mainpower

2017 ANNUAL REPORT

PARTNERING IN YOUR ENERGY FUTURE

ROADMAP FOR THE FUTURE

mainpower

For almost 90 years, MainPower has provided a safe and reliable electricity supply to the North Canterbury and Kaikoura region. We are your local lines company, responsible for the poles and wires and associated infrastructure that deliver electricity to over 39,000 homes and businesses.

New Zealand's electricity sector is facing significant change with emerging technologies like solar photovoltaics (PV) and battery storage giving people greater choice on how they produce, store and consume energy.

As we head into the future, our core role will continue to be delivering a secure electricity supply to our local community. Our challenge is how we use new energy supply technology to do this more effectively and efficiently and to enable our customers to make the most of the new energy market.

We need to innovate and develop a network for the future – driven by better outcomes for our customers.

FINANCIAL HIGHLIGHTS

Net profit before tax and rebates

2017 **$15.1 Million**

2016 **$18.1M** | 2015 **$15.5M**

Network capital investment

2017 **$16.7 Million**

2016 **$23.2M** | 2015 **$25.3M**

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HAVE YOUR SAY
Visit our website to see what community consultation projects we are currently running.
www.mainpower.co.nz

WELCOME

From the ocean to the alps, moving north from the Waimakariri through to the Rakautara, MainPower New Zealand Limited has been delivering a safe, secure and reliable supply of electricity for nearly 90 years.

We are your local lines company. Our role is to distribute electricity to our customers and the local community.

At MainPower, we're a little bit different. We're consumer owned – our customers are also our shareholders, which means that the people we deliver electricity to are even more important to us.

This document talks a lot about what we've been up to for the 2016-2017 financial year but we're also interested in sharing our story about the future of MainPower and the electricity supply we deliver to the North Canterbury and Kaikoura region.

Our Role in New Zealand's Electricity Sector

GENERATION

Generators produce electricity. Around 30% 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% of your electricity bill goes to paying costs involved in the national grid.

DISTRIBUTION

MainPower is one of 29 electricity distributors or lines companies in New Zealand, responsible for the power lines and distribution networks in local areas. Around 26% 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% of your electricity bill goes to paying costs involved in the retail sector (including GST).

Who owns MainPower?

MainPower's ownership structure is designed to benefit the consumers of North Canterbury and Kaikoura. The MainPower Trust holds the ownership of MainPower New Zealand Limited on behalf of the qualifying customers. The Trust's seven Trustees appoint MainPower's Board of Directors, monitor the company's performance through its Statement of Corporate Intent and by regularly meeting with the Directors. Consumer ownership of MainPower entitles qualifying customers* to a share of profit. 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 and this has the effect of reducing their monthly lines charge.

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

NETWORK HIGHLIGHTS

168 Number of employees

3 Number of depots

5,017 Kilometres of lines and cables

39,346 Connected customers

600 Volume of electricity distributed annually (Gigawatt hours#)

1.44 Average supply interruptions per customer during the year (2015/2016 - 2.09)

$1.125M Annual expenditure on vegetation management

$9.206M Qualifying customer rebates paid back to customers in 2017

$303M Total assets

#Gigawatt hours is a unit of energy equivalent to one million kilowatt hours (kWh). An average home in New Zealand consumes around 11,000 kWh a year.

CHANGE & CHALLENGE

2016/17 was a year containing both strong signals of change, and a number of significant challenges for MainPower New Zealand Limited.

With regard to impending change, the transformation facing the national electricity distribution sector, is becoming more strongly apparent. These changes arise from both changing patterns of customer behaviour and the increasing likelihood of significant change in the regulatory framework within which the sector operates.

The potential changes dictate the need for robust and well considered responses. The focus and efforts of both the Board and the wider leadership team within the Company, are squarely addressing this need. We believe that the Company, through the change processes that have been initiated, is well placed to meet the sector changes as they play out in the months and years ahead. Not only is it about having the Company “in the right shape” for the future, it is also about having all involved “of the right mindset” to deal with the changes as they occur – be they regulatory, market, or technology driven.

As we grapple with these changes, we must not underestimate the rapid pace with which these changes may occur. MainPower will not always have the luxury of learning from the experience of others, and therefore being able to take the more comfortable position of being a “fast follower”. In some instances we will need to make well informed judgements and be prepared to be a leader of change – bringing with it the risk that not always will that judgement be correct. That is one risk, however the other is the risk to our shareholders and customers of not addressing the impending changes.

The overarching principle however will be that the Company seeks always to meet our community’s objective of having a reliable, affordable energy regime that allows them to access

new products and services as they become available, regardless of who provides them.

Further commentary on management's strategy to deal with regulatory, market and technology change is provided in the Report under the heading 'Chief Executive's Q&A'.

This year has also been one of challenge. Specifically, we would highlight the challenges thrown at us by the North Canterbury/Kaikoura earthquake in November 2016, and the impact of a wetter spring/summer than anticipated, with the corresponding reduction in network revenue arising from reduced irrigation demand.

The financial impact of the earthquake, in terms of damage to MainPower network assets and the requirements for restoration of supply, is in excess of $1 million. Further, it is expected that significant additional maintenance will be required within the next 18 months as the distribution network is gradually brought back to a required level of functionality.

It will come as no surprise to those who live in North Canterbury that MainPower saw a large reduction in the use of irrigation during the 2016/17 spring and summer, due to the wetter than expected weather period. The reduction in irrigation demand compared to the previous year was in the order of 24%. The impact of this on MainPower Group revenue was approximately $2.6 million, while the estimated impact on net surplus after qualifying customer rebates and taxation has been estimated at $1.5 million.

These impacts, along with the costs of repositioning the business as we adjust to the new competitive and technological environment, have significantly affected the Group's financial performance, compared with that projected in the 2016/17 budget and Statement of Corporate Intent lodged with the shareholder.

Specifically, the Group operating profit after qualifying customer rebates and taxation totalled $4.1 million in the current year, down from $6 million in the 2015/16 year.

Rebates paid to qualifying customers were, as would be expected with reduced electricity being sold via the MainPower network, reduced from the previous year's level of $9.8 million to $9.2 million in the 2016/17 year.

It is pleasing to note that the Group has maintained a strong cash performance during the year. As expected arising from the impact of matters outlined above, cash from operations reduced by more than $5 million compared to the 2015/16 year, however this was more than offset by an $8 million lower spend on property, plant and equipment during the year. The net effect saw the Group reduce its borrowings by $2.7 million, after acquiring the minority interest in its subsidiary VirCom EMS Limited.

At 31 March 2017, borrowings of the Group totalled $34.7 million (down from $37.4 million at 31 March 2016) and net equity had increased by $4.3 million to $221.4 million.

The principal operating subsidiary of MainPower – VirCom EMS Limited – had another successful year, returning a net profit after taxation of $1.2 million, from a turnover of $23.2 million.

Change and challenge, and the speed at which these factors impact a business, are increasingly features of the world in which MainPower operates. The brunt of these changes and challenges is of course borne by our people – at all levels within the business.

On behalf of the Board, our customers and our wider community, we want to sincerely thank all of our people for their continued loyalty and focus in the face of the ongoing changes we face and the challenges that are periodically thrown our way. In expressing this thank you, we would also like to note the continuing emphasis that both management and all staff are giving to that most critical issue – health and safety which, rightly, is the subject of so much focus in our New Zealand workplace today.

Finally we would like to acknowledge the support and commitment of our fellow Board members during the past year – a number are new to the Board and it bodes well for the future governance of MainPower to witness the cohesiveness and commitment of those new Board members.

It is also timely to recognise the service that has been provided to the Company over more than 35 years (collectively) by two Board members – Peter Cox and Trevor Burt who are retiring as we approach the 2017 Annual Meeting of the Company. Both have contributed enormously to the growth and ongoing success of MainPower during challenging times. It is testament to their governance experience and expertise that the Company finds itself so well placed to face the forthcoming changes and challenges to which we have referred in this review. Thank you on behalf of MainPower and its wider stakeholders.

Observant readers of this review will note that it is signed by two Directors, Gill Cox and Tony King. This signifies a change in the Chairmanship of the Company in July 2017 and is in line with the Board's succession plan commenced in 2016 with the appointment of three new Directors to the Board.

Gill Cox
Chairman (to July 2017)
MainPower New Zealand Limited

Tony King
Board Director (Chairman from July 2017)
MainPower New Zealand Limited

MAINPOWER BOARD OF DIRECTORS 2017

Gill Cox
Chairman
To July 2017

Peter Cox
Deputy Chairman
Retired August 2017

Graeme Abbot

Trevor Burt
Retired July 2017

Janice Fredric

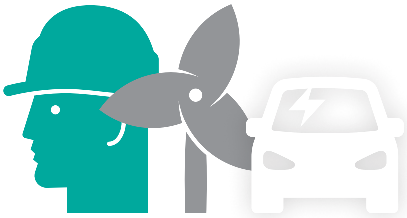
Judith Hoban

Tony King
Chairman
From July 2017

Stephen Lewis

SAYING FAREWELL

This year we say farewell to two of our Board Directors; Peter Cox (joined 1989) and Trevor Burt (joined 2008), as well as our long standing Board Chair Gill Cox (joined 1996), who have collectively served a total of 58 years' in support of MainPower. On behalf of the local community, we extend our most sincere thanks to these members for their dedication and insight that has guided the business over the past years.



MainPower Chief Executive Bruce Emson reflects on the past year and answers questions about the priorities for the future.

Q: How would you describe the past year for the business?

A: It has been a challenging time for MainPower – we have been focussed on building on our past performance in health and safety as well as improving efficiency and productivity to deliver even more value to our customers and community. We also launched our strategic plan 'Roadmap for the Future' to position the business to take advantage of opportunities related to the transformation of the electricity sector.

Q: What's driving the change in the electricity sector?

A: The electricity distribution network has provided a reliable and secure supply of electricity for many years. We have achieved this by investing in a traditional network of poles and wires and associated infrastructure. Advances in new and emerging energy technologies like electric vehicles, solar PV, storage batteries and energy management systems, are making these technologies much more affordable and accessible. The real value for New Zealand energy consumers will be the power of choice. MainPower has a part to play in making this happen.

