2020
ANNUAL REPORT

MAINPOWER NEW ZEALAND LIMITED

From North of Christchurch, through the Waimakariri, Hurunui and Kaikōura districts, MainPower New Zealand Limited delivers electricity to North Canterbury. It is our responsibility to provide a safe, secure and reliable electricity distribution network to support our region.

CONTENTS

YOUR ELECTRICITY LINES COMPANY

MainPower's role

Electricity supplying North Canterbury is generated by hydro-electric power stations throughout the South Island. Electricity travels across high voltage transmission lines and equipment owned by Transpower, called the national grid. MainPower owns and operates the power lines and equipment used to distribute electricity from the national grid to homes and businesses throughout North Canterbury. Electricity retailers then sell to electricity consumers.

Generation

Generators produce electricity. Around 32% of your electricity bill goes towards the cost of generating the electricity you use.

Transmission

Transpower is the state-owned enterprise responsible for transmitting electricity produced by generators. Around 10.5% of your electricity bill goes to paying costs involved in the national grid.

Distribution

MainPower is one of 27 electricity distributors, or lines companies, in New Zealand, responsible for the power lines and distribution networks in local areas. Around 27% of your electricity bill goes to paying costs involved in the local distribution of electricity.

Retail

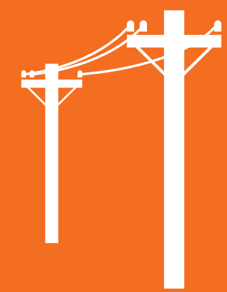
Retailers sell electricity to residential and business customers. Around 30.5% of your electricity bill goes to paying costs involved in the retail sector.

Who owns MainPower?

MainPower's ownership structure is designed to benefit the people of North Canterbury. The MainPower Trust holds the ownership of MainPower New Zealand Limited on behalf of the qualifying customers*. The seven Trustees appoint MainPower's Board of Directors, monitor the Company's performance through its Statement of Corporate Intent and regularly meet with the Directors.

Consumer ownership of MainPower entitles Qualifying Customers to a rebate. Once a customer is connected to the MainPower network, that customer is issued with a redeemable preference share (also called a rebate share) in MainPower through which they receive a rebate, which has the effect of reducing their monthly lines charge.

* Customers previously connected to the Kaiapoi Electricity Network and builders' temporary supplies are not deemed Qualifying Customers under the Trust Deed.



MainPower's network area:
11,180 square kilometers

Invested
$25.17 million
in capital expenditure throughout North Canterbury

Paid
$10.55 million
in Qualifying Customer rebates

MAINPOWER BOARD OF DIRECTORS

Tony King (Chair)

Tony joined as a Director in August 2016 and was appointed Chair in July 2017. He is a member of the Board's Remuneration Committee, Audit and Risk Committee, and the Safety, Health, Wellbeing and Environment Committee.

Tony has extensive experience in senior operational and corporate management roles, as an independent consultant, and over 15 years as a company director.

Other directorships:
Mt Cass Wind Farm Ltd, Greenpower NZ Ltd, Option One Ltd and Red Bus Ltd.

Graeme Abbot

Graeme joined as a Director of MainPower in August 2016 and is Chair of the Board's Remuneration Committee and a member of the Safety, Health, Wellbeing and Environment Committee.

Graeme is currently General Manager of Hanmer Springs Thermal Pools and Spa, working closely with the complex owner Hurunui District Council, to promote the local region as a significant tourism destination.

Other directorships:
Mt Cass Wind Farm Ltd, Greenpower NZ Ltd.

Janice Fredric

Janice joined as a Director of MainPower in August 2016 and is Chair of the Board's Audit and Risk Committee.

Janice is a professional director with a broad portfolio of current and past directorships and extensive executive experience. She is a Chartered Accountant and a Chartered Member of the Institute of Directors and holds a Master of Business Administration (Massey).

Other directorships:
Janice is Chair of the Civil Aviation Authority and the Aviation Security Service. She is a council member of Lincoln University and a Director of Credit Union Baywide, Mt Cass Wind Farm Ltd, Greenpower NZ Ltd and NZ Shipwreck Welfare Trust (Trustee).

Fraser Jonker

Fraser joined as a Director of MainPower in August 2018.

Fraser is the current CEO of Pioneer Energy, a position held since 2010. He has more than 25 years' experience in the energy sector as an energy consultant in South Africa before moving to New Zealand and being involved in the distribution, generation and retail environment in both New Zealand and Australia.

Other directorships:
Mt Cass Wind Farm Ltd, Greenpower NZ Ltd, Ecogas GP Ltd, Southern Generation GP Ltd and Dairy Creek GP Ltd.

Stephen Lewis

Stephen joined as a Director of MainPower in September 2008 and is Chair of the Safety, Health, Wellbeing and Environment Committee and a member of the Remuneration Committee. He also sits as the Board representative on the Strategic Asset Management Steering Group.

Stephen is a company director and business consultant with over 45 years' experience in the electricity supply industry. He has held governance positions in the commercial and not-for-profit sectors. He has previously held executive and senior operational roles in the UK, US and South America. Stephen is a Chartered Member of the Institute of Directors.

Other directorships:
Mt Cass Wind Farm Ltd, Greenpower NZ Ltd.

Brian Wood

Brian joined as a Director of MainPower in August 2018 and is a member of the Audit and Risk Committee.

Brian is an experienced professional director with extensive consulting experience. He is also a Chartered Fellow of the Institute of Directors and holds a Master of Business Administration (Otago).

Other directorships:
Brian is Chairman of Canterbury Linen Services Ltd, Delta Utility Services, Invercargill City Holdings Ltd, Buller Holdings Ltd, Westreef Services Ltd and also the Oversight Group for the construction of the highway and rail line from Picton to Christchurch. He is a director of Lyttleton Port Company Ltd and Harrison Grierson Holdings Ltd, HWPC Ltd, Invercargill Central Ltd, Invercargill City Forest, Espatial Ltd, Mt Cass Wind Farm Ltd, Greenpower NZ Ltd and Harrison Grierson Holdings Ltd.

CHAIR'S REVIEW

Last year's Chair's Review foreshadowed focus and effort to go into four areas: operating results, asset management, network pricing and strategic developments and it is gratifying for the Board to see the progress that has been made by the MainPower team in these areas.

Financial Results

2020 was a year of strong performance with the Statement of Comprehensive Income showing operational profit after tax of $4.95m up from $1.56m last year. This was largely driven by strong lines revenue, and efficiency and effectiveness in delivering both maintenance and the expanded capital works programme. The increase in the value of the distribution network further boosted the results to give a total income of $10.73m.

Revenue was up on last year with $59.40m in 2020 versus $56.21m last year. This was helped by irrigation continuing through the dry autumn months we have experienced in North Canterbury, partly offset by reduced contracting and customer contribution revenues. Customer rebates were also higher this year, benefitting North Canterbury consumers by $10.55m in 2020 compared to $9.68m in 2019.

Expenditure was favourably influenced by lower Transpower transmission charges, containment of discretionary costs across the business, and more efficient delivery of the network works programme.

Revenue from contracting and capital contributions continues to trend downwards compared to prior years as activity falls in land development. The Company has continued to focus on improving operating performance to position MainPower for sustainable growth opportunities.

"The Board will continue to prioritise the safety, reliability and resilience of the network as well as ensuring the delivery of a quality service to North Canterbury."

Asset Management

The 2020 Asset Management Plan (AMP) set an ambitious target for maintaining and developing the electricity distribution network and I am pleased to acknowledge the success in this area. The most notable improvement is the increase in capital spend with $19.69m being invested into our network this year compared to $7.87m in 2019. This was achieved through the Company bedding in the changes to planning, engineering, economic assessment and approval processes by the Board and management, and then delivery by the wider MainPower team.

The Board will continue to prioritise the safety, reliability and resilience of the network as well as ensuring the delivery of a quality service to North Canterbury.

Our network maintenance and upgrade plans for the 2021 year are just as ambitious with a continued focus on delivery of the AMP and a number of major projects on the horizon including the Southbrook 66kV substation upgrade, Ludstone zone substation switchgear replacement and the Hanmer 33kV sub transmission line conductor upgrade.

Network Pricing

This year the business has been implementing the new pricing structure as developed during the network pricing review conducted in 2018-2019. We have responded to the greater transparency and cost reflective pricing structures sought by the regulatory agencies.

Taking effect from 1 April 2020, our changes include rebalancing charges across all the customer groups to more accurately reflect the actual cost to supply these groups, as well as increasing the fixed charges and reducing the variable charges given the largely fixed nature of network costs. These changes will reduce the volatility of revenues to MainPower and give more cost certainty to consumers. MainPower's overall revenue requirement is expected to decrease in the 2020-21 financial year compared to the 2019-20 financial year. This is driven by several factors including a decrease in the charges paid to Transpower for transmission service.

Strategic Developments

To meet the evolving needs of customers and support the decarbonisation of the economy, we are progressing with our Mt Cass Wind Farm. The Board made the investment decision in December 2019 with the expectation of reaching financial close early in the 2020-21 year. Unfortunately the economic upheaval of COVID-19 has delayed progress somewhat and it will be later in the 2020-21 year before final approvals can be considered.

MainPower has also invested in Solagri, a business specialising in on-farm solar and battery systems generating low cost electricity for agri-businesses. We are looking forward to seeing this further evolve and grow this coming year.

"We continue to focus on becoming the 'lines company of the future'"

We continue to focus on becoming the 'lines company of the future' through operating and developing an active distribution system comprising networks, demand, generation and low-carbon technology devices. As an effective lines company, we will enable our consumers to transfer to low-carbon technologies, improve self-healing of the network, increase automation and reduce the overall impact of outages on consumers.
To move towards this, we need to maintain and build on the value in our assets and services including the implementation of an Advanced Distribution Management System. Collaboration with other lines companies is also highly desirable. Common architecture, access and competency will minimise risk across regions and develop resilience across the industry. More information on our transition to the 'lines company of the future' can be found in the AMP document available on the MainPower website.

The Board would like to thank Andy Lester, the executive team and the wider MainPower team for their efforts throughout the 2019-20 year and look forward to continuing to work with the executive team to deliver strong results for MainPower and the North Canterbury community.

I personally would like to thank my fellow directors who have all contributed greatly to the Company with a substantial time commitment made around the Mt Cass Wind Farm in particular. With two new directors appointed last year, we reshaped our committee structure and membership to continue to refine and enhance governance practice at MainPower.

Tony King
Chair
MainPower New Zealand Limited

MAINPOWER EXECUTIVE TEAM

Andy Lester

Chief Executive

Andy's priority is enabling a strong team to deliver the Asset Management Plan and position the business for growth in the future. Through strengthening the core business, he is ensuring MainPower is able to provide a safe, secure and sustainable business for current and fututre generations.

Mark Appleman

General Manager - Network

Maintaining public safety, delivering the projects detailed in the Asset Management Plan and preparing the network for the future is what the Network team aims to achieve. Through strategic network investment and a reinvigorated maintenance programme, MainPower can better manage network performance and leverage data to make improved risk-based decisions.

Sarah Barnes

General Manager - Finance

The Finance team is responsible for organising the financial and accounting affairs of the Company and the provision of strategic advice to managers to assist with ongoing decision making. The team aims to provide timely and meaningful financial reporting while bringing structure, process and discipline into transactional processing.

Karen Cameron

Safety and Business Risk Manager

The Safety and Business Risk team's mission is to integrate risk into everything we do at MainPower. By building a deeper understanding of critical risk we are able to prioritise prevention activities designed to keep our people, community and environment safe.

Geoff Gale

Chief Information Officer

Through delivering a range of technological solutions while driving best practice, the Information Technology team is allowing MainPower to be more successful in current and future endeavours. This is also demonstrated through efficiency gains and cost reductions based on the technologies being adopted and operational excellence being achieved.

