Directors’ Report and Financial Statements | 2008

mainpower
THE POWER TO MAKE IT HAPPEN

Directory

Directors

Gill Cox	Chairman
Peter Cox	Deputy Chairman
Allan Berge	Managing Director
Judith Hoban	Director
Tony King	Director

Senior management

Allan Berge	Managing Director
Warren Wright	Group Finance Manager
Peter Hurford	Network Manager
Todd Mead	Commercial Manager
Wayne Lapslie	General Manager MainPower Contracting Limited
Craig Shepherd	Chief Executive Officer Vircom Energy Management Services Limited

Registered office

5 High Street, P O Box 346
Rangiora 7440

Banker

Westpac New Zealand Limited, Rangiora

Solicitors

Helmore Bowron and Scott, Rangiora
Bell Gully, Wellington

Auditor

Deloitte, Christchurch

MainPower New Zealand Limited
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Telephone +64 3 311 8300, Facsimile +64 3 311 8301
www.mainpower.co.nz

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Directors' Report

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its subsidiaries; MainPower Contracting Limited, Electro Services NZ Limited and VirCom Energy Management Services Limited for the financial year ended 31 March 2008.

The Annual Report has been prepared as two separate documents; firstly an Annual Review, and secondly a 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 Company and the Group for each financial year so as to give a true and fair view of the financial performance and the state of affairs of the Company and the Group for that financial year.

The Directors consider that in preparing the Group and Company 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 Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company, 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 Company owns and manages the electricity distribution network throughout the North Canterbury and Kaikoura regions.

MainPower Contracting Limited undertakes lines maintenance and construction on the electricity distribution networks throughout the North Canterbury and Kaikoura regions.

Electro Services NZ Limited is 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.

VirCom Energy Management Services Limited provides "mass market" metering connection services to energy retailers across New Zealand, and "time of use metering" to energy retailers across the country using its own employees and through a nationwide network of sub-contractors.

Directors holding office during the year

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Group Managing Director
Anthony Charles King	Director
Judith Anne Hoban	Director
Rex Robert Williams	Director – Resigned 28 January 2008

Dividends

The Directors 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 $7.172 million for the 2007-2008 financial year. The Directors of the Company have approved the payment of rebates for the 2008-2009 financial year of $7.521 million.

Review of Operations

Results for the Year Ended 31 March	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Profit Before Tax and After Rebates	5,389	5,094	6,702	4,849
Taxation	(2,140)	910	(2,130)	1,377
Profit for the year	**3,249**	**6,004**	**4,572**	**6,226**
Equity				
Share Capital	30,400	30,400	30,400	30,400
Reserves	105,768	102,311	106,428	101,856
Shareholder's interest	136,168	132,711	136,828	132,256
Minority interest	889	1,097	-	-
Total equity	**137,057**	**133,808**	**136,828**	**132,256**

Auditor

Deloitte is the auditor of MainPower and have signified their 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 Company'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

A Berge
Group Managing Director
MainPower New Zealand Limited

MainPower Board

Gill Cox Chairman

Gill has been a Director of MainPower since May 1996 and became Chairman in April 2001. He is Chairman 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:
Advanced Business Education Limited, Elastomer Products Limited, Transwaste Canterbury Limited, Talbot Plastics Limited, Barlow Bros Limited, 4D Steel Detailing Limited, Coolpak Coolstores Limited, Independent Fisheries Limited, Vbase Limited.

Peter Cox Deputy Chairman

Peter was appointed to the Board of MainPower in 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, Paulsen Holdings Limited,
Syft Technologies Limited,
Board Member, Duncan Cotterill.

Allan Berge Group Managing Director

Allan is the Group Managing Director of MainPower and is Chairman of MainPower's subsidiary companies. He joined MainPower in 1987 as General Manager and became Chief Executive and Group Managing Director following corporatisation in 1993.