Q: How will MainPower embrace this opportunity?

A: MainPower introduced its 'Roadmap for the Future' in 2016. There is no certainty over what the future looks like and that's why our strategy has to be flexible to be able to adapt and change. This starts with becoming an organisation that puts the customer at the centre of the business. We are also on a course of embracing innovation, building operational excellence to deliver a business that is fit for purpose, all the while without compromising on health and safety. Our vision is simple – we will partner in our customers' energy future.

Q: How will this impact MainPower's core business?

A: MainPower is an essential service provider – we have a dedicated team of people who do their very best for their local community. As a business, we are looking at new energy supply technology and transforming our network to embrace innovation but our responsibility to "keep the lights on" will not change. Whatever we do, we will not compromise on customer satisfaction, network reliability or safety. To achieve this, we need to better understand our customers – because their views now play a greater role in the way we manage our business.

Bruce Emson
Chief Executive
MainPower New Zealand Limited


BKC167
JCW660

PARTNERING WITH YOU

MainPower is a consumer owned electricity distributor – our ownership structure is designed to benefit the consumers of North Canterbury and Kaikoura.

As a consumer owned distributor, we know we need to continue to respond to customer needs. Improving the service that we deliver to local communities means having a better understanding of their expectations of us. Over the last year, we've listened more than ever to what our customers and community have to say.

We're taking this feedback on board to deliver an even better business for the local community.

In the past year, we have been engaging with customers about our vegetation management programme, more specifically we want to improve the way we communicate with our customers around maintaining clearance zones for trees around power lines. We've also been asking for feedback on how customers think we should set prices to deliver electricity – our pricing consultation project is ongoing. We've also been looking at other aspects of customer satisfaction, including how we can improve the way we manage feedback.

What our customers are saying?

COMPLAINTS & PROVIDING FEEDBACK

75% of people who are dissatisfied with a service received are likely to 'tell family and/or friends'.

Important outcome when providing feedback – the 'issue is given priority' (i.e., escalated to the right person).

What are customers most dissatisfied about when making a complaint – 'communication' (lack of) and 'safety'.

SPOTLIGHT ON TREES

We need to look at how we communicate with customers – with the goal of sending friendly, easy to understand information.

We need to listen and focus on two-way conversations – with the goal of having a clear plan with everyone on the same page.

We need to think about the service we provide – this could be cleaning the site, providing notifications or reminders when we will be on site, or just making sure we are friendly and courteous at all times.

We have friendly, professional crews working out in the field – this is great to hear!

LINE CHARGES

Key benefits sought and downsides to avoid in a price structure

48% A pricing structure that can be tailored to suit.

38% A pricing structure that will make people more efficient at using power.

33% A pricing structure that is fair on everyone.

53% A pricing structure that will cost me more.

44% A pricing structure that is not tailored.

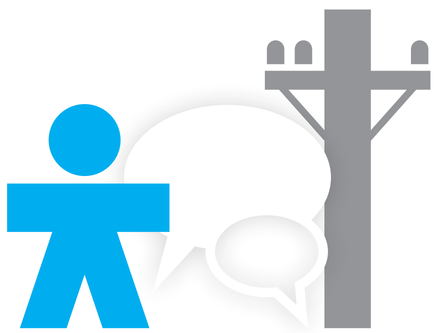
32% A pricing structure that is hard to understand.

TAKING A NEW APPROACH TO PRICING

The electricity distribution network has provided a reliable and secure supply of electricity for many years. New technologies like solar PV mean customers can now generate their own electricity and in some cases, export any excess solar electricity back to the grid. Basically, our customers are changing the way they use the network, so we need to reconsider the way we charge for our services, to ensure it is fair and equitable. It is important that we include our customers and community in planning and decision making to deliver an optimal pricing approach. We kick started this engagement with an online survey that our local community was invited to complete. We had a great response with almost 1,500 customers taking the opportunity to have their say on topics related to lines charges and new technologies. The survey proved to be highly valuable in gaining an indication of which pricing approaches might better meet the needs of customers and the community at large.

We are continuing to work on our new approach to distribution pricing.

Interested to know more? You can view our pricing roadmap on our website. www.mainpower.co.nz



PARTNERING IN SAFETY

The safety of our people, customers and community continues to be our highest priority. We're committed to building a health and safety culture that delivers safe, productive and environmentally responsible services and products.

This means investing in our people and introducing leadership training into our broader training programme, listening to our people through regular culture surveys, understanding our critical risks, and mandatory toolbox talks to identify and discuss risk controls.

Health and safety also extends to our contractors and suppliers who work with us to deliver a safe and reliable electricity supply to the people of North Canterbury and Kaikoura. We're working collaboratively with these groups to achieve the best outcomes for our business.

Key initiatives for health and safety in the year ahead

- **Developing a cultural change programme to ensure exposure to operational risks are reduced**
- **Developing a management system to reflect a reduction in risk**
- **Monitoring the accuracy of health and safety data and our control strategies**

ENGAGING OUR PEOPLE IN SAFETY

Now in its seventh year, the **MainPower Workplace Safety Innovation Award** encourages employees to take an active role in improving workplace and public safety by suggesting ways of improving existing processes or by submitting new ideas for implementation.

The award represents just one way MainPower engages our employees on health and safety issues. It's important to foster an environment in which our people are empowered to take control of their own safety and advocate for themselves and others.

The 2016 winner of the award was MainPower Vegetation Control Supervisor Kevin Smith for his 'survival backpack' entry. The backpack is an emergency kit containing a number of useful survival items, for use by workers who are in remote areas without access to supplies in their work vehicles.

MainPower's Workplace Safety Innovation Award was a finalist in the EEA Workplace Safety Award in 2016. This is an industry wide award coordinated by the Electricity Engineers' Association that recognises excellence in health and safety including achievement and contributions to workplace safety by an organisation.

Our Workplace Safety Innovation Award has yielded over 60 new ideas and suggestions about how to improve health and safety at MainPower, around half of which have been implemented within the business, with further submissions still under review. A great result.

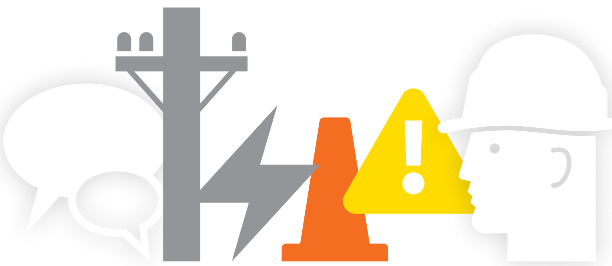
Below: Survival backpack contents.

SUPPORTING EMPLOYEE HEALTH AND WELLBEING

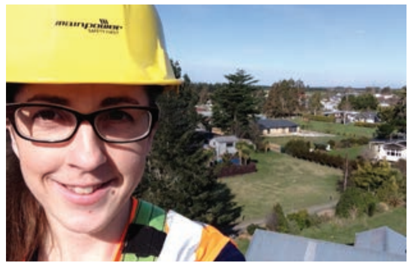
We're committed to getting our people home healthy and safe. The Health and Safety at Work Act 2015 (HSWA) that came into effect in 2016, has a strong focus on improving workplace health in New Zealand. At MainPower, we believe we're leading the way with our **Employee Wellness Programme** that is designed to encourage and assist employees to maintain their overall personal wellbeing. We recognise that to function successfully we rely on our people, so our programme includes a range of health and wellbeing benefits as well as ensuring our people are fit for work. A number of our programme benefits are also available to family members, because they are part of our extended family as well.

Free Fruit February

To help launch the introduction of our new wellness portal, an online tool with access to health and safety hints and tips as well as fitness events and challenges, we decided that the best way to kick start a healthy conversation was with a healthy food option! Each Tuesday in February we provided free fruit to our staff, sourced from our local PAKn'SAVE. The idea was such a success that we repeated it this year. Free Fruit February is promoted in our internal health and wellbeing newsletter **Power Up** – we're encouraging our people to up their game with help from our wellness programme.



Subsidised Health Care



Our employees told us that the best way we could help with their health and wellbeing was providing assistance with health care. We listened and in 2016 introduced a subsidised health insurance scheme for staff as part of our employee wellness programme. We've had a great response with 95% of employees taking up the offer through our provider Southern Cross Health Society.

"The health insurance scheme is a real bonus. The premiums are subsidised, family members can be added to policies and all pre-existing conditions are covered. MainPower really went above and beyond to provide employees with an amazing deal. It really speaks volumes about MainPower's commitment to its employees and our individual wellbeing."

Emma Hyde
MainPower Communications Coordinator

KEEPING OUR COMMUNITY SAFE

Electricity is one of the most important tools that we use in our day-to-day lives. It's all around us, in our homes, workplaces and streets. Life would be far more difficult without electricity, but with it comes potential risk. We're committed to increasing electrical safety awareness in our region.

PUBLIC SAFETY

Through our public safety campaigns we strive to provide the most useful, timely information to our community. We want to empower our customers to make the right choices around electricity. MainPower takes every opportunity to get our safety messages out into the community, from advertising in local newspapers, through to cinema and radio advertising as well as targeted campaigns.

We look for creative ways of getting targeted safety messages across to at-risk groups. In one example, we produced stickers to go on irrigators to remind farmers about the importance of keeping equipment away from overhead power lines.

Our work vehicles are always out and about in the community and are a great way to promote our core community safety messages.

This year we have updated our public safety advertisements to keep them fresh and attention-grabbing.

Through our seasonal safety reminders, we ask our customers to check trees and vegetation on their property, to ensure that they are not encroaching on power lines. We also offer advice on how to reduce future risks to the electricity network and personal safety by planting appropriate vegetation around electricity network equipment.

PARTNERING IN THE FUTURE

The electricity distribution network has provided a safe, secure and reliable supply of electricity for many years. Emerging technologies like solar PV and battery storage are potentially game-changing for the traditional electricity market. The past 12 months have been a period of significant change for our organisation as we prepare the business to meet the demands of a changing energy sector. We have upskilled our staff and, working with local groups and organisations, have delivered several key projects, laying the foundation for a strong future.

