

MAINPOWER FINANCIAL REPORT 2013

MainPower New Zealand Limited





FINANCIAL REPORT 2013

Directory	1
Directors' Report	2
Financial Statements	6
Audit Report	42
Statutory Information	43
Corporate Governance Statement	45
Performance Statement	48

Front cover: Canterbury gecko (*Woodworthia brunnea* North Canterbury). Photo/Trent Bell

Baseline gecko monitoring is just one part of a much broader environmental management plan developed in association with MainPower's wind farm proposal at Mt Cass, east of Waipara. As part of that plan, 127 hectares of land, including pockets of native shrubland and forest, will be protected and a comprehensive pest control programme implemented. With Canterbury gecko populations in decline, the monitoring will help us understand current populations and determine how pest control might improve these long-term.

Inside front cover: High flying NZ Junior Elite BMX champion, eighteen year old Trent Jones, competes in Salt Lake City, Utah. Named top MainPower Youth Sports Scholar for 2012, Trent is No.5 in the Junior Elite Men's world rankings after an outstanding performance at last year's world championships in Birmingham, England. Photo/Daniel Franks

Inside back cover: North Canterbury's star breaststroker, Natasha Lloyd, also a 2012 MainPower Youth Sports Scholarship winner, demonstrates her winning style. Next January, Natasha will head to Alabama's Auburn University to take up a four-year swim scholarship. Photo/Supplied

DIRECTORY

DIRECTORS

Gill Cox	Chairman
Peter Cox	Deputy Chairman
Allan Berge	Managing Director
Trevor Burt	Director
Judith Hoban	Director
Tony King	Director
Stephen Lewis	Director

SENIOR MANAGEMENT

Allan Berge	Managing Director
Sandra O'Donohue	Human Resources Manager
Warren Wright	Group Finance Manager
Wayne Lapslie	Corporate Services Manager
Peter Hurford	Engineering Manager
Dayle Parris	Commercial Manager
Andrew Hurley	Generation Manager
Craig Shepherd	Chief Executive Officer VirCom Energy Management Services Limited

REGISTERED OFFICE

5 High Street, P O Box 346
Rangiora 7440

BANKER

Westpac New Zealand Limited, Rangiora

SOLICITORS

Helmore Bowron and Scott, Rangiora
Bell Gully, Wellington

AUDITOR

Deloitte, Christchurch

MainPower New Zealand Limited
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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 2013.

The Annual Report has been prepared as two separate documents; 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 each Company and 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 and Company 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 Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company, 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 Company 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
Trevor Burt	Director
Judith Anne Hoban	Director
Anthony Charles King	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 \$8.251M for the 2012-2013 financial years. The Directors of the Company have approved the payment of rebates for the 2013-2014 financial year of \$8.287M.

Chairman and Managing Director's Report

A return to normality, but with the challenge of growth.

2012–2013 has seen the climate in the North Canterbury/Kaikoura region again display many of the attributes of normality as far as electricity distribution is concerned. A normal winter and spring, followed by a dry summer, resulted in high irrigation demand tempered by availability of water, and more typical residential and commercial electricity usage patterns.

Earthquake recovery activities are now largely behind MainPower. However, as predicted last year, the challenge now is an explosion in residential subdivisions in Waimakariri and Hurunui. This growth, fuelled by the need for relocation for many Christchurch and Kaiapoi residents, has resulted in real pressure on our network planning and construction activities. We expect this to continue for the next few years. The result beyond that will be strong growth in lines revenue. This will, however, be preceded by a significant increase in capital expenditure to ensure the high network service levels that MainPower customers have come to expect. Accordingly, capital expenditure on the electricity network in 2012–13 was \$16.1m and is budgeted to be \$23.3m in 2013–14 and \$19.8m in 2014–15.

The increasing area of irrigable land—predicted to increase further with the extension to the Waimakariri scheme and the likely advent of the Hurunui scheme—places significant demand on our rural electricity network. MainPower is responding by progressively increasing the capacity of existing 33 kV and 11 kV networks to 66 kV and 22 kV respectively. The expenditure on this work in 2012–13 totalled \$4.3m, and is expected to be a further \$10.5m in 2013–14.

Another capital project that has seen significant planning and site development in 2012–13 has been the relocation of all of MainPower's Rangiora activities (including head office) to a site in Southbrook Business Park. It is expected the company will be fully relocated by 31 March 2014 at a net cost of \$13.8m. The investment will meet the needs of the company for the next 50 years and have the benefit of all Rangiora operations being on a single site in an appropriate industrial area.

Financial Results

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Profit Before Tax and After Rebates	11,405	4,150	10,526	3,975
Taxation	3,111	1,488	2,868	1,413
Profit for the year	8,294	2,662	7,658	2,562
Equity				
Share Capital	56,774	56,774	56,774	56,774
Reserves	142,130	133,932	143,909	136,251
Shareholders interest	198,904	190,706	200,683	193,025
Minority interest	987	844	-	-
Total equity	199,891	191,550	200,683	193,025

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 Company'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



A Berge
Group Managing Director
MainPower New Zealand Limited

MAINPOWER BOARD

Gill Cox is a chartered accountant and has been a director of MainPower since May 1996, becoming chairman in 2001. He serves on the board's audit and remuneration subcommittees. Gill is a board member of New Zealand Transport Agency and is chair of Transwaste Canterbury Ltd. He also serves on the boards of a number of other significant companies and public sector organisations in the South Island.



Gill Cox
Chairman

Peter Cox, Deputy Chairman, has been a director of MainPower since November 1989 and is chairman of the board's audit committee. A Christchurch-based company director and business consultant, Peter also holds directorships with JJ Angerstein and Associates Limited, House of Travel Holdings Limited, J Ballantyne and Company Limited, International Motor Inn Limited, Commodore Airport Hotel Limited and High Performance Sport New Zealand. He is also a board member of law firm Duncan Cotterill.



Peter Cox
Deputy Chairman

Allan Berge is managing director of MainPower and chairman of its subsidiary companies. He joined the company in 1987 as general manager and became chief executive and group managing director following corporatisation in 1993. Allan is also on the boards of VirCom Energy Management Services Limited, Electro Services NZ Limited, Tasman Electrical Limited and Hurunui Water Project Limited.



Allan Berge
Managing Director

Judith Hoban was appointed to the MainPower board in December 2005 and is chair of the community relations committee. 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, including the Order of St John.



Judith Hoban
Director

Tony King was appointed to the board of MainPower in February 2005 and is chairman of the generation and retail committee. He is a business consultant based in Christchurch and managing director of Option One Limited. Tony is also a director of City Care Limited.



Tony King
Director

Stephen Lewis was appointed to the MainPower board in 2008 and is a member of the generation and retail committee. He is a company director and business consultant based in Christchurch, and an associate consultant for Wellington-based Strata Energy. Stephen is also chair and trustee of non-profit organisations Community Energy Action and the Dance and Physical Theatre Trust.