Penny Kibblewhite

General Manager - Customer and Corporate Relations

The Customer and Corporate Relations team is dedicated to improving the customer experience, enhancing our digital platforms and continuing to support North Canterbury through our community and sponsorship activities. Proactive customer engagement is helping to inform our Asset Management Plan and strategic decisions to ensure we take into consideration the needs of current and future generations.

Sandra O'Donohue

General Manager - People and Culture

Providing a fair and supportive work environment where the highest levels of competency are maintained is one of the core focus areas for the People and Culture team. Personal development is encouraged for all employees and employee engagement is actively measured on a regular basis.

Doug Parker

General Manager - Field Services

The Field Services team is responsible for delivering work throughout North Canterbury while ensuring safety, cost, quality, delivery and the requirements of the customer are always kept in mind. Work management is is continually being refined including all workflow, job costing, productivity and reporting elements.

Todd Voice

General Manager - Commercial

Delivering shareholder value through continual business improvement and new growth opportunities is the aim of the Commercial team. Maintaining positive relationships with industry regulators and suppliers is also key to ensuring MainPower is compliant and meeting all business requirements. The team is also leading the delivery of the Mt Cass Wind Farm project.

CHIEF EXECUTIVE'S MESSAGE

Welcome to MainPower's Annual Report for 2020. This is our opportunity to share a summary of our performance over the 2019-20 financial year and our goals for the year ahead.

As MainPower is a consumer-owned business, the interests of our customers drive our decisions to make sure we are adding value to the North Canterbury community.

I have now been with MainPower for over two years and during this time I have been fortunate to help create and lead a very strong team. I am extremely proud of our entire team who are focused on finding opportunities to improve the business and make our systems and processes more efficient while prioritising the needs of our customers.

We have proved that with planning, the right people and teamwork we can achieve success. In the 2019-20 financial year we made an operational profit after tax of $4.95m compared to $1.56m the previous year, which included a number of one-off costs, write offs and adjustments. Our latest result is evidence of the benefit of increased cohesion within the business and everyone working towards a common goal, as well as using our systems to provide timely, accurate information to help us make improved decisions.

We are fortunate this strong financial result, and the resilience and passion of our team, got us through the Covid-19 impact on the business. As an essential service provider, MainPower was still operating, albeit at a reduced level, throughout the lockdown and continued to actively address faults on our network at Alert Level 4. At Alert Level 3 and 2 we were able to recommence our works programme, bring staff back into our offices and rework the delivery of our yearly Asset Management Plan (AMP) by condensing it into just 10 months.

The safety and resilience of our network is still a top priority; throughout the 2019-20 year our maintenance works programme included pole replacements, ring main unit replacements and low voltage link box replacements as well as a number of major projects including the Pines Beach upgrade, Kaikōura Zone substation transformer fan upgrade and the Cheviot to Oaro sub transmission line upgrade, to name a few.

Although we got off to a slower start than we planned in the first quarter in the 2019-20 financial year, we were able to increase the intensity and deliver our large works programme resulting in a successful year with $25.12m in capital and maintenance spend. This far exceeded the spend in the previous year of $13.40m.

We have continued with our increase in 'planned works' throughout 2019-20 to replace high risk assets. As MainPower's network is predominantly rural, there can be limited options to redirect power, therefore impacting network performance resulting in an increase in SAIDI. Over the next few years we will see a reduced impact on network performance as more assets are renewed and the Advanced Distribution Management System (ADMS) is implemented.

We have now witnessed the impacts of a wet summer versus a dry summer and the difference this can make to our business. The weather is beyond our control and we still have a network to maintain no matter how our revenues are impacted. However, with the new pricing structure introduced on 1 April 2020, we are making strides towards ensuring the structure of our fixed and variable charges more accurately reflect our business.

These changes mean the business will be less vulnerable to revenue peaks and troughs due to fluctuations in consumption and customers should see more consistency in their billing (however this will depend on the way their specific retailer chooses to apply the change). This is the start of a phased approach over the next four years to rebalance charges and will allow the business to more accurately plan for the future and invest the required amount into maintenance to enable us to consistently provide a safe and reliable network.

The progress made on the Mt Cass Wind Farm over the 2019-20 year is encouraging and we are hoping to reach financial close this year. We are pleased to say the Mt Cass Wind Farm will be the largest wind farm developed by a non-gentailer in the electricity industry and the largest wind farm in the South Island with a maximum generation output of 93MW. To put this into perspective, the Mt Cass Wind Farm has the capacity to power about 40,000 residential homes, similar to the number of homes in North Canterbury. This is a wonderful opportunity for MainPower shareholders to take pride in supporting New Zealand to meet future energy demands. More information on this exciting project can be found at mtcasswindfarm.co.nz.

In the 2019-20 financial year we have provided $10.55m worth of rebates to our customers, as well as $429,836 of community support to over 160 not-for-profit groups and schools through our community engagement and sponsorship programme.

To reinforce our commitment to providing a better experience for our customers, we have fully redeveloped the MainPower website and this went live in early 2020. We have made it easier for our customers to communicate with us and submit applications online. The website integrates with our Customer Relationship Management platform to ensure information submitted online is automatically assigned to the correct team within the business to allow for more efficient processing, reducing the additional emails and phone calls previously required to process jobs.

We are also progressing well with our Advanced Distribution Management System (ADMS) implementation. This technology will allow us to better serve our customers through real-time network visibility allowing us to respond to faults and manage maintenance on our network more efficiently. We expect this to be 'live' before the end of this year.

I'm incredibly proud in the progress the MainPower team has made over the last few years and this is evident in our results. I am looking forward to further enhancing the business and looking for opportunities to deliver even greater value to our shareholders, the people of North Canterbury.

Andy Lester
Chief Executive
MainPower New Zealand Limited

ASSET MANAGEMENT

MainPower owns and operates the electricity distribution network of North Canterbury. Our Asset Management Plan outlines our commitment to providing a safe, secure and reliable network that delivers electricity and energy services.

The Asset Management Plan is MainPower's pledge to provide the energy needs of our communities, now and in the future, as well as contributing to the growth of a vibrant and prosperous region while fulfilling our obligation as responsible custodians of MainPower's electricity distribution network.

This reporting year MainPower completed a review of our asset management practices, which highlighted an increased need for maintenance and asset renewals. At the same time the industry is facing significant transformation, driven by decarbonisation, decentralisation and digitisation (known as the New Energy Future).

These are exciting times as New Zealand transitions to a low carbon economy. The services MainPower provides will become increasingly important, with the Company acting as the backbone for decarbonisation and the sustainable future of our communities.

The Asset Management Plan 2020-2030 details how MainPower will invest prudently in our electricity distribution network and related services for the next 10 years and how these services will enhance the delivery of safe, reliable and sustainable low carbon energy-powering our communities while delivering value to our shareholders. The document is available for download on our website mainpower.co.nz.

Added **909** new connections

Making a total of **41,818** customer connections

114 new solar connections making a total of **958**

CUSTOMERS

Residential	34,078
Non-Residential	5,957
Irrigation	1,421
Large user*	46
Other	316

*Large users consume more than 500,000 kWh per annum.

Network made up of around **65,000** poles

Increased total length of network lines to **5,121 km**

Delivered **634 GWh** of energy to our customers

An increase of 6.5% on last year

MAINTENANCE PROGRAMME DELIVERED

Voltage support for Waikuku, Tuahiwi, Cheviot

Early works for Hanmer, Kaikōura, and Rangiora security of supply enhancements and Cheviot to Oaro line upgrade

Network Upgrades

Ring Main Unit replacements	28
Low Voltage Link boxes replaced	70
Poles replaced	1,085

Network Pricing

We concluded our network pricing review in the last year. Based on the findings and recommendations from the review, a new pricing methodology (incorporating a road map for the future) and new pricing structures were developed and implemented.

To prepare for the pricing changes, MainPower undertook a significant amount of work to identify the cost of providing electricity distribution services to each installation control point (ICP) on our network.

We also gathered feedback through community consultation and consulted with retailers and customers on new pricing options when developing our pricing strategy.

The changes to MainPower's pricing structure took effect on 1 April 2020. The main changes are a rebalancing towards a more 'fixed' and less 'variable' charge structure, rebates paid as a percentage discount off the fixed charge and a simplification of pricing regions and categories.

These changes reflect the regulatory requirement of more transparent, cost-reflective pricing. They reduce exposure to lines charge volatility due to climatic conditions for both MainPower and customers and assist in encouraging further electrification within our network, particularly transport and industrial heat required in manufacturing processes.

MANAGING OUR RISK

The safety of our people, customers and community is at the heart of what we do. We continue to make improvements in our critical risk identification and control processes, while championing health and safety initiatives within our team.

The risk journey so far

This year, our risk programme moved from strength to strength as we undertook a range of activities to increase awareness of our critical risks and the importance of putting controls in place to prevent a significant event from occurring. The following diagram summarises the work undertaken so far.

Developed risk matrix
Specific to MainPower

Held risk workshops
More than 40 workshops held, with Executives as Risk Owners

Established critical risks
Safety and Business – 10 safety critical, 4 business critical bow ties, developed risk management plans and processes

Increased visibility through good reporting
Incidents/near misses focus on critical risks for Board and Executive

Created Critical Control Observations (CCOs)
Using Vault Check we connected critical risks to check controls are in place

Introduced the risk process to the business
Workshops, e–learning, Promapp & Vault

Measure Control Effectiveness
Good data from the CCOs and Vault reports provide accurate analysis

Focus on continuous improvement
Gaps/improvements link back into bow–ties and processes (Promapp)

Risk glossary

Critical risk

- The actual or potential to cause death to employees, contractors or members of the public;
- Cause significant property damage; or
- Cause MainPower to be severely impacted as a business.

Critical control

A step taken to mitigate a risk.

Critical Control Observation (CCO)

Verifies that a critical control is in place and effective for managing risk.

Effective controls

This year all MainPower staff had a target of completing at least one Critical Control Observation (CCO). In total, 430 CCOs were carried out, against a target of 334. Getting a picture of the scale and risk of the jobs our crews undertake everyday has been an incredible learning opportunity for the entire team. Our plan is to widen these observations to include business critical risks next year, broadening our perspective of risk.

Climate Change

Understanding how climate change may impact the safety and security of our network is an ongoing focus for the MainPower team. Specific priorities include identifying and managing:

- areas prone to flooding and rising sea levels;
- the impacts of climate variability;
- changing average rainfall and temperature;
- droughts; and
- more extreme weather events.

These are all threats that may compromise our assets and ability to supply electricity. We are currently conducting a study on critical assets at risk of high impact low probability events. This work and the subsequent findings will be included in future Asset Management Plans.

Rewarding creative health and safety thinking

Established in 2011, the annual Workplace Safety Innovation Award encourages our staff to think proactively about safety and to come up with creative, practical ideas to improve outcomes for our team and the public.

The 2019 winners:

- **Arron May (Line Mechanic)**
  Arron's entry addressed two critical risks; working under a suspended load and exposure to electrical risks. He designed an insulated guidance tool to guide power poles being suspended by truck mounted cranes. This reduces the risk of being under a suspended load, and the insulated tool also reduces the risk of electric shock if the crane came into contact with power lines.
- **Stephen Robinson (Utility Arborist Foreman)**
  A merit award went to Stephen Robinson for his Chainsaw Arm Protection submission. The arm protector was designed specifically for use in the electricity industry. Stephen worked with chainsaw suppliers, Stihl, to test the forearm protector. The product is now available for purchase across New Zealand through Stihl.

Arron testing a prototype of his insulated guidance tool.

SUSTAINABILITY

At MainPower we have chosen to adopt a number of the United Nations Sustainable Development Goals into our environmental strategy and our overall strategic business plans. We have identified the goals most relevant to our industry and will continue to work to introduce practical initiatives to support these.