STUDENTS SWITCHED ON

In 2016, MainPower partnered with St Joseph's Catholic Primary School in Rangiora to install a solar hybrid system, which includes a state of the art 6.4kWh Tesla Powerwall battery.

As sunlight hits the roof-mounted solar panels, it is converted into electricity which charges the Powerwall battery. The battery, in turn, powers the school. Any surplus electricity generated is fed back into the grid at a profit to the school.

Similarly, if the school finds that they require more electricity than the Powerwall has stored, their supply simply switches back to the regular electricity network with no disruption.

Since the beginning of 2017, the school has produced enough electricity to cut their power bill down by 28%. They've also fed 22% of their generated power back into the grid.

St Joseph's was one of the first schools in the South Island to benefit from this technology – it's a shift in the way our customers are choosing to use the traditional electricity distribution network.

Partnering with St Joseph's to install the cutting edge hybrid system has been an excellent learning opportunity for our people, who were upskilled and gained valuable insights into the new technology, laying a strong foundation for future solar photovoltaic projects in the region.

DRIVING THE FUTURE

MainPower recently installed Rangiora's first public electric vehicle (EV) charging station at the company's head office in Southbrook, followed by a fast or 'rapid charger' in Kaikoura.

Initially the standard (or 'slow charger') was installed to service MainPower's Nissan LEAF, but was opened to the public to use during business hours. It's been great to see members of the public stop in to top up their EVs.

Several of our employees have been using the charger to top up their personal electric vehicles as well. These days it's not unusual to see a row of EVs parked outside the office.

MainPower Enterprise Architect Basil Buwalda said that MainPower's onsite recharger was a huge influencer in his family's decision to purchase a Nissan LEAF. "Having the charging station onsite takes away the 'range anxiety' that holds back so many people from making the switch to an EV. I can easily top up during the day, if necessary, to make sure I get home without any trouble."

Growth of New Zealand's EV fleet

January 2013	186
January 2014	226
January 2015	587
January 2016	1100
January 2017	2667

Source: Ministry of Transport website

The uptake of electric vehicles has roughly doubled each year since 2013, when records began. The government's goal is to have 64,000 EVs on New Zealand roads by 2021. There are currently 3,834 (June 2017) registered, which may seem a far cry from the national goal, but the latest figures would suggest that we are well on track.

A crucial element in achieving this goal is getting the recharging infrastructure right. MainPower is working with local councils, businesses and other stakeholders to see a coordinated roll-out of EV chargers in our region.

MainPower Engineering and Design Manager Darren Webster says that EVs are the way of the future. "It's great to work at a company that is setting an example for other businesses. It shows a real commitment to creating a cleaner environment and finding more efficient ways of operating."

MainPower plans to add to its EV fleet with Mitsubishi Outlander PHEVs (Plug-in Hybrid Electric Vehicles). The back-up petrol motor means that the all-wheel drive vehicles will have a range of around 880km – more suitable for MainPower's electricity distribution network which spans 11,180 square kilometres.


Credit: Fairfax Media NZ /The Press

OUR ROLE IN DISASTER RECOVERY

Two minutes after midnight on 14 November 2016, a magnitude 7.8 earthquake occurred 15 kilometres north-east of Culverden and 60 kilometres south-west of Kaikoura. The earthquake ruptured on multiple fault lines in a complex sequence that lasted for more than one minute. The real tragedy of this event was the loss of life – one person was killed when a Kaikoura homestead collapsed, while another died at a property at Mt Lyford.

As an essential service provider, MainPower's response in emergency situations is immediate. Within seconds we had control centre staff monitoring the network, within minutes we had resource onsite at our head office facility in Rangiora and within hours we had crews in the air and on the ground assessing damage.

As a result of the earthquake, close to 7,000 homes and businesses located in Hammer Springs, Kaikoura, Waiau, Culverden, Cheviot and the surrounding areas, were without power. By the end of the day, power was restored to the main townships, with restoration to habitable properties completed within seven days.

Our ability to respond is largely due to the experience and attitude of our people, who go above and beyond with a sole commitment to restoring electricity supply to the region. This was complemented by stories of ordinary people doing extraordinary things to support those most affected – from pallets of food being donated through to the hospitality of locals in Kaikoura who continued to smile despite what was happening around them.

Given the scale of the event, the long term impact on the electricity network is still being determined.

PARTNERING IN NETWORK PERFORMANCE

MainPower owns and operates $252 million of distribution infrastructure including 5,017 kilometres of overhead lines and underground cables, serving a population of over 65,000 in the North Canterbury and Kaikoura region. We're making smart choices about network investment to maintain a safe, secure and reliable electricity supply to customers into the future.

MANAGING OUR ASSETS

MainPower's asset management plan provides our customers and stakeholders with insight and explanation on how we intend to provide electricity distribution services to our customers over the next ten years. We're taking a holistic approach to optimise the life cycle of our assets, from conceptual design through to decommissioning. This includes assessing our assets based on condition, criticality and risk and creating a maintenance plan accordingly. Maintenance activities provide information on a number of issues including when the asset should be renewed. It is not uncommon that assets are extended beyond their nominal life – this is simply reflective of its rating and the environment. Having this information available, continually monitoring performance and completing maintenance and replacement means we maintain network reliability and security of supply for our customers.

Using technology to provide network solutions

Technology is at the forefront of improvements we are making to the electricity distribution network – it's about operating the network in a more efficient and dynamic way. Developments in self-healing control technologies including sensors, automated controls and advanced software, enable monitored control in real-time and deliver efficiencies through grid optimisation. For the customer, this translates into greater system reliability.

This year, MainPower introduced new types of switches and circuit breakers which are able to be controlled remotely. Using radio technology, we are able to reset assets that have tripped without physically sending an employee to the site. This means faster restoration of power for customers after an outage. There is also a reduced risk to employees, who no longer have to manually handle the high voltage switches and circuit breakers, usually in times of poor weather and limited daylight. The new technology is a good grounding for future developments in automated switching that are yet to come.

Change driven by customers

Customers also increasingly have better access to new energy technology that will require MainPower to change the way it manages the network in the future. Generating your own power through solar photovoltaics (PV) is becoming a reality for many New Zealand homes and businesses. In the MainPower network, solar PV is steadily increasing with an almost 50 percent increase in installed systems in the last year. This presents challenges in terms of current distribution price structures as well as the implications of the two-way flow of electricity on a network that was built for one-way flow. While these new technologies require innovative network solutions they can also be used at a network level to deliver reliability benefits for our customers.

MainPower Maintenance Manager Nick Low sees his role evolving in the future, "With the new technology boom we're seeing at the moment, new options are opening up. Where, in the past, we may have simply replaced poles and wires as they come to the end of their life cycle, we can now pause and think about whether poles and wires are really the best option for the customer. For remote properties in particular, solar power or generators may well be more cost effective and reliable than the traditional network."

THE YEAR AHEAD

We are committed to achieving a balance between delivering a safe, secure and reliable electricity supply, and cost, for our community. Key activity in this area includes:

- Introducing service standards that better reflect the needs and expectations of our customers and community.
- Providing network solutions that incorporate new energy technologies to better manage our assets.
- Enabling our customers to adopt new energy technologies by better understanding the impacts on the nature, operation and planning of the network.

New Connections

The number of new customers to our network

Post-Canterbury earthquake, we have seen a spike in the number of new connections as populations shifted around the region and new housing developments were established. From 2015, the number of new connections has begin to return to pre-earthquake levels.

2011	657
2012	830
2013	1335
2014	1396
2015	1241
2016	984
2017	1030

Customers on our network

Large users are typically big commercial and industrial businesses like manufacturers, hospitality/ tourism providers and wholesalers/ retail trade providers. Non-residential includes our commercial and business customers who are not big enough to be categorised as 'large users'. The 'other' category contains the likes of council pumping and street lighting.

Residential	31,789
Large Users	45
Irrigation	1336
Non-residential	5839
Other	337

Solar Photovoltaics (PV)

The average size of solar PV systems in the MainPower network is 4kW, above the New Zealand average of around 2-3kW. The increased size generally means that customers are exporting excess electricity into the grid during the day.

Total connections 2016	411
Total connections 2017	623

PARTNERING WITH OUR PEOPLE

MainPower's future success relies on our employees. As our sector enters a period of significant change, maintaining a diverse workplace that supports employees and offers opportunities to gain new skills, will be instrumental in our ability to respond to changing customer needs.

Length of service

- Less than 5 years
- 6–10 years
- 11–15 years
- 16–20 years
- 21–25 years
- More than 26 years

Employees by age

- Under 20
- 21–30
- 31–40
- 41–50
- 51–60
- 61 and over

TRAINING THE BEST

We are proud of our track record of upskilling and training our employees. With the rapid rate of change the industry is facing, our culture of learning and sharing expertise will stand us in good stead.

This year, several employees have completed training and gained new qualifications. We are enormously proud of our apprentices and trainees, who have shown dedication and perseverance throughout their years of study.

We currently have five apprentices and several other employees working towards other qualifications.

Tina Main has just completed three years of study through Massey University, gaining a Diploma in Business Studies with an Accounting endorsement. Tina juggled her studies while working full time in MainPower's Finance, Corporate and Risk department.

"I took on the challenge of extra study to increase my value to the business, gain knowledge and skills and to ensure my continued employability, says Tina. MainPower has been awesome. I have had encouragement from managers and colleagues and been allowed a little time each week during work hours to attend online lectures and keep up with the study workload".

Tina Main
MainPower Accounts Payable/Receivable

After three years as a trainee, Sam Tuhuru has just registered as a fully qualified Line Mechanic. Sam is amongst a group of three trainees who completed their apprenticeships earlier this year.

"One of the highlights from my time training was getting to meet a lot of new people. We got to work in different areas of the organisation on placements, from the workshop to the arborists and underground crews.
We also got to meet a lot of people from other lines companies and hear their stories and what they get up to which is really interesting."