Stephen Lewis
Director

Trevor Burt was appointed to the board of MainPower in September 2008 and is a member of the audit committee and chair of the remuneration committee. Trevor is a company director based in Christchurch, is chair of Ngai Tahu Holdings Corporation Ltd and Lyttelton Port Company Ltd, and a Commissioner on The Earthquake Commission. He is also a board member of PGG Wrightson Limited, Landpower Holdings Limited, Silver Fern Farms Limited, Hossack Station Limited, Canterbury Fresh Limited (in Liquidation), Canterbury Fresh Processing Limited (in Liquidation), Breakaway Investments Limited, Ngai Tahu Capital Limited, New Zealand Lamb Company Limited and Canterbury Business Recovery Group Limited.



Trevor Burt
Director



OUR VISION & OUR VALUES

MainPower will be recognised by its community as a leading regional electricity distribution and electricity supply company

SAFETY FIRST • TEAMWORK • LOYALTY • PRIDE • FAIRNESS • INTEGRITY

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



“We will not compromise on safety for our staff or our community”

FINANCIAL STATEMENTS

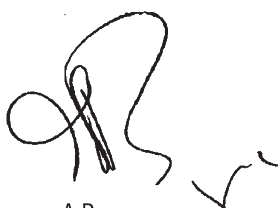
The directors are pleased to present the audited financial statements of MainPower New Zealand Limited and its subsidiaries for the year ended 31 March 2013.

Authorised for issue on 2 July 2013
for and on behalf of the board of directors:



W G Cox

Chairman of Directors
MainPower New Zealand Limited
Christchurch
2 July 2013



A Berge

Group Managing Director
MainPower New Zealand Limited
Christchurch
2 July 2013

TABLE OF CONTENTS

	Page
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12
1. Statement of accounting policies	12
2. Operating revenue	19
3. Operating expenses	19
4. Remuneration of auditors	20
5. Depreciation and amortisation	20
6. Finance expenses	20
7. Income taxes	20
8. Current trade and other receivables	23
9. Current inventories	23
10. Other current assets	23
11. Group entities	24
12. Other financial assets	24
13. Property, plant and equipment	25
13A. Capital works under construction	27
14. Goodwill	28
15. Computer software	29
16. Current trade and other payables	30
17. Current borrowings	30
18. Other financial liabilities	30
19. Non-current provisions	30
20. Share capital	31
21. Reserves	31
22. Retained earnings	31
23. Minority interest	31
24. Notes to the cash flow statement	32
25. Commitments and contingent liabilities	32
26. Related party transactions	33
27. Key management personnel	33
28. Significant events after balance date	34
29. Financial instruments	34
Independent Auditor's Report	42
Statutory Information	43
Corporate Governance Statement	45

Statement of comprehensive income

For the year ended 31 March 2013

	Notes	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Continuing Operations:					
Operating revenue	2	73,604	59,555	56,533	45,061
		73,604	59,555	56,533	45,061
Operating expenses	3, 4	43,146	37,199	27,187	23,171
Depreciation and amortisation	5	10,525	10,623	10,296	10,333
Finance expenses	6	277	4	273	3
Rebates		8,251	7,579	8,251	7,579
		62,199	55,405	46,007	41,086
Profit before income tax expense		11,405	4,150	10,526	3,975
Income tax expense / (credit)	7	3,111	1,488	2,868	1,413
Operating profit from continuing operations		8,294	2,662	7,658	2,562
Profit / (Loss) for the year from discontinued operations		47	18	-	-
Profit and total comprehensive income for the year		8,341	2,680	7,658	2,562
Profit for the year is attributable to:					
Shareholders of the parent	22	8,198	2,641	7,658	2,562
Minority interests	23	143	39	-	-
		8,341	2,680	7,658	2,562
Comprehensive income is attributable to:					
Shareholders of the parent	22	8,198	2,641	7,658	2,562
Minority interests	23	143	39	-	-
		8,341	2,680	7,658	2,562

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 2013

		Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
	Notes				
ASSETS					
Current assets					
Trade and other receivables	8	8,368	5,787	5,994	4,067
Inventories	9	3,224	2,424	3,214	2,415
Other assets	10	263	135	263	135
Total current assets		11,855	8,346	9,471	6,617
Non-current assets					
Investments in subsidiaries	11	-	-	3,136	3,136
Other financial assets	12	3,000	2,500	3,000	2,500
Property, plant and equipment	13	244,805	235,471	244,345	235,076
Capital works under construction	13A	4,409	1,272	4,409	1,272
Goodwill	14	713	713	-	-
Computer software	15	889	940	811	827
Total non-current assets		253,816	240,896	255,701	242,811
Total assets		265,671	249,242	265,172	249,428
EQUITY AND LIABILITIES					
Current liabilities					
Cash and cash equivalents (Bank overdraft)	24	11,529	4,174	11,780	4,382
Trade and other payables	16	8,698	8,609	6,809	6,964
Current tax liability	7	380	61	619	329
Current borrowings	17	-	-	210	-
Total current liabilities		20,607	12,844	19,418	11,675
Non-current liabilities					
Other financial liabilities	18	3	4	3	4
Deferred tax liabilities	7	44,177	43,841	44,225	43,879
Provisions	19	993	1,003	843	845
Total non-current liabilities		45,173	44,848	45,071	44,728
Equity					
Share capital	20	56,774	56,774	56,774	56,774
Reserves	21	39,625	39,625	35,211	35,211
Retained earnings	22	102,505	94,307	108,698	101,040
Total equity attributable to parent equity holders		198,904	190,706	200,683	193,025
Minority interest	23	987	844	-	-
Total equity		199,891	191,550	200,683	193,025
Total liabilities and equity		265,671	249,242	265,172	249,428

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 2013

	Share capital	Retained earnings	Asset revaluation reserve	Other reserves	Total Parent Company	Minority interest	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated entity							
Balance at 1 April 2011	56,774	91,666	39,625	-	188,065	805	188,870
Profit for the year	-	2,641	-	-	2,641	39	2,680
Total comprehensive income	-	2,641	-	-	2,641	39	2,680
Balance at 31 March 2012	56,774	94,307	39,625	-	190,706	844	191,550
Profit and total comprehensive income for the year	-	8,198	-	-	8,198	143	8,341
Balance at 31 March 2013	56,774	102,505	39,625	-	198,904	987	199,891

	Share capital	Retained earnings	Asset revaluation reserve	Total Parent Company
	\$000	\$000	\$000	\$000
Parent entity				
Balance at 1 April 2011	56,774	98,478	35,211	190,463
Profit for the year	-	2,562	-	2,562
Total comprehensive income	-	2,562	-	2,562
Balance at 31 March 2012	56,774	101,040	35,211	193,025
Profit and total comprehensive income for the year	-	7,658	-	7,658
Balance at 31 March 2013	56,774	108,698	35,211	200,683