The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address global challenges, including those related to poverty, inequality, climate change, environmental degradation, peace and justice. The goals are all interconnected, and in order to leave no one behind, the United nations believes it is important these goals are achieved by 2030. The following points outline the targets of the global initiatives where we, as an organisation, can contribute.

NO POVERTY

- All jobs have been maintained at MainPower post the Covid-19 pandemic.
- We continue to support critical customers, where possible, during disaster events.
- We maintain our incident management systems and capabilities (5 Rs).

GOOD HEALTH AND WELL-BEING

- We deliver a comprehensive employee Health and Wellness Programme that encompasses physical, emotional, intellectual, mental, social and environmental wellbeing elements.

QUALITY EDUCATION

- Delivery of our Apprenticeship Programme has been maintained.
- The annual Bright Spark Scholarship is open to family members of employees, and an Electric Power Engineering Centre (EPECentre) scholarship through the University of Canterbury is made available by MainPower.
- The annual Competency Training Programme, performance and development review framework, and career development and succession planning framework is consistently delivered.

GENDER EQUALITY

- We have an even split of male and female executives.
- We continue to promote our industry within educational institutions, reinforcing the message that there are opportunities that could interest a diverse range of individuals.
- We sponsor the EPECentre, who actively promote women in engineering.
- Interns from all backgrounds are encouraged to apply for summer internships.
- We follow the Equal Employment Opportunities framework.

AFFORDABLE AND CLEAN ENERGY

- Delivery of the Mt Cass Wind Farm is a priority.
- Uptime on the Cleardale Hydro station is maintained.
- We are delivering the Proof of Concept for Solagri, a solar initiative for agri-businesses.
- MainPower has developed our own electricity retail brand, Kākāriki Power, to encourage more competition within the retail electricity market.
- We will continue to collect and analyse usage data from Kākāriki Power customers.
- Kākāriki Power aims to reduce the retail electricity cost for customers, keeping the savings (margin) within the North Canterbury community.
- Peer-to-peer trading is being actively explored.

DECENT WORK AND ECONOMIC GROWTH

- The Mt Cass Wind Farm project provides significant regional investment and employment opportunities.
- We are providing employment opportunities through planned growth of our network via our Asset Management Plan.
- By investing back into the North Canterbury community we are positively contributing towards economic growth.
- The wellbeing of all employees is actively supported.
- We provide equal pay for work of equal value.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- The delivery of the MainPower Asset Management Plan ensures we develop and maintain quality, reliable, sustainable and resilient electricity infrastructure throughout North Canterbury.

REDUCED INEQUALITIES

- We continue to support local organisations through our Community Engagement Programme that provide a range of social services and activities.
- We continue to reinforce our Equal Employment Opportunities philosophy in relation to opportunities for all.

SUSTAINABLE CITIES AND COMMUNITIES

- Our aim is to provide sustainable energy to the consumers within North Canterbury through actively supporting renewable energy options in New Zealand.
- Infrastructure is provided throughout North Canterbury allowing consumers to leverage distributed generation.
- Collaboration with other utility providers and industry partners supports long term planning and community resilience.
- Following through on the actions identified within the climate change bowtie (risk) is a priority.

LIFE ON LAND

- We support a range of initiatives to promote life on land including the Flight Path Programme (Orange-Fronted Parakeet) and supporting the Department of Conservation with in-kind sponsorships e.g. investigation for potential mini-hydro stations at DoC huts, installation and maintenance of mini-hydro stations at DoC huts.
- The Mt Cass Wind Farm project will result in the creation of 127 hectares of protected land, including predator free areas of native shrub and forest. Around $6m will be invested in protecting and enhancing this habitat over the life of the wind farm for future generations to enjoy.

PEACE, JUSTICE AND STRONG INSTITUTIONS

- The Board is committed to conducting all business activities, legally, ethically and with strict observance of the highest standards of integrity and propriety in accordance with the Institute of Directors in New Zealand (Inc) Code of Practice for Directors.
- Training to create awareness of fraud, corruption and bribery is delivered to all employees.
- The MainPower Procurement Policy is consistently adhered to.

PARTNERSHIPS FOR THE GOALS

- It is important for MainPower to strengthen our collaborations with local councils, other electricity distribution businesses, industry groups and customers. Through developing a better understanding of our stakeholders, including their objectives and unique challenges, it allows all parties to benefit, seek opportunities and grow while enhancing our communities.

GENERATION

Mt Cass Wind Farm

MainPower holds resource consent for a wind farm at Mt Cass, near Waipara. We have been gathering wind data from the area since the 1990s, with the original consent being granted in 2012.

In December 2019, the MainPower Board made the investment decision, subject to certain commercial decisions, to move forward with the Mt Cass Wind Farm development. Pre-construction site works are underway with financial close and offtake arrangements expected to be finalised in late 2020. Main construction will begin shortly after.

The project will pump an estimated $60m into the local economy and create around 100 jobs during the construction phase alone.

When completed, the wind farm will be the largest wind farm in the South Island with a maximum generation output of 93MW, enough to power 40,000 homes.

In order to meet the country's future energy demands, the New Zealand government estimates that 1,000 new wind turbines, generating 3,390MW, will be required before 2050. The Mt Cass Wind Farm Project will make a positive contribution towards achieving this goal, while providing greater security of supply for the South Island.

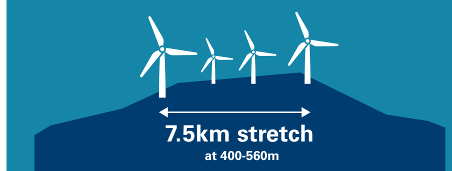
More information about the project can be found at mtcasswindfarm.co.nz.

Mt Cass Wind Farm

MT CASS WIND FARM, AT A GLANCE

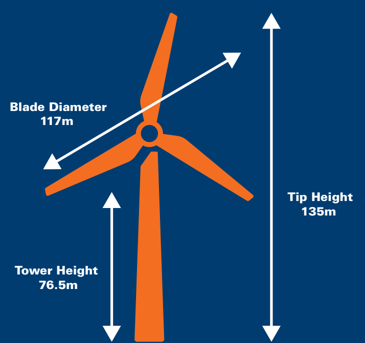
22 turbines

along a 7.5 km stretch on the ridge of Mt Cass



Turbine model

GE 4.2–117



93MW capacity

enough to power 40,000 homes

Kākāriki Power

MainPower owns and operates a 1 megawatt (MW) hydro power station at Cleardale in the Rakaia Gorge, which generates around 3,500 MWh of electricity each year.

In 2018, MainPower established the Kākāriki Power retail brand so that the power generated at Cleardale could be used to power our head office, depots and substations. Our staff can also sign up with Kākāriki Power. There are currently over 40 customers (60+ ICPs)* supported by Kākāriki Power.

*Under the Electricity Industry Act 2010, an electricity distributor business (EDB) can sell up to 75 GWh of electricity per financial year to customers on their own network before they are classed as a "Connected Retailer", triggering corporate separation and arm's length obligations. There are no such limits or restrictions on retailing to customers outside an EDBs network.

Kākāriki Power

PEOPLE AND CULTURE

The MainPower team is made up of 170 dedicated field and office-based staff, spread between three depots in Rangiora, Culverden and Kaikōura.

At MainPower, our aim is to develop and nurture an engaged workforce that has a high performing and customer focused culture, where stimulating and challenging work is provided, and the health, wellbeing and development of our people is genuinely valued.

Our activities support people from attraction and recruitment, induction and early career training and development through to ongoing professional development, performance coaching and succession planning. We are committed to working with all employees to develop a positive and constructive culture that supports continuous improvement and contributes to MainPower's success.

Wellness Programme

MainPower continues to prioritise supporting the overall health and wellbeing of our people. Our Wellness Programme offers a range of benefits, from subsidised health insurance and gym membership to free health checks and vaccinations. Our Employee Assistance Programme provides confidential counselling and support services to staff and their families.

Flexible Working

MainPower adopted a flexible working arrangement in late 2019. Our people can opt into working a nine-day fortnight (working nine hours each day, over nine days).

Currently, we have 54 staff members (32% of total employees) in the scheme. Those in the scheme have reported positive outcomes for their personal wellbeing, work-life balance and the business as a whole.

Training and Development

Each year everyone at MainPower takes part in performance conversations, getting the opportunity to identify potential career progression, create personal development plans and take part in training activities.

OUR PEOPLE, AT A GLANCE

170
Employees

Length of service

0–5 years	75
6–10 years	36
11–15 years	20
16–20 years	20
21–25 years	5
26+ years	14

Number of staff that gained new qualifications

14

Wellness programme highlights

Influenza vaccinations	86
Opt-in health checks	63
Hearing tests	37
Live Line medicals	9
Eye checks	14
Ergonomic assessments	6

Number of apprentices/trainees

15

23 learning modules developed for Circuit (our e-learning platform)

23

mainpower / CIRCUIT

OUR CUSTOMERS

In a rapidly changing world impacted by technological advances and an increase in consumer choice, MainPower continues to focus on understanding and anticipating the future needs of our customers, while delivering high quality service in our day-to-day interactions.

Over the last year, we have continued to make improvements to our customer service tools and processes.

Hearing our customers

MainPower's customer research programme helps us to ensure that the voice of the customer is heard and considered when making business decisions.

Customer engagement workshops

MainPower held three customer engagement workshops to assist in the development of our Asset Management Plan (AMP) last year. Workshops were held in Rangiora, Culverden and Kaikōura and aimed to gather customer views on network reliability, resilience, future technologies, and pricing.

The feedback gathered helped inform the Company's decisions around investing in our network, detailed in the Asset Management Plan.

New pricing structure consultation

MainPower actively engaged with customers throughout North Canterbury to help shape the new pricing structure implemented on 1 April 2020. Both qualitative and quantitative data was collected from consumers across a range of customer groups including residential, commercial, rural and irrigation customers.

This information allowed us to better understand how rebalancing pricing across customer groups would impact them. We also sought further feedback on how their usage behaviour would be expected to change based on alterations to the fixed and variable charges. This feedback helped to inform our proactive communication approach for customers with multiple ICPs on their properties as well as irrigation customers prior to the new pricing structure taking effect.

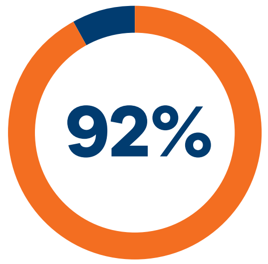
The added advantage of being able to educate participants in the engagement workshops to help them better understand MainPower's role in the electricity sector allowed for a greater level of integrity in the results. Customers felt there was great value in being able to discuss a range of network topics, including pricing, openly with MainPower's network and commercial experts.

Customer Pulse Survey

This annual benchmarking survey was launched in 2017 and provides year-on-year insights into the perception of MainPower within the community we serve.

PERCEIVED RELIABILITY

95% said MainPower provides a reliable power supply.



92% could recall at least one of MainPower's safety messages.

Monthly Voice of the Customer surveys

MainPower's monthly Voice of the Customer surveys focus on recent customer interactions. Through this research, we receive timely feedback around MainPower's day-to-day interactions with our customers, allowing us to continually monitor and improve our processes.

"The feedback gathered helped inform the company's decisions around investing in our network,"

New tools

Our new-look website, launched in December 2019, included more than just a cosmetic update.

Designed with our customers in mind, the website now features application forms that link directly to our internal customer relationship management (CRM) database.

This means that customer jobs are tracked in one central location through each stage, from the website, through to completion.

Our CRM database was introduced to the business in 2017. Three years on, it is now a core part of all our customer interactions.

OUR PLACE IN THE COMMUNITY

MainPower is committed to ensuring a bright future for North Canterbury. Through our community sponsorship programme, we support dozens of community initiatives and events each year.

In 2019-20, $429,836 was distributed in sponsorship funding via our established partnerships and the contestable MainPower Community Fund. We have four main focus areas for our sponsorship work; youth, regional economic development, energy efficiency programmes and environmental sustainability. Some of our key partnerships are profiled below.