Sam Tuhuru
MainPower Line Mechanic

WOMEN IN TRADES

MainPower has a commitment to growing diversity in the workplace. Women make up 50 percent of New Zealand's population yet account for only around 4 percent of trade trainees. With skill shortages increasing, women represent an untapped pool of talent that could meet this demand.

Last year, MainPower participated in the industry initiative **Girls with Hi-Vis®**. Run by Connexis – the industry training organisation – the event is aimed at showcasing opportunities for women in infrastructure industries and to encourage them to enter training.

MainPower Trainee Cable Jointer Ellie Pugh got her first taste of the electricity industry at the Girls with Hi-Vis® event. Now one year into her apprenticeship at MainPower, 18-year-old Ellie is keen to see more women follow in her footsteps

"It's a great career path. Most days are different, you get the chance to earn while you learn and you end up with qualifications that you can take all over the world, she says. It's a practical choice, especially for women as there are so few of us in the industry and such high demand for workers."

Ellie Pugh
MainPower Trainee Cable Jointer

GENDER DIVERSITY

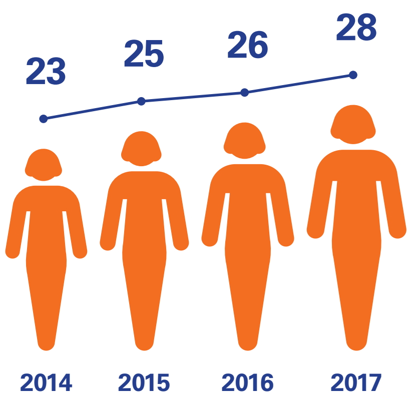
2017

How are we performing?

Board of Directors

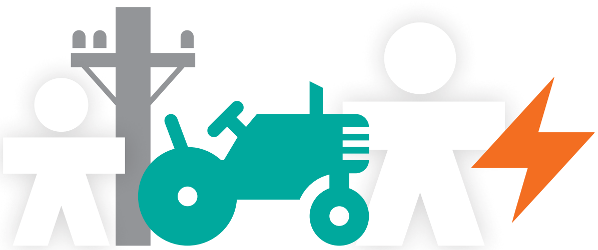
Leadership Team

All Employees



Females employed through the years

PARTNERING IN LEARNING



We love sharing knowledge and expertise with our community. This year, we have continued to strengthen our partnerships with local groups and schools through supporting educational events and activities.

DOWN THE BACK PADDOCK

Keeping the community safe is a key priority for MainPower. One way we are contributing in this area is through our involvement with rural education programme **Down the Back Paddock** – an initiative run by Injury Prevention Waimakariri. The programme is designed to educate children about safety, with a particular focus on farms and lifestyle blocks. MainPower joins a number of other local experts to present information and safety demonstrations to schools in the Waimakariri.

SHARED KNOWLEDGE

Throughout the year, we have hosted several community groups at our Rangiora site including local chapters of Probus New Zealand. Our staff enjoy the opportunity to talk about their roles, network projects and the implications of new technologies. "It's a great opportunity for us to share ideas with members of the community. With these visits, we find that the general knowledge and interest in where the industry is heading is really high," says MainPower Operations Manager Rob Wilson.

SCHOOL VISITS

This year we teamed up with **EVolocity** to present an interactive lesson to Loburn School students on electric vehicles, solar power and staying safe around electricity. EVolocity is a local organisation whose mission is to encourage sustainable lifestyles through promoting electric vehicles (EV) and running an EV building competition. It was excellent to partner with them to bring our shared knowledge to the students at Loburn School. They had a great time testing out EVolocity's electric vehicles and taking a peek under the hood of MainPower's 100% electric Nissan LEAF.

MAINPOWER SCHOLARSHIP

Attracting talent and supporting students pursuing courses in electrical power engineering is critical to the future of the industry. Since 2003 we have partnered with the University of Canterbury to provide a scholarship for undergraduate students studying Electrical and Electronic Engineering. Third year student Tiantian Xiao was the 2016 recipient of the **MainPower Scholarship**. We are also proud supporters of the University of Canterbury's Electric Power Engineering Centre – the **EPECentre** shares our vision for a sustainable future with a specific focus on education and innovation.

PARTNERING IN THE COMMUNITY

MainPower has an important part to play in making our region a great place to live and work. In addition to keeping the lights on and powering our community, we give back through our community support sponsorship programme. We have a proud history of supporting great things with a focus on youth, environmental sustainability, energy efficiency and economic development.

GROUPS & ACTIVITY WE'VE SUPPORTED

YOUTH

- MainPower North Canterbury Sports Awards
- MainPower Youth Sports Scholarships
- MainPower Primary School Coaching Programme
- WaiSwim Programme
- Primary & Secondary School Prizes
- MainPower Scholarship – University of Canterbury
- Māia Health Foundation
- Canterbury Country Cricket Association – MainPower Oval
- Big Brothers Big Sisters of North Canterbury

ENERGY EFFICIENCY

- Insulation in Network Area
- Energy Advice Service
- EVolocity – Electric Vehicle Competition

ECONOMIC DEVELOPMENT

- Enterprise North Canterbury
- North Canterbury Business Awards
- North Canterbury Radio Trust – Compass FM

ENVIRONMENTAL SUSTAINABILITY

- MainPower Hurunui Natural Environment Fund
- Green Corps

COMMUNITY SUPPORT

- Boyle River Outdoor Education Centre
- Cheviot Spring Festival
- Christmas on the Lake – Pegasus Residents Group Inc
- Community Christmas Lunch – Reflections Community Trust
- Farmers Rangiora Festival
- Hurunui Drought Response Committee – North Canterbury Federated Farmers
- Kaiapoi Borough School
- Kaiapoi Christmas Carnival – Kaiapoi Promotion Association
- Kaiapoi Pony Club
- Lynton Downs School
- Mt Lyford RVFF
- North Canterbury Riding for the Disabled
- North Loburn School
- NZRT12
- Pegasus Bay Art Show – Pegasus Bay School PTA
- Rangiora A&P Showgrounds – Northern A&P Association
- Rangiora to Kaiapoi Fun Run – Lions Club
- Santa's Grotto
- The Christmas Giving Tree at Christmas Celebration Night – Rangiora Promotions Association
- Waikari Bowling Club

Sponsorship is all about reconnecting with our community and it's not just the company that's making a difference – a number of our workforce volunteer for community organisations and activities they care about. Whether it's through local sporting clubs or involvement in initiatives coordinated by MainPower, we believe it is important to encourage employees to contribute to their local community. Our people and our community matter to us.

Projects Our People Have Supported

- **Daffodil Day – Cancer Society NZ**
- **Pink Ribbon Breakfast – New Zealand Breast Council Foundation**
- **RSA Poppy Day**
- **Movember**
- **Light it Orange for Shine**

COMMUNITY FUND

We introduced the Community Fund in 2015 as a way for the local community to have a say in which groups they think need funding the most. The contestable fund is open for public vote with $20,000 up for grabs by local groups including charitable organisations, cultural organisations and schools. The fund has been a great success with over 4,500 votes for 745 groups over two years, with $30,000 going to six fund recipients.

2016 Fund Recipients

1. Amberley Community Pool Society
2. North Canterbury Academy of Music
3. Sefton School
4. North Canterbury Riding for the Disabled


1.


2.


3.

4.

PLANTING THE FUTURE

MainPower is a long term supporter of the local community and has been a proud partner of Green Corps since 2015. Coordinated by Waimakariri District Council, Green Corps is an enquiry-based learning initiative that aims to provide hands-on environmental learning for primary school children.

Green Corps largest planting day at Silverstream Reserve saw 30 students from Clarkville School get their hands dirty planting native trees and shrubs.

Waimakariri
GREEN
CORPS

It offers schools the opportunity to take ownership of parks and reserves and have a lead role in their ongoing development and maintenance.
In 2016, 14 planting days were held across four sites involving four partner schools and over 400 students – with around 2,000 native seedlings planted.

FINANCIAL
REPORT

MAINPOWER NEW ZEALAND LIMITED FINANCIAL REPORT 2017

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DIRECTORY

Directors

Gill Cox	Chairman
Peter Cox	Deputy Chairman
Graeme Abbot	Director
Trevor Burt	Director
Janice Fredric	Director
Judith Hoban	Director
Tony King	Director
Stephen Lewis	Director

Senior Management

Bruce Emson	Chief Executive
Mark Appleman	Assets & Capital Works Manager
Craig Beikoff	Health, Safety, Environment & Quality Manager
Nicola Cull	Communications Manager
Geoff Gale	Chief Information Officer
Sandra O'Donohue	Human Resources Manager
Mark Williamson	Commercial Manager
Rob Wilson	Operations Manager
Warren Wright	Finance Manager
Scott Taylor	Chief Executive, VirCom Energy Management Services Limited

Registered Office

172 Fernside Road, PO Box 346
Rangiora 7440

Banker

Westpac New Zealand Limited, Rangiora

Principal Solicitors

Helmore Stewart, Rangiora
Bell Gully, Wellington
Chapman Tripp, Christchurch

Auditor

Deloitte Limited, Christchurch

MainPower New Zealand Limited
172 Fernside Road, Rangiora. PO Box 346, Rangiora
Telephone +64 3 311 8300, Facsimile +64 3 311 8301
www.mainpower.co.nz

DIRECTORS' REPORT

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its subsidiaries: VirCom Energy Management Services Limited, Electro Services NZ Limited and Tasman Electrical Limited for the financial year ended 31 March 2017.

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

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

Financial Reporting

The Companies Act 1993 requires Directors to prepare financial statements for 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 financial position of the Group and which enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

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

Principal Activities of the Group

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

VirCom Energy Management Services Limited provides NZ qualified and registered field services capability with nationwide coverage. The business focuses on core metering, solar, battery and electrical installation and maintenance services. VirCom uses a combination of permanent technicians and subcontractors, which are supported by in-house developed training, systems and auditing programs.

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

Directors holding office during the year

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Graeme David Abbot	Director
Trevor Burt	Director (resigned 30 July 2017)
Janice Evelyn Fredric	Director
Judith Anne Hoban	Director
Anthony Charles King	Director
Stephen Paul Lewis	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 variable distribution line charges. The rebate totalled $9.206M for the 2016-2017 financial year. The Directors of the Group have approved the payment of rebates for the 2017-2018 financial year of $9.23M.

