



# Interim Report and Financial Statements

Six months ended, 30 September 2015



  
**mainpower**



## This Review covers the operations of MainPower New Zealand Limited Group for the six months ended 30 September 2015.

During this period MainPower has continued network expansion and enhancement work, spending \$12.3m on projects that will cater for current and expected growth in the residential, business and rural sectors in our region.

This has included the completion of the Burnt Hill Substation, the centrepiece of MainPower's three year Waimakariri West Project providing additional capacity into the western region of the district, aimed at future proofing the region's power supply. We delivered the project on-time, to meet the start of the dairy irrigation season and without a health and safety incident. This success is due entirely to

the professionalism and dedication of our staff.

The safety of our staff and the community continues to remain MainPower's number one priority. In August, the Health and Safety Reform Bill was passed by Parliament. Coming into effect on 4 April 2016, the Health and Safety at Work Act was prompted following a Royal Commission of Inquiry into the Pike River Mine Tragedy. Addressing New Zealand's workplace safety standards is an area that has MainPower's full support. This legislation is welcomed by MainPower as it directly supports the Company's focus on workplace safety

and the fundamental part it plays in our business strategy.

During the reporting period, MainPower has also continued efforts to increase engagement with our customers to ensure that our services, and the way in which we deliver them, support their expectations. There is much to be done in this area, as we continue working on elevating service quality to the highest level. This is a key focus going forward, led by our Chief Executive Bruce Emson who champions the customer-centric philosophy within the Enterprise.

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## Performance

In the six months ended 30 September 2015, MainPower earned revenues of \$44m, just over \$4m more than the corresponding period last year.

Customer rebates for the period amounted to \$4.4m, while Net Profit after rebates and taxation is \$1.3m higher than in 2014. While the increased profitability is primarily a reflection on the irrigation season which went into late April 2015, it has been offset to some extent by the increased focus on maintenance on the network system and the additional interest paid on term borrowings that have been entered into

by the Group in this period.

The Group has continued to generate a healthy cash surplus from operations in the past six months. This surplus, together with increased borrowings (refer below), has allowed the Company to continue to expand to meet the future needs of our region. During the last two and half years the Group has reinvested close to \$72m in infrastructure, buildings, plant, equipment and motor vehicles.

With the continued expansion of the network, noncurrent and financial assets of the Group have increased by

\$17.5m since this time last year. While the Group now has \$40m of term liabilities, its financial position remains extremely strong, with total equity (based on reported asset values) being \$215m.

The following is a summary of both the financial performance and financial position of the MainPower Group for the six months ended 30 September 2015, and the service performance of the network for that period.

<b>Financial Performance</b>	<b>6 Months</b>	<b>6 Months</b>	<b>12 Months</b>
	<b>30.09.15</b>	<b>30.09.14</b>	<b>31.03.15</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Operating revenue	43,552	39,411	84,748
Tax expense	1,338	660	1,899
Qualifying Customer Rebates	4,356	4,004	9,257
Profit for the period	3,029	1,673	4,354
Equity	215,440	209,730	212,411
Liabilities	95,172	82,870	90,720
Assets	310,612	292,600	303,131

### Net Cash Flows

From operating activities	7,997	2,643	15,001
Investment in Network and Other Developments	(13,728)	(5,186)	(20,121)
From financing activities	6,370	2,300	5,250
Net increase/ (decrease) in cash held	639	(243)	130
Closing cash balance	889	(123)	250

### Customer Service Statistics

Average Number of Minutes that a customer has been without power because of planned and unplanned outages	116.41	85.04	191.98
Average Number of Interruptions experienced by a customer during the six months because of planned and unplanned outages	0.63	0.79	1.47
Total Units Conveyed (GWWhs)	301	294	641
Units Lost	3.75%	7.39%	5.79%

## Directors as at 30 September 2015

Gill Cox (Chairman)

Peter Cox (Deputy Chairman)

Trevor Burt

Judith Hoban

Stephen Lewis

A detailed copy of MainPower's Interim Report and Financial Statements for the period ended 30 September 2015 can be obtained by contacting MainPower on (03) 311 8300, or via the Company's website:

[www.mainpower.co.nz](http://www.mainpower.co.nz)



Gill Cox  
Chairman

## CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the periods ended:

This statement has not been audited

	<b>6 months 30.09.15 \$000</b>	<b>6 months 30.09.14 \$000</b>	<b>12 months 31.03.15 \$000</b>
<b>Continuing Operations:</b>			
Operating revenue	43,552	39,411	84,748
Operating expenses	27,153	26,454	54,627
Depreciation and amortisation	5,885	5,700	11,434
Finance expenses	1,791	920	3,179
Rebates	4,356	4,004	9,257
<b>Profit before income tax expense</b>	<b>4,367</b>	<b>2,333</b>	<b>6,251</b>
Income tax expense	1,338	660	1,899
<b>Profit for the period from continuing operations</b>	<b>3,029</b>	<b>1,673</b>	<b>4,352</b>
Profit /(Loss) for the period from discontinued operations	-	-	2
<b>Profit for the period</b>	<b>3,029</b>	<b>1,673</b>	<b>4,354</b>
<b>Other comprehensive income</b>			
Other comprehensive income	-	-	-
<b>Profit and Total Comprehensive Income</b>	<b>3,029</b>	<b>1,673</b>	<b>4,354</b>
Comprehensive income attributable to:			
Shareholders of Parent	2,880	1,625	4,441
Minority interest	149	48	(87)
	3,029	1,673	4,354

## Consolidated Condensed Statement of Changes in Equity

For the periods ended:

This statement has not been audited

	<b>6 months 30.09.15 \$000</b>	<b>6 months 30.09.14 \$000</b>	<b>12 months 31.03.15 \$000</b>
Equity at start of period	212,411	208,057	208,057
Comprehensive income attributable to Parent equity holders	2,880	1,625	4,441
Profit attributable to minority interests	149	48	(87)
<b>Total recognised revenues and expenses</b>	<b>3,029</b>	<b>1,673</b>	<b>4,354</b>
<b>Equity at end of period</b>	<b>215,440</b>	<b>209,730</b>	<b>212,411</b>

*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 30.09.15 \$000	As at 30.09.14 \$000	As at 31.03.15 \$000
<b>Current assets</b>			
Cash and cash equivalents	889	111	250
Trade and other receivables	9,262	9,469	11,073
Inventories	4,764	3,993	4,240
Other current assets	100	55	150
Current tax asset	336	79	-
Other financial assets	2,750	-	2,500
Assets classified as held for sale	-	1,175	-
<b>Total current assets</b>	<b>18,101</b>	<b>14,882</b>	<b>18,213</b>
<b>Non-current assets</b>			
Property, plant and equipment	274,477	261,185	274,375
Capital works under construction	16,422	12,795	8,904
Other financial assets	-	2,250	-
Goodwill	713	713	713
Computer software	899	775	926
<b>Total non-current assets</b>	<b>292,511</b>	<b>277,718</b>	<b>284,918</b>
<b>Total assets</b>	<b>310,612</b>	<b>292,600</b>	<b>303,131</b>
<b>Current liabilities</b>			
Cash and cash equivalents	-	234	-
Trade and other payables	8,341	7,091	10,906
Current financial liabilities	1,959	447	1,306
Current tax liability	-	-	245
<b>Total current liabilities</b>	<b>10,300</b>	<b>7,772</b>	<b>12,457</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	43,581	43,163	43,342
Term borrowings	40,270	30,950	33,900
Other financial liabilities	7	8	7
Non-current provisions	1,014	977	1,014
<b>Total non-current liabilities</b>	<b>84,872</b>	<b>75,098</b>	<b>78,263</b>
<b>Equity</b>			
Share capital	56,774	56,774	56,774
Reserves	38,002	38,409	38,002
Retained earnings	119,464	113,361	116,584
<b>Attributable to Parent equity holders</b>	<b>214,240</b>	<b>208,544</b>	<b>211,360</b>
Minority interest	1,200	1,186	1,051
<b>Total equity</b>	<b>215,440</b>	<b>209,730</b>	<b>212,411</b>
<b>Total equity and liabilities</b>	<b>310,612</b>	<b>292,600</b>	<b>303,131</b>