Sponsorship profiles

Youth
North Canterbury Sport and Recreation Trust

The Trust's goal is to promote healthy lifestyles across the community by providing active sport and recreation activities across all age groups.

MainPower Waiswim Programme
Delivered lessons to 5,600+ children from 40 schools

MainPower Primary Schools Coaching Programme
Delivered coaching sessions to 7,000+ students in 41 schools

98 Youth Sports Scholarships awarded since 2004

Environmental Sustainability
MainPower Hurunui Natural Environment Fund

In partnership with the Hurunui District Council, this initiative provides support for community-led projects aimed at improving the biodiversity of the Hurunui region.

54 projects supported since 2006

Energy Efficiency
Community Energy Action

Since 2004, MainPower has supported Community Energy Action (CEA), a charitable trust that provides insulation in low income households in North Canterbury.

145 households insulated in 2019, with 68% receiving a subsidy through MainPower's sponsorship

Regional Economic Development
Enterprise North Canterbury (ENC)

MainPower has been the principal sponsor of ENC since 2010. ENC promote economic development in North Canterbury by working alongside businesses, providing training and mentorship, and initiating projects that stimulate growth in the region.

Provided 700 individual businesses with assistance and advice

Worked on 19 investment projects in the region

Assisted 61 start up businesses

37 awards given at bi-annual North Canterbury Business Awards, since inaugural event in 2008

MainPower Community Fund

A number of community events and initiatives are supported each year through the MainPower Community Fund. The contestable fund allows members of the North Canterbury community to have their say about which charitable organisations and school projects should be supported.

Community Wellbeing North Canterbury Trust received funding in 2019, which was put towards their Community Pantry and other social and community services.

The MainPower Community Fund was introduced in 2015 and has supported 87 groups so far. In 2019, separate categories were established for schools and community groups and a second funding round was held, offering a total of $60,000 in funding throughout the year.

To make a nomination, visit mainpower.co.nz.

"The MainPower Community Fund has supported 87 groups so far."

A boost for healthcare in Kaikōura

Kaikōura GP, Dr Andrea Judd, using the new ultrasound machine on CDHB Medical Radiation Technologist Amy Hislop

This year, MainPower teamed up with the Māia Health Foundation to deliver a game changing project to benefit the people of North Canterbury. A $22,000 donation contributed towards a state-of-the-art ultrasound machine for Kaikōura Health. This means that Kaikōura residents will have access to crucial acute ultrasound scanning and more rapid diagnostic assessments. Kaikōura Health provides the only 24/7 health care between Amberley and Blenheim and serves both its own rural community and the hundreds of thousands of tourists that visit the region each year and who travel along State Highway One.

" Kaikōura residents will have access to crucial acute ultrasound scanning."

MainPower New Zealand Limited

2020
FINANCIAL REPORT

DIRECTORS' REPORT

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its Subsidiaries ("the Group") for the financial year ended 31 March 2020.

Principal Activities

The principal activity of MainPower is the ownership and management of the electricity distribution network throughout the North Canterbury region.

MainPower was established in accordance with the requirements of the Energy Companies Act 1992 and the Companies Act 1993.

The Group consists of MainPower and its subsidiaries; MPNZ Investments Limited, GreenPower New Zealand Limited and Mt Cass Wind Farm Limited (as the wholly owned subsidiary of GreenPower New Zealand Limited).

Financial Reporting

The Annual Report has been prepared as two separate documents; firstly an Annual Review; and secondly the Directors' Report and Consolidated 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 Consolidated Financial Statements.

Directors' Responsibilities

The Companies Act 1993 requires Directors to prepare financial statements for the Group for each financial year so as to present fairly, in all material respects, the financial performance and the state of affairs of the Group for that financial year.

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

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

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

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

COVID-19 and the subsequent Alert Level 4 lockdown of New Zealand occurred in the last week of the reporting year. While the impact of this does not impact the going concern assumption, it has been considered in the estimates and assumptions used in the financial statements.

DIRECTORS' REPORT (CONTINUED)

Directors

Anthony Charles King	Chair
Graeme David Abbot	Director
Janice Evelyn Fredric	Director
Jan Fraser Jonker	Director
Stephen Paul Lewis	Director
Brian John Wood	Director

Dividends

The Directors of MainPower New Zealand Limited 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 distribution line charges. The rebate totalled $10.55m for the financial year ending 31 March 2020. The Directors of the Group have approved rebates for the year ending 31 March 2021 of $8.00m.

Financial Result

The Directors report that the Group's after tax profit for the financial year ended 31 March 2020 was $4.95m.

Auditor

Deloitte Limited is the auditor of the Group.

The 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 and Risk Committee to ensure that the auditor's independence is not compromised.

On behalf of the Board

A C King
Chair of Directors
MainPower New Zealand Limited

J E Fredric
Director, Chair Audit & Risk Committee
MainPower New Zealand Limited

CONSOLIDATED FINANCIAL STATEMENTS

The Directors are pleased to present the Audited Consolidated Financial Statements of MainPower New Zealand Limited and its Subsidiaries for the Year Ended 31 March 2020.

Authorised for issue on 25 June 2020 for
and on behalf of the Board of Directors.

A C King
Chair of Directors
MainPower New Zealand Limited
25 June 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 March 2020

	Notes	Group 2020 $000	Group 2019 $000
Operating Revenue	2	59,399	56,214
Operating Expenses	3	(33,874)	(38,786)
Depreciation and Amortisation	4	(16,487)	(12,968)
Finance Expenses	5	(2,332)	(2,090)
		(52,693)	(53,844)
Profit Before Income Tax Expense		**6,706**	**2,370**
Income Tax Expense	6	(1,760)	(809)
Profit and Other Comprehensive Income from Continuing Operations		**4,946**	**1,561**
Loss from Discontinued Operations, Net of Tax	7	-	(913)
Profit After Income Tax Expense		**4,946**	**648**
Gain on Revaluation, Net of Deferred Tax		5,786	380
Total Comprehensive Income		**10,732**	**1,028**

The accompanying notes form part of, and should be read in conjunction with, these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2020

	Share Capital $000	Retained Earnings $000	Asset Revaluation Reserve $000	Total Equity $000
Balance at 31 March 2018	56,774	132,654	38,002	227,430
Profit from Continuing Operations	-	1,561	-	1,561
Loss from Discontinued Operations	-	(913)	-	(913)
Gain on Revaluation, Net of Deferred Tax	-	-	380	380
	-	648	380	1,028
Adjustment Arising from Loss of Control of Subsidiary	-	4,413	(4,413)	-
Balance at 31 March 2019	**56,774**	**137,715**	**33,969**	**228,458**
Profit from Continuing Operations	-	4,946	-	4,946
Gain on Revaluation, Net of Deferred Tax	-	-	5,786	5,786
Balance at 31 March 2020	**56,774**	**142,661**	**39,755**	**239,190**

The accompanying notes form part of, and should be read in conjunction with, these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

ASSETS	Notes	Group 2020 $000	Group 2019 $000
Current Assets			
Cash and Cash Equivalents	9	6,034	8,793
Current Tax Asset		-	408
Trade and Other Receivables	10	7,212	6,960
Inventories	11	3,180	2,319
Prepayments		1,332	752
Other Current Financial Assets	12	3,012	3,020
Total Current Assets		20,770	22,252
Non-Current Assets			
Property, Plant and Equipment	13	286,983	276,587
Capital Works Under Construction	14	8,578	3,114
Intangible Assets	15	2,963	2,028
Right-of-Use Assets	17	17,257	-
Total Non-Current Assets		315,781	281,729
Total Assets		**336,551**	**303,981**
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and Other Payables	18	8,820	6,196
Current Tax Liability		1,110	-
Current Borrowings		-	22,000
Other Current Financial Liabilities	19	1,920	-
Total Current Liabilities		11,850	28,196
Non-Current Liabilities			
Deferred Tax Liabilities	20	43,891	44,032
Non-Current Borrowings	21	22,000	-
Interest Rate Swaps		3,206	2,689
Non-Current Provisions	22	890	600
Other Non-Current Financial Liabilities	23	15,524	6
Total Non-Current Liabilities		85,511	47,327
Total Liabilities		**97,361**	**75,523**
Equity			
Share Capital	8	56,774	56,774
Reserves		39,755	33,969
Retained Earnings		142,661	137,715
Total Equity		**239,190**	**228,458**
Total Equity and Liabilities		**336,551**	**303,981**

The accompanying notes form part of, and should be read in conjunction with, these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended 31 March 2020

	Group 2020 $000	Group 2019 $000
Cash Flows from Operating Activities		
Receipts from Customers	58,490	56,297
Interest Received	188	158
Payments to Suppliers and Employees	(31,555)	(40,312)
Interest and Other Finance Expenses Paid	(1,417)	(2,137)
Income Tax Paid	(1,358)	(1,689)
Cash Flows from Discontinued Operations	-	(255)
Net Cash Provided from Operating Activities	24,348	12,062
Cash Flows from Investing Activities		
Proceeds from / (Payments to) Investments	(12)	-
Payments for the Purchase of Property, Plant and Equipment	(22,919)	(5,366)
Proceeds from the Sale of Property, Plant and Equipment	195	86
Payments for the Purchase of Intangible Assets	(2,250)	(1,742)
Cash Flows from Discontinued Operations	-	3,500
Net Cash Used in Investing Activities	(24,986)	(3,522)
Cash Flows from Financing Activities		
Repayment of Lease Liabilities	(2,121)	-
Repayment of Borrowings	-	(900)
Net Cash Used in Financing Activities	(2,121)	(900)
Net (Decrease) / Increase in Cash and Cash Equivalents	(2,759)	7,640
Summary		
Cash and Cash Equivalents at Beginning of Year	8,793	1,153
Net (Decrease) / Increase in Cash and Cash Equivalents	(2,759)	7,640
Cash and Cash Equivalents at End of Year	**6,034**	**8,793**

The accompanying notes form part of, and should be read in conjunction with, these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2020

1. Statement of Accounting Policies

Reporting Entity

MainPower New Zealand Limited (the Company) is a profit-oriented company incorporated in New Zealand under the Companies Act 1993 and the Energy Companies Act 1992. The Group consists of the company and its Subsidiaries (refer also to Note 25).

The Group primarily operates in one segment, owning and managing the electricity distribution network throughout North Canterbury.

Statement of Compliance

MainPower New Zealand Limited's parent and ultimate controlling entity is the MainPower Trust. These Consolidated Financial Statements comply with the Companies Act 1993 and section 44 of the Energy Companies Act 1992.

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

Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with NZ GAAP and NZ IFRS RDR.

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

These Consolidated Financial Statements are presented in New Zealand dollars, rounded to the nearest thousand.

Use of Estimates and Judgements

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

Specific Accounting Policies

The following significant accounting policies have been applied in the preparation and presentation of these Consolidated Financial Statements:

(a) Revenue Recognition

The Group is in the business of providing electricity distribution and generation services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

i. Electricity Line Revenue

Electricity line revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of electricity distribution services, revenue is recognised over time based on an output method as the service is delivered to match the pattern of consumption.

ii. Generation Revenue

Generation revenue is at the fair value of electricity generation services provided.

iii. Customer Contribution Revenue

Customer contribution revenue is recognised at the fair value of the works completed at a point in time.

iv. Contracting Revenue

Contracting revenue is recognised at the fair value of the works completed or goods provided. For contracts with multiple performance obligations, revenue is recognised at a point in time when the performance obligation is satisfied.

v. Revenue from Sale of Assets

Revenue from the sale of an asset is recognised when control of the asset is transferred.

vi. Interest Revenue

Interest revenue is recognised in profit or loss as it accrues, using the effective interest rate method.

(b) Finance Expenses

Finance expenses are expensed using the effective interest rate method to the Consolidated Statement of Comprehensive Income, unless they directly relate to the construction of qualifying assets, in which case they are capitalised.

