design will ensure preservation of wetlands through canal design and location, and maintenance of stream flows to protect stream ecology.
- Combination of generation and irrigation on existing farm land is an efficient use of water, land and infrastructure.

Boyle River Outdoor Education Centre

- Supporting the North Canterbury Alpine Trust, a not-for-profit group.
- 15kW (kilowatt) micro-hydro generator to provide a reliable electricity supply to the centre which provides outdoor education based programmes for school and community groups.
- Includes a 6kW solar photovoltaic array.
- The combined output of the micro-hydro generator and solar photovoltaic array will generate enough energy to power 10 homes.

Renewables Highway

MainPower has joined an industry working group which is investigating the feasibility of a 'Renewables Highway' - providing a network of charging stations to support the uptake of plug-in electric vehicles (EV) in New Zealand. The Renewables Highway will see charging locations at key stopping points and tourism locations along State Highway 1, expanding to regional routes over time.

CLEARDALE HYDRO POWER STATION

New Zealand has a target of 90% renewable generation by 2020, up from a present day average of 77%. This will reduce our greenhouse gas emissions and help to slow down climate change. To achieve this, most new generation built, should be renewable.



Operates

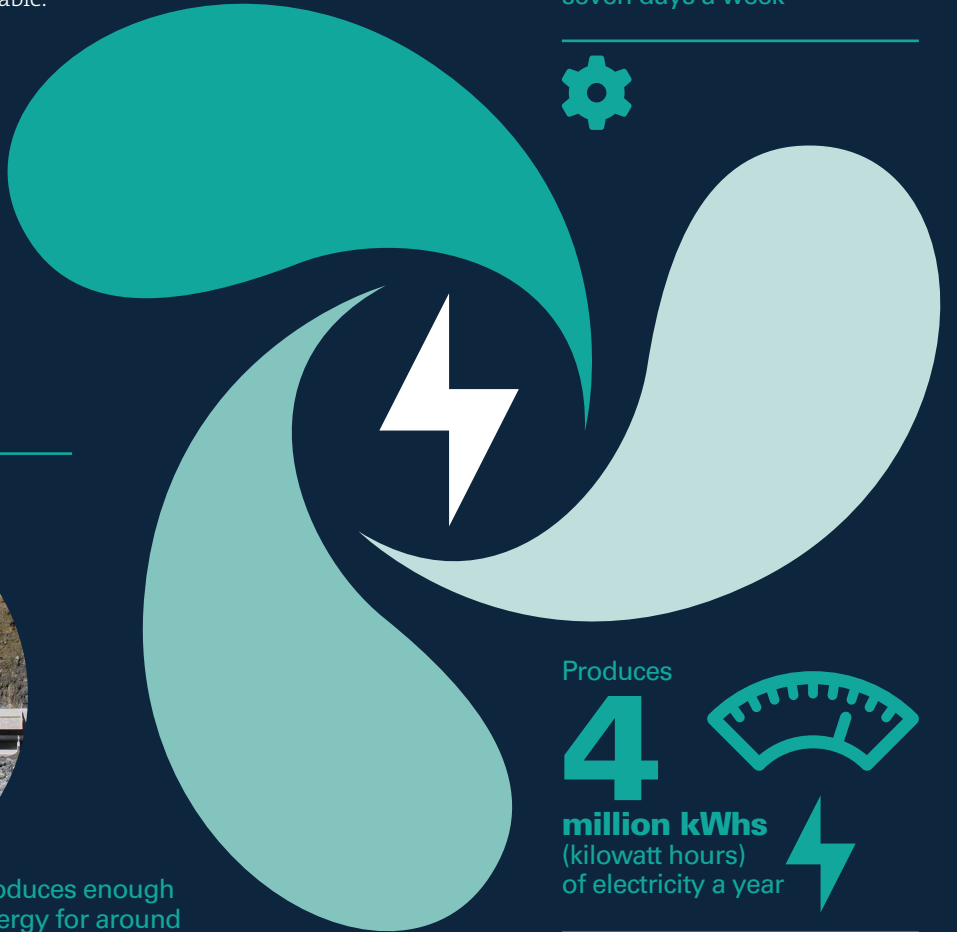
24 

hours a day,
seven days a week



Power station
constructed in

2010



Produces enough
energy for around


500

homes



Produces

4 

million kWhs
(kilowatt hours)
of electricity a year 





MainPower New Zealand Limited

Financial Report 2015



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DIRECTORY

Directors

Gill Cox	Chairman
Peter Cox	Deputy Chairman
Trevor Burt	Director
Judith Hoban	Director
Stephen Lewis	Director

Senior Management

Bruce Emson	Chief Executive
Dayle Parris	Safety, Health, Environment and Quality Manager
Sandra O'Donohue	Human Resources Manager
Nicola Cull	Communications Manager
Warren Wright	Finance Manager
Wayne Lapslie	Corporate Services Manager
Peter Hurford	Engineering Manager
Andrew Hurley	Generation Manager
Craig Shepherd	Chief Executive VirCom Energy Management Services Limited

Registered Office

172 Fernside Road, PO Box 346
Rangiora 7440

Banker

Westpac New Zealand Limited, Rangiora

Solicitors

Helmore Bowron and Scott, Rangiora
Bell Gully, Wellington

Auditor

Deloitte, Christchurch

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www.mainpower.co.nz

DIRECTORS' REPORT

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its subsidiaries; VirCom Energy Management Services Limited and Electro Services NZ Limited for the financial year ended 31 March 2015.

The Annual Report has been prepared in two parts; firstly an Annual Review; and secondly the Directors' Report and Financial Statements. Both documents have been forwarded to the Ordinary Shareholders.

The Annual Review has been forwarded to all Preference Shareholders. Preference Shareholders have also been provided with the opportunity of receiving the Directors' Report and Financial Statements.

Financial Reporting

The Companies Act 1993 requires Directors to prepare financial statements for the Group for each financial year so as to give a true and fair view of the financial performance and the state of affairs of the Group for that financial year.

The Directors consider that in preparing the Group financial statements, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and all relevant financial reporting standards have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The Directors have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group, to ensure compliance with all statutory and regulatory requirements and to prevent and detect fraud and other irregularities.

Principal Activities of the Group

MainPower was established in accordance with the requirements of the Energy Companies Act 1992 and the Companies Act 1993. The Group owns and manages the electricity distribution network throughout the North Canterbury and Kaikoura regions.

VirCom Energy Management Services Limited provides "mass market" metering connection services to energy retailers across New Zealand, and "time of use metering" to energy retailers across the country using its own employees and through a nationwide network of sub-contractors.

Electro Services NZ Limited was a power system and electrical contractor based in Richmond, Nelson providing power system reticulation, industrial electrical service installations, workshop services and generator sales and hire. At 31 March 2010 the business and assets of Electro Services NZ Limited were sold to Buller Electricity Limited and the company's operations are currently being wound up.

Directors holding office during the year

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Managing Director (Resigned January 2015)
Judith Anne Hoban	Director
Trevor Burt	Director
Stephen Paul Lewis	Director

Dividends

The Directors have resolved that no dividend will be payable.

Rebates

The holding of a Rebate Share entitles Preference Shareholders (Qualifying Customers) to a rebate of part of their variable distribution line charges. The rebate totalled \$9.257M for the 2014-2015 financial year. The Directors of the Group have approved the payment of rebates for the 2015-2016 financial year of \$9.010M.