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 2013

		Group	Group	Parent	Parent
		2013	2012	2013	2012
	Notes	\$000	\$000	\$000	\$000
Cash flows from operating activities					
Receipts from customers		63,062	52,794	46,504	37,502
Interest received		101	118	98	142
Payments to suppliers and employees		(43,377)	(35,972)	(27,568)	(21,151)
Interest and other finance costs paid		(277)	-	(273)	(283)
Income tax (paid) / received		(2,465)	(583)	(2,232)	(447)
Net cash provided by operating activities	24	17,044	16,357	16,529	15,763
Cash flows from investing activities					
Proceeds from investment securities		(500)	(250)	(500)	(250)
Proceeds from repayment of related party loans		-	-	-	535
Payment for property, plant and equipment		(23,830)	(15,528)	(23,552)	(15,481)
Proceeds from sale of property, plant and equipment		164	75	137	55
Payment for intangible assets		(233)	(169)	(222)	(145)
Net cash used in investing activities		(24,399)	(15,872)	(24,137)	(15,286)
Cash flows from financing activities					
Borrowings from related parties		-	-	210	-
Net cash provided by (used in) financing activities		-	-	210	-
Net increase/(decrease) in cash and cash equivalents		(7,355)	485	(7,398)	477
Summary					
Cash and cash equivalents at beginning of year		(4,174)	(4,659)	(4,382)	(4,859)
Net increase/(decrease) in cash and cash equivalents		(7,355)	485	(7,398)	477
Cash and cash equivalents at end of year (Bank overdraft)		(11,529)	(4,174)	(11,780)	(4,382)
Cash flows from discontinued operations included above:					
Net cash flows from operating activities		23	107	-	-
Net cash flows from financing activities		(210)	-	-	-
		(187)	107	-	-

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 2013

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). The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

The Group financial statements comply with International Financial Reporting Standards (IFRS). The Parent entity financial statements also comply with IFRS.

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 2013 and the comparative information presented in these financial statements for the year ended 31 March 2012.

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

Preparing financial statements to conform with NZ IFRS 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 Company'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 Company 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. The costs associated with recording and tracking all individual components replaced and removed from the network substantially outweighs the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the network in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network. Refer also note 1(j) property, plant and equipment regarding revaluations.

The Company 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, make 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

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 Group.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the Parent entity) 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.

In the Parent financial statements, investments in subsidiaries and the associate companies are stated at cost less impairment.

(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.

(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.

In the Parent financial statements, investments in subsidiaries and associates are stated at cost less impairment. Details of the impairment tests performed are disclosed in note 1(i).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

1. Statement of accounting policies (continued)

(e) Financial assets (continued)

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.

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.

In the Parent financial statements, investments in subsidiaries and associates are stated at cost less impairment. Details of the impairment tests performed are disclosed in note 1(i).

Loans and receivables

Accounts receivable are stated at cost less impairment losses. All known bad debts are written off during the financial year. Inter-group 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

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 2013

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.

(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.

Lease Premiums

Lease premiums are valued at cost less accumulated amortisation. Cost is amortised over the period of the lease.

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 and Company become 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

1. Statement of accounting policies (continued)

(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.

(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) 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.

(r) 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.

(s) Capital contributions

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

(t) Borrowing costs

Borrowing costs are expensed using the effective interest rate method. No borrowing costs have been capitalised.

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. By adopting FRS 44 New Zealand Additional Disclosures and Harmonisation amendments in the current year, the calculation of the imputation credit account balance has effectively changed from a cash basis to an accrual basis. This resulted in a \$61,000 increase in the amount of imputation credits available for use by the Group (\$329,000 by the Parent) in subsequent reporting periods in 2012. Please see Note 7 for more details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

1. Statement of accounting policies (continued)

Standards and Interpretations in issue not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2013, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Group, with the exception of:

(i) Amendments to NZ IAS 1 Presentation of financial Statements - Presentation of items in other comprehensive income

The amendment requires items of other comprehensive income to be grouped into those that will and will not subsequently be reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis, while the measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments. These amendments come into effect for periods beginning on or after 1 July 2012 and have not been early adopted by the Group.

(ii) NZ IFRS 13 Fair value measurement

This standard became effective from 1 January 2013 and is expected to be adopted by the Group for the year ended 31 March 2014. The potential impact of this new standard has not yet been assessed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
2. Operating revenue				
Line revenue	45,554	38,239	45,554	38,239
Contracting revenue	19,646	16,548	2,562	2,574
Generation revenue	364	313	364	313
Capital contributions	7,197	3,427	7,197	3,427
Rental revenue:				
Related parties	-	-	12	24
Interest revenue:				
Other	131	119	121	118
Related parties	-	-	7	28
Dividends:				
Subsidiaries	-	-	-	-
Other	712	909	716	338
Operating revenue for continuing operations	73,604	59,555	56,533	45,061
Operating revenue from discontinued operations	59	75	-	-
3. Operating expenses				
Bad debts written off	51	47	51	47
Directors fees and expenses	292	278	292	278
Employee remuneration and benefits	8,043	7,882	3,748	3,643
Loss on disposal of property, plant and equipment	954	179	951	157
Operating lease costs	159	138	33	-
Network maintenance	4,375	3,977	4,375	3,977
Generation cost of production	77	147	77	147
Generation investigation	801	855	801	855
Community relationships	683	626	683	626
Transmission expenses	11,007	9,445	11,007	9,445
Cost of goods sold, excluding employee remuneration	12,982	10,736	1,453	1,164
Other	3,572	2,797	3,584	2,759
Operating expenses from continuing operations	42,996	37,107	27,055	23,098
Operating expenses from discontinued operations	-	43	-	-

On 31 March 2010, MainPower sold the business assets and liabilities of Electro Services NZ Limited to Buller Electricity Limited. Included in the Statement of Comprehensive Income for the Group in 2011 and 2012 under the heading “Discontinued operations” is the wash-up of Electro Services NZ Limited operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
4. Remuneration of auditors				
Audit of the financial statements	66	66	48	47
Auditors other services	84	26	84	26
Remuneration of auditors of continuing operations	150	92	132	73
Remuneration of auditors of discontinued operations	3	3	-	-

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	10,241	10,320	10,058	10,106
Amortisation of non-current assets	284	303	238	227
Depreciation and amortisation for continuing operations	10,525	10,623	10,296	10,333
Depreciation and amortisation for discontinued operations	-	-	-	-

6. Finance expenses

Interest expense on loans	2	-	-	-
Other interest expense	275	4	273	3
Finance expenses for continuing operations	277	4	273	3
Finance expenses for discontinued operations	-	-	-	-

7. Income taxes

Income tax expense recognised in profit				
Tax expense comprises:				
Current tax expense	2,824	744	2,535	648
Adjustments recognised in current year in relation to the current tax of prior years	(40)	286	(13)	279
Deferred tax expense relating to the origination and reversal of temporary differences	336	469	346	486
Total income tax expense recognised in profit	3,120	1,499	2,868	1,413