(c) 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 has incurred in the maintenance and operation of the property, plant and equipment of the Group.

(d) Inventories

Inventories are valued at the lower of cost at weighted average cost price or net realisable value.

(e) Property, Plant and Equipment

All property, plant and equipment is initially recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and an allowance for overheads.

Land and buildings are valued at fair value as 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 Consolidated 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 significantly different from fair value.

The electricity distribution network is valued at fair value as determined on the basis of a periodic independent valuation prepared by external valuers, based on a discounted cash flow methodology. The fair values are recognised in the Consolidated 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(h).

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 to a previous revaluation of that asset.

Capital Works Programme

The Group operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved Asset Management Plan. Losses on contracts are taken to profit or loss in the period in which they are identified. Refer also to Note 13 Property, Plant and Equipment regarding revaluations.

(f) Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a combination of straight line and diminishing value basis on all tangible assets, with the exception of land, at rates calculated to allocate the asset's fair value, less any residual value, over their useful lives.

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.

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
Buildings	1 to 100
Electricity Distribution Network	1 to 102
Plant, Equipment, Vehicles, Furniture and Fittings	2 to 25
Generation Assets	1 to 50

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 that 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.

(g) Intangible Assets

i. 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 five years.

ii. 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.

(h) Impairment of Non-Financial 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

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

(h) Impairment of Non-Financial Assets (continued)

Consolidated 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. Any 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.

(i) Leased Assets

MainPower leases certain motor vehicles, plant and equipment, sites, accessways, concessions and electricity distribution equipment. At contract inception all contracts are assessed as to whether they contain a lease. That is, if the contract conveys the right to control the use of the identified asset(s) for a period of time in exchange for consideration.

i. Right-of-Use Assets

MainPower recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

	Years
Sites, Accessways and Concessions	10 to 22
Plant, Equipment and Vehicles	5 to 7
Electricity Distribution Equipment	20 to 20

If ownership of the leased asset transfers to MainPower at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets is also subject to impairment in accordance with Note 1(h).

ii. Lease Liabilities

At the commencement date of the lease, MainPower recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by MainPower and payments of penalties for terminating the lease, if the lease term reflects MainPower exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

MainPower has applied the 'practical expedient' approach that allows non-lease components to be treated as a single lease component in relation to the service charge on some of its motor vehicle lease contracts.

In calculating the present value of lease payments, MainPower uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the assessment of an option to purchase the underlying asset.

MainPower's lease liabilities are included in Other Financial Liabilities and apportioned into Current and Non-Current terms.

iii. Short-Term and Lease of Low-Value Assets

MainPower applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(j) 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 the Inland Revenue Department are shown net in the Consolidated Statement of Cash Flows.

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

(k) Income Tax

Income tax expense in relation to the surplus for the year comprises of 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.

From 1 April 2020 tax depreciation will be reintroduced on Building assets.

(l) Employee Benefits

Provisions made in respect of employee benefits expected to be settled within twelve 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 twelve months, such as long service leave, 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.

(m) Financial Instruments

The Group classifies its financial assets and liabilities into one of the categories below depending on the purpose for which the asset was acquired, or the liability was incurred. The Group's accounting policy for each category is as follows:

i. Cash and Cash Equivalents

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

ii. 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.

iii. Financial Assets at Amortised Cost

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position. Cash and cash equivalents consist of cash on hand, deposits held at call with banks, and other short term highly liquid investments.

Accounts receivable are stated at amortised cost less impairment losses. Impairment provisions for trade receivables are based on the simplified approach within NZ IFRS 9 whereby the probability of the non-payment of the trade receivables is assessed based on an expected credit loss (ECL) approach. Trade receivables are reported net of impairment, provisions for impairment are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value is written off against this provision. Intergroup balances due from subsidiaries and associates are stated at cost less impairment losses.

iv. Fair Value through Profit and Loss

The Group has certain derivates which are stated at fair value and the movements are recognised in profit or loss (refer to Note 1(m) viii.).

v. Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at fair value (being cost), and subsequently at amortised cost.

vi. 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.

vii. 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

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

***vii. Financial Instruments Issued by the Group** (continued)*

or as distributions of profit consistent with the Consolidated Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

viii. Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps. Further details of derivative financial instruments are disclosed in Note 30. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

(n) Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company.

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to profit or loss in the period of acquisition. The Consolidated Financial Statements include the information and results of each subsidiary from the date on which the Group obtains control and until such time as the Group ceases to control the subsidiary. In preparing the Consolidated Financial Statements, all intergroup balances and transactions, and unrealised profits arising within the Group are eliminated in full.

In dealing with acquisitions from entities under common control, the assets and liabilities of the entity acquired is included at their pre-acquisition carrying amount. Equity of subsidiaries are shown separately in the Consolidated Statement of Financial Position.

ii. 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 Consolidated Statement of Financial Position, the Group's interest in the associate company is carried at the amount that reflects the Group's share of net assets of that company unless the Group has determined that the associate company has little or no value.

(o) 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.

NZ IFRS 16 – Leases

In the current year, NZ IFRS 16 was adopted using the modified retrospective (full simplified) transition method.

The treatment of leases previously recognised as operating leases (except for short-term and low-value leases), are now measured at the present value of the lease obligation for the lease term with a corresponding right-to-use asset. Both the lease liability and the right-to-use asset are recognised in the Consolidated Statement of Financial Position, with the interest expense on the lease liability and the depreciation expense on the right-to-use asset reflected in the Consolidated Statement of Comprehensive Income. Further details are provided in Notes 17 and 24.

(p) Adoption of New and Revised Standards and Interpretations – Standards and interpretations in Issue not yet Effective

No new accounting standards or interpretations have been adopted during the year that have had a material impact on these financial statements.

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

2. Operating Revenue

	Group 2020 $000	Group 2019 $000
Electricity Delivery Services Revenue	63,076	57,664
Customer Rebates	(10,546)	(9,677)
Net Electricity Delivery Services Revenue	52,530	47,987
Capital Contributions Revenue	3,164	3,719
Contracting Revenue	2,746	3,354
Generation Revenue	413	445
Interest Revenue	243	201
Gain on Sale of Property, Plant and Equipment	143	85
Sundry Revenue	160	423
	59,399	56,214
Timing of Revenue Recognition		
Over Time	53,346	49,056
At a Point in Time	6,053	7,158
	59,399	56,214

3. Operating Expenses

	Group 2020 $000	Group 2019 $000
Transmission Rental Charges	12,987	14,712
Employee Remuneration and Benefits	6,483	6,670
Network Maintenance	5,429	5,526
Network Operations	3,518	4,885
Generation Production and Operations	234	151
Operating Lease Costs	53	770
Community Relationship Expenses	716	1,002
Audit of the Consolidated Financial Statements	65	72
Auditor's Other Services	22	17
Directors' Fees and Expenses	385	366
Sundry Expenses	3,167	3,981
Bad Debts Written Off	82	77
Loss on Disposal of Property, Plant and Equipment	733	-
Impairment on Revaluation	-	557
	33,874	38,786

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

4. Depreciation and Amortisation

	Group 2020 $000	Group 2019 $000
Depreciation Expense on Property, Plant and Equipment	13,269	12,331
Amortisation Expense on Intangible Assets	1,315	637
Amortisation Expense on Right-of-Use Assets	1,903	-
	16,487	12,968

5. Finance Expenses

	Group 2020 $000	Group 2019 $000
Interest Expense on Loans	760	1,258
Interest Rate Swaps and Foreign Exchange Contracts Fair Value Movement	1,167	634
Interest Expense on Lease Liabilities	399	-
Sundry Finance Expenses	6	198
	2,332	2,090

6. Income Tax Expense

	Group 2020 $000	Group 2019 $000
Income Tax Expense comprises:		
Current Income Tax Expense	2,724	1,125
Adjustments to Prior Years	(130)	(6)
Temporary Differences	(834)	(421)
	1,760	698
Tax Impact of Discontinued Operations	-	111
	1,760	809
Reconciliation of Profit before Income Tax with Income Tax Expense:		
Profit before Income Tax	6,706	2,370
Prima facie Income Tax Expense calculated at 28%	1,878	664
Other Permanent Differences	12	151
Income Tax Expense	1,890	815
(Over) / Under Provision in Previous Year	(130)	(6)
	1,760	809

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

7. Loss from Discontinued Operation

Noted in last year's accounts was the sale of Vircom Energy Management Services Limited, which was a field services business focusing on core metering, solar, battery and electrical installation, and maintenance services. On 28 September 2018, Vector Limited acquired the Business Assets including the company name of Vircom Energy Management Services Limited.

Vircom Energy Management Services Limited was renamed MPNZ Investments Limited and holds the proceeds from the sale of the business which closely approximates the investment recorded in the accounts of the parent MainPower New Zealand Limited.

The results of the discontinued operations which have been included in the profit for the year ended 31 March 2019 were as follows:

	2019 $000
Revenue	6,689
Expenses	(7,153)
Loss Before Income Tax Expense	(464)
Income Tax Benefit	264
Loss After Income Tax Expense	(200)
Goodwill Write Off on Sale of Business	(713)
Loss from Discontinued Operations	(913)

The post-tax gain on disposal of Discontinued Operations was determined as follows:

Cash Consideration Received	3,500
Net Assets Disposed (other than cash):	
Property, Plant and Equipment	472
Work in Progress	15
Inventories	34
Other Financial Assets	10
Intangible Assets	2,847
	3,378
Gain on Sale	122
Related Tax Expense	(34)
Gain on Sale of Discontinued Operations	88

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

8. Share Capital

	Group 2020 $000	Group 2019 $000
56,774,000 Fully Paid Ordinary Shares	56,774	56,774

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

9. Cash and Cash Equivalents

	Group 2020 $000	Group 2019 $000
Current Account	3,034	4,085
Short Term Bank Deposits	3,000	4,708
	6,034	8,793

10. Trade and Other Receivables

	Group 2020 $000	Group 2019 $000
Trade Receivables	7,292	6,297
Provision for Doubtful Debts	(135)	(78)
Work Under Construction	-	650
Interest Receivable	55	91
	7,212	6,960

11. Inventories

	Group 2020 $000	Group 2019 $000
Network Distribution System Inventory on Hand	3,180	2,319

12. Other Current Financial Assets

	Group 2020 $000	Group 2019 $000
Self-Insurance Fund Investment	3,012	3,000
Funds Held in Escrow	-	20
	3,012	3,020

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

13. Property, Plant and Equipment

	Freehold Land $000	Buildings $000	Electricity Distribution Network $000	Plant, Equipment, Vehicles, Furniture and Fittings $000	Generation Assets[1] $000	Total $000
Gross Carrying Amount						
Balance at 31 March 2018	3,879	17,745	269,716	16,546	15,516	323,403
Additions	-	-	7,988	358	300	8,646
Disposals	-	(349)	(183)	(2,436)	(76)	(3,044)
Revaluations	316	-	-	-	-	316
Other Adjustments	-	-	(3,280)	-	-	(3,280)
Balance at 31 March 2019	4,195	17,396	274,241	14,469	15,740	326,041
Additions	-	494	16,365	596	-	17,455
Disposals	-	-	(628)	(1,253)	-	(1,881)
Revaluations	-	-	6,760	-	-	6,760
Balance at 31 March 2020	4,195	17,890	296,738	13,812	15,740	348,375
Accumulated Depreciation and Impairment						
Balance at 31 March 2018	-	2,018	21,514	12,869	3,163	39,564
Depreciation Expense	-	389	11,166	478	298	12,331
Disposals	-	(265)	(299)	(2,286)	(60)	(2,910)
Revaluations	-	469	-	-	-	469
Balance at 31 March 2019	-	2,611	32,381	11,061	3,401	49,454
Depreciation Expense	-	965	11,463	578	263	13,269
Disposals	-	-	(414)	(917)	-	(1,331)
Balance at 31 March 2020	-	3,576	43,430	10,722	3,664	61,392
Net Book Value at 31 March 2019	4,195	14,785	241,860	3,408	12,339	276,587
Net Book Value at 31 March 2020	**4,195**	**14,314**	**253,308**	**3,090**	**12,076**	**286,983**

[1] Generation Assets have been included as a separate category at 31 March 2020, having previously been reported as part of the Plant, Equipment, Vehicles, Furniture and Fittings category. Included in the Generation Assets is $9.70m for costs incurred to date in relation to the Mt Cass Wind Farm project. The remainder relates to the Cleardale Hydro Plant.