FINANCIAL RESULTS

Results for the Year Ended 31 March excluding Discontinued Operations

	Group 2015 \$000	Group 2014 \$000
Profit Before Tax and After Rebates	6,251	9,269
Taxation	1,899	1,891
Profit for the year	<u>4,352</u>	<u>7,378</u>
Equity		
Share Capital	56,774	56,774
Reserves	<u>154,586</u>	<u>150,145</u>
Shareholder's interest	211,360	206,919
Minority interest	<u>1,051</u>	<u>1,138</u>
Total equity	<u>212,411</u>	<u>208,057</u>

Auditor

Deloitte is the auditor of MainPower and has signified its willingness to continue in office. A resolution to appoint Deloitte as auditor in accordance with Section 196(1) of the Companies Act 1993 will be proposed at the Group's Annual Meeting.

The MainPower Group has adopted a policy to ensure that audit independence and integrity is maintained. The provision of non audit services by the auditor of the Group requires the prior approval of the Audit Committee to ensure that the auditor's independence is not compromised.

On behalf of the Board



W G Cox
Chairman of Directors
MainPower New Zealand Limited



P A Cox
Director
MainPower New Zealand Limited

MAINPOWER BOARD



Gill Cox has been a Director of MainPower since May 1996 and became Chairman in April 2001. He is a member of the Board's Remuneration Committee and a member of the Audit Committee. Gill is a Chartered Accountant and has a background in management consulting.

Other directorships: Elastomer Products Limited, Transwaste Canterbury Limited, Talbot Technologies Limited, Barlow Bros Limited, Coolpak Coolstores Limited, Independent Fisheries Limited, New Zealand Transport Agency Limited, Canterbury Museum Trust Board, Connell Contractors South Limited, Ngai Tahu Farming Limited, Shopping Centre Investments Limited, Committee for Canterbury, Canterbury Earthquake Recovery Advisory Board.



Peter Cox has been a Director of MainPower since November 1989. He is Deputy Chairman of the Board and is Chairman of the Board's Audit Committee. Peter is a company director and business consultant based in Christchurch.

Other directorships: J J Angerstein and Associates Limited, House of Travel Holdings Limited, J Ballantyne and Company Limited, International Motor Inn Limited, Commodore Airport Hotel Limited. Board Member, Duncan Cotterill.



Trevor Burt was appointed to the Board of MainPower in September 2008. He is a member of the Audit Committee and is Chairman of the Remuneration Committee. Trevor is a company director and business consultant based in Christchurch.

Other directorships: Lyttelton Port Company Limited, Land Power Holdings Limited, Silver Fern Farms Limited, Ngai Tahu Holdings Corporation Limited, Ngai Tahu Capital Limited, New Zealand Lamb Company (North America) Limited, Agria Asia Investments Limited, Agria Singapore Pty Limited, PGG Wrightson Limited.



Judith Hoban was appointed to the Board of MainPower in December 2005 and is the Lead Director of the Community Leadership Group. Judith farms in partnership with her husband at Parham Hill, Culverden and for many years has held governing positions in a wide range of community organisations. Judith has recently been appointed Dame Grand Cross of the Order of St John.

Other directorships: The Order of St John.



Stephen Lewis was appointed to the Board of MainPower in September 2008 and is the Lead Director of the Network Development Group. Stephen is a company director and business consultant based in Christchurch.

Other directorships: Community Energy Action, Dance and Physical Theatre Trust, Dance Aotearoa New Zealand.

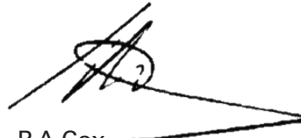
FINANCIAL STATEMENTS

**The directors are pleased to present
the audited financial statements of
MainPower New Zealand Limited and
its subsidiaries for the year ended
31 March 2015.**

Authorised for issue on 7 July 2015
for and on behalf of the board of directors:



W G Cox
Chairman of Directors
7 July 2015



P A Cox
Director
7 July 2015

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	Group 2015 \$000	Group 2014 \$000
Continuing Operations:			
Operating revenue	2	84,748	79,514
		<hr/>	<hr/>
		84,748	79,514
Operating expenses	3, 4	54,627	50,652
Depreciation and amortisation	5	11,434	10,805
Finance expenses	6	3,179	341
Rebates		9,257	8,447
		<hr/>	<hr/>
		78,497	70,245
Profit before income tax expense		6,251	9,269
Income tax expense	7	1,899	1,891
		<hr/>	<hr/>
Operating profit from continuing operations		4,352	7,378
Profit for the year from discontinued operations		2	(2)
		<hr/>	<hr/>
Profit for the year		4,354	7,376
Other Comprehensive Income:			
Items that will not be classified subsequent to profit and loss			
Revaluation of land	22	-	440
Deferred tax derecognised as a result of assets held for sale	22	-	407
		<hr/>	<hr/>
Other comprehensive income for the year		-	847
		<hr/>	<hr/>
Profit and total comprehensive income for the year		4,354	8,223
Profit for the year is attributable to:			
Shareholders of the parent		4,441	7,225
Minority interests		(87)	151
		<hr/>	<hr/>
		4,354	7,376
Comprehensive income is attributable to:			
Shareholders of the parent		4,441	8,072
Minority interests		(87)	151
		<hr/>	<hr/>
		4,354	8,223

The accompanying notes form part of and are to be read in conjunction with these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	Group 2015 \$000	Group 2014 \$000
ASSETS			
Current assets			
Cash and cash equivalents		250	257
Trade and other receivables	8	11,073	9,305
Inventories	9	4,240	3,960
Other assets	10	150	171
Other financial assets	13	2,500	2,000
Assets classified as held for sale	14	-	6,715
Total current assets		18,213	22,408
Non-current assets			
Property, plant and equipment	14	274,375	259,948
Capital works under construction	14A	8,904	9,887
Goodwill	15	713	713
Computer Software	16	926	835
Total non-current assets		284,918	271,383
Total assets		303,131	293,791
EQUITY AND LIABILITIES			
Current liabilities			
Cash and cash equivalents (Bank overdraft)		-	137
Trade and other payables	17	10,906	11,252
Current financial liabilities	17A	1,306	139
Current tax liability	7	245	705
Liabilities directly associated with assets classified as held for sale	14	-	550
Total current liabilities		12,457	12,783
Non-current liabilities			
Deferred tax liabilities	7	43,342	43,316
Term borrowings	18	33,900	28,650
Other financial liabilities	19	7	8
Non current provisions	20	1,014	977
Total non-current liabilities		78,263	72,951
Equity			
Share capital	21	56,774	56,774
Reserves	22	38,002	40,472
Retained earnings	23	116,584	109,673
Total equity attributable to parent equity holders		211,360	206,919
Minority interest	24	1,051	1,138
Total equity		212,411	208,057
Total liabilities and equity		303,131	293,791

The accompanying notes form part of and are to be read in conjunction with these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Notes	Share capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Other reserves \$000	Total parent company \$000	Minority interest \$000	Total equity \$000
Consolidated entity								
Balance at 1 April 2013		56,774	102,505	39,625	-	198,904	987	199,891
Profit for the year	22 23	-	7,225	-	-	7,225	151	7,376
Revaluation of land		-	-	440	-	440	-	440
Deferred tax arising from derecognition of assets held for sale		-	-	407	-	407	-	407
Total comprehensive income		-	7,225	847	-	8,072	151	8,223
Dividends paid		-	(57)	-	-	(57)	-	(57)
Balance at 31 March 2014		56,774	109,673	40,472	-	206,919	1,138	208,057
Transfer assets held for sale		-	2,470	(2,470)	-	-	-	-
Profit for the year	22 23	-	4,441	-	-	4,441	(87)	4,354
Total comprehensive income		-	6,911	(2,470)	-	4,441	(87)	4,354
Balance at 31 March 2015		56,774	116,584	38,002	-	211,360	1,051	212,411

The accompanying notes form part of and are to be read in conjunction with these financial statements