Other directorships:
MainPower Contracting Limited, Electro Services (NZ) Limited, VirCom Energy Management Services Limited, Tasman Electrical Limited,
Selwyn Plantation Board Limited.

Tony King Director

Tony was appointed to the Board of MainPower in February 2005, and is Chairman of the Generation Development Committee and a member of the Audit Committee. Tony is the Managing Director of Option One Limited, and is a business consultant based in Christchurch.

Other directorships:
Option One Limited, City Care Limited.

Judith Hoban Director

Judith was appointed to the Board of MainPower in December 2005 and is the Board's appointment to the MainPower Trust. Judith farms in partnership with her husband at Parham Hill, Culverden and for many years has held governing positions in a wide range of community organisations.

Other directorships:
MainPower Trust Investments Limited, Trustee MainPower Trust, Trustee The Order of St John.

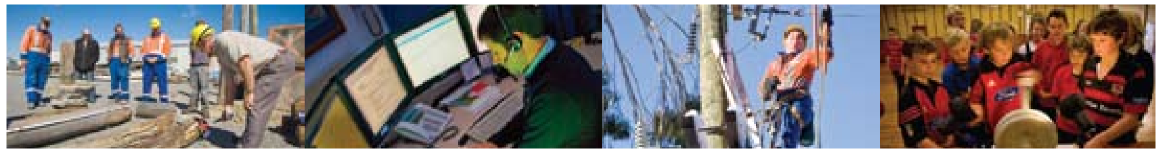
Our Vision and Values

Our Vision

To be the leading regional energy company in New Zealand.

Our Values

- We value people - our employees, customers, shareholders
- We value our community - its environment, its economic progress
- We value integrity, honesty, fairness and respect
- We value the safety of our employees and electrical safety in our community
- We value quality, service and innovation
- We value local control, local accountability and local employment
- We value accessibility and communication
- We value fair profit



"MainPower cares about the community, its people and the environment."

Financial Statements

The directors are pleased to present
The audited financial statements of
MainPower New Zealand Limited and its
subsidiaries for the year ended
31 March 2008.

Authorised for issue on 28 July 2008
for and on behalf of the board of directors:

W G Cox
Chairman of Directors
Christchurch

A Berge
Group Managing Director
Christchurch

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Income statement
For the Year Ended 31 March 2008

	Note	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Operating revenue	2	65,645	61,480	37,392	33,686
Other income	3	-	8	-	-
		65,645	61,488	37,392	33,686
Operating expenses	4, 5	45,188	41,917	17,215	15,807
Depreciation, amortisation and impairment	6	7,700	7,692	6,294	6,357
Finance expenses	7	196	116	9	4
Rebates		7,172	6,669	7,172	6,669
		60,256	56,394	30,690	28,837
Profit before income tax expense		5,389	5,094	6,702	4,849
Income tax expense (credit)	8	2,140	(910)	2,130	(1,377)
Profit for the year		**3,249**	**6,004**	**4,572**	**6,226**
Attributable to:					
Shareholders of the parent		3,457	6,041	4,572	6,226
Minority interest	24	(208)	(37)	-	-
Profit for the year		**3,249**	**6,004**	**4,572**	**6,226**