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

13. Property, Plant and Equipment (continued)

Revaluations and Impairment Review

The Group's Electricity Distribution Network assets were revalued to fair value of $253.36m at 31 March 2020 in accordance with NZ IFRS 13 Fair Value Measurement undertaken by Ernst & Young. The valuation was undertaken on a discounted cash flow (DCF) basis and a number of external assumptions were assumed in the calculation of the DCF.

The major assumptions within the valuation included:
– Weighted average cost of capital 4.1% – 4.3%;
– Forecast cash flow, including network pricing, operating costs and capital expenditure;
– Regulatory Asset Base multiples; and
– Regulatory Cost of Capital.

The Group's Mt Cass and Cleardale Generation assets were reviewed for impairment at 31 March 2020. The review concluded that neither asset is impaired.

The major assumptions within the impairment review included:
– Weighted average cost of capital 5.63% – 6.38%;
– Risk-free rate based on the ten-year Government Stock Yield of 1.18%; and
– Forecast cash flow, including operating costs and capital expenditure.

During the Network Asset Revaluation and Generation Assets Impairment Reviews the impact of COVID-19 was considered. It did not result in any change to the results.

The Group's Land and Building assets were revalued to fair value of $18.98m at 31 March 2019 in accordance with the independent valuation conducted by FordBaker Limited.

The major assumptions within the impairment review included:
– Discount rate of 8% based upon sales evidence;
– Rental growth rate model using CPI rates of 0.0% – 2.0% over a ten-year term; and
– Capitalisation at terminal yield of 7%.

The Group's Plant, Equipment, Vehicles, Furniture and Fittings are carried at cost less accumulated depreciation.

14. Capital Works Under Construction	Group 2020 $000	Group 2019 $000
Network Distribution System	6,438	3,114
Property, Plant and Equipment	154	-
Generation Assets	1,986	-
	8,578	3,114

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

15. Intangible Assets	Computer Software $000	Goodwill $000	Total $000
Gross Carrying Amount			
Balance at 31 March 2018	3,529	713	4,242
Additions	1,742	-	1,742
Disposals	(273)	(713)	(986)
Balance at 31 March 2019	4,998	-	4,998
Additions	2,250	-	2,250
Balance at 31 March 2020	7,248	-	7,247
Accumulated Amortisation and Impairment			
Balance at 31 March 2018	2,456	-	2,456
Amortisation Expense	637	-	637
Disposals	(123)	-	(123)
Balance at 31 March 2019	2,970	-	2,970
Amortisation Expense	1,315	-	1,315
Balance at 31 March 2020	4,285	-	4,284
Net Book Value at 31 March 2019	2,028	-	2,028
Net Book Value at 31 March 2020	**2,963**	**-**	**2,963**

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

16. Leases

Transition

NZ IFRS 16 Leases introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. NZ IFRS 16 superseded the previous lease guidance including NZ IAS 17 Leases and the related interpretations when it became effective on 1 January 2019.

NZ IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others. Furthermore, the classification of cash flows is also affected as operating lease payments under NZ IAS 17 were presented as operating cash flows; whereas under the NZ IFRS model, the lease payments are split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The Group applied NZ IFRS 16 on 1 April 2019 using the modified retrospective (full simplified) transition method. At transition, lease liabilities were measured at present value of the remaining lease payments discounted at the incremental borrowing rate (IBR) as at 1 April 2019. Right-of-use assets are measured equal to lease liabilities. Comparative periods presented were not restated.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:
- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from the lease commencement date may have been more than twelve months;
- Instead of reassessing all contracts to identify leases using new NZ IFRS 16 guidance on transition date, all existing contracts that were previously identified as leases using the superseded NZ IAS 17 and NZ IFRIC 4 determinations are treated as leases under NZ IFRS 16; and
- Any contracts that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were assessed as at 1 April 2019 under the guidance of NZ IFRS 16 and were recognised as leases if required.

Most of the Group's non-cancellable operating lease commitments met the definition of a lease under NZ IFRS 16, and hence the Group recognised a right-of-use asset and a corresponding liability in respect of all these leases unless they qualified for low value or short-term leases upon the application of NZ IFRS 16. The expense that would previously be recorded in relation to operating leases moved from being included in operating expenses (and within EBITDA), to depreciation and finance expense for the period 1 April 2019 onwards.

The impact on net earnings before income tax of an individual lease over its term remains the same, however, the new standard results in a higher interest expense in early years, and lower in later years of a lease, compared with the current straight line expense profile of an operating lease.

IBR is the rate of interest that a lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR was determined based on the interest rate on the external borrowing facilities available to the Group (since those rates incorporate a risk-free rate for the primary economic environment the Group operates in and the credit spread specific to the Group), adjusted for the weighted average lease term by reference to the interest swap rates published by Westpac New Zealand Limited, adjusted for the asset type and estimated impact of COVID-19.

The IBR applied to lease liabilities on 1 April 2019 was:

Asset Type	Lease Term	Rate
Sites, Accessways and Concessions	10–22 Years	1.755%
Plant, Equipment and Vehicles	5–7 Years	2.179%
Electricity Distribution Equipment	20 Years	2.315%

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

The aggregate lease liability and right-of-use asset recognised in the Consolidated Statement of Financial Position at 1 April 2019 and the Group's operating lease commitment at 31 March 2019 can be reconciled as follows:

Lease Liability recognised on transition	Group 2020 $000
Future minimum lease payments under non-cancellable operating leases at 31 March 2019	3,811
Contract payments newly recognised as leases under NZ IFRS 16 as at 1 April 2019	18,288
Future lease payments on short-term and low value leases	(74)
Effect of discounting	(3,883)
Restated Lease Liability as at 1 April 2019	**18,142**

Right-of-Use Assets recognised on transition	Group 2020 $000
Sites, Accessways, Concessions	236
Plant, Equipment and Vehicles	4,312
Electricity Distribution Equipment	13,594
Restated Right-of-Use Assets as at 1 April 2019	**18,142**

17. Right-of-Use Assets

New accounting policy from 1 April 2019

The Group has lease contracts for motor vehicles, plant and equipment, sites, accessways, and concessions used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding liability with respect to all lease arrangements in which it is the lessee, expect for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group applies the practical expedient and recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and condition of the lease, a provision is recognised and measured under NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Right-of-use assets are depreciated over the shorter period of either the lease term or the useful life of the underlying asset. If a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Consolidated Statement of Financial Position.

The Group applies NZ IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss under this standard.

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

17. Right-of-Use Assets at Present Value (continued)

	Sites, Accessways and Concessions $000	Plant, Equipment and Vehicles $000	Electricity Distribution Equipment $000	Total $000
Balance at 1 April 2019	236	4,312	13,594	18,142
Additions	-	1,018	-	1,018
Disposals	-	-	-	-
Depreciation Expense	(52)	(886)	(965)	(1,903)
Balance at 31 March 2020	184	4,444	12,629	17,257

18. Trade and Other Payables

	Group 2020 $000	Group 2019 $000
Trade Payables	5,760	4,149
Other Accruals	777	721
Employee Entitlements	2,114	1,047
GST Payable	169	279
	8,820	6,196

19. Other Current Financial Liabilities

	Group 2020 $000	Group 2019 $000
Lease Liabilities (refer Note 24)	1,920	-

20. Deferred Tax Liabilities

	Group 2020 $000	Group 2019 $000
Opening Balance	44,032	44,428
Charged to Profit and Loss:		
– Property, Plant and Equipment	(1,037)	(268)
– Intangible Assets	(6)	(9)
– Provisions	(73)	(144)
	(1,116)	(421)
Charged to Statement of Comprehensive Income:		
– Property, Plant and Equipment	975	25
	975	25
Closing Balance	43,891	44,032
Represented as:		
Deferred Tax on Property, Plant and Equipment	44,465	44,878
Deferred Tax on Intangible Assets	41	(35)
Deferred Tax on Provisions	(615)	(811)
	43,891	44,032

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

21. Non-Current Borrowings

	Group 2020 $000	Group 2019 $000
Westpac Term Loan	22,000	-

MainPower has a multi-option credit facility with Westpac New Zealand Limited of $45.00m of which $30.00m will expire on 31 December 2022 and $15.00m on 30 June 2021. At 31 March 2020 MainPower had drawn down $22.00m which is unsecured, but subject to a negative pledge arrangement (2019: $22.00m).

During the year no interest was capitalised to MainPower's Generation or Electricity Distribution Network Assets (2019: Nil).

22. Non-Current Provisions

	Group 2020 $000	Group 2019 $000
Employee Benefits	890	600

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 2.5% (2019: 3.00%)
– Discount rate 1.02% (2019: 1.72%–4.16%)

23. Other Non-Current Liabilities

	Group 2020 $000	Group 2019 $000
Redeemable Preference (Rebate) Shares at Cost	6	6
Lease Liabilities (refer Note 24)	15,518	-
	15,524	6

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 Parent.

351 redeemable preference shares at 10 cents each were redeemed during the year (2019: 1,156).

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

24. Lease Liabilities at Present Value

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot readily be determined, the Group uses its incremental borrowing rate (IBR).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- Where applicable, non-lease components embedded in some of its motor vehicle lease contracts.

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in the expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

	Group 2020 $000	Group 2019 $000
Balance at 1 April 2019	18,142	-
Additions	1,018	-
Accretion of Interest	399	-
Payments	(2,121)	-
Balance at 31 March 2020	17,438	-

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

24. Lease Liabilities at Present Value (continued)	Group 2020 $000	Group 2019 $000
Represented as:		
Current (refer Note 19)	1,920	-
Non-Current (refer Note 23)	15,518	-
	17,438	-

	Group 2020 $000	Group 2019 $000
The following amounts are represented in the Statement of Comprehensive Income:		
Amortisation Expense on Right-of-Use Assets	1,903	-
Interest Expense on Lease Liabilities	399	-
Expenses relating to Short-Term Leases	-	-
Expenses relating to Low-Value Leases	53	-
	2,355	-

25. Subsidiaries

Details of the Group's material subsidiaries for the year ended 31 March 2020 are as follows:

Name	Principal Activity	Place of Operation	Ownership Interest and Voting Power	
			2020	2019
MPNZ Investments Limited	Provision of loan funding to Parent Company	New Zealand	100%	100%
GreenPower New Zealand Limited	Non-trading 100% owner of Mt Cass Wind Farm Limited	New Zealand	100%	100%
Mt Cass Wind Farm Limited	Construction and operation of wind turbine farm	New Zealand	100% (as 100% owner of GreenPower New Zealand Limited)	100% (as 100% owner of GreenPower New Zealand Limited)

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

26. Commitments	Group 2020 $000	Group 2019 $000
Capital Expenditure	-	-
Leases through Profit and Loss:		
Within 1 Year	33	920
1–2 Years	16	881
2–5 Years	25	2,010
Guarantees to Third Parties	-	200
	74	4,011

27. Contingent Assets and Liabilities

The Group had no significant contingent assets or liabilities as at 31 March 2020 (2019: Nil).

28. Significant Events after Balance Date

The Group is not aware of any significant events between the preparation and authorisation of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

29. Related Party Transactions

Group Structure

The Parent 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 (2019: Nil).

