Interim Report and Financial Statements
Six Months Ended 30 September 2014

CHAIRMAN'S REVIEW

This Review covers the operations of the MainPower New Zealand Limited Group for the six months ended 30 September 2014.

During this period MainPower has continued network expansion and enhancement work, spending $9.231 million on projects that will cater for current and expected growth in the residential, business and agri sectors in our region.

A highlight of the period has been the Group's relocation of its Rangiora operations and management to Southbrook - receiving accolades from staff and visitors alike. The move culminated in a very special opening ceremony lead by representatives from the primary schools of our region - recognising leaders of the future!

In July 2014, Allan Berge, Managing Director of MainPower for the past 28 years, advised the Board of his intention to retire at the end of 2014. The Board, the management team, staff, the Trustees of the MainPower Trust, and I am sure the wider community, all join with me in acknowledging both the outstanding contribution that Allan has made to MainPower and the region, and the legacy that he leaves in the strength of the MainPower Group today. Allan's departure will leave very large boots to fill - however with the expertise and experience of the current MainPower team, and the appointment of Bruce Emson as Chief Executive, the Board is confident that the Group will continue to achieve excellence in discharging its critical role in our community. While we will formally farewell Allan early in the New Year, I would like to take this opportunity to publicly wish Allan a very active, successful and enjoyable retirement.

Performance

In the 6 months ended 30 September 2014 MainPower earned revenues of $39m, almost $2m more than the corresponding period last year.

Customer rebates for the period have remained at $4m, while net profit after rebates and taxation is $1.3m lower than in 2013. This reduction is primarily due to both interest paid on term borrowings that have been entered into by the Group in this period, and the costs associated with future interest rate hedging in respect of those borrowings.

While the Group has continued to generate a healthy cash surplus from operations in the past six months, this has also been impacted by interest charges, and the settlement of significant March 2014 creditors for network expenditure and the costs of relocation to the new Southbrook facility.

With the completion of the new Southbrook facilities and the continued expansion of the network, noncurrent assets of the Group have increased by $14m during the period. While the Group now has $30m of term liabilities, its financial position remains extremely strong, with total equity (based on reported asset values), being $210m.

It is also pleasing to note the improvement in customer service performance over the past 6 months (compared to the previous year). Customer service is our business and we are continually striving to improve the reliability of our network, always underpinned by our 'safety first' culture for both staff and the public.

The following is a summary of both the financial performance and financial position of the MainPower Group for the 6 months ended 30 September 2014, and the service performance of the network for that period.

	6 Months 30.09.14 $000	6 Months 30.09.13 $000	12 Months 31.03.14 $000
Operating Revenue	39,411	37,546	79,514
Tax expense	660	944	1,891
Qualifying Customer Rebates	4,004	3,924	8,447
Profit for the period after Tax and Rebates	1,673	2,999	7,376
Equity	209,730	202,890	208,057
Liabilities	82,870	73,272	85,734
Assets	292,600	276,162	293,791
Net Cash Flows			
From operating activities	2,643	7,090	20,252
Investment in Network and Other Developments	(5,186)	(15,025)	(37,201)
From financing activities	2,300	5	28,598
Net (decrease) in cash held	(243)	(7,930)	11,649
Closing cash balance	(123)	(19,459)	120
Customer Service Statistics			
Average Number of Minutes during the six months that a customer has been without power because of planned or unplanned outages	85.04	*87.25	206.27
Average Number of Interruptions experienced by a customer during the six months because of planned or unplanned outages	0.778	*0.88	2.05
Total Units Conveyed (GWhs)	294	282	589
Units Lost	7.39%	5.64%	4.99%

** 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 2013 snow and wind storm and the 10 September 2013 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 2014