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

Balance sheet
As at 31 March 2008

	Note	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Current assets					
Cash and cash equivalents		4,584	10,229	4,286	8,932
Trade and other receivables	9	6,815	6,693	2,602	2,212
Inventories	10	2,526	2,350	-	-
Current tax assets	8	1,399	502	807	415
Other assets	11	779	64	768	55
Total current assets		16,103	19,838	8,463	11,614
Non-current assets					
Investments in subsidiaries	12	-	-	7,854	7,854
Other financial assets	13	2,878	2,668	3,768	2,843
Property, plant and equipment	14	152,886	144,081	149,915	140,174
Goodwill	15	913	913	-	-
Other intangible assets	16	1,043	1,145	197	219
Total non-current assets		157,720	148,807	161,734	151,090
Total assets		**173,823**	**168,645**	**170,197**	**162,704**
Current liabilities					
Trade and other payables	17	7,460	6,727	4,437	3,035
Borrowings	18	250	250	-	-
Total current liabilities		7,710	6,977	4,437	3,035
Non-current liabilities					
Borrowings	18	647	802	-	-
Other financial liabilities	19	7	3	7	3
Deferred tax liabilities	8	27,458	26,123	28,684	27,202
Provisions	20	944	932	241	208
Total non-current liabilities		29,056	27,860	28,932	27,413
Equity					
Share capital	21	30,400	30,400	30,400	30,400
Reserves	22	6,034	6,034	6,034	6,034
Retained earnings	23	99,734	96,277	100,394	95,822
Total equity attributable to parent equity holders		136,168	132,711	136,828	132,256
Minority interest	24	889	1,097	-	-
Total equity		137,057	133,808	136,828	132,256
Total liabilities and equity		**173,823**	**168,645**	**170,197**	**162,704**

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

Statement of changes in equity
For the year ended 31 March 2008

	Notes	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Other reserves $000	Minority interest $000	Total equity $000
Consolidated entity							
Balance at 1 April 2006	32	30,400	90,236	-	6,034	1,134	127,804
Profit for the year		-	6,041	-	-	(37)	6,004
Total recognised income and expense for the year		-	6,041	-	-	(37)	6,004
Balance at 31 March 2007		30,400	96,277	-	6,034	1,097	133,808
Profit for the year		-	3,457	-	-	(208)	3,249
Total recognised income and expense for the year		-	3,457	-	-	(208)	3,249
Balance at 31 March 2008		30,400	99,734	-	6,034	889	137,057

	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Other reserves $000	Minority interest $000	Total equity $000
Parent entity						
Balance at 1 April 2006	30,400	89,596	-	6,034		126,030
Profit for the year	-	6,226	-	-		6,226
Total recognised income and expense for the year	-	6,226	-	-		6,226
Balance at 31 March 2007	30,400	95,822	-	6,034		132,256
Profit for the year	-	4,572	-	-		4,572
Total recognised income and expense for the year	-	4,572	-	-		4,572
Balance at 31 March 2008	30,400	100,394	-	6,034		136,828

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

Cash flow statement
For the year ended 31 March 2008

	Notes	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Cash flows from operating activities					
Receipts from customers		52,008	49,904	23,217	21,141
Interest received		707	911	749	882
Dividends received		-	-	250	795
Payments to suppliers and employees		(44,967)	(41,640)	(15,901)	(15,577)
Interest and other finance costs paid		(135)	(37)	(9)	-
Income tax paid		(1,700)	(1,886)	(1,040)	(1,096)
Net cash provided by operating activities	25	5,913	7,252	7,266	6,145
Cash flows from investing activities					
Payment for investment securities		(210)	(134)	(210)	(134)
Proceeds from sale of investment securities		-	65	-	65
Proceeds from repayment of related party loans		-	-	-	70
Amounts advanced to related parties		-	-	(715)	-
Payment for property, plant and equipment		(11,269)	(7,546)	(10,909)	(6,722)
Proceeds from sale of property, plant and equipment		116	41	8	11
Payment for intangible assets		(235)	(382)	(91)	(227)
Payment for business	26	-	(280)	-	-
Net cash used in investing activities		(11,598)	(8,236)	(11,917)	(6,937)
Cash flows from financing activities					
Proceeds from borrowings		40	349	5	-
Repayment of borrowings		-	(292)	-	-
Repayment of other financial liabilities		-	(1)	-	(1)
Net cash provided by (used in) financing activities		40	56	5	(1)
Net decrease in cash and cash equivalents		(5,645)	(928)	(4,646)	(793)
Summary					
Cash and cash equivalents at beginning of year		10,229	11,157	8,932	9,725
Net decrease in cash and cash equivalents		(5,645)	(928)	(4,646)	(793)
Cash and cash equivalents at end of year	25	4,584	10,229	4,286	8,932

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

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 12). The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

The group financial statements comply with International Financial Reporting Standards (IFRS). The parent entity financial statements also comply with IFRS.