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

	Group 2020 $000	Group 2019 $000
Transactions During the Year		
Interest paid to Subsidiaries	127	-
Outstanding Balances		
Loans to Subsidiaries	168	-
Loans from Subsidiaries	4,640	3,897
Accounts Receivable from Subsidiaries	194	-
Taxation Owing to Subsidiaries	-	246

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.

	Group 2020 $000	Group 2019 $000
Key Management Personnel Compensation		
Employee Remuneration and Benefits	2,291	2,832

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.

Other Transactions Involving Related Parties

During the period, no transactions were entered into with any of the Company's Directors other than the payment of Directors' Fees, the reimbursement of valid company related expenses such as travel costs to Board Meetings.

The Group may transact on an arm's length basis with companies in which Directors have a disclosed interest. During the period the total did not exceed $1,000 for any individual transaction.

The Group paid Directors' Fees totaling $358,500 (2019: $336,250).

Key management personnel of the Group purchased sundry goods and services from the Group during the period which in total did not exceed $1,000 for any individual (2019: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2019: Nil). All transactions were conducted on standard commercial terms.

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

30. Financial Instruments

The Group has exposure to the following risks in the normal course of the Group's business:
– Liquidity risk
– Interest rate risk
– Credit risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 1.

Liquidity risk management

Liquidity risk represents the risk that the Group may not be able to meet its contractual obligations.

The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its contractual obligations and it has sufficient funding arrangements in place to cover potential shortfalls.

Unsecured multi option credit facility with Westpac New Limited as at 31 March 2020 mature as follows:
$30m on 31 December 2022
$15m on 30 June 2021

	Group 2020 $000	Group 2019 $000
Amount used at Reporting Date	22,000	22,000
Amount unused at Reporting Date	23,000	23,000
	45,000	45,000

Interest rate risk management

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.

Interest rate swaps are used to manage the Group's interest rate exposure on long term floating rate borrowings. The Group has entered into interest rate swaps with Westpac New Zealand Limited and annually undertakes a valuation to establish the fair value of those swaps. Any fair value gain or loss is recognised through the Statement of Comprehensive Income.

The following table details outstanding interest rate swaps as at the reporting date.

	Average contracted fixed interest rates	Notional principal swap amounts		Carrying value liability	
Swap maturity dates	**%**	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**
31 March 2022	4.98	5,000	5,000	438	484
29 September 2022	4.50	5,000	5,000	485	475
30 June 2023	4.72	5,000	5,000	658	605
31 March 2024	4.76	5,000	5,000	808	701
31 March 2026	3.91	7,000	7,000	817	424
		27,000	**27,000**	**3,206**	**2,689**
Disclosed as:					
Non-Current Liabilities				3,206	2,689

Notes to the Consolidated Financial Statements (CONTINUED)

For the Year Ended 31 March 2020

30. Financial Instruments (continued)

Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

The Group manages its exposure to credit risk by:
– Placing cash, short term investments and derivative instruments with registered New Zealand banks with a minimum Standard & Poor's rating in line with the Parent's treasury policy.
– Performing credit evaluations on customers requiring credit wherever practical and monitoring credit exposures to individual customers.

	Group 2020 $000	Group 2019 $000
Cash and Cash Equivalents (refer Note 9)	6,034	8,793
Trade and Other Receivables (refer Note 10)	7,212	6,310
Other Current Financial Assets (refer Note 12)	3,012	3,020
Trade and Other Payables (refer Note 18)	6,537	4,870

Deloitte.

Independent Auditor's Report

To the Shareholders of MainPower New Zealand Limited

Opinion

We have audited the consolidated financial statements of MainPower New Zealand Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 29 to 54, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR')

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, the provision of a fraud awareness workshop and the other assurance engagement in relation to the Commerce Commission disclosure audit, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Christchurch, New Zealand
25 June 2020

This audit report relates to the consolidated financial statements of MainPower New Zealand Limited (the 'Company') for the year ended 31 March 2020 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated 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 consolidated financial statements and related audit report dated 25 June 2020 to confirm the information included in the audited consolidated financial statements presented on this website.

GOVERNANCE

For the Year Ended 31 March 2020

Parent Shareholder
The parent company ownership is made up as follows:

Name	Ownership	Share Type
MainPower Trust	99.94%	Ordinary Shares
Various qualifying customers	0.06%	Redeemable Preference Shares
	100.00%	

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, the Ordinary Shareholder (MainPower Trust) provides a letter of expectations to the Company and in response 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
- Trust Statement of Expectations
- Business Activities
- Non-core Activities
- Performance
- Distribution to Shareholders
- Rebates
- Corporate Governance

Information is also communicated to shareholders in accordance with an agreed engagement plan and includes 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 General Meeting. The Statement of Corporate Intent is subject to consultation between the Board and the Trust, prior to its adoption.

Company Constitution

The Company's Constitution sets out policies and procedures on the operations of the Board, including the appointment and removal of Directors. The Constitution specifies that the number of Directors will not at any time be more than eight nor less than four, and that one-third of the Directors will retire by rotation each year. Non-Executive Directors of MainPower are elected by the Ordinary Shareholder. The board currently comprises six Non-Executive Directors. The Directors of the Company currently in office are: Anthony Charles King (Chair), Graeme David Abbot (Director), Janice Evelyn Fredric (Director), Brian John Wood (Director), Jan Fraser Jonker (Director) and Stephen Paul Lewis (Director).

The 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 the Ordinary Shareholder, the MainPower Trust to whom it is primarily accountable and the Preference Shareholders of the Company. The Board's primary objective is to satisfy the shareholders' wish of enhancing shareholder value through a commitment to customer service and regional prosperity.

Customer service is measured in terms of:

- Financial return;
- Ability to deliver excellence in electricity distribution system security and reliability;
- Responsiveness to customers;
- Quality of service; 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.

Board Responsibilities

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

- Provide leadership in health and safety and will ensure that employee and public safety remains an integral part of MainPower's culture, its values and performance standards;
- Continue to monitor all legislation and regulatory changes impacting on health and safety requirements and compliance and will ensure that they are complied with;
- Set the strategic direction of the company in consultation with management, having regard to rate of return expectations, financial policy and the review of financial performance against strategic objectives;
- Maintain an understanding of the electricity industry, and continue to monitor industry reform, security of supply, industry governance and Government regulations in order to identify the impact on MainPower's business;
- Monitor and understand the expectations and needs of the growing North Canterbury community;
- Remain informed about the Group's affairs in order to exercise judgement about management and its procedures;
- Identify risks and manage those risks by ensuring that the Group has implemented comprehensive systems of internal control together with appropriate monitoring of compliance activities;
- Approve and foster corporate culture which requires all directors, executive and staff to demonstrate the highest level of ethical behaviour;
- Appoint, review the performance of, and set the remuneration of the Chief Executive;
- Approve transactions relating to acquisitions and divestment, and capital expenditure above delegated authorities;

GOVERNANCE (CONTINUED)

For the Year Ended 31 March 2020

- 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 the relationship with all stakeholders.

Board Meetings

The Board generally meets monthly to review, monitor, and initiate action in respect of the health and safety, strategic direction, financial and operational performance, risk management and compliance of the Company and subsidiaries. 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. Senior managers and independent experts are regularly involved in Board discussions. Directors may also obtain further information and independent expert advice.

Board Committees

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

i. Audit and Risk Committee (ARC)

The ARC operates under a comprehensive Charter, which outlines the ARC's authority, membership, responsibilities and activities and which is approved by the Board. The Charter is reviewed bi-annually against best practice and emerging trends.

Three Non-Executive Directors are appointed to the ARC on an annual basis. Current membership of the ARC is Janice Fredric (Chair), Brian Wood and Tony King. The ARC invites the Chief Executive, GM Finance, Safety and Business Risk Manager and the external auditor to be in attendance at meetings of the Committee from time to time in accordance with the Charter.

Following meetings of the Committee, the Chair reports all findings and recommendations to the Board. The activities of the ARC are reported annually.

The ARC's primary role is to review MainPower's financial statements and related announcements, and to liaise with the external auditor on behalf of the Board. The ARC also monitors the independence of the auditor and approves and reviews those services provided by the auditor other than in its statutory audit role. In addition, the auditor provides a quarterly certificate to the ARC of any non-statutory audit service provided to the MainPower Group.

The Board puts considerable emphasis on risk management. Risk management (excluding health and safety) is a key role of the ARC. Given the critical nature of risk management to the Company's operations, the Company 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 Board Agenda. An annual review of the level and appropriateness of the Company's insurance cover and six-monthly report by management addressing all areas of statutory compliance supports the Board's risk management process. As part of its risk management role, the ARC also reviews the 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.

ii. 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, the Chief Executive and executives which fairly reward individual performance in relation to their contribution to the Company's overall performance.

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

In order to retain and attract directors and executives of a sufficient caliber to facilitate efficient and effective governance and management, the Committee seeks the advice of external advisors on remuneration practices.

Current membership of the Remuneration Committee is Graeme Abbot (Chair), Stephen Lewis and Tony King. Following meetings of the committee, the Chair reports all findings and recommendations to the Board.

Health and Safety Management

Health and safety is the leading item in the Board's regular monthly meetings. During the year, the Board decided to establish a health and safety focused board sub-committee to provide a forum and mechanism for enhanced governance of this critical area. This move is in line with many other electricity distribution businesses and general industry. The Board uses the Institute of Directors' guidelines for managing health and safety risk to assist it in this area.

Delegation

The Board delegates the day-to-day responsibility for the operation and administration of MainPower to the Chief Executive. The Chief Executive is responsible for ensuring MainPower achieves its business objectives and values. The Board ensures that the Chief Executive, and through him, the senior management are appropriately qualified, experienced and remunerated to discharge their responsibilities.

Codes and Standards

All Directors, executives and staff of MainPower New Zealand Limited are expected to act with integrity and 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.

GOVERNANCE (CONTINUED)

For the Year Ended 31 March 2020

Conflicts of Interest

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

Board Review

The Board will undertake a self-assessment of its performance and the performance of individual Directors at least bi-annually. A summary of this review will be made available to the MainPower Trust.

Subsidiaries

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.

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.

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

MainPower New Zealand Ltd	31 March 2020 $000	31 March 2019 $000
A C King	91	90
G D Abbot	54	54
J E Fredric	56	55
J F Jonker	46	27
S P Lewis	59	59
B J Wood	53	30
J Hoban (resigned)	-	21
	359	**336**

MPNZ Investments Ltd	31 March 2020 $000	31 March 2019 $000
A P Lester	-	-
T A Voice	-	-
	-	**-**

GreenPower New Zealand Ltd	31 March 2020 $000	31 March 2019 $000
A C King	-	-
G D Abbot	-	-
J E Fredric	-	-
J F Jonker	-	-
S P Lewis	-	-
B J Wood	-	-
	-	**-**

GOVERNANCE (CONTINUED)

For the Year Ended 31 March 2020

Mt Cass Wind Farm Ltd	31 March 2020 $000	31 March 2019 $000
A C King	-	-
G D Abbot	-	-
J E Fredric	-	-
J F Jonker	-	-
S P Lewis	-	-
B J Wood	-	-
	-	**-**

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

Directors' Insurance

During the year MainPower paid insurance premiums for all Directors of the MainPower Group in respect of liability and costs. 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.

Group Employee Remuneration

$000	31 March 2020	31 March 2019
100 – 110	20	18
110 – 120	5	5
120 – 130	6	5
130 – 140	5	2
140 – 150	3	8
150 – 160	1	1
160 – 170	4	1
170 – 180	1	-
190 – 200	1	1
200 – 210	2	-
210 – 220	2	1
220 – 230	-	1
230 – 240	1	1
240 – 250	1	1
250 – 260	1	-
290 – 300	-	2
300 – 310	1	-
360 – 370	-	1
370 – 380	-	1
450 – 460	1	-

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

GOVERNANCE (CONTINUED)

For the Year Ended 31 March 2020

Interests Register

The Group 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.