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
7. Income taxes (continued)				
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	11,405	4,150	10,526	3,975
Profit before tax from discontinued operations	56	29	-	-
Profit from operations	11,461	4,179	10,526	3,975
Prima facie income tax expense calculated at 28%	3,209	1,170	2,947	1,113
Non-deductible expenses / (deductible) expenses	(49)	43	(66)	21
	3,160	1,213	2,881	1,134
Under/(over) provision of income tax in previous year	(40)	286	(13)	279
Total income tax expense / (credit) recognised in profit	3,120	1,499	2,868	1,413
Attributable to:				
Continuing Operations	3,111	1,488	2,868	1,413
Discontinued Operations	9	11	-	-
	3,120	1,499	2,868	1,413
Current tax assets and liabilities				
Current tax liability:				
Tax payable	380	61	619	329

Consolidated group for the year ended 31 March 2013

Taxable and deductible temporary differences arise from:

Deferred tax liabilities

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
Property, plant & equipment	44,769	331	-	45,100
Intangible assets	(4)	14	-	10
	44,765	345	-	45,110

Deferred tax assets

Provisions	(924)	(9)	-	(933)
	(924)	(9)	-	(933)
Net deferred tax liability	43,841	336	-	44,177

Consolidated group for the year ended 31 March 2012

Taxable and deductible temporary differences arise from:

Deferred tax liabilities:

Property, plant & equipment	44,361	408	-	44,769
Intangible assets	(69)	65	-	(4)
	44,292	473	-	44,765

Deferred tax assets:

Provisions	(920)	(4)	-	(924)
	(920)	(4)	-	(924)
Net deferred tax liability	43,372	469	-	43,841

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

7. Income taxes (continued)	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
Parent entity for the year ended 31 March 2013				
Taxable and deductible temporary differences arise from:				
Deferred tax liabilities				
Property, plant & equipment	44,329	334	-	44,663
Intangible assets	74	16	-	90
	44,403	350	-	44,753
Deferred tax assets				
Provisions	(524)	(4)	-	(528)
	(524)	(4)	-	(528)
Net deferred tax liability	43,879	346	-	44,225

Parent entity for the year ended 31 March 2012

Taxable and deductible temporary differences arise from:

Deferred tax liabilities				
Property, plant & equipment	43,920	409	-	44,329
Intangible assets	7	67	-	74
	43,927	476	-	44,403
Deferred tax assets				
Provisions	(534)	10	-	(524)
	(534)	10	-	(524)
Net deferred tax liability	43,393	486	-	43,879

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
Imputation credit account balances				
Opening balance	3,819	3,181	2,956	2,180
Less taxation payable/(receivable) 2012	(61)	-	(329)	-
Imputation credits relating to previous periods	314	-	317	-
Taxation paid	2,144	577	1,898	447
Taxation payable/(receivable)	380	61	619	329
Closing balance	6,596	3,819	5,461	2,956

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 2013

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
8. Current trade and other receivables				
Trade receivables	7,804	5,417	5,556	3,732
Related party	-	-	30	40
Work under construction	429	136	273	115
Interest receivable	96	66	96	66
Other receivables	39	168	39	114
	8,368	5,787	5,994	4,067

Information in respect of concentrations of credit risk within trade receivables is included in Note 29.

MainPower has changed its accounting treatment of distribution system capital work under construction. In 2012 distribution system capital work under construction of \$1.272M was treated as a current receivable. In 2013 distribution system capital work under construction of \$4.409M has been included as a non current asset, refer note 13A. Accordingly the 2012 disclosure in note 8 above has been restated to reflect the March 2013 treatment of distribution system capital work under construction as a non-current asset.

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.

Included in the Group's trade receivables are debtors with a carrying amount of \$0.721M (2012: \$0.409M) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Included in the Parent trade receivables are debtors with a carrying amount of \$0.447M (2012: \$0.389M) which are past due at the reporting date for which the Parent has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Aging of past due trade receivables

1-30 days past due	488	113	264	98
31-60 days past due	22	79	19	76
60+ days past due	211	217	164	215
	721	409	447	389

9. Current inventories

Distribution System and Metering items	3,224	2,424	3,214	2,415
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Certain inventories are subject to security interests created by retention of title clauses.

10. Other current assets

Prepayments	263	135	263	135
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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Effective ownership 2013	Effective ownership 2012	Country of incorporation	Year end
11. Group entities				
Investment in Subsidiaries				
MainPower New Zealand Limited's subsidiaries as at 31 March were as follows:				
Entity name				
VirCom Energy Management Services Limited	77.4%	77.4%	NZ	31 March
Tasman Electrical Limited	100%	100%	NZ	31 March
Tasman Electrical Limited's subsidiaries as at 31 March were as follows:				
Entity name				
Electro Services NZ Limited	100%	100%	NZ	31 March

The effective ownership and the voting interests in the above subsidiaries are the same.

Investment in Associates

MainPower New Zealand Limited holds 12.8% of issued shares in Hurunui Water Project Limited, a company incorporated in New Zealand.

The carrying value of this investment is \$Nil (2012 : Nil). The Group has not recognised its 12.8% 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 (2012: 12.6%).

No public price quotation exists for this investment.

MainPower New Zealand has one share (11.11%) in Smartco Limited (2012: 7.69%). The increased % shareholding in 2013 arises from a reduction in shareholders not an increase in investment by MainPower. The carrying value of this investment is \$Nil (2012: Nil). Smartco comprises 9 New Zealand electricity distribution companies who are pursuing Smart Meter/Smart Grid opportunities. The Board of MainPower New Zealand at their 3rd May 2013 meeting resolved to withdraw from the Smart Co consortium.

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
12. Other financial assets				
At amortised cost				
Interest bearing loans advanced to subsidiaries	-	-	-	-
Held to maturity investments	3,000	2,500	3,000	2,500
	3,000	2,500	3,000	2,500

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Freehold land at fair value	Buildings at fair value	Electricity distribution network at fair value	Plant, equipment, vehicles, furniture & fittings	Total
	\$000	\$000	\$000	\$000	\$000
13. Property, plant and equipment					
Consolidated group					
Gross carrying amount					
Balance at 1 April 2011	3,407	4,701	204,348	28,107	240,563
Revaluations	-	-	-	-	-
Additions	2,600	62	10,403	2,463	15,528
Disposals/Adjustments	(827)	-	473	(656)	(1,010)
Balance at 31 March 2012	5,180	4,763	215,224	29,914	255,081
Additions	1,728	-	16,103	2,862	20,693
Disposals/Adjustments	-	-	(3,103)	(613)	(3,716)
Balance at 31 March 2013	6,908	4,763	228,224	32,163	272,058
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2011	-	-	-	10,090	10,090
Disposals/Adjustments	-	-	(202)	(598)	(800)
Depreciation expense	-	188	8,309	1,823	10,320
Balance at 31 March 2012	-	188	8,107	11,315	19,610
Disposals/Adjustments	-	-	(2,178)	(420)	(2,598)
Depreciation expense	-	196	8,153	1,892	10,241
Balance at 31 March 2013	-	384	14,082	12,787	27,253
Net book value at 31 March 2012	5,180	4,575	207,117	18,599	235,471
Net book value at 31 March 2013	6,908	4,379	214,142	19,376	244,805

