INTERIM REPORT AND FINANCIAL STATEMENTS

Six Months Ended 30 September 2013

THE POWER TO MAKE IT HAPPEN

CHAIRMAN'S REVIEW

This Review covers the operations of MainPower New Zealand Limited Group for the six months ended 30 September 2013.

The severe wind storm that occurred throughout Canterbury in September resulted in the supply of electricity to approximately 14,000 or 40% of MainPower customers being disrupted for varying lengths of time. This disruption represented the equivalent of seven times what MainPower would expect to occur during a full year of operation. Wind and other storms of this magnitude remind all of us at MainPower how essential it is to have available a highly skilled and experienced workforce to cope with such events. We thank all of our customers for their support and patience during this very challenging time.

During August, the Government announced the most significant reform of New Zealand's workplace health and safety for many years. The Health and Safety Reform Bill, when enacted, will replace the current Health and Safety in Employment Act 1992. Government has recently issued an Exposure Draft on a number of key parts of the Bill as a further stage towards its introduction. MainPower has reviewed this initial draft and is totally supportive of the changes being proposed. The health and safety of our workforce and at the work place will always remain MainPower's number one priority.

MainPower's line services charges have remained at current levels since March 2012 and will remain at this level until at least March 2014. During this period, however, costs have continued to increase. In order to maintain the level of investment in our network to meet future demands, the Board is currently reviewing line services charges with a view to implementing a modest increase from 1 April 2014.

MainPower continues to pursue its Generation Strategy. MainPower's small hydro station, Cleardale, is performing well. Investigations are continuing with regard to the development of two further hydro generation schemes. In the meantime, the Consent conditions associated with the development of the Mt Cass Wind Farm are being progressed.

MainPower is a major shareholder in Hurunui Water Project Limited. This project will, when fully developed, irrigate up to an additional 58,000 hectares in the Hurunui district.

Good progress is being made towards the relocation of MainPower's operation to a single site at the Southbrook Business Park. The relocation is expected to take place during March and April 2014.

MainPower's financial performance continues to be positive. The surplus for the six months, after tax and rebates, was $3.0 million and compares with $4.7 million during the corresponding period in 2012. The costs associated with the September wind storm, totalling approximately $1.0 million, had a significant impact on the six months' result. New major subdivisions have also slowed. Financial contributions from this source are down approximately $1.5 million on budget and have also impacted on the result. Cash generated from operations during the period was $7.1 million, which, together with additional borrowing, has allowed further investment of $15 million in our electricity network during the past six months.

The following is a summary of both the financial performance and financial position of the MainPower Group for the six months ended 30 September 2013, and the service performance of the network for that period.

	6 Months 30.09.13 $000	6 Months 30.09.12 $000	Yr Ended 31.03.13 $000
Operating Revenue	37,546	34,944	73,604
Tax expense	944	1,170	3,111
Qualifying Customer Rebates	3,924	3,814	8,251
Profit for the period after Tax and Rebates	2,999	4,737	8,341
Equity	202,890	196,287	199,891
Liabilities	73,272	64,328	65,780
Assets	276,162	260,615	265,671
Net Cash Flows			
From operating activities	7,090	6,731	17,044
Investment in Network and Other Developments	(15,025)	(14,479)	(24,399)
From financing activities	5	-	-
Net (decrease) in cash held	(7,930)	(7,748)	(7,355)
Closing cash balance	(19,459)	(11,922)	(11,529)
Customer Service Statistics			
Average Number of Minutes during the six months that a customer has been without power because of planned or unplanned outages	* 87.25	79.78	137.36
Average Number of Interruptions experienced by a customer during the six months because of planned or unplanned outages	* 0.88	0.72	1.32
Total Units Conveyed (GWhs)	282	282	588
Units Lost	5.64%	6.64%	6.12%

* The Customer Service Statistics relating to the average number of minutes and the average number of interruptions have been "normalised" to remove the impact of the 20 June snow and wind storm and the 10 September wind storm. The unadjusted impact of the snow and wind storms is 792.39 average minutes and 1.51 average interruptions.

Directors as at 30 September 2013

Gill Cox (Chairman)
Peter Cox (Deputy Chairman)
Allan Berge (Managing Director)
Trevor Burt
Judith Hoban
Stephen Lewis

A detailed copy of MainPower's Interim Report and Financial Statements for the period ended 30 September 2013 can be obtained by contacting MainPower on (03) 311 8300, or via the Company's website: **www.mainpower.co.nz**.