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 2014 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	Six Months 30.09.14 $000	Six Months 30.09.13 $000	12 Months 31.03.14 $000
Continuing Operations:			
Operating revenue	39,411	37,546	79,514
Operating expenses	26,454	24,029	50,652
Depreciation and amortisation	5,700	5,337	10,805
Finance expenses	920	313	341
Rebates	4,004	3,924	8,447
Profit before income tax expense	2,333	3,943	9,269
Income tax expense	660	944	1,891
Profit for the period from continuing operations	1,673	2,999	7,378
Profit/(Loss) for the period from discontinued operations	-	-	(2)
Profit for the period	1,673	2,999	7,376
Other comprehensive income:			
Revaluation land	-	-	440
Deferred tax de-recognised as a result of assets held for sale	-	-	407
Other comprehensive income	-	-	847
Profit and Total Comprehensive Income	1,673	2,999	8,223
Comprehensive income attributable to:			
Shareholders of Parent	1,625	2,886	8,072
Minority interest	48	113	151
	1,673	2,999	8,223

Consolidated Condensed Statement of Changes in Equity

For the periods ended:

THIS STATEMENT HAS NOT BEEN AUDITED	Six Months 30.09.14 $000	Six Months 30.09.13 $000	12 Months 31.03.14 $000
Equity at start of period	208,057	199,891	199,891
Comprehensive income attributable to Parent equity holders	1,625	2,886	8,072
Profit attributable to minority interests	48	113	151
Total recognised revenues and expenses	1,673	2,999	8,223
Dividends paid	-	-	(57)
Equity at end of period	209,730	202,890	208,057

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 30.09.14 $000	As at 30.09.13 $000	As at 31.03.14 $000
Equity			
Share capital	56,774	56,774	56,774
Reserves	38,409	39,625	40,472
Retained earnings	113,361	105,391	109,673
Attributable to Parent equity holders	208,544	201,790	206,919
Minority interest	1,186	1,100	1,138
Total equity	209,730	202,890	208,057
Non current liabilities			
Deferred tax liabilities	43,163	44,240	43,316
Term borrowings	30,950	-	28,650
Non current provisions	977	993	977
Other financial liabilities	8	8	8
Total non current liabilities	75,098	45,241	72,951
Current liabilities			
Cash and cash equivalents	234	19,459	137
Trade, other payables and provisions	7,538	7,762	11,391
Liabilities directly associated with assets classified as held for sale	-	-	550
Current tax liability	-	810	705
Total current liabilities	7,772	28,031	12,783
Total equity and liabilities	292,600	276,162	293,791
Non-current assets			
Property, plant and equipment	261,185	248,480	259,948
Capital works under construction	12,795	10,239	9,887
Other financial assets	2,250	3,000	-
Goodwill	713	713	713
Computer software	775	987	835
Total non-current assets	277,718	263,419	271,383
Current assets			
Cash and cash equivalents	111	-	257
Trade and other receivables	9,469	8,027	9,305
Inventories	3,993	4,254	3,960
Current tax asset	79	-	-
Financial assets	-	-	2,000
Assets classified as held for sale	1,175	-	6,715
Other current assets	55	462	171
Total current assets	14,882	12,743	22,408
Total assets	292,600	276,162	293,791

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	Six Months 30.09.14 $000	Six Months 30.09.13 $000	12 Months 31.03.14 $000
Cash flows from operating activities			
Cash inflows	35,370	33,750	70,334
Cash outflows	(32,727)	(26,660)	(50,082)
Net cash flows from operating activities	2,643	7,090	20,252
Cash flows from investing activities			
Cash inflows	6,210	24	1,626
Cash outflows	(11,396)	(15,049)	(38,827)
Net cash flows from investing activities	(5,186)	(15,025)	(37,201)
Cash flows from financing activities			
Cash inflows	2,300	5	28,655
Cash outflows	-	-	(57)
Net cash flows from financing activities	2,300	5	28,598
Net increase/(decrease) in cash held	(243)	(7,930)	11,649
Opening cash balance	120	(11,529)	(11,529)
Closing cash balance	(123)	(19,459)	120

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	Six Months 30.09.14 $000	Six Months 30.09.13 $000	12 Months 31.03.14 $000
Profit for the period	1,673	2,999	7,376
Adjustments:			
Depreciation and amortisation	5,700	5,337	10,805
(Gain)/Loss on sale of fixed assets	141	85	1,104
Deferred tax	(153)	63	(861)
Movement in provisions/fixed asset adjustments	-	-	(143)
	5,688	5,485	10,905
Changes in net assets and liabilities:			
Movements in working capital:			
Trade receivables and current assets	(48)	142	(845)
Inventories	(33)	(1,030)	(736)
Trade and tax payables and provisions	(4,637)	(506)	3,552
	(4,718)	(1,394)	1,971
Net cash flows from operating activities	2,643	7,090	20,252

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 2014.