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Freehold land at fair value	Buildings at fair value	Electricity distribution network at fair value	Plant, equipment, vehicles, furniture & fittings	Total
	\$000	\$000	\$000	\$000	\$000
13. Property, plant and equipment (continued)					
Parent entity					
Gross carrying amount					
Balance at 1 April 2011	3,407	4,701	204,348	25,762	238,218
Revaluations	-	-	-	-	-
Additions	2,600	62	10,403	2,416	15,481
Disposals/Adjustments	(827)	-	473	(437)	(791)
Balance at 31 March 2012	5,180	4,763	215,224	27,741	252,908
Revaluations	-	-	-	-	-
Additions	1,728	-	16,103	2,584	20,415
Disposals/Adjustments	-	-	(3,103)	(491)	(3,594)
Balance at 31 March 2013	6,908	4,763	228,224	29,834	269,729
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2011	-	-	-	8,301	8,301
Disposals/Adjustments	-	-	(202)	(373)	(575)
Depreciation expense	-	188	8,309	1,609	10,106
Balance at 31 March 2012	-	188	8,107	9,537	17,832
Disposals/Adjustments	-	-	(2,178)	(328)	(2,506)
Depreciation expense	-	196	8,153	1,709	10,058
Balance at 31 March 2013	-	384	14,082	10,918	25,384
Net book value at 31 March 2012	5,180	4,575	207,117	18,204	235,076
Net book value at 31 March 2013	6,908	4,379	214,142	18,916	244,345

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
13. Property, plant and equipment (continued)				
Gross carrying amounts of property, plant and equipment had they been recognised under the cost model:				
Freehold land	5,471	3,743	5,471	3,743
Buildings	1,480	1,480	1,581	1,581
Electricity distribution network	121,834	108,834	129,481	116,481
Plant, equipment, vehicles, furniture and fittings	24,967	22,718	23,192	21,099
	153,752	136,775	159,725	142,904

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 \$8,108,750 as at 31 March 2011 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.

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 2013 (2012: Nil).

MainPower Relocation

MainPower is planning to relocate to the new site at 172 Fernside Road, Southbrook in the next financial year, and it is MainPower's intention to sell the current site. MainPower has engaged independent valuers to assess the value of the land and buildings on the current site. Based on these values, MainPower is satisfied the current carrying value of these assets is not impaired as at 31 March 2013, therefore no adjustment has been made to values for individual buildings. MainPower is not actively marketing these assets and accordingly they are not classified as assets held for sale.

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
13A. Capital works under construction				
Capital works under construction	4,409	1,272	4,409	1,272

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Total \$000
14. Goodwill	
Consolidated group	
Gross carrying amount	
Balance at 1 April 2011	713
Additions	-
Disposals	-
Balance at 31 March 2012	<u>713</u>
Additions	-
Disposals	-
Balance at 31 March 2013	<u>713</u>
Accumulated impairment	
Balance at 1 April 2011	-
Impairment	-
Disposals	-
Balance at 31 March 2012	<u>-</u>
Impairment	-
Disposals	-
Balance at 31 March 2013	<u>-</u>
Net book value at 31 March 2012	<u>713</u>
Net book value at 31 March 2013	<u>713</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group \$000	Parent \$000
15. Computer software		
Gross carrying amount		
Balance at 1 April 2011	2,522	1,774
Additions	169	145
Disposals/Adjustments	(241)	(178)
Balance at 31 March 2012	2,450	1,741
Additions	233	222
Disposals/Adjustments	-	-
Balance at 31 March 2013	2,683	1,963
Accumulated amortisation and impairment		
Balance at 1 April 2011	1,208	675
Amortisation expense	303	227
Disposals/Adjustments	(1)	12
Balance at 31 March 2012	1,510	914
Amortisation expense	284	238
Disposals/Adjustments	-	-
Balance at 31 March 2013	1,794	1,152
Net book value at 31 March 2012	940	827
Net book value at 31 March 2013	889	811

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 2013

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
16. Current trade and other payables				
Trade payables	7,460	7,540	5,851	6,152
Employee entitlements	1,238	1,069	958	812
	8,698	8,609	6,809	6,964

17. Current borrowings

Unsecured:

Loan advances from subsidiaries	-	-	210	-
	-	-	210	-

The loan advances from subsidiaries are interest free and repayable on demand.

18. Other financial liabilities

At cost:

Redeemable preference (rebate) shares	3	4	3	4
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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.

9,253 (2012: 8,078) redeemable preference shares at 10 cents each were redeemed during the year.

19. Non-current provisions

Employee benefits	993	1,003	843	845
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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% (2012: 3.00%)
- discount rate 2.56% to 6.00% (2012: 2.65% to 5.31%)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
20. Share capital				
Balance at beginning of financial year	56,774	56,774	56,774	56,774
Bonus issue	-	-	-	-
56,774,000 fully paid ordinary shares	56,774	56,774	56,774	56,774

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

21. Reserves

Asset revaluation reserve:

Balance at beginning of financial year	39,625	39,625	35,211	35,211
Revaluation of assets	-	-	-	-
Total reserves	39,625	39,625	35,211	35,211

22. Retained earnings

Balance at beginning of financial year	94,307	91,666	101,040	98,478
Comprehensive income attributable to members of the parent entity	8,198	2,641	7,658	2,562
	102,505	94,307	108,698	101,040

23. Minority interest

Balance at beginning of financial year	844	805	-	-
Comprehensive income attributable to minority interest	143	39	-	-
	987	844	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Group 2013 \$000	Group 2012 \$000	Parent 2013 \$000	Parent 2012 \$000
24. Notes to the cash flow statement				
Reconciliation of profit for the period to net cash flows from operating activities				
Net profit for the year	8,341	2,680	7,658	2,562
Adjustments for				
Loss on disposal of property, plant & equipment	954	153	951	131
Depreciation and amortisation of non-current assets	10,525	10,623	10,296	10,333
Non-current provisions /fixed asset adjustments	(1)	221	(1)	219
	11,478	10,997	11,246	10,683
Changes in net assets and liabilities				
Increase/(decrease) in current tax balances	319	167	290	202
Increase/(decrease) in deferred tax balances recognised in tax expense	336	469	346	486
(Increase)/decrease in assets				
Current receivables	(2,581)	1,049	(1,927)	575
Current inventories	(800)	(662)	(799)	(664)
Other current assets	(128)	(80)	(128)	(80)
Increase/(decrease) in liabilities				
Current payables	89	1,719	(155)	2,014
Non-current provisions	(10)	18	(2)	(15)
	(2,775)	2,680	(2,375)	2,518
Net cash from operating activities	17,044	16,357	16,529	15,763

All Parent Company debt is unsecured; however a deed of negative pledge and guarantee requires the Company to comply with a number of covenants.