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Notes	Group 2015 \$000	Group 2014 \$000
Cash flows from operating activities			
Receipts from customers		73,312	70,194
Interest received		111	140
Payments to suppliers and employees		(54,189)	(47,961)
Interest and other finance costs paid		(1,899)	(100)
Income tax paid		(2,334)	(2,021)
Net cash provided by operating activities	25	15,001	20,252
Cash flows from investing activities			
(Payments)/proceeds from investment securities		(500)	1,000
Proceeds prepaid for assets held for sale		-	550
Payment for property, plant and equipment		(27,145)	(38,614)
Proceeds from sale of property, plant and equipment		7,917	76
Payment for intangible assets		(393)	(213)
Net cash used in investing activities		(20,121)	(37,201)
Cash flows from financing activities			
Dividends paid		-	(57)
Proceeds from borrowings		5,250	28,650
Proceeds from redeemable preference shares		-	5
Borrowings from related parties		-	-
Net cash provided by financing activities		5,250	28,598
Net increase in cash and cash equivalents		130	11,649
Summary			
Cash and cash equivalents at beginning of year		120	(11,529)
Net increase in cash and cash equivalents		130	11,649
Cash and cash equivalents at end of year (Bank overdraft)		250	120
Cash flows from discontinued operations included above:			
Net cash flows from operating activities		-	(4)
Net cash flows from financing activities		-	-
		-	(4)

The accompanying notes form part of and are to be read in conjunction with these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. Statement of accounting policies

Statement of compliance

MainPower New Zealand Limited (the Company) is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The Group consists of MainPower New Zealand Limited and its subsidiaries (refer also to note 11).

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') and other applicable financial reporting standards as appropriate for profit-oriented entities.

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1'). For the purposes of complying with NZ GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and it is not a large for profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

Basis of financial statement preparation

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

These financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments as outlined in note 1(e) and property, plant and equipment as outlined in note 1(j) below. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies have been selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2015 and the comparative information presented in these financial statements for the year ended 31 March 2014.

Critical judgements, estimates and assumptions in applying the entity's accounting policies

Preparing financial statements to conform with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

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

The Group operates an extensive integrated electricity distribution network 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 plan. 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 profits or carrying values of the network. Refer also note 1(j) property, plant and equipment regarding revaluations.

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 washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. When determining line revenue, management recognises actual amounts billed during the financial period and, if material, makes an adjustment to recognise the estimated value of unread meters where applicable.

Other areas where judgement has been exercised in preparing these financial statements are in relation to assessing the level of any unrecoverable work in progress and calculating provisions for employee benefits and the carrying value of generation assets.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

1. Statement of accounting policies continued

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of these financial statements:

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being MainPower New Zealand Limited and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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 profit or loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the Group obtains control and until such time as the Group ceases to control the subsidiary. In preparing the consolidated financial statements, all intergroup balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of comprehensive income and Statement of financial position.

Associate Companies - equity accounting

Associates are those entities in which MainPower New Zealand Limited holds an interest in the equity and over which MainPower New Zealand Limited exercises significant influence, generally a shareholding of between 20% and 50% of the voting rights.

Equity accounting involves recognising the Group's share of net surpluses or deficits as part of operating revenue in profit or loss. In the Statement of financial position, the Group's interest in the associate company is carried at an amount that reflects the Group's share of the net assets of that company.

(b) Goods and services tax

Revenues, expenses, cash flows and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. Cash flows in respect of payments to and receipts from Inland Revenue are shown net in the statement of cash flows.

(c) Foreign currency

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, investments in money market instruments, and bank overdrafts.

1. Statement of accounting policies continued

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

The classification into the following categories depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

The Group has certain derivatives which are stated at fair value and the movements are recognised in profit or loss (refer to note 1(q)).

Held to maturity investments

Certain deposits, notes and bonds held by the Group classified as being held to maturity are measured at amortised cost using the effective interest method.

Loans and receivables

Accounts receivable are stated at cost less impairment losses. All known bad debts are written off during the financial year. Intergroup balances due from subsidiaries and associates are stated at cost less impairment losses.

Contract work in progress is stated at cost plus attributable profit to date (based on percentage of completion of each contract) less progress billings. Cost includes all costs directly related to specific contracts and an allocation of general overhead expenses incurred by the contracting subsidiaries. Losses on contracts are taken to profit or loss in the period in which they are identified.

Details of the impairment tests performed are disclosed in note 1(i).

(f) Inventories

Inventories are valued at the lower of cost, determined on a weighted average basis, and net realisable value.

(g) Income tax

Income tax expense in relation to the surplus for the year comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries, except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(h) Leased assets

MainPower leases certain plant and equipment and land and buildings. All leases are classified as operating leases. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised as an expense on a straight-line basis over the lease term.

1. Statement of accounting policies continued

(i) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired; any impairment is recognised immediately in the Statement of comprehensive income and is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the related component of the revaluation reserve, with any remaining impairment loss expensed in profit or loss. If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

For assets which are not revalued, an impairment loss is expensed immediately in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Equity instruments, being shares in subsidiaries, are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit and loss.

(j) Property, plant and equipment

Land and buildings are valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in these financial statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from fair value.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an optimised depreciated replacement cost methodology. The fair values are recognised in these financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of the distribution system is not materially different from fair value. Consideration is given as to whether the distribution system is impaired as detailed in note 1(i).

Any revaluation increase arising on the revaluation of land and buildings and the distribution system 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 profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in profit or 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.

Depreciation is provided on property, plant and equipment, including freehold buildings and landscaping.

Depreciation on revalued buildings and the distribution system is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings. Plant and equipment are valued at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

1. Statement of accounting policies continued

(j) Property, plant and equipment continued

Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The main bases for the calculation of depreciation are as follows:

	Years
Electricity distribution network	7 to 70
Buildings	40 to 100
Landscaping	25
Office furniture and equipment	3 to 10
Plant and equipment	2 to 14
Vehicles	4 to 5

The carrying amount for an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets are transferred to retained earnings.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through the sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such an asset and its sale is highly probable. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

(k) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Usually this period does not exceed 5 years.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if future benefits are expected to exceed these costs. Otherwise development expenditure is recognised as an expense in the period in which it is incurred.

(l) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised, but it is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also to note 1(i).

(m) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost.

(n) Borrowings

Borrowings are recorded initially at fair value, plus transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

(o) Employee benefits

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 to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months, such as long service, sickness and retiring leave, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement, determined annually by independent actuarial valuation.

1. Statement of accounting policies continued

(p) Financial instruments issued by the group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(q) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 30.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

(r) Revenue recognition

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance date as measured by progress invoices raised to customers in conjunction with an assessment of costs incurred to date.

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised in profit or loss as it accrues, using the effective interest rate method.

(s) Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Group.

(t) Capital contributions

Capital contributions from customers, relating to assets, are credited directly to income when the asset is connected to the network.

(u) Borrowing costs

Borrowing costs are expensed using the effective interest rate method.

Adoption of new and revised Standards and Interpretations

In the current year, the Company has adopted all new mandatory and amended standards and interpretations as issued by the External Reporting Board.

Standards and Interpretations in issue not yet adopted

MainPower is not aware of any standards in issue but not yet effective which would materially impact on the amounts recognised or disclosed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

	Group 2015 \$000	Group 2014 \$000
2. Operating revenue		
Line revenue	52,910	46,707
Contracting revenue	25,138	26,231
Generation revenue	235	263
Capital contributions	5,306	5,105
Interest revenue:		
Other	104	119
Dividends:		
Subsidiaries	-	-
Other	1,055	1,089
Operating revenue for continuing operations	<u>84,748</u>	<u>79,514</u>

3. Operating expenses

Bad debts written off	112	73
Directors' fees and expenses	295	277
Employee remuneration and benefits	10,396	9,274
Loss on disposal of property, plant and equipment	1,368	1,104
Operating lease costs	312	257
Network maintenance	5,232	5,077
Generation cost of production	77	104
Generation operations	905	738
Community relationships	736	635
Transmission expenses	13,171	11,627
Cost of goods sold, excluding employee remuneration	19,530	17,839
Other	2,388	3,557
Operating expenses from continuing operations	<u>54,522</u>	<u>50,562</u>

4. Remuneration of auditor

Audit of the financial statements	72	70
Auditor's other services	33	20
Remuneration of auditor of continuing operations	<u>105</u>	<u>90</u>
Remuneration of auditor of discontinued operations	<u>-</u>	<u>2</u>

The audit committee monitors the independence of the auditor and approves and reviews those services provided by the auditor other than in its statutory audit role. Other services comprise the audit of regulatory submissions to the Commerce Commission for financial and non-financial information together with the assistance in the preparation of a business case for the installation of smart meters.