Financial Results

Results for the Year Ended 31 March	Group 2017 $000	Group 2016 $000
Profit Before Tax and After Rebates	5,910	8,284
Taxation	1,788	2,304
Profit for the year	4,122	5,980
Equity		
Share Capital	56,774	56,774
Reserves	164,626	160,351
Shareholder's interest	221,400	217,125
Minority interest	-	1,153
Total equity	221,400	218,278

Auditor

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

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

On behalf of the Board

W G Cox
Chairman of Directors
MainPower New Zealand Limited

P A Cox
Director
MainPower New Zealand Limited

MAINPOWER BOARD

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

Other directorships: Elastomer Products Limited, Transwaste Canterbury Limited, Talbot Technologies Limited, Barlow Bros Limited, Independent Fisheries Limited, New Zealand Transport Agency Limited (resignation notified 2 May 2017), Ngāi Tahu Farming Limited, Committee for Canterbury, Motus Health Network, Anderson Lloyd.

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

Other directorships: J J Angerstein and Associates Limited, House of Travel Holdings Limited, J Ballantyne and Company Limited, Duncan Cotterill (Board Member).

Graeme Abbot joined as a Director of MainPower in August 2016 and is a member of the Board's Remuneration 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: Christchurch & Canterbury Tourism.

Trevor Burt was appointed to the Board of MainPower in September 2008 and is Chairman of the Remuneration Committee. Trevor is a company director and business consultant based in Christchurch. (Trevor resigned 30 July 2017.)

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

Janice Fredric joined as a Director of MainPower in August 2016 and is a member of the Board's Audit Committee. Janice is a professional director with a broad portfolio of current and past directorships, extensive experience and a chartered accountant.

Other directorships: Maritime New Zealand, Credit Union South, Moore Stephens Markham's Christchurch Limited (Advisory Board), Perception PR (Advisory Board), Hurunui Tourism Board, NZ Shipwreck Welfare Trust (Trustee), Lincoln University (Audit and Risk Management Committee), Taxcheck.co.nz Limited.

Judith Hoban was appointed to the Board of MainPower in December 2005 and is a member of the Board's Remuneration Committee. Judith farms in partnership with her husband and for many years has held governing positions in a wide range of community organisations. Judith has recently been appointed Dame Grand Cross of the Order of St John.

Other directorships: The Order of St John.

Tony King joined as a Director of MainPower in August 2016. Tony has extensive experience in senior operational and corporate management roles, as an independent consultant and over 10 years as a company director.

Other directorships: Option One Limited, Subsidiaries of Solid Energy New Zealand Limited.

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

Other directorships: Dance and Physical Theatre Trust.

The Directors are pleased to present the Audited Financial Statements of MainPower New Zealand Limited and its Subsidiaries for the Year Ended 31 March 2017.

Authorised for issue on 17 July 2017
for and on behalf of the board of directors:

W G Cox
Chairman of Directors
17 July 2017

P A Cox
Director
17 July 2017

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	Group 2017 $000	Group 2016 $000
Continuing Operations:			
Operating Revenue	2	85,522	91,218
		85,522	91,218
Operating Expenses	3, 4	55,917	57,797
Depreciation and Amortisation	5	13,201	11,890
Finance Expenses	6	1,288	3,420
Rebates		9,206	9,827
		79,612	82,934
Profit Before Income Tax Expense		5,910	8,284
Income Tax Expense/(Credit)	7	1,788	2,304
Profit and Other Comprehensive Income for the Year		**4,122**	**5,980**
Profit for the Year is attributable to:			
Shareholders of the Parent		3,969	5,878
Minority interests		153	102
		4,122	5,980
Comprehensive Income is attributable to:			
Shareholders of the Parent		3,969	5,878
Minority Interests		153	102
		4,122	5,980

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	Group 2017 $000	Group 2016 $000
ASSETS			
Current Assets			
Cash and Cash Equivalents		662	1,747
Current Tax Asset	7	80	-
Trade and Other Receivables	8	10,694	9,684
Inventories	9	2,319	3,095
Other Assets	10	285	181
Other Financial Assets	13	2,050	3,000
Total Current Assets		16,090	17,707
Non-Current Assets			
Property, Plant and Equipment	14	290,139	286,477
Capital Works Under Construction	14A	3,278	6,185
Goodwill	15	713	713
Computer Software	16	699	787
Total Non-Current assets		294,829	294,162
Total Assets		**310,919**	**311,869**
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	8,236	9,043
Current Tax Liability	7	-	63
Interest Rate Swaps	17A	170	-
Borrowings	18	-	25,000
Total Current Liabilities		8,406	34,106
Non-Current Liabilities			
Net Deferred Tax Liabilities	7	43,961	43,617
Borrowings	18	34,700	12,400
Interest Rate Swaps	17A	1,681	2,574
Other Financial Liabilities	19	5	6
Non Current Provisions	20	766	888
Total Non-Current Liabilities		81,113	59,485
Equity			
Share Capital	21	56,774	56,774
Reserves	22	38,002	38,002
Retained Earnings	23	126,624	122,349
Total Equity Attributable to Parent Equity Holders		221,400	217,125
Minority Interest	24	-	1,153
Total Equity		221,400	218,278
Total Liabilities and Equity		**310,919**	**311,869**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Notes	Share Capital $000	Retained Earnings $000	Asset Revaluation Reserve $000	Total Parent Company $000	Minority Interest $000	Total Equity $000
Consolidated Entity							
Balance at 1 April 2015		56,774	116,584	38,002	211,360	1,051	212,411
Profit for the Year	23, 24	-	5,878	-	5,878	102	5,980
Total Comprehensive Income		-	5,878	-	5,878	102	5,980
Dividends Paid to Subsidiary Minority Shareholders		-	(113)	-	(113)	-	(113)
Balance at 31 March 2016		56,774	122,349	38,002	217,125	1,153	218,278
Profit for the Year	23, 24	-	3,969	-	3,969	153	4,122
Total Comprehensive Income		-	3,969	-	3,969	153	4,122
Minority Shareholder Buyout	11	-	306	-	306	(1,306)	(1,000)
Balance at 31 March 2017		**56,774**	**126,624**	**38,002**	**221,400**	**-**	**221,400**

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

CASH FLOW STATEMENT

For the year ended 31 March 2017

	Notes	Group 2017 $000	Group 2016 $000
Cash Flows from Operating Activities			
Receipts from Customers		75,264	82,456
Interest received		181	115
Payments to Suppliers and Employees		(55,600)	(56,982)
Interest and Other Finance Costs paid		(1,987)	(1,972)
Income Tax paid		(1,587)	(2,209)
Net Cash Provided by Operating Activities	25	16,271	21,408
Cash Flows from Investing Activities			
(Payments) \ Proceeds to Associate Company		(50)	-
Proceeds / (Payments) from Investment Securities		1,000	(500)
Payment for Property, Plant and Equipment		(14,562)	(22,790)
Proceeds from sale of Property, Plant and Equipment		125	176
Payment for Intangible Assets		(169)	(184)
Net Cash Used in Investing Activities		(13,656)	(23,298)
Cash Flows from Financing Activities			
Dividends paid		-	(113)
Buy Out Minority Shareholder		(1,000)	-
(Repayment) / Proceeds of Borrowings		(2,700)	3,500
Net Cash Provided by Financing Activities		(3,700)	3,387
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,085)	1,497
Summary			
Cash and Cash Equivalents at Beginning of Year		1,747	250
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,085)	1,497
Cash and Cash Equivalents at End of Year		662	1,747

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

1. Statement of Accounting Policies

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

MainPower New Zealand's parent and ultimate controlling party is the MainPower Trust.

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

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1'). For the purposes of complying with GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and it is not a large for profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions with the exception of note 25.

Basis of Financial Statement Preparation
These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

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

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

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2017 and the comparative information presented in these financial statements for the year ended 31 March 2016.

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

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

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

The Group operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Group's approved network asset management plan. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network. Refer also note 1(j) property, plant and equipment regarding revaluations.

The Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. When determining line revenue, management recognises actual amounts billed during the financial period and, if material, makes an adjustment to recognise the estimated value of unread meters where applicable.

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

1. Statement of Accounting Policies continued

Significant Accounting Policies

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

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company.

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

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

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

Associate Companies - equity accounting

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

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

(b) Goods and Services Tax

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

(c) Foreign Currency

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

(d) Cash and Cash Equivalents

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

1. Statement of Accounting Policies continued

(e) Financial Assets

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

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

Financial assets at fair value through profit or loss

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

Held to maturity investments

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

Loans and receivables

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

Contract work in progress is stated at cost plus attributable profit to date (based on percentage of completion of each contract) less progress billings. Cost includes all costs directly related to specific contracts and an allocation of general overhead expenses incurred by the contracting subsidiaries. Losses on contracts are taken to profit or loss in the period in which they are identified. Details of the impairment tests performed are disclosed in note 1(i).

(f) Inventories

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

(g) Income Tax

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

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

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

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

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

1. Statement of Accounting Policies continued

(h) Leased Assets

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

(i) Impairment of Assets

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

The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

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

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

1. Statement of Accounting Policies continued

(j) Property, Plant and Equipment

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

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

Any revaluation increase arising on the revaluation of land and buildings and the distribution system is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

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

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

	Years		
Electricity distribution network	7	to	70
Buildings	6	to	100
Office furniture and equipment	3	to	20
Plant and equipment	2	to	25
Vehicles	4	to	10
Generation Assets	10	to	20

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

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

(k) Intangible Assets

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

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

(l) Goodwill

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

1. Statement of Accounting Policies continued

(m) Payables

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

(n) Borrowings

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

(o) Employee Benefits

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

(p) Financial Instruments Issued by the Group

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

(q) Derivative Financial Instruments

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

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

(r) Revenue Recognition

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

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

(s) Capital Contributions

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

(t) Distinction Between Capital and Revenue Expenditure

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

(u) Borrowing Costs

Borrowing costs are expensed using the effective interest rate method.