Directors' Interests
(MainPower New Zealand Ltd, Green Power New Zealand Ltd and Mt Cass Wind Farm Ltd)

Director	Entity	Position	Appointment / Resignation
A C King	Option One Ltd	Director & Shareholder	
	Red Bus Ltd	Director	
G D Abbot	Hanmer Springs Thermal Pools & Spa	General Manager	
J E Fredric	Aviation Security Service	Chair	Appointed Dec 19
	Civil Aviation Authority	Chair	Appointed Dec 19
	Credit Union Baywide	Director	Appointed May 19
	Credit Union South	Director	Resigned Apr 19
	Hurunui Tourism Board	Chair	
	Lincoln University Council	Member	
	Maritime New Zealand	Director	Resigned Apr 19
	NZ Shipwreck Welfare Trust	Trustee	
J F Jonker	Christchurch District Energy Company Ltd	Director	
	Dairy Creek GP Ltd	Director	
	Dairy Creek Irrigation Partnership	Director	
	Ecogas GP Ltd	Director	Appointed May 19
	Ecotricity GP Ltd	Director	
	Ecotricity Superceeded Ltd	Director	Resigned Mar 20
	Energy for Industry Ltd	Director	
	Engie Services Investments New Zealand Ltd	Director	
	F & L Investments Ltd	Director & Shareholder	
	Jonker Estate Ltd	Director & Shareholder	
	Pioneer Energy Ltd	CEO	
	Pioneer Energy Investment Ltd	Director	
	Pulse GP Ltd	Director	
	Southern Generation GP Ltd	Director	
	Southern Generation Partnership	Director	

GOVERNANCE (CONTINUED)

For the Year Ended 31 March 2020

Directors' Interests (continued)
(MainPower New Zealand Ltd, Green Power New Zealand Ltd and Mt Cass Wind Farm Ltd)

Director	Entity	Position	Appointment / Resignation
S P Lewis	Movement Art Practice Ltd	Chair & Director	Appointed Jun 19
			Resigned Feb 20
B J Wood	Buller Holdings Ltd	Chair	
	Buller Recreation Ltd	Chair	
	Canterbury Linen Services Ltd	Chair	
	Delta Utility Services Ltd	Director	
	E-Spatial Ltd	Director	
	Harrison Grierson Consultants Ltd	Director	
	Harrison Grierson Holdings Ltd	Director	
	Harrison Grierson International Ltd	Director	
	HWCP Management Ltd	Director	Appointed Nov 19
	Invercargill Central Ltd	Director	Appointed Nov 19
	Invercargill City Holdings Ltd	Chair	
	Invercargill City Property Ltd	Director	Resigned Feb 20
	Lyttelton Port of Christchurch Ltd	Director	
	Ministry of Transport Oversight Group for reconstruction of transportation lines between Picton & Christchurch	Chair	
	Westreef Services Ltd	Director	

Directors' Interests
(MPNZ Investments Ltd)

Director	Entity	Position	Appointment / Resignation
A P Lester	Crestwood Partnership	Partner	
	Fuel Cell New Zealand Ltd	Director	
	MainPower New Zealand Ltd	Chief Executive	
	Ruralnet Ltd	Director	
	Solar New Zealand Ltd	Director	
T A Voice	Fuel Cell New Zealand Ltd	Director	
	L.Y.T Enterprises Ltd	Director & Shareholder	
	MainPower New Zealand Ltd	General Manger, Commercial	
	Ruralnet Ltd	Director	
	Solar New Zealand Ltd	Director	
	VF Holdings Ltd	Director & Shareholder	

FIVE YEAR TRENDS

For the Year Ended 31 March 2020

Group Consolidated Financials

	31 March 2020 $000	31 March 2019 $000	Restated 31 March 2018 $000	31 March 2017 $000	31 March 2016 $000
Statement of Comprehensive Income					
Gross Operating Revenue	69,945	65,891	70,924	85,522	91,218
Customer Rebates	(10,546)	(9,677)	(9,833)	(9,206)	(9,827)
Net Operating Revenue	59,399	56,214	61,091	76,316	81,391
Operating Expenses	(52,693)	(53,844)	(52,207)	(70,406)	(73,107)
Profit Before Income Tax Expense	6,706	2,370	8,884	5,910	8,284
Income Tax Expense	(1,760)	(809)	(2,455)	(1,788)	(2,304)
	4,946	1,561	6,429	4,122	5,980
Loss from Discontinued Operations	-	(913)	(399)	-	-
Profit After Income Tax Expense	4,946	648	6,030	4,122	5,980
Network Maintenance Expenditure	5,429	5,526	4,316	6,582	5,976
Statement of Financial Position					
Net Working Capital	8,920	(5,944)	5,605	7,684	(16,399)
Non-Current Assets	315,781	281,729	291,855	294,829	294,162
Total Assets	324,701	275,785	297,460	302,513	277,763
Non-Current Liabilities	(85,511)	(47,327)	(70,030)	(81,113)	(59,485)
Total Equity	239,190	228,458	227,430	221,400	218,278
Capital Development Expenditure	25,169	10,239	9,786	17,637	25,693
Statement of Cash Flows					
Net Cash Provided from Operating Activities	24,348	12,062	21,180	16,271	21,408
Net Cash Used in Investing Activities	(24,986)	(3,522)	(8,889)	(13,656)	(23,298)
Net Cash Used in Financing Activities	(2,121)	(900)	(11,800)	(3,700)	3,387
Financial Measures	%	%	%	%	%
Profit Before Income Tax Expense / Total Equity	2.80	1.04	3.91	2.69	3.85
Profit Before Income Tax Expense and Customer Rebates / Total Equity	7.21	5.27	8.23	6.83	8.30
Profit After Income Tax Expense / Total Assets	1.47	0.51	2.11	1.37	2.11
Profit After Income Tax Expense / Total Equity	2.07	0.68	2.83	1.88	2.78
Total Equity / Total Assets	71.07	75.16	74.46	73.16	76.11

For information on the Group's future forecasted results please refer to the Statement of Corporate Intent published on the MainPower Trust's website.

FIVE YEAR TRENDS (CONTINUED)

For the Year Ended 31 March 2020

Parent Financials

	31 March 2020 $000	31 March 2019 $000	31 March 2018 $000	31 March 2017 $000	31 March 2016 $000
Statement of Comprehensive Income					
Gross Operating Revenue	69,944	65,891	71,187	62,531	75,983
Customer Rebates	(10,546)	(9,677)	(9,833)	(9,206)	(9,827)
Net Operating Revenue	59,398	56,214	61,354	53,325	66,156
Operating Expenses	(52,811)	(53,892)	(52,284)	(49,041)	(59,230)
Profit Before Income Tax Expense	6,587	2,322	9,070	4,284	6,926
Income Tax Expense	(1,643)	(809)	(2,456)	(1,317)	1,897
Dividends Received	-	-	-	1,000	387
Profit After Income Tax Expense	4,944	1,513	6,614	3,967	5,416
Network Maintenance Expenditure	5,564	5,526	4,316	6,582	5,976
Statement of Financial Position					
Net Working Capital	5,041	(6,803)	1,793	2,104	1,523
Non-Current Assets	318,750	288,795	295,046	299,619	298,787
Total Assets	323,791	281,992	296,839	301,723	300,310
Non-Current Liabilities	(85,526)	(51,177)	(67,918)	(79,416)	(81,969)
Total Equity	238,265	230,815	228,921	222,307	218,341
Capital Development Expenditure	24,350	10,239	9,786	17,498	22,764
Statement of Cash Flows					
Net Cash Provided from Operating Activities	23,307	11,970	20,657	15,692	22,537
Net Cash Used in Investing Activities	(23,837)	(6,722)	(8,593)	(14,191)	(18,909)
Net Cash Used in Financing Activities	(2,121)	2,950	(11,800)	(1,700)	(3,500)
Financial Measures	%	%	%	%	%
Profit Before Income Tax Expense / Total Equity	2.76	1.01	3.99	1.93	3.17
Profit Before Income Tax Expense and Customer Rebates / Total Equity	7.19	5.20	8.26	6.07	7.67
Profit After Income Tax Expense / Total Assets	1.46	0.66	2.20	1.31	1.63
Profit After Income Tax Expense / Total Equity	2.07	0.66	2.91	1.78	2.30
Total Equity / Total Assets	70.14	74.38	77.12	73.68	70.61

For information on the Parent's future forecasted results please refer to the Statement of Corporate Intent published on the MainPower Trust's website.

FIVE YEAR TRENDS (CONTINUED)

For the Year Ended 31 March 2020

	31 March 2020	31 March 2019	Restated 31 March 2018	31 March 2017	31 March 2016
Quality of Supply					
SAIDI[1]	343.30	204.00	174.20	213.40	264.00
SAIFI[2]	2.26	1.58	1.60	1.44	2.09
Unplanned Faults[3]	11.70	6.63	3.50	6.33	3.87
Other Network Measures					
Number of Customer Connections[4]	41,112	40,224	39,700	39,346	38,389
Electricity Entering the System (GWh)	670.90	633.30	630.00	635.58	667.58
Electricity Delivered to Customers (GWh)	634.40	594.00	604.00	600.62	629.57
Electricity Losses (GWh)	36.50	39.30	26.00	34.96	38.01
Electricity Loss Ratio (%)	5.44	6.21	4.13	5.50	5.69
Maximum Coincidental Demand (MW)	116.20	116.40	113.70	112.40	112.50
Load Factor (%)	65.90	62.13	64.20	64.50	67.76
Total Transformer Capacity (MW)	564.99	562.16	556.60	539.67	526.28
Transformer Capacity Utilisation Factor (%)	20.40	20.50	19.90	20.50	20.29
Circuit Length Lines (km)	5,121	5,071	5,052	5,017	4,996
Energy Performance	$	$	$	$	$
Capital Cost (per km)	4,915	1,265	1,111	2,984	5,025
Capital Cost (per ICP)	612	160	142	397	677
Operating Cost (per km)	3,091	3,644	2,915	3,248	2,750
Operating Cost (per ICP)	385	459	373	433	371
Health, Safety and Risk Measures	#	#	#	#	#
Staff Employed	170	162	166	266	244
Major Non-Conformances from External Certification Audit	-	-	-	5	-
Enforceable Regulatory Notifications	-	-	-	-	-
Leadership Interactions with Employees	119	108	98	67	60
Work Related Accidents Resulting in Lost Time	3	2	3	3	5

[1] SAIDI = Average minutes a customer is without power during the year.
[2] SAIFI = Average supply interruptions per customer during the year.
[3] Unplanned Faults = annual number of faults per 100kms of line.
[4] Customer means a person named in the records of the company as a person whose premises are connected to the company's distribution network and who is liable to the company for the payment of an amount in respect of the use of and connection to the company's distribution network.

DIRECTORY

As at 31 March 2020

Directors

Anthony Charles King	Chair
Graeme David Abbot	Director
Janice Evelyn Fredric	Director
Jan Fraser Jonker	Director
Stephen Paul Lewis	Director
Brian John Wood	Director

Executive Team

Andy Lester	Chief Executive
Mark Appleman	General Manager Network
Sarah Barnes	General Manager Finance
Karen Cameron	Safety and Business Risk Manager
Geoff Gale	Chief Information Officer
Penny Kibblewhite	General Manager Customer and Corporate Relations
Sandra O'Donohue	General Manager People and Culture
Doug Parker	General Manager Field Services
Todd Voice	General Manager Commercial

Registered Office

172 Fernside Road, P O Box 346, Rangiora 7440

Principal Banker

Westpac New Zealand Limited, Rangiora

Principal Solicitor

Duncan Cotterill, Christchurch

Auditor

Deloitte Limited, Christchurch

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172 Fernside Road, Rangiora
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