5. Depreciation and amortisation

Depreciation of non-current assets	11,132	10,538
Amortisation of non-current assets	302	267
Depreciation and amortisation for continuing operations	<u>11,434</u>	<u>10,805</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

	Group 2015 \$000	Group 2014 \$000
6. Finance expenses		
Interest expense on loans	1,973	202
Other interest expense	58	-
Interest rate swaps and foreign exchange contracts	1,148	139
Finance expenses for continuing operations	<u>3,179</u>	<u>341</u>

7. Income taxes

Income tax expense recognised in profit

Tax expense comprises:

Current tax expense	1,884	2,360
Adjustments recognised in current year in relation to the current tax of prior years	(10)	(15)
Deferred tax expense relating to the origination and reversal of temporary differences	26	(454)
Total income tax expense recognised in profit	<u>1,900</u>	<u>1,891</u>

The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before tax from continuing operations	6,251	9,269
Profit before tax from discontinued operations	3	(3)
Profit from operations	<u>6,254</u>	<u>9,266</u>

Prima facie income tax expense calculated at 28%	1,752	2,594
Deferred tax derecognised as a result of assets held for sale	-	(661)
Non-deductible / (deductible) expenses	158	(27)

	<u>1,910</u>	<u>1,906</u>
Under/(over) provision of income tax in previous year	(10)	(15)
Total income tax expense/(credit) recognised in profit	<u>1,900</u>	<u>1,891</u>

Attributable to:

Continuing Operations	1,899	1,891
Discontinued Operations	1	-
	<u>1,900</u>	<u>1,891</u>

Current tax assets and liabilities

Current tax liability:

Tax payable	<u>245</u>	<u>705</u>
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NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
7. Income taxes <small>continued</small>				
Consolidated group for the year ended 31 March 2015				
Taxable and deductible temporary differences arise from:				
<i>Deferred tax liabilities</i>				
Property, plant & equipment	44,265	119	-	44,384
Intangible assets	15	(12)	-	3
	44,280	107	-	44,387
<i>Deferred tax assets</i>				
Provisions	(964)	(81)	-	(1,045)
	43,316	26	-	43,342
Net deferred tax liability				43,342

Consolidated group for the year ended 31 March 2014

Taxable and deductible temporary differences arise from:

<i>Deferred tax liabilities</i>				
Property, plant & equipment	45,100	(428)	(407)	44,265
Intangible assets	10	5	-	15
	45,110	(423)	(407)	44,280
<i>Deferred tax assets</i>				
Provisions	(933)	(31)	-	(964)
	44,177	(454)	(407)	43,316
Net deferred tax liability				43,316

	Group 2015 \$000	Group 2014 \$000
Imputation credit account balances		
Opening balance	8,920	6,596
Less prior period Taxation (payable)	(705)	(380)
Imputation credits relating to previous periods	-	(122)
Taxation paid	2,334	2,143
Imputation credits attached to dividends received/(paid)	-	(22)
Taxation payable/(receivable)	245	705
Closing balance	10,794	8,920

The MainPower consolidated tax group for income tax purposes includes MainPower New Zealand Limited, Tasman Electrical Limited and Electro Services NZ Limited.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

	Group 2015 \$000	Group 2014 \$000
8. Current trade and other receivables		
Trade receivables	10,466	8,793
Work under construction	424	388
Interest receivable	83	75
Other receivables	100	49
	11,073	9,305

Electricity retailers are invoiced on the 12th day of the month of usage with payment due on 20th of that month. This means that by month's end there should be no delivery revenue outstanding. Invoiced amounts are subject to a subsequent wash-up process as outlined under critical judgements, estimates and assumptions in note 1.

Interest is charged on overdue trade receivables where applicable.

9. Current inventories

Distribution System and Metering items	4,240	3,960
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Certain inventories are subject to security interests created by retention of title clauses.

10. Other current assets

Prepayments	150	171
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11. Subsidiaries

11.1 Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/15	31/3/14
VirCom Energy Management Services Limited	Provision of Metering Services	New Zealand	31/3/15	31/3/14
			77.4%	77.4%

11.2 Composition of the Group

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		31/3/15	31/3/14
Provision of Metering Services	New Zealand	31/3/15	31/3/14
		1	1

11.3 Details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/3/15	31/3/14	31/3/15	31/3/14	31/3/15	31/3/14
VirCom Energy Management Services Limited	New Zealand	31/3/15	31/3/14	31/3/15	31/3/14	31/3/15	31/3/14
		22.6%	22.6%	(87)	151	1,051	1,138

(i) The Group owns 77.4% equity shares of VirCom Energy Management Services Limited ("VirCom"). However, based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of VirCom. The relevant activities of VirCom are determined by the board of directors of VirCom based on simple majority votes. Therefore, the directors of the Group concluded that the Group has control over VirCom and VirCom is consolidated in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

11. Subsidiaries continued

11.4 There have been no changes in the Group's interest in its subsidiaries.

11.5 Financial support

MainPower New Zealand Limited will from time to time provide overnight liquidity to VirCom Energy Management Services Limited. Any monies advanced are settled on the 20th of the month, when VirCom Energy Management Services Limited's debtors pay their accounts. Refer Note 27 Related Party Transactions.

11.6 Amounts receivable from related entities

Receivables from entities related to the Company are included within the Parent company financial statements in accordance with funding arrangements in place with those parties. These arrangements may include a charge for interest. Receivables from subsidiaries are repayable on demand and therefore are not overdue.

12. Associates

12.1 *Details of material associates*

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/15	31/3/14
Hurunui Water Project Limited	Irrigation	New Zealand	13.18%	13.18%

No public price quotation exists for this investment.

The carrying value of this investment is \$Nil (2014: Nil). The Group has not recognised its 13.18% share of accumulated profits or losses relating to the associate as Hurunui Water Project Limited is still in the set-up stage of its life cycle (2014: 13.18%).