Adoption of New and Revised Standards and Interpretations

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

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.

The Group has not yet fully assessed the impact of NZ IFRS 9 Financial Instruments (31 March 2019), NZ IFRS 15 Revenue from Contracts with Customer (31 March 2019) and NZ IFRS 16 Leases and Equipment (31 March 2020).

	Group 2017 $000	Group 2016 $000

2. Operating Revenue

	Group 2017 $000	Group 2016 $000
Line revenue	53,426	56,616
Contracting revenue	25,825	28,057
Generation revenue	153	198
Capital Contributions	4,515	5,403
Interest revenue:		
Other	121	126
Other	1,482	818
Operating Revenue	85,522	91,218

3. Operating Expenses

	Group 2017 $000	Group 2016 $000
Bad Debts Written Off	34	40
Directors' Fees and Expenses	451	307
Employee Remuneration and Benefits	10,758	13,332
Loss on Disposal of Property, Plant and Equipment	744	1,664
Operating Lease costs	316	276
Network Maintenance	6,582	5,976
Generation Cost of Production	67	65
Generation Operations	66	709
Community Relationships	1,160	977
Transmission expenses	14,424	13,228
Cost of Goods Sold, excluding employee remuneration	16,741	18,588
Other	4,442	2,538
Operating Expenses	55,785	57,700

Directors fees and expenses for 2017 included the fees and expense of the three additional Directors who were appointed to the Board in August 2016.

4. Remuneration of Auditor

	Group 2017 $000	Group 2016 $000
Audit of the Financial Statements	77	73
Auditor's Other Services	55	24
Remuneration of Auditor	132	97

The audit committee monitors the independence of the auditor and approves and reviews those services provided by the auditor other than in its statutory audit role. Other services comprise the audit of regulatory submissions to the Commerce Commission for financial and non-financial information together with the provision of advisory services.

5. Depreciation and Amortisation

	Group 2017 $000	Group 2016 $000
Depreciation of Non-Current Assets	12,908	11,567
Amortisation of Non-Current Assets	293	323
Depreciation and Amortisation	13,201	11,890

	Group 2017 $000	Group 2016 $000

6. Finance Expenses

	Group 2017 $000	Group 2016 $000
Interest Expense on Loans	1,987	1,972
Other Finance expense	23	205
Interest Rate Swaps and Foreign Exchange Contracts Fair Value Movement	(722)	1,243
Finance Expenses	1,288	3,420

7. Income Taxes

	Group 2017 $000	Group 2016 $000
Income Tax Expense Recognised in Profit. Tax Expense Comprises:		
Current Tax expense	1,257	2,089
Adjustments recognised in current year in relation to the Current tax of Prior Years	187	(60)
Deferred Tax expense relating to the origination and reversal of Temporary Differences	344	275
Total Income Tax Expense Recognised in Profit	1,788	2,304

	Group 2017 $000	Group 2016 $000
The Prima Facie Income Tax Expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before tax	5,910	8,284
Prima Facie Income Tax expense calculated at 28%	1,655	2,320
Non-Deductible Expenses	(54)	44
	1,601	2,364
Under/(Over) Provision of Income Tax in Previous Year	187	(60)
Total Income Tax Expense/(Credit) Recognised in Profit	1,788	2,304

Current Tax Assets and Liabilities

	Group 2017 $000	Group 2016 $000
Current Tax Liability:		
(Receivable) / Tax Payable	(80)	63

7. Income Taxes continued

	Opening Balance $000	Charged to Profit and Loss $000	Charged to Comprehensive Income $000	Closing Balance $000
Consolidated Group for the Year Ended 31 March 2017				
Taxable and Deductible Temporary Differences arise from:				
Deferred Tax Liabilities				
Property, Plant & Equipment	44,713	222	-	44,935
Deferred Tax Assets				
Intangible Assets	(6)	(10)	-	(16)
Provisions	(1,090)	132	-	(958)
Net Deferred Tax Liability	43,617	344	-	43,961
Consolidated group for the year ended 31 March 2016				
Taxable and Deductible Temporary Differences arise from:				
Deferred Tax Liabilities				
Property, Plant & Equipment	44,384	329	-	44,713
Intangible Assets	3	(9)	-	(6)
	44,387	320	-	44,707
Deferred Tax Assets				
Provisions	(1,045)	(45)	-	(1,090)
Net Deferred Tax Liability	43,342	275	-	43,617

Imputation Credit Account Balances	Group 2017 $000	Group 2016 $000
Opening Balance	12,778	10,794
Less Prior Period Taxation (Payable)	(63)	(245)
Imputation Credits / Taxation relating to Previous Periods	13	(101)
Taxation paid	1,574	2,310
Imputation Credits Attached to Dividends Received/(Paid)	-	(43)
Taxation Payable/(Receivable)	(80)	63
Closing Balance	14,222	12,778

The MainPower consolidated tax group for income tax purposes includes MainPower New Zealand Limited, VirCom Energy Management Services Limited together with Tasman Electrical Limited and Electro Services NZ Limited who are non trading entities.

	Group 2017 $000	Group 2016 $000

8. Trade and Other Receivables

	Group 2017 $000	Group 2016 $000
Trade Receivables and Other Accruals	9,742	9,223
Work Under Construction	918	261
Interest Receivable	34	94
Other Receivables	-	106
	10,694	9,684

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

Interest is charged on overdue trade receivables where applicable.

9. Inventories

	Group 2017 $000	Group 2016 $000
Distribution System and Metering items	2,319	3,095

Certain inventories are subject to security interests created by retention of title clauses.

10. Other assets

	Group 2017 $000	Group 2016 $000
Prepayments	285	181

11. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of Ownership Interest and Voting Power Held by the Group	
			31/3/17	31/3/16
VirCom Energy Management Services Limited	Provision of Metering Services	New Zealand	100%	77.4%

11.2 Composition of the Group

Principal activity	Place of incorporation and operation	Number of Non-Wholly-Owned Subsidiaries	
		31/3/17	31/3/16
Provision of Metering Services	New Zealand	0	1

11.3 Details of Non-Wholly-Owned Subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of Incorporation and Principal Place of Business	Proportion of Ownership Interests and Voting Rights Held by Non-Controlling Interests		Profit/(loss) allocated to Non-Controlling Interests ($000)		Accumulated Non-Controlling Interests ($000)	
		31/3/17	31/3/16	31/3/17	31/3/16	31/3/17	31/3/16
VirCom Energy Management Services Limited	New Zealand	0%	22.6%	153	102	Nil	1,153

(i) Up until the 16 November 2016 the Group owned 77.4% equity shares of VirCom Energy Management Services Limited ("VirCom"). However, based on the contractual arrangements between the Group and other investors, the Group had the power to appoint and remove the majority of the board of directors of VirCom. The relevant activities of VirCom are determined by the board of directors of VirCom based on simple majority votes. Therefore, the directors of the Group concluded that the Group has control over VirCom and VirCom is consolidated in these financial statements.

(ii) On the 16 November 2016 the Group acquired the remaining interest in Vircom from Energy Management Services Limited.

11. Subsidiaries continued

11.4 Financial Support

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

During the current financial year no financial support was provided to VirCom Energy Management Services Limited (2016: Nil).

12. Associates

12.1 *Details of Material Associates*

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

Name of Subsidiary	Principal Activity	Place of Incorporation and Operation	Proportion of Ownership Interest and Voting Power Held by the Group	
			31/3/17	31/3/16
Hurunui Water Project Limited	Irrigation	New Zealand	13.18%	13.18%

No public price quotation exists for this investment.

The carrying value of this investment is $Nil (2016: Nil). The Group has not recognised its 13.18% share of accumulated profits or losses relating to the associate as Hurunui Water Project Limited are still in the set-up stage of its life cycle (2016: 13.18%).

13. Other financial assets

	Group 2017 $000	Group 2016 $000
At amortised cost		
Self Insurance Fund Investment - Current	2,000	3,000
Loan to Associate Company	50	-
	2,050	3,000

In November 2016 the North Canterbury and Kaikoura region experienced a major earthquake and as a result the Company drew down $1million dollars from its self insurance fund (Distribution System Asset Insurance Fund) to meet the costs associated with the earthquake.

14. Property, Plant and Equipment

	Freehold Land at Fair Value $000	Buildings at Fair Value $000	Electricity Distribution Network at Fair Value $000	Plant, Equipment, Vehicles, Furniture & Fittings $000	Total $000
Consolidated group					
Gross Carrying Amount					
Balance at 1 April 2015	3,879	17,190	260,011	36,179	317,259
Revaluations	-	-	(32,421)	-	(32,421)
Additions	-	15	23,205	2,289	25,509
Disposals/Adjustments	-	-	(4,758)	(793)	(5,551)
Balance at 31 March 2016	3,879	17,205	246,037	37,675	304,796
Additions	-	153	16,735	580	17,468
Disposals/Adjustments	-	-	(755)	(456)	(1,211)
Balance at 31 March 2017	3,879	17,358	262,017	37,799	321,053
Accumulated Depreciation, Amortisation and Impairment					
Balance at 1 April 2015	-	674	26,498	15,712	42,884
Revaluations	-	-	(32,421)	-	(32,421)
Disposals/Adjustments	-	-	(3,076)	(635)	(3,711)
Depreciation expense	-	475	8,999	2,093	11,567
Balance at 31 March 2016	-	1,149	-	17,170	18,319
Disposals/Adjustments	-	-	-	(313)	(313)
Depreciation expense	-	440	10,486	1,982	12,908
Balance at 31 March 2017	-	1,589	10,486	18,839	30,914
Net book value at 31 March 2016	3,879	16,056	246,037	20,505	286,477
Net book value at 31 March 2017	3,879	15,769	251,531	18,960	290,139

14. Property, Plant and Equipment continued

Revaluations and Impairment Review

Ernst & Young Transaction Advisory Services Limited were commissioned to undertake an independent valuation of the electricity network as at 31 March 2016 in accordance with NZ IAS 16 – Property, Plant and Equipment and NZ IFRS 13 – Fair Value Measurement. Ernst & Young's valuation was undertaken on a discounted cashflow (DCF) basis and a number of external assumptions were assumed in the calculation of the DCF. The valuation determined that the carrying value of the network assets as at 31 March 2016 approximated fair value. The major assumptions included:

- Weighted average cost of capital 5.2% to 5.8%;
- Forecast cashflow, including network pricing, operating costs and capital expenditure;
- Leverage 26% to 55%; and
- Regulatory Asset Base multiples and Regulatory cost of capital

Therefore MainPower elected to assume the Ernst & Young valuation which did not have an impact on the carrying value of the Network Assets.