*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

	<b>6 months 30.09.15 \$000</b>	<b>6 months 30.09.14 \$000</b>	<b>12 months 31.03.15 \$000</b>
<b>Cash flows from operating activities</b>			
Cash inflows	40,820	35,370	73,423
Cash outflows	(32,823)	(32,727)	(58,422)
Net cash flows from operating activities	7,997	2,643	15,001
<b>Cash flows from investing activities</b>			
Cash inflows	77	6,210	7,917
Cash outflows	(13,805)	(11,396)	(28,038)
Net cash flows from investing activities	(13,728)	(5,186)	(20,121)
<b>Cash flows from financing activities</b>			
Cash inflows	6,370	2,300	5,250
Cash outflows	-	-	-
Net cash flows from financing activities	6,370	2,300	5,250
<b>Net increase/(decrease) in cash held</b>	639	(243)	130
Opening cash balance	250	120	120
<b>Closing cash balance</b>	889	(123)	250

*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	<b>6 months 30.09.15 \$000</b>	<b>6 months 30.09.14 \$000</b>	<b>12 months 31.03.15 \$000</b>
Profit for the period	3,029	1,673	4,354
Adjustments:			
Depreciation and amortisation	5,885	5,700	11,434
(Gain)/Loss on sale of fixed assets	-	141	1,367
Movement in provisions/fixed asset adjustments	-	-	36
	<hr/> 5,885	<hr/> 5,841	<hr/> 12,837
Changes in net assets and liabilities:			
Increase /(decrease) in current tax liability	(581)	(784)	(460)
Deferred tax	239	(153)	26
Movements in working capital:			
Trade receivables and current assets	1,861	(48)	(1,747)
Inventories	(524)	(33)	(280)
Trade payables and provisions	(1,912)	(3,853)	271
	<hr/> (575)	<hr/> (3,934)	<hr/> (1,756)
<b>Net cash flows from operating activities</b>	<hr/> <hr/> 7,997	<hr/> <hr/> 2,643	<hr/> <hr/> 15,001

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 September 2015

## 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.

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 2015.

The Group has 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 has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The financial statements for the six months ended 30 September 2015 and the six months ended 30 September 2014 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 2015 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 2015 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 2015 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 10 December 2015.

## 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.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 September 2015

## 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 2015 MainPower had drawn down \$40,220,000 which is unsecured, but subject to a negative pledge arrangement (2014: \$30,950,000).

#### Interest rate swap contracts

At 30 September, MainPower had entered into five interest rate swap contracts with Westpac New Zealand Limited totalling \$27,000,000 with maturity periods of 2.5 to 8 years at rates of 4.50% 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 2015; the change in fair value of these instruments is \$653,000 which has been charged to the Statement of Comprehensive Income, within Finance expenses (2014 : \$447,000).

## 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 2015 and 2014, and the twelve months ended 31 March 2015, as well as balances with related parties.

	30.09.15 \$000	30.09.14 \$000	31.03.15 \$000
<b>Transactions during the period</b>			
Revenues from subsidiary	203	188	374
Interest paid by subsidiary to parent	7	2	7
Purchases from subsidiary	26	6	32
<b>Outstanding balances</b>			
Accounts receivable from subsidiary	25	14	47
Accounts payable to subsidiary	2	-	7

## 6. Commitments and Contingent Liabilities

Estimated capital commitments through to March 2016 not yet incurred are forecast to be \$10.9 million.

Apart from the above there are no other significant contracted capital commitments or contingent liabilities as at 30 September 2015.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 September 2015

## 7. Capital Additions

	30.09.15 \$000	30.09.14 \$000	31.03.15 \$000
Electricity Distribution Network	12,277	9,231	24,349
Land and Buildings	15	655	706
Plant, Equipment, Motor Vehicles	1,234	823	2,090
Computer Software	29	437	393

## 8. New Standards and Amendments

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2015.

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.