13. Other financial assets

At amortised cost

	Group 2015 \$000	Group 2014 \$000
Self Insurance Fund Investment – Current	2,500	2,000
Self Insurance Fund Investment – Non current	-	-
	<u>2,500</u>	<u>2,000</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

14. Property, plant and equipment

	Freehold Land at fair value \$000	Buildings at fair value \$000	Electricity distribution network at fair value \$000	Plant, equipment, vehicles, furniture & fittings \$000	Total \$000
Consolidated group					
<i>Gross carrying amount</i>					
Balance at 1 April 2013	6,908	4,763	228,224	32,163	272,058
Revaluations	440	-	-	-	440
Reclassified as held for sale	(2,900)	(4,103)	-	-	(7,003)
Additions	792	14,463	14,652	3,229	33,136
Disposals/Adjustments	-	-	(2,887)	(398)	(3,285)
Balance at 31 March 2014	5,240	15,123	239,989	34,994	295,346
Revaluations	-	-	-	-	-
Additions	17	689	25,331	2,090	28,127
Disposals/Adjustments	(1,378)	1,378	(5,309)	(905)	(6,214)
Balance at 31 March 2015	3,879	17,190	260,011	36,179	317,259
<i>Accumulated depreciation, amortisation and impairment</i>					
Balance at 1 April 2013	-	384	14,082	12,787	27,253
Eliminated as reclassified as held for sale	-	(288)	-	-	(288)
Disposals/Adjustments	-	-	(1,866)	(239)	(2,105)
Depreciation expense	-	188	8,502	1,848	10,538
Balance at 31 March 2014	-	284	20,718	14,396	35,398
Disposals/Adjustments	-	-	(2,947)	(699)	(3,646)
Depreciation expense	-	390	8,727	2,015	11,132
Balance at 31 March 2015	-	674	26,498	15,712	42,884
Net book value at 31 March 2014	5,240	14,839	219,271	20,598	259,948
Net book value at 31 March 2015	3,879	16,516	233,513	20,467	274,375

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

14. Property, plant and equipment continued

Revaluations and impairment review

The Group's electricity distribution network and substation buildings excluding land were revalued to fair value of \$204,347,692 as at 31 March 2011 by Ms Lynne Taylor, a director, and Mr Chris Taylor, a partner of independent valuers PricewaterhouseCoopers. PricewaterhouseCoopers was assisted by Sinclair Knight Merz Limited, consulting engineers.

The Group's land and buildings were revalued to fair value of \$26,794,304 as at 31 March 2014 by independent registered valuer Williams and Associates Limited. Williams and Associates Limited has extensive experience in the property valuation field.

The Group's plant, equipment, vehicles, furniture and fittings are carried at cost less accumulated depreciation.

The Group's Regulatory Asset base which is inclusive of the electricity distribution network and substation land and buildings but exclusive of assets funded from customers' contributions was valued at March 2014 at \$221.540 million. The book value of electricity distribution network assets funded from customer contributions at March 2015 amounted to \$36.086 million.

In accordance with NZ IAS 36, the Group has undertaken a review to determine whether the carrying values of any items of property, plant and equipment might be impaired. Based on evidence from asset disposals, the Group does not believe that any such carrying values are materially impaired at 31 March 2015 (2014: Nil).

Within the asset class plant, equipment, vehicles, furniture and fittings is \$13.092 million (2014: \$13.316 million) of generation assets. MainPower commissioned a review by Peter Seed Limited to look at the assets for impairment. Peter Seed Limited, utilising the discounted cashflow methodology, concluded there was no impairment of the assets.

MainPower relocation

On 5 April 2013 the Board of MainPower New Zealand Limited approved the construction and associated contractual arrangements for the relocation of its operations to the Southbrook Business Park. MainPower relocated to the new site at 172 Fernside Road, Southbrook in June 2014.

Assets classified as held for sale

	31/3/15 \$000	31/3/14 \$000
Freehold land held for sale (i)	-	2,900
Buildings held for sale	-	3,815
	-	6,715
Liabilities associated with assets held for sale (ii)	-	550

- (i) MainPower New Zealand Limited entered into contracts to sell its High Street and Keir Street properties at March 2014. The transfer of ownership for each of these properties took place in August 2014.

In March 2011, these properties were revalued to their estimated market value and were revalued in March 2014 to reflect their sales value. The movement in the asset revaluation reserve in March 2014 arising from this revaluation amounted to \$440,105.

- (ii) At 31 March 2014, the purchaser of the property had paid a deposit amounting to \$550,000 which is disclosed as a liability in the Statement of financial position.

	Group 2015 \$000	Group 2014 \$000
Capital works under construction	8,904	9,887

14A. Capital works under construction

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

**Total
\$000**

15. Goodwill

Consolidated group

Net book value at 31 March 2014	713
Net book value at 31 March 2015	713

**Group
\$000**

16. Computer software

Gross carrying amount

Balance at 1 April 2013	2,683
Additions	213
Disposals/Adjustments	-
Balance at 31 March 2014	2,896

Additions	393
Disposals/Adjustments	-
Balance at 31 March 2015	3,289

Accumulated amortisation and impairment

Balance at 1 April 2013	1,794
Amortisation expense	267
Disposals/Adjustments	-
Balance at 31 March 2014	2,061

Amortisation expense	302
Disposals/Adjustments	-
Balance at 31 March 2015	2,363

Net book value at 31 March 2014	835
Net book value at 31 March 2015	926

Amortisation expense is included in the line item Depreciation and amortisation in the Statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

	Group 2015 \$000	Group 2014 \$000
17. Current trade and other payables		
Trade payables	9,514	9,909
Employee entitlements	1,392	1,343
	<u>10,906</u>	<u>11,252</u>
17A. Current financial liabilities		
Interest rate swaps	<u>1,306</u>	<u>139</u>
18. Borrowings		
Term borrowings:		
Term Loans facility	<u>33,900</u>	<u>28,650</u>

MainPower has a multi option credit facility with Westpac New Zealand Limited of \$45,000,000 of which \$25,000,000 will expire on 31 December 2016 and \$20,000,000 on 31 December 2017. At 31 March 2015 MainPower had drawn down \$33,900,000 which is unsecured, but subject to a negative pledge arrangement (2014: \$28,650,000).

During the year Nil interest was capitalised to MainPower's generation and building relocation projects (2014: \$648,563).

19. Other financial liabilities

At cost:

Redeemable preference (rebate) shares	<u>7</u>	<u>8</u>
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Redeemable preference (rebate) shares confer special rights to participate in a customer rebate scheme, receive notices, attend and speak, but not vote at any general meetings of the Company.

8,396 (2014: 7,039) redeemable preference shares at 10 cents each were redeemed during the year.

20. Non-current provisions

Employee benefits	<u>1,014</u>	<u>977</u>
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The provision for long service, sick and retiring leave is an actuarial assessment of entitlements that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

Key assumptions in the calculation of the provision include:

- salary inflation 3.00% (2014: 3.00%)
- discount rate 3.16% to 3.57% (2014: 3.15% to 5.50%)

21. Share capital

Balance at beginning of financial year	<u>56,774</u>	<u>56,774</u>
56,774,000 fully paid ordinary shares	<u>56,774</u>	<u>56,774</u>

The ordinary shares rank equally in respect of voting rights, entitlements to dividends and distribution on winding up.

22. Reserves

Asset revaluation reserve:

Balance at beginning of financial year	40,472	39,625
Revaluation of assets	-	440
Transfer assets held for sale	(2,470)	-
Deferred tax arising from derecognition of assets held for sale	-	407
Total reserves	<u>38,002</u>	<u>40,472</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

	Group 2015 \$000	Group 2014 \$000
23. Retained earnings		
Balance at beginning of financial year	109,673	102,505
Comprehensive income attributable to members of the parent entity	4,441	7,225
Transfer assets held for sale	2,470	-
Dividends paid	-	(57)
	<u>116,584</u>	<u>109,673</u>

24. Minority interest

Balance at beginning of financial year	1,138	987
Comprehensive income attributable to minority interest	(87)	151
	<u>1,051</u>	<u>1,138</u>

25. Notes to the cash flow statement

Reconciliation of profit for the period to net cash flows from operating activities

Net profit for the year	4,354	7,376
Adjustments for		
Loss on disposal of property, plant & equipment	1,367	1,104
Depreciation and amortisation of non-current assets	11,434	10,805
Non-current provisions / fixed asset adjustments	(1)	(143)
	<u>12,800</u>	<u>11,766</u>
Changes in net assets and liabilities		
Increase/(decrease) in current tax liability	(460)	325
Increase/(decrease) in deferred tax balances recognised in tax expense	26	(861)
<i>(Increase)/decrease in assets</i>		
Current receivables	(1,768)	(937)
Current inventories	(280)	(736)
Other current assets	21	92
<i>Increase/(decrease) in liabilities</i>		
Current payables	271	3,243
Non-current provisions	37	(16)
	<u>(2,153)</u>	<u>1,110</u>
Net cash from operating activities	<u>15,001</u>	<u>20,252</u>

26. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2015. (2014: Nil).