W G Cox
Chairman

MAINPOWER NEW ZEALAND LIMITED

Consolidated Condensed Statement of Comprehensive Income

For the periods ended:

THIS STATEMENT HAS NOT BEEN AUDITED	6 Months 30.09.13 $000	6 Months 30.09.12 $000	12 Months 31.03.13 $000
Continuing Operations:			
Operating revenue	37,546	34,944	73,604
Operating expenses	24,029	19,994	43,146
Depreciation and amortisation	5,337	5,045	10,525
Finance expenses	313	187	277
Rebates	3,924	3,814	8,251
Profit before tax	3,943	5,904	11,405
Tax expense	944	1,170	3,111
Profit for the period from continuing operations	2,999	4,734	8,294
Profit/(Loss) for the period from discontinued operations	-	3	47
Profit for the period	2,999	4,737	8,341
Other Comprehensive Income:	-	-	-
Total Comprehensive Income	2,999	4,737	8,341
Comprehensive income attributable to:			
Shareholders of Parent	2,886	4,685	8,198
Minority interest	113	52	143
	2,999	4,737	8,341

Consolidated Condensed Statement of Changes in Equity

For the periods ended:

THIS STATEMENT HAS NOT BEEN AUDITED	6 Months 30.09.13 $000	6 Months 30.09.12 $000	12 Months 31.03.13 $000
Equity at start of period	199,891	191,550	191,550
Comprehensive income attributable to Parent equity holders	2,886	4,685	8,198
Profit attributable to minority interests	113	52	143
Total recognised revenues and expenses	2,999	4,737	8,341
Equity at end of period	202,890	196,287	199,891

The accompanying notes form part of, and should be read in conjunction with these financial statements.

Consolidated Condensed Statement of Financial Position

THIS STATEMENT HAS NOT BEEN AUDITED	As at 30.09.13 $000	As at 30.09.12 $000	As at 31.03.13 $000
Equity			
Share capital	56,774	56,774	56,774
Reserves	39,625	39,625	39,625
Retained earnings	105,391	98,992	102,505
Attributable to Parent equity holders	201,790	195,391	198,904
Minority interest	1,100	896	987
Total equity	202,890	196,287	199,891
Non current liabilities			
Deferred tax liabilities	44,240	44,029	44,177
Provisions	993	1,003	993
Other financial liabilities	8	4	3
Total non current liabilities	45,241	45,036	45,173
Current liabilities			
Cash and cash equivalents	19,459	11,922	11,529
Trade and other payables	7,762	7,370	8,698
Current tax payables	810	-	380
Total current liabilities	28,031	19,292	20,607
Total equity and liabilities	276,162	260,615	265,671
Non-current assets			
Property, plant and equipment	248,480	238,384	244,805
Capital works under construction	10,239	6,345	4,409
Other financial assets	3,000	2,750	3,000
Goodwill	713	713	713
Other intangible assets	987	866	889
Total non-current assets	263,419	249,058	253,816
Current assets			
Trade and other receivables	8,027	8,822	8,368
Inventories	4,254	2,660	3,224
Other	462	75	263
Total current assets	12,743	11,557	11,855
Total assets	276,162	260,615	265,671

The accompanying notes form part of, and should be read in conjunction with these financial statements.

Consolidated Condensed Statement of Cash Flows

For the periods ended:

THIS STATEMENT HAS NOT BEEN AUDITED	6 Months 30.09.13 $000	6 Months 30.09.12 $000	12 Months 31.03.13 $000
Cash flows from operating activities			
Cash inflows	33,750	30,389	63,163
Cash outflows	(26,660)	(23,658)	(46,119)
Net cash flows from operating activities	7,090	6,731	17,044
Cash flows from investing activities			
Cash inflows	24	102	164
Cash outflows	(15,049)	(14,581)	(24,563)
Net cash flows from investing activities	(15,025)	(14,479)	(24,399)
Cash flows from financing activities			
Cash inflows	5	-	-
Cash outflows	-	-	-
Net cash flows from financing activities	5	-	-
Net increase/(decrease) in cash held	(7,930)	(7,748)	(7,355)
Opening cash balance	(11,529)	(4,174)	(4,174)
Closing cash balance	(19,459)	(11,922)	(11,529)

The accompanying notes form part of, and should be read in conjunction with these financial statements.

Consolidated Reconciliation of Operating Cash Flows

For the periods ended:

THIS STATEMENT HAS NOT BEEN AUDITED	6 Months 30.09.13 $000	6 Months 30.09.12 $000	12 Months 31.03.13 $000
Profit for the period	2,999	4,737	8,341
Adjustments:			
Depreciation and amortisation	5,337	5,045	10,525
(Gain)/Loss on sale of fixed assets	85	-	954
Deferred tax	63	188	336
Movement in provisions	-	-	(1)
	5,485	5,233	11,814
Changes in net assets and liabilities:			
Movements in working capital:			
Trade receivables and current assets	142	(1,703)	(2,709)
Inventories	(1,030)	(236)	(800)
Trade and tax payables and provisions	(506)	(1,300)	398
	(1,394)	(3,239)	(3,111)
Net cash flows from operating activities	7,090	6,731	17,044

The accompanying notes form part of, and should be read in conjunction with these financial statements.