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 group changed its accounting policies on 1 April 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, with 1 April 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the parent entity's and groups financial position, financial performance and cash flows is discussed in note 34.

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2008, the comparative information presented in these financial statements for the year ended 31 March 2007, and in the preparation of the opening NZ IFRS balance sheet at 1 April 2006, the group's date of transition.

Critical judgements, estimates and assumptions in applying the entity's accounting policies

Preparing financial statements to conform with NZ IFRS 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 company'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 company 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. The costs associated with recording and tracking all individual components

replaced and removed from the network substantially outweighs the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the network in each reporting period. 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 company 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 recognise actual amounts billed during the financial period and, if material, make 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.

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 group.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) 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 the income statement 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.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet.

(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 the Inland Revenue Department are shown net in the statement of cash flows.

1. **Statement of accounting policies** continued

(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 the income statement in the period in which they arise.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(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.

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.

Investments in subsidiaries are stated at cost less impairment. Details of the impairment tests performed are disclosed in note 1(i).

Loans and receivables
Accounts receivable are stated at 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 the income statement 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.

1. **Statement of accounting policies** continued

(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 substantially 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 substantially enacted by balance date.

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

(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. An impairment of goodwill is not subsequently reversed.

1. **Statement of accounting policies** continued

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 the income statement. If the impairment loss is subsequently reversed, the reversal is firstly applied to the income statement 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 the income statement. 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.

(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 an optimised depreciated replacement cost 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 the income statement 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 the income statement 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 the income statement. 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.

1. **Statement of accounting policies** continued

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 is 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
Building	40 to 100
Landscaping	25
Office furniture and equipment	3 to 10
Plant and equipment	2 to 14
Vehicles	4 to 5

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 the income statement. 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 licenses 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.

Lease Premiums
Lease premiums are valued at cost less accumulated amortisation. Cost is amortised over the period of the lease.

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 the income statement and is not subsequently reversed. Refer also to note 1(i).

(m) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost.

1. Statement of accounting policies continued

(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 the income statement 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 balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(q) Revenue recognition

Revenue from 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.

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised in the income statement as it accrues, using the effective interest rate method.

(r) 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.

(s) Capital contributions

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

1. Statement of accounting policies continued

(t) Borrowing costs

Borrowing costs are expensed using the effective interest rate method. No borrowing costs have been capitalised.

New standards not yet adopted

The Group and Parent have adopted all new standards as issued by the Financial Reporting Standards Board except for those listed in the table below. Initial application of the following standards will not affect any of the amounts recognised in the financial statement, but many change the disclosures presently made in relation to the Group and Parents financial statement:

Standard	Effective for Annual Reporting periods begining on or after	Expected to be initially applied in the year ending
NZ IFRS 3 Business Combinations	1 July 2009	31 March 2011
NZIFRS 8 Operating Segments	1 January 2009	31 March 2010
NZIAS 1 Presentation of Financial Statements (revised standard)	1 January 2009	31 March 2010
NZ IAS 23 Borrowing Costs (revised standard)	1 January 2009	31 March 2010
NZ IAS 27 Consolidated and Separate Financial Statements (revised standard)	1 July 2009	31 March 2011

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
2. Operating revenue				
Line revenue	31,205	27,453	31,205	27,453
Contracting revenue	28,755	28,743	-	-
Capital contributions	5,021	4,366	5,021	4,366
Rental revenue:				
Related parties	-	-	214	195
Interest revenue:				
Other	636	859	626	816
Related parties	-	-	52	14
Dividends:				
Subsidiaries	-	-	250	795
Other	28	59	24	47
	65,645	61,480	37,392	33,686
3. Other income				
Gain on disposal of property, plant & equipment	-	8	-	-
Other	-	-	-	-
	-	8	-	-