As at 31 March 2014 the Group adopted External Reporting Board Standard A1 'Accounting Standards Framework (For profit-Entities Update)' ('XRB A1'). For the purposes of complying with NZ GAAP, the Group was 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 elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The financial statements for the six months ended 30 September 2014 and the six months ended 30 September 2013 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 2014 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 2014 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 2014 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 9 December 2014.

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.

Borrowings

Multi option facility

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $25,000,000 will expire on 31 December 2016 and $20,000,000 on 31 December 2017. At 30 September 2014 MainPower had drawn down $30,950,000 which is unsecured, but subject to a negative pledge arrangement (2013: $19,700,000).

Interest rate swap contracts

At 30 September, MainPower had entered into four interest rate swap contracts with Westpac New Zealand Limited totalling $22,000,000 with maturity periods of 4 to 9 years at rates of 4.55% to 4.98%.

The fair value of the interest rate swap contracts is based on market values of equivalent instruments. MainPower has not adopted hedge accounting for its interest rate swaps and in determining market values at September 2014; the cost of $447,000 has been charged to the Statement of Comprehensive Income, within Finance expenses (2013 : Nil).

5. Assets classified as held for sale

On 24 October 2014, MainPower New Zealand Limited entered into a Sale and Purchase Agreement to sell the distribution network assets located in Wigram, Christchurch to Orion New Zealand Limited. Settlement of the transaction is scheduled for 31 March 2015. The book value of the Wigram distribution assets at 31 March 2014 is $1,174,587.

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

	30.09.14 $000	30.09.13 $000	31.03.14 $000
Assets classified as held for sale			
Freehold land (i)	-	-	2,900
Buildings	-	-	3,815
Electricity distribution network	1,175	-	-
	1,175	-	6,715
Liabilities associated with assets held for sale (ii)	-	-	550

5. Assets classified as held for sale (continued)

(i) MainPower New Zealand Limited entered into contracts to sell its High Street and Keir Street properties. At 31 March 2014, these contracts were unconditional. The settlement of payments and the transfer of ownership for each of these properties took place in August 2014.

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

(ii) At 31 March 2014, the purchaser of one of the properties had paid a deposit amounting to $550,000 which was disclosed as a liability in the Statement of Financial Position.

As a result of the settlement in August 2014, the assets within the asset revaluation reserve have been derecognised and $2.063 million has been transferred from the asset revaluation reserve to retained earnings.

6. Related party transactions

The following table details the transactions that have been entered into with related parties during the six months ended 30 September 2014 and 2013, and the twelve months ended 31 March 2014, as well as balances with related parties.

	30.09.14 $000	30.09.13 $000	31.03.14 $000
Transactions during the period			
Revenue from subsidiary	188	122	553
Interest paid by subsidiary to parent	2	1	-
Purchases from subsidiary	6	-	4
Dividends from subsidiary	-	-	193
Outstanding balances			
Accounts receivable from subsidiary	14	93	84
Accounts payable to subsidiary	-	-	2

7. Commitments and Contingent Liabilities

Estimated capital commitments through to March 2015 not yet incurred are forecast to be $9.356 million.

Apart from the above there are no other significant contracted capital commitments or contingent liabilities as at 30 September 2014.

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 2014, except for the adoption of new standards and interpretations for accounting periods beginning on or after 1 January 2014.

NZ IFRIC 21 Levies is applicable to all levies imposed by government, government agencies or similar bodies under legislation. The MainPower Group is required to pay levies to the Electricity Authority, the Commerce Commission and the local councils for rates. All these costs have been charged against the profit for the period.

	30.09.14 $000	30.09.13 $000	31.03.14 $000
Rates	120	108	220
Commerce Commission Levies	22	13	13
Electricity Authority Levies	42	43	89

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