Operating lease commitments

The minimum value of lease commitments are:

Within one year	289	265
1 – 2 years	257	220
2 – 5 years	550	638

Prudential commitments

At 31 March 2015 the Company and Group had guarantees (performance bonds) to third parties amounting to \$200,000 (2014: \$200,000).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

27. Related-party transactions

Group structure

The Parent entity in the consolidated Group is MainPower New Zealand Limited, which is 100% owned by the MainPower Trust. There were no related party transactions with the MainPower Trust during the year (2014: Nil).

During the period, no transactions were entered into with any of the Company's directors other than the payment of directors' fees, the reimbursement of valid company related expenses such as travel costs to board meetings, and transactions referred to in the following note. From time to time transactions may be entered into with companies in which some directors hold directorships. These transactions are carried out on a commercial and arms length basis.

The Group amounts shown below represent the related party transactions that have been eliminated on consolidation.

	Group 2015 \$000	Group 2014 \$000
Transactions during the year		
Purchases from subsidiaries	32	4
Revenues from subsidiaries	374	553
Dividends from subsidiaries	-	193
Loans repaid by subsidiaries	-	-
Outstanding balances as at 31 March		
Accounts payable to subsidiaries	7	2
Accounts receivable from subsidiaries	47	84
Loans to subsidiaries	-	-

No provisions were made for doubtful debts relating to the amount of outstanding balances and no bad or doubtful debts expense was recognised in relation to related parties during the period.

Other transactions involving related parties

The Group paid directors' fees totaling \$271,000 (2014: \$260,600).

Key management personnel of the Group purchased sundry goods and services from group companies during the period which in total did not exceed \$1,000 for any individual (2014: all less than \$1,000). There were no significant outstanding balances with key management personnel at the end of the period (2014: Nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2015, no transactions occurred between the Group and an organisation in which a key management person of the Group holds a position of control.

28. Key management personnel

The compensation of the executives, being the key management personnel of the entity is set out below:

	Group 2015 \$000	Group 2014 \$000
Employee remuneration and benefits	2,144	1,763
Post employment benefits	-	-

Executive staff remuneration comprises salary and other short term benefits. MainPower executives appointed to the boards of related companies do not receive directors' fees personally.

29. Significant events after balance date

MainPower is not aware of any significant events subsequent to balance date that would have or may have a material effect on the operation of MainPower, the results of MainPower's operations or the state of affairs of MainPower.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 March 2015

30. Financial instruments

Exposure to interest rate risk arises in the normal course of the Group's business.

Borrowings

MainPower has a multi option credit facility with Westpac New Zealand Limited of \$45,000,000 of which \$25,000,000 will expire on 31 December 2016 and \$20,000,000 on 31 December 2017. At 31 March 2015, MainPower had drawn down \$33,900,000 which is unsecured, but subject to a negative pledge arrangement (2014: \$28,650,000).

Interest rate risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group has interest bearing debt which is subject to interest rate variations in the market.

Derivative financial instruments

Interest rate swaps are used to manage the Group's interest rate exposure on long term floating rate borrowings. The Group has entered into interest rate swaps with the Westpac Bank and annually undertakes a valuation to establish the fair value of those swaps. Any fair value gain or loss is recognised through the Statement of comprehensive income (2015 Loss \$1,226,268; 2014 Loss \$79,331).

Categories of financial instruments	Notes	Loans and receivables \$000	Other amortised cost \$000	Fair value through profit & loss \$000	Total carrying amount \$000
Consolidated group as at 31 March 2015					
Current assets					
Cash and cash equivalents		250	-	-	250
Trade and other receivables	8	10,649	-	-	10,649
		10,899	-	-	10,899
Non-current assets					
Other financial assets	13	-	2,500	-	2,500
Total financial assets		10,899	2,500	-	13,399
Current liabilities					
Cash and cash equivalents		-	-	-	-
Trade and other payables	17	-	10,906	-	10,906
Interest rate swaps		-	-	1,306	1,306
		-	10,906	1,306	12,212
Non-current liabilities					
Other financial liabilities	18	33,900	-	-	33,900
Total financial liabilities		33,900	10,906	1,306	46,112
Consolidated group as at 31 March 2014					
Current assets					
Cash and cash equivalents		120	-	-	120
Trade and other receivables	8	8,917	-	-	8,917
		9,037	-	-	9,037
Non-current assets					
Other financial assets	13	-	2,000	-	2,000
Total financial assets		9,037	2,000	-	11,037
Current liabilities					
Cash and cash equivalents		-	-	-	-
Trade and other payables	17	-	11,252	-	11,252
Interest rate swaps		-	-	139	139
		-	11,252	139	11,391
Non-current liabilities					
Other financial liabilities	19	28,650	-	-	28,650
Total financial liabilities		28,650	11,252	139	40,041



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAINPOWER NEW ZEALAND LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MainPower New Zealand Limited and its subsidiaries ('the Group') on pages 27 to 48, which comprise the consolidated statements of financial position as at 31 March 2015, and the consolidated statements of comprehensive income, statements of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

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

Other than in our capacity as auditor, the commerce commission disclosure audit and other assurance services, we have no relationship with or interests in MainPower New Zealand Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion

In our opinion, the consolidated financial statements on pages 27 to 48 present fairly, in all material respects, the financial position of MainPower New Zealand Limited and its subsidiaries as at 31 March 2015, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime and generally accepted accounting practice in New Zealand.

Chartered Accountants
7 July 2015
Christchurch, New Zealand

STATUTORY INFORMATION

DIRECTORS' REMUNERATION

The Company's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. Non-executive Directors do not receive any performance related remuneration.

Details of the nature and the amount of each major element of the emoluments of each Director of the Company and the subsidiaries are:

Name	Position	Fees \$	Salary \$	Total \$
MAINPOWER NEW ZEALAND LIMITED				
W G Cox	Chairman	80,000	-	80,000
P A Cox	Director	54,000	-	54,000
T Burt	Director	47,000	-	47,000
J A Hoban	Director	44,000	-	44,000
S P Lewis	Director	46,000	-	46,000
A Berge	Managing Director * (Resigned January 2015)	-	532,908	532,908
		271,000	532,908	803,908

* The Managing Director resigned as a Director on 18 January 2015 and retired from the Company on 31 March 2015. The remuneration above includes all benefits accrued at the time of his retirement. The Managing Director also received the use of a Company motor vehicle.

SUBSIDIARIES

Tasman Electrical Limited

B Emson	Chairman	-	-	-
A Berge	Chairman (Resigned January 2015)	-	-	-
W Wright	Executive Director	-	-	-

VirCom Energy Management Services Limited

B Emson	Chairman	-	-	-
A Berge	Chairman (Resigned January 2015)	-	-	-
C Shepherd	Executive Director	-	-	-
W Wright	Executive Director	-	-	-

Electro Services NZ Limited

B Emson	Chairman	-	-	-
A Berge	Chairman (Resigned January 2015)	-	-	-
W Lapslie	Executive Director	-	-	-
		-	-	-

MainPower executives appointed to the boards of related companies do not receive directors' fees personally.

DIRECTORS' INSURANCE

During the year MainPower paid insurance premiums for all Directors of the MainPower Group in respect of liability and costs permitted to be insured under Clause 31 of the Company's Constitution and in accordance with section 162 of the Companies Act 1993.

In accordance with Clause 31, MainPower has agreed to indemnify the Directors against all costs and expenses incurred in defending any action falling within the scope of the indemnity.

LOANS TO DIRECTORS

There were no loans made to Directors.