1. Summary of Significant Accounting Policies

Basis of Preparation

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; VirCom Energy Management Services Limited, Tasman Electrical Limited and Electro Services NZ Limited. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

These consolidated condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as applicable to interim financial statements and as appropriate to profit oriented entities.

These consolidated condensed interim financial statements comply with NZ IAS 34 *Interim Financial Reporting*. As the consolidated condensed interim financial statements do not include all of the information required for full annual financial statements they should be read in conjunction with the consolidated financial statements and related notes included in MainPower's Annual Report for the year ended 31 March 2013.

The financial statements for the six months ended 30 September 2013 and the six months ended 30 September 2012 are unaudited.

The financial statements are expressed in New Zealand dollars ($) rounded to the nearest thousand, unless otherwise stated.

Significant Accounting Policies

The accounting policies set out in the 2013 Annual Report have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies from those applied in MainPower's 2013 Annual Report.

Measurement Base

These financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments as outlined in the 2013 Annual Report, Statement of Accounting Policies, notes 1(e) and 1(j). Cost is based on the fair value of the consideration given in exchange for assets.

2. Approval of Financial Statements

The Interim Financial Statements were approved by the Board of Directors on 3 December 2013.

3. Seasonality of Operations

MainPower New Zealand Limited operates in the electricity industry and its business activities are seasonally affected by demand for electricity during periods of cold weather requiring heating, and dry conditions during the summer requiring cooling and irrigation. Accordingly, the financial results for the first half of the financial year reflect the winter period, while the latter half of the year is expected to be more profitable due to forecast climatic conditions.

4. Financial Instruments

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

Fair value of financial instruments

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

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

4. Financial Instruments (continued)

Borrowings

MainPower's current funding facility with Westpac expires on 31 December 2013. Agreement has been reached with Westpac to provide funding for MainPower's operations other than major generation projects for tenures of three and four years.

Concentration of credit risk

The level of credit risk in respect of accounts receivable is influenced by the small number of major electricity retailers conveying electricity across MainPower's distribution system. There is a concentration of credit risk in respect of the amount owed as detailed in the table below.

	30.09.13 %	30.09.12 %	31.03.13 %
Contact Energy Limited	29	36	24
Advanced Metering Services Limited	17	14	18
Meridian Energy Limited	7	8	16

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

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

5. Related Party Transactions

The following table details the transactions that have been entered into with related parties during the six months ended 30 September 2013 and 2012, and the twelve months ended 31 March 2013, as well as balances with related parties.

	30.09.13 $000	30.09.12 $000	31.03.13 $000
Transactions during the period			
Revenues from subsidiary	122	244	564
Interest paid by subsidiary to parent	1	5	7
Outstanding balances			
Accounts receivable from subsidiary	93	47	30
Accounts payable to subsidiary	-	3	9

6. Commitments and Contingent Liabilities

Estimated capital commitments through to March 2014 not yet incurred are forecast to be $24.5 million.

On the 5th of April 2013, the Board of MainPower New Zealand Limited approved the construction and associated contractual arrangements for the relocation of its operations to the Southbrook Business Park. MainPower is planning to relocate to the new site at 172 Fernside Road, Southbrook in the next financial year. It is MainPower's intention to sell the current site and to this end MainPower has engaged independent valuers to assess the value of the land and buildings on the current site. The net cost of the relocation is budgeted at $13.761M.

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

Apart from the above there are no other significant contracted capital commitments or contingent liabilities as at 30 September 2013.

7. Wind Storm

Strong nor-west winds on the 10th of September uprooted trees causing major damage to MainPower's electricity network with over 14,000 customers experiencing power outages at a cost of approximately one million dollars.

As part of MainPower's risk management programme, a fund of three million dollars has been set aside to manage catastrophic events. MainPower will utilise one million dollars of the fund to meet the costs of the wind storm which have arisen in October, and will reinvest the fund back up to the three million dollars benchmark over the next two years.

8. New Standards and Amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2013, except for the adoption of new standards and interpretation effective as at 1 January 2013, including:

IAS1 - Presentation of Financial Statements. Amendments to IAS1 represent changes in the presentation of other comprehensive income which has not impacted on MainPower's interim financial statements.

IFRS 13 - Fair Value Measurement represents the price that would be received when selling an asset or paid when settling a liability between market participants at a particular date. The change has no significant impact on MainPower's measurement of assets and liabilities as detailed in note 4. The Directors consider the carrying amounts of the assets and liabilities approximate their fair value.