In reviewing the current financial year the Group have recognised additional capital expenditure on the electricity distribution network of $16.735 million and as there have been no material changes to the Ernst & Young major assumptions the Group consider that the electricity distribution network reflects fair value.

The Group's Regulatory Asset base which is inclusive of the electricity distribution network and substation land and buildings but exclusive of assets funded from customers' contributions was valued at March 2016 at $218.3 million. The book value of electricity distribution network assets funded from customer contributions at March 2016 amounted to $38.1 million.

Within the asset class Plant, Equipment, Vehicles, Furniture & Fittings is $12.593 million (2016: $12.817 million) of generation assets. MainPower have engaged the services PricewaterhouseCoopers to undertake a strategic view of MainPower's ongoing involvement in generation related business.

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

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

14A. Capital Works Under Construction

	Group 2017 $000	Group 2016 $000
Capital Works Under Construction	3,278	6,185

15. Goodwill

	Total $000
Consolidated Group	
Net Book Value at 31 March 2016	713
Net Book Value at 31 March 2017	713

16. Computer Software

	Group $000
Gross Carrying Amount	
Balance at 1 April 2015	3,289
Additions	184
Disposals/Adjustments	-
Balance at 31 March 2016	3,473
Additions	169
Disposals/Adjustments	-
Balance at 31 March 2017	3,642
Accumulated Amortisation and Impairment	
Balance at 1 April 2015	2,363
Amortisation expense	323
Disposals/Adjustments	-
Balance at 31 March 2016	2,686
Amortisation expense	293
Disposals/Adjustments	(36)
Balance at 31 March 2017	2,943
Net book value at 31 March 2016	787
Net book value at 31 March 2017	699

Amortisation expense is included in the line item Depreciation and amortisation in the Statement of Comprehensive Income.

17. Trade and Other Payables

	Group 2017 $000	Group 2016 $000
Trade Payables	4,165	4,534
Accruals	1,805	2,331
Employee Entitlements	1,556	1,510
GST Payable	710	668
	8,236	9,043

17A. Interest Rate Swaps

Current Liabilities	170	-
Non - Current Liabilities	1,681	2,574
Interest Rate Swaps	1,851	2,574

18. Borrowings

Current	-	25,000
Term	34,700	12,400
	34,700	37,400

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $27,000,000 will expire on 31 December 2019 and $18,000,000 on 31 December 2020. At 31 March 2017 MainPower had drawn down $34,700,000 which is unsecured, but subject to a negative pledge arrangement (2016: $37,400,000).

During the year Nil interest was capitalised to MainPower's generation and network assets (2016: Nil).

19. Other Financial Liabilities

At cost:

Redeemable Preference (Rebate) Shares	5	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 Company.

7,038 redeemable preference shares at 10 cents each were redeemed during the year (2016: 6,338).

20. Non-Current Provisions

Employee Benefits	766	888

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

Key assumptions in the calculation of the provision include:
- Salary inflation 3.00% (2016: 3.00%)
- Discount rate 1.92% - 4.75% (2016: 1.94% - 5.50%)

21. Share capital

Balance at Beginning of Financial Year	56,774	56,774
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.

22. Reserves

Asset Revaluation Reserve:

Balance at Beginning of Financial Year	38,002	38,002
Total reserves	38,002	38,002

	Group 2017 $000	Group 2016 $000

23. Retained Earnings

Balance at Beginning of Financial Year	122,349	116,584
Comprehensive Income Attributable to Parent entity	3,969	5,878
Minority Shareholder buyout	306	-
Dividends paid	-	(113)
	126,624	122,349

24. Minority interest

Balance at Beginning of Financial Year	1,153	1,051
Comprehensive income attributable to minority interest	153	102
Transferred to Retained Earnings	(306)	-
Transferred to Equity	(1,000)	-
	-	1,153

Refer Note 11 in regards to the minority interest buy out.

25. Notes to the Cash Flow Statement

Reconciliation of Profit for the Period to Net Cash Flows from Operating Activities

Net Profit for the Year	4,122	5,980
Adjustments for Non Cash:		
Loss on Disposal of Property, Plant & Equipment	738	1,664
Depreciation and Amortisation of Non-Current Assets	13,201	11,890
Current Provisions Swaps	(723)	1,268
Non-Current Provisions	(1)	(1)
	13,215	14,821
Changes in Net Assets and Liabilities		
Increase/(Decrease) in Current Tax Liability	(143)	(182)
Increase/(Decrease) in Deferred Tax Balances	344	275
(Increase)/Decrease in assets		
Current Receivables	(1,010)	1,389
Current Inventories	776	1,145
Other Current Assets	(104)	(31)
Increase/(Decrease) in Liabilities		
Current Payables	(807)	(1,863)
Non-Current Provisions	(122)	(126)
	(1,066)	607
Net Cash from Operating Activities	16,271	21,408

26. Commitments and Contingent Liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2017 (2016: Nil).

Operating lease commitments

The Minimum Value of Lease Commitments are:		
Within One Year	253	220
1 – 2 Years	230	220
2 – 5 Years	569	463

Prudential Commitments

At 31 March 2017 the Company and Group had guarantees (performance bonds) to third parties amounting to $200,000 (2016: $200,000).

27. Related-Party Transactions

Group Structure

The Parent entity in the consolidated Group is MainPower New Zealand Limited, which is 100% owned by the MainPower Trust. There were no related party transactions with the MainPower Trust during the year (2016: Nil).

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

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

	Group 2017 $000	Group 2016 $000
Transactions During the Year		
Purchases from Subsidiaries	118	43
Revenues from Subsidiaries	107	110
Dividends from Subsidiaries	1,000	387
Outstanding Balances as at 31 March		
Accounts Payable to Subsidiaries	84	4
Accounts Receivable from Subsidiaries	8	5
Taxation Owing to Subsidiaries	323	323

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

Other transactions involving related parties

The Group paid directors' fees totaling $366,916 (2016: $277,775)

Key management personnel of the Group purchased sundry goods and services from group companies during the period which in total did not exceed $1,000 for any individual (2016: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2016: Nil). All transactions were conducted on standard commercial terms.

28. Key Management Personnel

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

	Group 2017 $000	Group 2016 $000
Employee Remuneration and Benefits	2,737	2,239
Post Employment Benefits	-	-

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

29. Significant Events After Balance Date

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

30. Financial Instruments

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

Borrowings

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $27,000,000 will expire on 31 December 2019 and $18,000,000 on 31 December 2020. At 31 March 2017, MainPower had drawn down $34,700,000 which is unsecured, but subject to a negative pledge arrangement (2016: $37,400,000).

Interest rate risk

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

Derivative financial instruments

Interest rate swaps are used to manage the Group's interest rate exposure on long term floating rate borrowings. The Group has entered into interest rate swaps with the Westpac Bank and annually undertakes a valuation to establish the fair value of those swaps. Any fair value gain or loss is recognised through the Statement of comprehensive income (2017: Gain $0.722 million; 2016: Loss $1.243 million).

Categories of Financial Instruments	**Notes**	**Loans and receivables $000**	**Other amortised cost $000**	**Fair value through profit & loss $000**	**Total carrying amount $000**
Consolidated Group as at 31 March 2017					
Current Assets					
Cash and Cash Equivalents		662	-	-	662
Trade and Other Receivables	8	9,776	-	-	9,776
Other Financial Assets	13	-	2,050	-	2,050
		10,438	2,050	-	12,488
Total Financial Assets		10,438	2,050	-	12,488
Current Liabilities					
Trade and Other Payables	17	-	5,970	-	5,970
Interest Rate Swaps	17A	-	-	170	170
Other Financial Liabilities		-	-	-	-
		-	5,970	170	6,140
Non-Current Liabilities					
Other Financial Liabilities	18	34,700	-	-	34,700
Interest Rate Swaps	17A	-	-	1,681	1,681
Total Financial Liabilities		34,700	5,970	1,851	42,521
Consolidated Group as at 31 March 2016					
Current Assets					
Cash and Cash Equivalents		1,747	-	-	1,747
Trade and Other Receivables	8	9,423	-	-	9,423
Other Financial Assets		-	3,000	-	3,000
		11,170	3,000	-	14,170
Total Financial Assets		11,170	3,000	-	14,170
Current Liabilities					
Trade and Other Payables	17	-	6,865	-	6,865
Other Financial Liabilities		25,000	-	-	25,000
		25,000	6,865	-	31,865
Non-Current Liabilities					
Other Financial Liabilities	18	12,400	-	-	12,400
Interest Rate Swaps	17A	-	-	2,574	2,574
Total Financial Liabilities		37,400	6,865	2,574	46,839

Deloitte.

Independent Auditor's Report

TO THE SHAREHOLDERS OF MAINPOWER NEW ZEALAND LIMITED

Opinion

We have audited the financial statements of MainPower New Zealand Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2017, 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 39 to 60, present fairly, in all material respects, the consolidated financial position of the Company as at 31 March 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards reduced disclosure regime (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 Commerce Commission disclosure audit, indicative share valuation services and due diligence, 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 for the other information. The other information comprises the information in the Annual Report that accompanies the 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 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.

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 reduced disclosure regime (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/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx

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
17 July 2017

This audit report relates to the consolidated financial statements of MainPower New Zealand Limited (the 'Company') for the year ended 31 March 2017 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 17 July 2017 to confirm the information included in the audited consolidated financial statements presented on this website.