DIRECTORS' USE OF COMPANY INFORMATION

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

INTERESTS REGISTER

The Company maintains an interests' register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 31 March 2015.

DIRECTOR	COMPANY	POSITION
W G Cox	Elastomer Products Limited	Director
	Transwaste Canterbury Limited	Director
	Talbot Technologies Limited	Director
	Barlow Bros Limited	Director
	Coolpak Coolstores Limited	Director
	Independent Fisheries Limited	Director
	New Zealand Transport Agency Limited	Director
	Canterbury Museum Trust Board	Trustee
	Connell Contractors South Limited	Director
	Ngai Tahu Farming Limited	Director
	Shopping Centre Investments Limited	Director
	Committee for Canterbury	Chair
	Canterbury Earthquake Recovery Advisory Board	Director
P A Cox	J J Angerstein and Associates Limited	Director
	House of Travel Holdings Limited	Director
	J Ballantyne and Company Limited	Director
	International Motor Inn Limited	Director
	Commodore Airport Hotel Limited	Director
	Duncan Cotterill	Board Member
A Berge	Electro Services NZ Limited (Resigned January 2015)	Director
	VirCom Energy Management Services Limited (Resigned January 2015)	Director
	Tasman Electrical Limited (Resigned January 2015)	Director
	Hurunui Water Project Limited (Resigned January 2015)	Director
T Burt	Lyttelton Port Company Limited	Chair
	Land Power Holdings Limited	Director
	Silver Fern Farms Limited	Director
	Ngai Tahu Holdings Corporation Limited	Chair
	Ngai Tahu Capital Limited	Chair
	New Zealand Lamb Company (North America) Limited	Chair
	Agria Asia Investments Limited	Director
	Agria Singapore Pty Limited	Director
	PGG Wrightson Limited	Director
J A Hoban	The Order of St John	Director
S P Lewis	Community Energy Action	Chair
	Dance and Physical Theatre Trust	Chair
	Dance Aotearoa New Zealand	Director

GROUP EMPLOYEE REMUNERATION

The number of employees (not being Directors) whose remuneration and other benefits were within the bands specified in section 211(1)(g) of the Companies Act 1993 is as follows:

Remuneration \$000s	No. of current and former employees
100 - 110	8
110 - 120	5
120 - 130	4
130 - 140	3
140 - 150	1
150 - 160	4
160 - 170	1
170 - 180	1
180 - 190	1
190 - 200	1
220 - 230	1
240 - 250	1

A number of Executive employees also receive the use of a Company motor vehicle.

CORPORATE GOVERNANCE STATEMENT

1. Role of the Board

The Board is responsible for the overall corporate governance of MainPower. The Board guides and monitors the business and affairs of MainPower on behalf of both the Ordinary Shareholder, the MainPower Trust, to whom it is primarily accountable and the Preference Shareholders of the Company, i.e., the Qualifying Customers in the region.

The Board's primary objective is to satisfy the shareholders' wish of enhancing shareholder value through a commitment to customer service and regional prosperity. Customer service is measured in terms of both financial return and MainPower's ability to deliver excellence in electricity distribution system security and reliability, responsiveness to customers, quality and price competitiveness. Regional prosperity is measured in terms of MainPower's role in leading and/or supporting regional initiatives for economic development.

The Board also aims to ensure that MainPower is a good employer and corporate citizen.

2. Board Responsibilities

The Board acts on behalf of and is accountable to the shareholders. The Board seeks to identify the expectations of shareholders, as well as other legislative and ethical expectations and obligations. In addition, the Board ensures areas of significant business risk are identified by management and that arrangements are in place to adequately manage these risks.

To this end the Board will:

- provide leadership in health and safety and will ensure that employee and public safety remain at the core of the organisation in order that it remains as an integral part of MainPower's culture, its values and performance standards;
- continue to monitor all legislation and regulatory change impacting on Health and Safety requirements and compliance and will ensure that they are complied with;
- set the strategic direction of the Company in consultation with management, having particular regard to rate of return expectations, financial policy and the review of performance against strategic objectives;
- maintain an understanding of the electricity industry, and continue to monitor industry reform, security of supply, industry governance and Government intervention in order to identify the impact on MainPower's business;
- monitor and understand the expectations and needs of the growing North Canterbury and Kaikoura communities;
- remain informed about Company affairs in order to exercise judgment about management and its procedures;
- identify risks and manage those risks by ensuring that the Company has implemented comprehensive systems of internal control together with appropriate monitoring of compliance activities;
- approve and foster a corporate culture which requires management and every employee to demonstrate the highest level of ethical behaviour;
- appoint, review the performance of, and set the remuneration of the Chief Executive;
- approve transactions relating to acquisitions and divestment, and capital expenditure above delegated authorities;
- approve operating and development budgets, review performance against these budgets, and monitor corrective actions by management;
- ensure the preparation of the Statement of Corporate Intent, Interim and Annual Reports;
- enhance relationship with all stakeholders.

3. Delegation

The Board delegates the day-to-day responsibility for the operation and administration of MainPower to the Chief Executive.

The Chief Executive is responsible for ensuring MainPower achieves its business objectives and values.

The Board ensures that the Chief Executive, and through him, the senior management are appropriately qualified, experienced and remunerated to discharge their responsibilities.

4. Codes and Standards

All Directors, executives and staff of MainPower New Zealand Limited are expected to act with integrity and to promote and enhance the Company's reputation with its various stakeholders. Behavioural standards and accountabilities, the use of confidential information, trade practices, health, safety and environmental management are set out in a range of formal codes, policies and procedures. These are subject to regular independent review to ensure they remain current and appropriate.

5. Conflicts of Interest

All Directors and senior managers are required to disclose any specific or general interests which could be in conflict with their obligations to MainPower New Zealand Limited and its subsidiaries.

6. Board Review

The Board will undertake a self-assessment of its performance and the performance of individual Directors on at least a biennial basis. The result of this review will be made available to the MainPower Trust.

7. Company Constitution

The Company's Constitution sets out policies and procedures on the operations of the Board, including the appointment and removal of Directors. The Constitution specifies that the number of Directors will not at any time be more than eight nor less than four, and that one-third of the Directors will retire by rotation each year.

Non-Executive Directors of MainPower are elected by the Ordinary Shareholder. The Board currently comprises five Non-Executive Directors.

The Directors of the Company currently in office are:

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Trevor Burt	Director
Judith Anne Hoban	Director
Stephen Paul Lewis	Director

8. Meetings

The Board meets monthly to review, monitor, and initiate action in respect of the Health and Safety, strategic direction, financial performance and compliance of the Company and its subsidiaries. MainPower's Business Plan details matters which require Board consideration, including long-term strategic direction, operating and capital budgeting, statutory and risk management. In addition to the scheduled meetings, the Board meets several times each year to consider specific opportunities and other matters of importance to the Company. Annually the Board takes the opportunity to debate and review its long term strategic direction.

9. Committees

The Board has two standing committees and two oversight Groups. They provide guidance and assistance to the Board with overseeing certain aspects of the Board's corporate governance. Each committee is empowered to seek any information it requires and to obtain independent legal or other professional advice if it is considered necessary.

9.1 Audit Committee

The Audit Committee operates under a comprehensive Charter, which outlines the Audit Committee's authority, membership, responsibilities and activities and which is approved by the Board. The Charter is reviewed annually against best practice and emerging trends. The Audit Committee's primary role is to review MainPower's Financial Statements and related announcements and to liaise with the external auditor on external and internal audit matters on behalf of the Board.

The activities of the Audit Committee are reported annually. The Audit Committee invites the Chief Executive, Finance Manager and the external auditor to be in attendance at meetings of the Committee from time to time in accordance with the Audit Committee Charter. The Audit Committee also monitors the independence of the auditor, and approves and reviews those services provided by the auditor other than in its statutory audit role. In addition, the auditor provides a quarterly certificate to the Audit Committee of any non-statutory audit service provided to the MainPower Group.