25. Commitments and contingent liabilities

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 is planning to relocate to the new site at 172 Fernside Road, Southbrook in the next financial year. It is MainPower's intention to sell the current site and to this end MainPower has engaged independent valuers to assess the value of the land and buildings on the current site. The net cost of the relocation is budgeted at \$13.761M.

ABB Limited has been contracted to supply four 23MVA 66/22kV transformers as part of the Waimakariri West electricity distribution system upgrade project at a cost of \$2.323M.

Apart from the above there are no other significant contracted capital commitments or contingent liabilities as at 31 March 2013. (2012: Nil).

Operating lease commitments

The minimum value of lease commitments are:

Within one year	215	88	-	-
1 - 2 years	180	46	-	-
2 - 5 years	117	-	-	-

Prudential commitments

At 31 March 2013 the Company and Group had guarantees (performance bonds) to third parties amounting to \$200,000 (2012: \$200,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

26. 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 (2012: Nil).

During the periods 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 held 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	Group
	2013	2012
	\$000	\$000
Transactions during the year		
Purchases from subsidiaries	-	25
Revenues from subsidiaries	564	475
Dividends from subsidiaries	-	-
Loans repaid by subsidiaries	-	535

Outstanding balances as at 31 March

Accounts payable to subsidiaries	9	-
Accounts receivable from subsidiaries	30	40
Loans to subsidiaries	-	-

Electro Services Limited has advanced \$210,000 to MainPower New Zealand Limited, refer Note 17.

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 totalling \$275,000 (2012: \$260,900)

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 (2012: all less than \$1,000). There were no significant outstanding balances with key management personnel at the end of the period (2012: Nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2013 no transactions occurred between the Group and an organisation in which a key management person of the Group holds a position of control.

27. Key management personnel

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

	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Employee remuneration and benefits	1,672	1,641	1,288	1,268
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

28. Significant events after balance date

As detailed in Note 25 the Board of MainPower New Zealand Limited has approved the construction and associated contractual arrangements for the relocation of its operations to the Southbrook Business Park. Other than the above MainPower is not aware of any other 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.

29. Financial instruments

Exposure to interest rates, foreign currency market and credit risk arises in the normal course of the Group's business.

Borrowings

MainPower has a wholesale advance facility with Westpac New Zealand Limited of \$20,000,000 which will expire on 31 August 2013. MainPower is currently in discussions with Westpac as to MainPower's ongoing funding requirements over the next three to five years. At 31 March 2013 MainPower's overdraft facility amounted to \$11,800,000, is unsecured, but subject to a negative pledge arrangement (2012: \$4,350,000).

At 31 March 2012, MainPower granted to the Waimakariri District Council a first mortgage of \$2,340,000 over its new site at 172 Fernside Road.

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.

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars.

Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has the capacity to arrange funding to cover potential shortfalls.

Market risk

Market risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market prices. These changes may be caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to market risk through its investments in bonds. It is not the Group's policy to hedge its exposures to market risk. The Group has specific policies and procedures for identifying and evaluating investment opportunities.

Concentration of credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, trade and other receivables and held to maturity investments. The Group places its cash and investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its treasury policy.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2012

29. Financial instruments (continued)

Concentration of credit risk (continued)

The level of credit risk in respect of accounts receivable is influenced by the small number of major electricity retailers conveying electricity across MainPower's distribution system. There is a concentration of credit risk in respect of the amount owned by Contact Energy Limited which represents 24% (2012 - 32%) of the Group's trade receivables, while Advanced Metering Services Limited is 11% (2012 - 12%). Meridian Energy Limited is 16% (2012 - 18%).

MainPower places its cash and investments with financial institutions who have a Standard and Poors credit rating of A - or better, and local authorities, and also limits the amount of credit exposure to any one financial institution.

The carrying value is the maximum exposure to credit risk for cash and cash equivalents, accounts receivable and investments.

Capital management

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group is not subject to any externally imposed capital requirements.

The allocation of capital between the Group's specific business segments' operations and activities is, to a large extent, driven by risk-adjusted optimisation of the returns achieved on capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operations and activities.

The Group's policies in respect of capital management and allocation are reviewed regularly by the board of directors. There have been no material changes to the Group's management of capital during the period.

Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March 2013 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately \$88,000 (2012: decrease of \$18,500).

It is estimated that a general decrease of one percentage point in the value of the New Zealand dollar against other foreign currencies with respect to MainPower's contractual obligations would have decreased the Group's profit before income tax by less than \$10,000 for the year ended 31 March 2013 (2012: less than \$10,000).

A decrease in both interest rates and exchange rates would have the opposite impact on profit than that described above.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Notes	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000
29. Financial instruments (continued)				
Categories of financial instruments				
Consolidated group as at 31 March 2013				
Current assets				
Trade and other receivables	8	7,939	-	7,939
		<u>7,939</u>	<u>-</u>	<u>7,939</u>
Non-current assets				
Other financial assets	12	-	3,000	3,000
		<u>-</u>	<u>3,000</u>	<u>3,000</u>
Total financial assets		<u>7,939</u>	<u>3,000</u>	<u>10,939</u>
Current liabilities				
Cash and cash equivalents		11,529	-	11,529
Trade and other payables	16	-	8,698	8,698
		<u>11,529</u>	<u>8,698</u>	<u>20,227</u>
Non-current liabilities				
Other financial liabilities	18	-	3	3
		<u>-</u>	<u>3</u>	<u>3</u>
Total financial liabilities		<u>11,529</u>	<u>8,701</u>	<u>20,230</u>
Consolidated group as at 31 March 2012				
Current assets				
Trade and other receivables	8	5,651	-	5,651
		<u>5,651</u>	<u>-</u>	<u>5,651</u>
Non-current assets				
Other financial assets	12	-	2,500	2,500
		<u>-</u>	<u>2,500</u>	<u>2,500</u>
Total financial assets		<u>5,651</u>	<u>2,500</u>	<u>8,151</u>
Current liabilities				
Cash and cash equivalents		4,174	-	4,174
Trade and other payables	16	-	8,609	8,609
		<u>4,174</u>	<u>8,609</u>	<u>12,783</u>
Non-current liabilities				
Other financial liabilities	18	-	4	4
		<u>-</u>	<u>4</u>	<u>4</u>
Total financial liabilities		<u>4,174</u>	<u>8,613</u>	<u>12,787</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Notes	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000
29. Financial instruments (continued)				
Categories of financial instruments				
Parent entity as at 31 March 2013				
Current assets				
Trade and other receivables	8	5,721	-	5,721
Non-current assets				
Other financial assets	12	-	3,000	3,000
		-	3,000	3,000
Total financial assets		5,721	3,000	8,721
Current liabilities				
Cash and cash equivalents		11,780	-	11,780
Trade and other payables	16	-	6,809	6,809
		11,780	6,809	18,589
Non-current liabilities				
Other financial liabilities	18	-	3	3
		-	3	3
Total financial liabilities		11,780	6,812	18,592
Parent entity as at 31 March 2012				
Current assets				
Trade and other receivables	8	3,952	-	3,952
		3,952	-	3,952
Non-current assets				
Other financial assets	12	-	2,500	2,500
		-	2,500	2,500
Total financial assets		3,952	2,500	6,452
Current liabilities				
Cash and cash equivalents		4,382	-	4,382
Trade and other payables	16	-	6,964	6,964
		4,382	6,964	11,346
Non-current liabilities				
Other financial liabilities	18	-	4	4
		-	4	4
Total financial liabilities		4,382	6,968	11,350