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
4. Operating expenses				
Bad debts written off	198	61	16	8
Directors fees	188	165	192	165
Employee benefit expense	15,879	15,375	2,415	2,228
Loss on disposal of property, plant and equipment	6	-	-	24
Operating lease costs	484	249	-	-
Network maintenance	3,586	3,832	3,586	3,832
Research and development	1,341	1,131	1,341	1,131
Transmission expenses	7,490	6,752	7,490	6,752
Other	15,910	14,268	2,125	1,626
	45,082	41,833	17,165	15,766
5. Remuneration of auditors				
Audit of the financial statements	71	67	38	25
Auditors other services	35	17	12	16
	106	84	50	41

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.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
6. Depreciation, amortisation and impairment				
Depreciation of non-current assets	7,364	7,386	6,181	6,224
Amortisation of non-current assets	336	306	113	133
	7,700	7,692	6,294	6,357
7. Finance expenses				
Interest on deferred settlement	61	79	-	-
Interest expense on loans	60	7	-	-
Other interest expense	75	30	9	4
	196	116	9	4

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
8. Income taxes				
Income tax expenses recognised in profit				
Tax expense comprises:				
Current tax expense	924	1,067	767	475
Adjustments recognised in current year in relation to the current tax of prior years	(119)	8	(119)	(4)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,335	627	1,482	872
Effect on deferred tax of change in rate of tax from 33% to 30%	-	(2,612)	-	(2,720)
Total income tax expense recognised in profit	2,140	(910)	2,130	(1,377)

The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Profit before tax from continuing operations	5,389	5,094	6,702	4,849
Prima facie income tax expense calculated at 33%	1,817	1,681	2,211	1,600
Non-deductible expenses	549	13	-	9
Non-assessable income	(107)	-	38	(262)
Effect on deferred tax of change in rate of tax from 33% to 30%	-	(2,612)	-	(2,720)
	2,259	(918)	2,249	(1,373)
Under/(over) provision of income tax in previous year	(119)	8	(119)	(4)
Total income tax expense recognised in profit	2,140	(910)	2,130	(1,377)

The tax rate used in the above reconciliation is the company tax rate of 33% payable by New Zealand companies on taxable profits under New Zealand tax law.

On 17 May 2007 the Government announced that the company tax rate will reduce from 33% to 30% effective for years beginning on or after 1 April 2008. The effect of this change has been incorporated in the calculation of deferred tax above.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Current tax assets and liabilities				
Current tax asset				
Tax refund receivable	1,399	502	807	415

8. Income taxes continued

Consolidated group for the year ended 31 March 2008
Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged to income $000	Charged to equity $000	Change in tax rate $000	Closing balance $000
Deferred tax liabilities					
Property, plant & equipment	26,835	1,523	-	-	28,358
Intangible assets	19	1	-	-	20
	26,854	1,524	-	-	28,378
Deferred tax assets					
Provisions	731	189	-	-	920
	731	189	-	-	920
Net deferred tax liability	26,123	1,335	-	-	27,458

Consolidated group for the year ended 31 March 2007

	Opening balance $000	Charged to income $000	Charged to equity $000	Change in tax rate $000	Closing balance $000
Deferred tax liabilities:					
Property, plant & equipment	28,836	682	-	(2,683)	26,835
Intangible assets	11	10	-	(2)	19
	28,847	692	-	(2,685)	26,854
Deferred tax assets:					
Provisions	739	65	-	(73)	731
	739	65	-	(73)	731
Net deferred tax liability	28,108	627	-	(2,612)	26,123