Current membership of the Audit Committee is Mr. P A Cox, Chairman, Mr. W G Cox and Mr. T Burt.

Following meetings of the Committee, the Chairman reports all findings and recommendations to the Board.

9.2 Remuneration Committee

The Remuneration Committee's primary role is to advise the Board on performance reviews, remuneration policies and practices and to make recommendations on remuneration packages and other terms of employment for non-executive directors, executive directors and senior executives which fairly reward individual performance in relation to their contribution to the Company's overall performance.

Two Non-Executive Directors are appointed to the Remuneration Committee on an annual basis.

In order to retain and attract Directors and Executives of sufficient calibre to facilitate the efficient and effective governance and management of the Company's operations, the Remuneration Committee seeks advice of external advisors on remuneration practices.

Current membership of the Remuneration Committee is Mr. T Burt, Chairman, and Mr. W G Cox.

9.3 Network Development Group

The Network Development Group's primary role is to strengthen the relationships and therefore communications between the Board and management on matters relating to Network Development. The Group focus is on the strategic direction of MainPower's core electricity network business, the introduction of intelligent network technologies, network planning, distributed generation and principles related to pricing. Current membership is Lead Director, Mr. S Lewis and MainPower's Chief Executive, Mr B Emson.

9.4 Community Leadership Group

The Community Leadership Group's primary role is to advise the Board on matters and issues affecting and impacting upon the Community. Current membership is Lead Director Mrs. J A Hoban.

10. Risk Management

The Board puts considerable emphasis on risk management, given the critical nature of this aspect to the Company's operations, and continually monitors the operational, including Health and Safety, and financial aspects of the Company's activities and the Company's exposure to risk. "Risk Management and Compliance" is a permanent item on the Agenda of the monthly meeting of Directors.

An annual review of the level and appropriateness of the Company's insurance cover and a six monthly report by management addressing all areas of statutory compliance supports the Board's risk management process.

To fulfil its responsibility, management maintains appropriate accounting records and systems of internal control.

MainPower has developed a comprehensive Business Continuity Plan. This Plan details the criteria and guidelines to apply to cope with a number of crisis scenarios. The Company actively participates with Civil Defence and other relevant agencies in order to test the Plan for effectiveness.

11. Non Executive Directors' Fees

Fees for non-executive directors are based on the nature of their work and responsibilities. Independent professional advice on the level and structure of non-executive directors' fees, is made available to the Board on an annual basis. Any recommendation made to shareholders at the Annual Meeting on a change in directors' fees is in accordance with this independent advice.

12. The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Each year, a Statement of Corporate Intent is developed between the Board and the MainPower Trust. This Statement details the Company's intent with respect to:

- Strategic Objectives
- Network Development
- Generation Development
- Hurunui Water Project
- Financial Performance
- Distributions to Shareholders and Rebates
- Corporate Governance

Information is also communicated to shareholders in the Annual Report, Interim Report, the Company's website, and at regular formal and informal meetings with the MainPower Trust. The Board encourages full participation of all shareholders at the Annual Meeting.

The Statement of Corporate Intent is subject to consultation between the Board and the Trust, prior to its adoption.

13. Customers

During the last few years MainPower has developed and expanded its relationship with its customers through the publication of Live Lines, customer surveys, sponsorships, community-based initiatives, publication of its Asset Management Plan, Annual and Interim Reports and Statement of Corporate Intent.

14. Subsidiary Companies

MainPower's subsidiary companies each have a formally constituted Board of Directors. The MainPower New Zealand Limited Board receives monthly updates on and monitors the performance of each of its subsidiary companies.

PERFORMANCE STATEMENT

Financial

MainPower Group

For the year ending March

	Actual 2014 \$000	Budget 2015 \$000	Actual 2015 \$000	Forecast 2016 \$000	Forecast 2017 \$000	Forecast 2018 \$000
Financial performance (includes continued and discontinued operations)						
Operating revenue	79,514	92,877	84,748	85,493	86,957	90,186
Profit before rebates and tax	17,716	18,315	15,508	19,730	21,611	22,619
Rebates	(8,447)	(8,403)	(9,257)	(9,010)	(9,216)	(9,429)
Taxation	(1,893)	(3,342)	(1,897)	(3,001)	(3,040)	(3,255)
Profit after rebates and tax	7,376	6,570	4,354	7,719	9,355	9,935
Total maintenance expenditure	5,077	3,728	5,232	4,019	4,161	4,328
Total capital development expenditure	32,894	21,645	28,069	23,766	22,452	22,981
Financial position						
Net working capital	9,625	4,026	5,756	2,258	2,195	2,719
Non current assets	271,383	288,324	284,918	299,354	311,510	325,511
Term Liabilities	(72,951)	(79,629)	(78,263)	(79,897)	(82,635)	(87,225)
Net assets	208,057	212,721	212,411	221,715	231,070	241,005
Cash flows from Operations	20,252	18,716	15,001	19,775	21,768	22,544
Cash flows from Investing Activities	(37,201)	(18,557)	(20,121)	(24,966)	(23,937)	(25,953)
Cash flows from Financing Activities	28,598	3,386	5,250	4,650	2,106	3,933
Net Increase / (Decrease) in Cash flow	11,649	3,545	130	(541)	(63)	524
MainPower Group Financial Ratios						
	%	%	%	%	%	%
Profit before tax / net assets	4.54	4.72	2.97	4.92	5.48	5.59
Profit after tax / total fixed assets	2.79	2.32	1.55	2.62	3.04	3.10
Profit after tax / equity	3.62	3.13	2.07	3.54	4.13	4.21
Equity / total assets	74.38	73.03	74.68	73.81	73.59	73.54

Customer Service and Statistics

For the year ending March

	Actual 2014	Budget 2015	Actual 2015	Forecast 2016	Forecast 2017	Forecast 2018
Lines Business:						
Quality of Supply						
SAIDI - Average minutes customer is without power during the year	206.27	124.00	191.98	123.00	123.00	122.00
SAIFI - Average supply interruptions per customer during the year	2.05	1.58	1.47	1.58	1.57	1.56
Unplanned faults per 100 kms during the year	5.55	6.24	6.46	6.17	6.11	6.05
Statistics						
Lines business						
Total line service customers (number)	36,892	37,900	37,891	38,771	39,571	40,371
Gigawatthours transported on MainPower's network (GWHs)	588.91	629.00	641.00	665.00	691.00	717.00
Gigawatthours delivered to ICP's connected to MainPower's network (GWHs)	559.53	594.00	604.00	629.00	653.00	678.00
Electricity loss ratio (%)	4.99	5.50	5.79	5.41	5.50	5.44
Network maximum coincidental demand (MW)	100.19	103.00	108.65	106.00	109.00	111.00
Load factor (%)	67.10	69.10	67.84	70.00	70.00	71.00
Total Transformer capacity (MW)	482.68	496.00	513.80	535.00	555.00	575.00
Transformer capacity utilisation factor (%)	20.80	19.80	20.20	19.80	19.50	19.10
Circuit length lines (kms)	4,873	4,905	4,931	5,011	5,081	5,141
MainPower Group						
Number of employees	272	289	248	268	270	275
Number of work related accidents resulting in lost time	3	Nil	10	Nil	Nil	Nil
Total number of lost days as a result of work related accidents	55	Nil	74	Nil	Nil	Nil
	Actual 2014	Budget 2015	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018
Efficiency Performance						
Capital cost per km	6,811	4,247	4,544	4,662	4,501	4,571
Capital cost per ICP	900	550	587	599	572	563
Operating cost per km	2,574	1,817	2,454	2,264	2,261	2,310
Operating cost per ICP	339	235	317	291	287	284



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