STATUTORY INFORMATION

DIRECTORS' REMUNERATION

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

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

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

Name	Position	Fees $	Salary $	Total $
MAINPOWER NEW ZEALAND LIMITED				
W G Cox	Chairman	82,300	-	82,300
P A Cox	Director	56,650	-	56,650
G A Abbot	Director	30,083	-	30,083
T Burt	Director	47,000	-	47,000
J E Fredric	Director	30,083	-	30,083
J A Hoban	Director	45,800	-	45,800
A C King	Director	28,000	-	28,000
S P Lewis	Director	47,000	-	47,000
		366,916		366,916

Directors fees and expenses for 2017 included the fees and expense of the three additional Directors who were appointed to the Board in August 2016.

SUBSIDIARIES				
Tasman Electrical Limited				
B Emson	Chairman	-	-	-
W Wright	Executive Director	-	-	-
VirCom Energy Management Services Limited				
B Emson	Chairman	-	-	-
M Williamson	Executive Director	-	-	-
Electro Services NZ Limited				
B Emson	Chairman	-	-	-
M Williamson	Executive Director	-	-	-

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

DIRECTORS' INSURANCE

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

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

LOANS TO DIRECTORS

There were no loans made to Directors.

DIRECTORS' USE OF COMPANY INFORMATION

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

INTERESTS REGISTER

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

DIRECTORS' INTERESTS

DIRECTOR	COMPANY	POSITION	APPOINTMENTS/RESIGNATIONS
W G Cox	Elastomer Products Limited	Director	
	Transwaste Canterbury Limited	Director	
	Talbot Technologies Limited	Director	
	Barlow Bros Limited	Director	
	Independent Fisheries Limited	Director	
	New Zealand Transport Agency Limited	Director	Resignation notified 2 May2017
	Ngāi Tahu Farming Limited	Director	
	Committee for Canterbury	Chair	
	Motus Health Network	Director	
	Anderson Lloyd	Director	
P A Cox	J J Angerstein and Associates Limited	Director	
	House of Travel Holdings Limited	Director	
	J Ballantyne and Company Limited	Director	
	Duncan Cotterill	Board Member	
G A Abbot	Christchurch and Canterbury Tourism	Director	
T Burt	Lyttelton Port Company Limited	Chair	
	Land Power Holdings Limited	Director	
	Silver Fern Farms Limited	Director	
	Ngāi Tahu Holdings Corporation Limited	Chair	
	Ngāi Tahu Capital Limited	Chair	
	New Zealand Lamb Company (North America) Limited	Chair	
	Agria Asia Investments Limited	Director	
	Agria Singapore Pty Limited	Director	
	PGG Wrightson Limited	Director	
	Māia Health Foundation	Trustee	
J E Fredric	Maritime New Zealand	Director	
	Credit Union South	Chair	
	Moore Stephens Markham's Christchurch Limited	Chair, Advisory Board	
	Perception PR	Advisory Board	
	Hurunui Tourism Board	Chair	
	NZ Shipwreck Welfare Trust	Trustee	
	Lincoln University (Audit and Risk Management Committee)	Member	
	Taxcheck.co.nz Limited	Director	
J A Hoban	The Order of St John	Director	
A C King	Option One Limited	Director	
	Subsidiaries of Solid Energy New Zealand Limited	Director	
S P Lewis	Dance and Physical Theatre Trust	Chair	

STATUTORY INFORMATION continued

DIRECTORS' INTERESTS – SUBSIDIARY COMPANIES

DIRECTOR	COMPANY	POSITION
C B Emson	Emson Holdings Limited	Director
	Corbel Construction Limited	Director
	Electro Services NZ Limited	Director
	Tasman Electrical Limited	Director
	Hurunui Water Project Limited	Director
	Karit Management Limited	Director
	Karit Limited	Director
	VirCom Energy Management Services Limited	Director
	MainPower New Zealand Limited	Chief Executive
M W Williamson	Electro Services NZ Limited	Director
	Karit Management Limited	Director
	VirCom Energy Management Services Limited	Director
	MainPower New Zealand Limited	Commercial Manager
W M Wright	Tasman Electrical Limited	Director
	MainPower New Zealand Limited	Finance Manager

GROUP EMPLOYEE REMUNERATION

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

Remuneration $000s	No. of current and former employees 2017	No. of current and former employees 2016
100 - 110	7	8
110 - 120	8	4
120 - 130	10	4
130 - 140	4	6
140 - 150	2	0
150 - 160	2	3
160 - 170	3	1
170 - 180	1	1
180 - 190	1	2
190 - 200	1	0
200 - 210	-	1
210 - 220	3	-
220 - 230	-	1
230 - 240	1	1
240 - 250	-	1
250 - 260	-	-
260 - 270	-	1
270 - 280	1	-
300 - 310	1	-
380 - 390	-	1
420 - 430	1	-

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

CORPORATE GOVERNANCE STATEMENT

1. Role of the Board

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

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

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

2. Board Responsibilities

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

To this end the Board will:

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

3. Delegation

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

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

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

4. Codes and Standards

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

5. Conflicts of Interest

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

6. Board Review

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

7. Company Constitution

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

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

The Directors of the Company currently in office are:

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Graeme David Abbot	Director
Trevor Burt	Director
Janice Evelyn Fredric	Director
Judith Anne Hoban	Director
Anthony Charles King	Director
Stephen Paul Lewis	Director

8. Meetings

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

9. Committees

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

9.1 Audit Committee

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

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

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

Current membership of the Audit Committee is Mr. P A Cox, Chairman, Mrs. J Fredric and Mr. S Lewis.

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

9.2 Remuneration Committee

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

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

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

Current membership of the Remuneration Committee is Mr. T Burt, Chairman, Mr. G Abbot and Mrs. J A Hoban.

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

10. Risk Management

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

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

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

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

11. Non-Executive Directors' Fees

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

12. The Role of Shareholders

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

- Strategic Objectives
- Trust Statement of Expectations
- Business Activities
- Non-core Activities
- Performance
- Distributions to Shareholders and Rebates
- Corporate Governance

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

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

13. Subsidiary Companies

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

PERFORMANCE STATEMENT

Financial

MainPower Group

For the year ending March

	Actual 2016 $000	Budget 2017 $000	Actual 2017 $000	Forecast 2018 $000	Forecast 2019 $000
Financial performance					
Operating revenue	91,218	86,606	85,522	82,921	87,958
Profit before rebates and tax	18,111	24,411	15,116	15,925	18,054
Rebates	(9,827)	(10,199)	(9,206)	(9,230)	(9,707)
Taxation	(2,304)	(3,992)	(1,788)	(1,993)	(2,324)
Profit after rebates, tax and dividends	5,980	10,220	4,122	4,702	6,023
Total maintenance expenditure	5,976	5,194	6,582	5,090	5,323
Total capital development expenditure	25,693	21,156	17,637	16,884	16,055
Financial position					
Net working capital	(16,399)	2,416	7,684	4,883	6,478
Non current assets	294,162	309,606	294,829	299,608	303,486
Total assets	277,763	312,022	302,513	304,491	309,964
Term liabilities	(59,485)	(81,082)	(81,113)	(78,389)	(77,839)
Net assets	218,278	230,940	221,400	226,102	232,125
Cash flows from Operations	21,408	22,424	16,271	17,257	18,370
Cash flows from Investing Activities	(23,298)	(21,156)	(13,656)	(16,884)	(16,555)
Cash flows from Financing Activities	3,387	(2,249)	(3,700)	189	(720)
Net Increase / (Decrease) in Cash flow	1,497	(981)	(1,085)	562	1,095
MainPower Group Financial Ratios	%	%	%	%	%
Profit before tax / Net assets	3.85	6.29	2.69	2.99	3.64
Profit after tax / Total assets	2.11	3.32	1.37	1.55	1.95
Profit after tax / Equity	2.78	4.52	1.88	2.10	2.63
Equity / Total assets	76.11	73.55	73.16	73.72	74.17

PERFORMANCE STATEMENT continued

Customer Service and Statistics

For the year ending March

	Actual 2016	Budget 2017	Actual 2017	Forecast 2018	Forecast 2019
Lines Business:					
Quality of Supply					
SAIDI - Average minutes customer is without power during the year	264.00	123.00	213.40	170.00	170.00
SAIFI - Average supply interruptions per customer during the year	2.09	1.57	1.44	1.74	1.73
Unplanned faults per 100 kms during the year	3.87	6.10	6.33	6.21	6.15
Statistics					
Lines business					
Total line service customers (number)	38,389	39,130	39,346	40,098	40,807
Gigawatthours entering the system (GWHs)	667.58	681.00	635.58	637.00	653.00
Gigawatthours delivered to customers (GWHs)	629.57	643.00	600.62	602.00	617.00
Losses	38.01	38.00	34.96	35.00	36.00
Electricity loss ratio (%)	5.69	5.50	5.50	5.50	5.50
Network maximum coincidental demand (MW)	112.50	114.60	112.40	109.00	112.00
Load factor (%)	67.76	68.00	64.50	67.00	67.00
Total Transformer capacity (MW)	526.28	555.00	539.67	566.00	586.00
Transformer capacity utilisation factor (%)	20.29	19.70	20.50	19.00	18.30
Circuit length lines (kms)	4,996	5,081	5,017	5,126	5,176

Efficiency Performance	Actual 2016 $	Budget 2017 $	Forecast 2017 $	Forecast 2018 $	Forecast 2019 $
Capital cost per km	5,025	4,115	2,791	3,063	2,853
Capital cost per ICP	677	533	360	392	362
Operating cost per km	2,750	2,342	3,117	2,835	2,853
Operating cost per ICP	371	303	401	362	362

MainPower Group	Actual 2016	Budget 2017	Actual 2017	Forecast 2018	Forecast 2019
Number of employees	244	274	266	266	266
Number of major non-conformances from external certification audit	0	Nil	-	Nil	Nil
Number of enforceable regulatory notifications e.g. notices, fines, prosecutions	0	Nil	-	Nil	Nil
Number of leadership interactions with employees	60	100	100	100	100
Number of work related accidents resulting in lost time	5	Nil	2	Nil	Nil

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.

MainPower New Zealand Limited
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