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Weighted average effective interest rate	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
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29. Financial instruments (continued)

Maturity profile of financial instruments

Consolidated group as at 31 March 2013

The following table details the Group's exposure to interest rate and liquidity risk

Financial assets

Trade and other receivables		-	-	7,939	7,939
Other financial assets	4.10% - 4.65%	3,000	-	-	3,000
		3,000	-	7,939	10,939

Financial liabilities

Cash and cash equivalents	3.60%	11,529	-	-	11,529
Trade and other payables		-	-	8,698	8,698
Other financial liabilities		-	-	3	3

An analysis of the contractual maturity dates is as follows:

Financial assets

Less than 1 year	3,000	-	7,939	10,939
1 - 2 years	-	-	-	-
	3,000	-	7,939	10,939

Financial liabilities

Less than 1 year	11,529	-	8,698	20,227
1 - 2 years	-	-	3	3
2 - 5 years	-	-	-	-
5 years	-	-	-	-
	11,529	-	8,701	20,230

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Weighted average effective interest rate	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
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29. Financial instruments (continued)

Maturity profile of financial instruments

Consolidated group as at 31 March 2012

The following table details the Group's exposure to interest rate and liquidity risk

Financial assets

Trade and other receivables		-	-	5,651	5,651
Other financial assets	3.60% - 4.60%	2,500	-	-	2,500
		2,500	-	5,651	8,151

Financial liabilities

Cash and cash equivalents	3.60%	4,174	-	-	4,174
Trade and other payables		-	-	8,609	8,609
Other financial liabilities		-	-	4	4
		4,174	-	8,613	12,787

An analysis of the contractual maturity dates is as follows:

Financial assets

Less than 1 year	2,500	-	5,651	8,151
1 - 2 years	-	-	-	-
	2,500	-	5,651	8,151

Financial liabilities

Less than 1 year	-	-	8,609	8,609
1 - 2 years	4,174	-	2	4,176
2 - 5 years	-	-	2	2
5 years	-	-	-	-
	4,174	-	8,613	12,787

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Weighted average effective interest rate	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
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29. Financial instruments (continued)

Maturity profile of financial instruments

Parent entity as at 31 March 2013

The following table details the Parent's exposure to interest rate and liquidity risk

Financial assets

Trade and other receivables		-	-	5,721	5,721
Other financial assets	4.10% to 4.65%	3,000	-	-	3,000
		3,000	-	5,721	8,721

Financial liabilities

Cash and cash equivalents	3.60%	11,780	-	-	11,780
Trade and other payables		-	-	6,809	6,809
Other financial liabilities		-	-	3	3
		11,780	-	6,812	18,592

An analysis of the contractual maturity dates is as follows:

Financial assets

Less than 1 year	3,000	-	-	3,000
1 - 2 years	-	-	-	-
	3,000	-	-	3,000

Financial liabilities

Less than 1 year	11,780	-	6,809	18,589
1 - 2 years	-	-	3	3
2 - 5 years	-	-	-	-
5 years	-	-	-	-
	11,780	-	6,812	18,592

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2013

	Weighted average effective interest rate	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
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29. Financial instruments (continued)

Maturity profile of financial instruments

Parent entity as at 31 March 2012

The following table details the Parent's exposure to interest rate and liquidity risk

Financial assets

Trade and other receivables		-	-	3,952	3,952
Other financial assets	3.60% to 4.60%	2,500	-	-	2,500
Related party loans		-	-	-	-
		2,500	-	3,952	6,452

Financial liabilities

Cash and cash equivalents	3.60%	4,382	-	-	4,382
Trade and other payables		-	-	6,964	6,964
Other financial liabilities		-	-	4	4
		4,382	-	6,968	11,350

An analysis of the contractual maturity dates is as follows:

Financial assets

Less than 1 year	2,500	-	3,952	6,452
1 - 2 years	-	-	-	-
	2,500	-	3,952	6,452

Financial liabilities

Less than 1 year	-	-	6,964	6,964
1 - 2 years	4,382	-	2	4,384
2 - 5 years	-	-	2	2
5 years	-	-	-	-
	4,382	-	6,968	11,350

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

Report on the Financial Statements

We have audited the financial statements of MainPower New Zealand Limited and group on pages 8 to 41, which comprise the consolidated and separate statements of financial position of MainPower New Zealand Limited, as at 31 March 2013, the consolidated and separate statements of comprehensive income, statements of changes in equity and cash flow statements 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 205(1) 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 Financial Statements

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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, a follow-up review of the implementation of an information technology system and assistance in preparation of a Business Case for the installation of smart meters, we have no relationship with or interests in MainPower New Zealand Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 8 to 41:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of MainPower New Zealand Limited and group as at 31 March 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2013:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by MainPower New Zealand Limited as far as appears from our examination of those records.



Chartered Accountants
2 July 2013
Christchurch, New Zealand

This audit report relates to the financial statements of MainPower New Zealand Limited and group for the year ended 31 March 2013 included on MainPower New Zealand Limited's website. The Board of Directors is responsible for the maintenance and integrity of MainPower New Zealand Limited's website. We have not been engaged to report on the integrity of MainPower New Zealand Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 2 July 2013 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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	69,275	-	69,275
P A Cox	Director	45,000	-	45,000
T Burt	Director	38,525	-	38,525
J A Hoban	Director	38,400	-	38,400
A C King	Director	42,983	-	42,983
S P Lewis	Director	40,817	-	40,817
A Berge	Managing Director *	-	362,055	362,055
		275,000	362,055	637,055

* The Managing Director also receives the use of a Company motor vehicle.

SUBSIDIARIES

Tasman Electrical Limited

A Berge	Chairman	-	-	-
W Wright	Executive Director	-	-	-

VirCom Energy Management Services Limited

A Berge	Chairman	-	-	-
C Shepherd	Executive Director	-	-	-
W Wright	Executive Director	-	-	-

Electro Services NZ Limited

A Berge	Chairman	-	-	-
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.

Statutory Information

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 2013.

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
P A Cox	Canterbury Museum Trust Board	Trustee
	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
	High Performance Sport New Zealand	Director
A Berge	Duncan Cotterill	Board Member
	Electro Services NZ Limited	Director
	VirCom Energy Management Services Limited	Director
T Burt	Tasman Electrical Limited	Director
	Hurunui Water Project Limited	Director
J A Hoban A C King	Hossack Station Limited	Director
	Canterbury Fresh Limited (in Liquidation)	Director
	Canterbury Fresh Processing Limited (in Liquidation)	Director
	Breakaway Investments Limited	Director
	Lyttelton Port Company Limited	Director
	Land Power Holdings Limited	Director
	Silver Fern Farms Limited	Director
	Ngai Tahu Holdings Corporation Limited	Chair
	Ngai Tahu Capital Limited	Director
	New Zealand Lamb Company (North America) Limited	Director
	Earthquake Commision	Commissioner
	Canterbury Business Recovery Group Limited	Director
	Agria Asia Investments Limited	Director
	Agria Singapore Pty Limited	Director
PGG Wrightsons Limited	Director	
S P Lewis	The Order of St John	Director
	Option One Limited	Director
A C King	City Care Limited	Chair
	Expert Reference Group, Ministry of Business Innovation and Employment	Member
	Nimbus Software Limited	Director
S P Lewis	Community Energy Action	Chair
	Dance and Physical Theatre Trust	Trustee

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:

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

Remuneration \$000's	No. of current and former employees
100 - 110	3
110 - 120	2
120 - 130	5
130 - 140	2
140 - 150	4
150 - 160	1
180 - 190	2
200 - 210	1
220 - 230	1

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, ie, the Qualifying Customers in the region.

The Board's primary objective is to satisfy the shareholder's 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:

- 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 judgement 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 Group Managing Director;
- 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 Group Managing Director.

The Group Managing Director is responsible for ensuring MainPower achieves its business objectives and values.

The Board ensures that the Group Managing Director, 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.

Corporate Governance Statement (continued)

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, other than the Group Managing Director will retire by rotation each year.

Non-Executive Directors of MainPower are elected by the Ordinary Shareholders. The Board currently comprises seven Directors, being six Non-Executive Directors and the Group Managing Director.

The Directors of the Company currently in office are:

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Group Managing Director
Trevor Burt	Director
Anthony Charles King	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 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 four standing committees. They provide guidance and assistance to the Board with overseeing certain aspects of the Board's corporate governance. Each standing 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 Group Managing Director, 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 their 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.

Corporate Governance Statement (continued)

9.3. Generation and Retail Committee

The Generation and Retail Committee's primary role is to assist, guide and facilitate the implementation of the Company's generation strategy. Current membership of the Generation and Retail Committee is Mr T King, Chairman, and Mr S Lewis.

9.4. Community Relationships Committee

The Community Relationships Committee's primary role is to advise the Board on matters and issues affecting and impacting upon the Community. Current membership of the Committee is Mrs J A Hoban, Chairperson.

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 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 the subject of a joint Board and Trust Workshop 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	Actual	Budget	Actual	Forecast
For the year ending March	2012	2013	2013	2014
	\$000	\$000	\$000	\$000
Financial performance (includes continued and discontinued operations)				
Operating revenue	59,630	71,998	73,663	81,536
Profit before rebates and tax	11,758	16,342	19,712	21,611
Rebates	(7,579)	(8,593)	(8,251)	(8,287)
Taxation	(1,499)	(2,376)	(3,120)	(3,504)
Profit after rebates and tax	2,680	5,373	8,341	9,820
Total maintenance expenditure	3,977	3,911	4,375	3,461
Total capital development expenditure	15,697	29,809	24,063	38,401
Financial position				
Net working capital	(3,226)	(18,562)	(8,752)	(1,230)
Non current assets	239,624	258,853	253,816	282,590
Term liabilities	(44,848)	(44,994)	(45,173)	(70,389)
Net assets	191,550	195,297	199,891	210,971
Share capital	56,774	56,774	56,774	56,774
Reserves	134,776	138,523	143,117	154,197
Equity	191,550	195,297	199,891	210,971
MainPower Group Financial Ratios				
	%	%	%	%
Profit before tax/net assets	2.20	4.01	5.86	6.59
Profit after tax/total assets	1.14	2.18	3.24	3.69
Profit after tax/equity	1.41	2.78	4.26	4.77
Lines Business				
Financial performance				
Operating revenue	44,696	52,249	56,149	55,012
Profit after rebates, tax and dividends	3,451	7,327	8,028	11,762
Equity	199,308	206,311	207,761	220,709
Lines Business Financial Ratios				
	%	%	%	%
Profit before rebates and tax/net assets	6.47	9.26	9.80	10.68
Profit after tax before rebates /total assets	4.56	6.43	5.78	7.37
Profit after tax /total assets	1.43	3.15	3.32	4.21
Profit after tax/equity	1.75	3.62	3.89	5.13

Performance Statement

Customer Service and Statistics

	Actual 2012	Budget 2013	Actual 2013	Forecast 2014
For the year ending March				
Lines Business				
Quality of supply				
SAIDI - Average minutes customer is without power during the year	116.40	125.00	137.36	124.00
SAIFI - Average supply interruptions per customer during the year	1.12	1.60	1.32	1.59
Unplanned faults per 100kms during the year	3.70	4.67	4.13	6.34
Statistics				
Lines Business				
Total line service customers (number)	34,746	35,946	35,994	36,836
Gigawatthours purchased (GWHs)	541.34	601.86	587.60	585.31
Gigawatthours sold (GWHs)	517.57	568.48	551.63	552.93
Electricity loss ratio (%)	4.39	5.55	6.12	5.53
Network maximum coincidental demand (MW)	99.75	104.00	93.65	101.00
Load factor (%)	61.95	71.10	71.63	68.00
Total Transformer capacity (MW)	447.00	465.00	464.00	475.00
Transformer capacity utilisation factor (%)	22.30	21.50	20.40	21.30
Circuit length lines (kms)	4,707	4,767	4,786	4,812
Efficiency performance ¹	\$	\$	\$	\$
Capital cost per km	2,659	2,933	1,868	7,653
Capital cost per ICP	356	384	248	988
Operating cost per km	2,206	2,340	2,779	2,367
Operating cost per ICP	295	306	370	306
MainPower Group				
Number of employees	224	224	251	258
Number of work related accidents resulting in lost time	3	Nil	10	Nil
Total number of lost days as a result of work related accidents	13	Nil	16.5	Nil

Note: ¹ Efficiency Performance measures for the financial years ended March 2012 and 2013 excludes Non Distribution System Fixed Assets.





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