8. Income taxes continued

Parent entity for the year ended 31 March 2008
Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged to income $000	Charged to equity $000	Change in tax rate $000	Closing balance $000
Deferred tax liabilities					
Property, plant & equipment	27,323	1,490	-	-	28,813
Intangible assets	11	1	-	-	12
	27,334	1,491	-	-	28,825
Deferred tax assets					
Provisions	(132)	(9)	-	-	(141)
	(132)	(9)	-	-	(141)
Net deferred tax liability	27,202	1,482	-	-	28,684

Parent entity for the year ended 31 March 2007

	Opening balance $000	Charged to income $000	Charged to equity $000	Change in tax rate $000	Closing balance $000
Deferred tax liabilities:					
Property, plant & equipment	29,187	869	-	(2,733)	27,323
Intangible assets	7	5	-	(1)	11
	29,194	874	-	(2,734)	27,334
Deferred tax assets:					
Provisions	(144)	(2)	-	(14)	(132)
	(144)	(2)	-	(14)	(132)
Net deferred tax liability	29,050	872	-	(2,720)	27,202

8. Income taxes continued

Imputation credit account balances

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Opening balance	13,535	11,630	11,625	10,110
Imputation credits relating to previous periods	-	19	-	28
Taxation paid	1,700	1,886	1,040	1,096
Attached to dividends received	-	-	123	391
Closing balance	15,235	13,535	12,788	11,625

The MainPower consolidated tax group for income tax purposes includes MainPower New Zealand Limited, MainPower Contracting Limited and Electro Services (NZ) Limited.

9. Current trade and other receivables

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Trade receivables	5,731	5,764	2,237	1,865
Related party	-	-	77	2
Amount due from customers under construction contracts	849	648	-	-
GST receivable	-	-	53	64
Interest receivable	69	140	69	140
Other receivables	166	141	166	141
	6,815	6,693	2,602	2,212

Information in respect of concentrations of credit risk within trade receivables is included in Note 33.

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.

Included in the Group's trade receivables are debtors with a carrying amount of $1.366m (2007: $0.874m) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts still considered recoverable.

Included in the Parent trade receivables are debtors with a carrying amount of $0.076m (2007: $0.036m) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts still considered recoverable.

Aging of past due trade receivables

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
30-60 days	725	340	33	11
60-90 days	286	170	3	1
90+ days	355	364	40	24
	1,366	874	76	36

10. Current inventories

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Distribution System and Metering items	2,526	2,350	-	-

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

11. Other current assets

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Prepayments	779	64	768	55

12. Group entities

MainPower New Zealand Limited's subsidiaries as at 31 March were as follows:

Entity name	Effective ownership 2008	Effective ownership 2007	Country of incorporation	Year end
MainPower Contracting Limited	100%	100%	NZ	31 March
Vircom Energy Management Services Limited	77.4%	77.4%	NZ	31 March

MainPower Contracting Limited's subsidiaries as at 31 March were as follows:

Entity name	Effective ownership 2008	Effective ownership 2007	Country of incorporation	Year end
Electro Services (NZ) Limited	100%	100%	NZ	31 March

The effective ownership and the voting interests in the above subsidiaries are the same.

13. Other non-current financial assets

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
At amortised cost				
Interest bearing loans advanced to subsidiaries	-	-	890	175
Held to maturity investments	2,878	2,668	2,878	2,668
	2,878	2,668	3,768	2,843

Amounts receivable from related entities

Receivables from entities related to the company are included within the parent company financial statements in accordance with funding arrangements in place with those parties. These arrangements may include a charge for interest. Receivables from subsidiaries are repayable on demand and therefore are not overdue.

14. Property, plant and equipment

Consolidated group

	Freehold land at fair value $000	Buildings at fair value $000	Electricity distribution network at fair value $000	Plant, equiptment, vehicles furniture & fittings $000	Total $000
Gross carrying amount					
Balance at 1 April 2006	2,687	3,517	136,791	14,011	157,006
Additions	192	-	9,924	1,809	11,925
Disposals	-	-	-	(80)	(80)
Balance at 31 March 2007	2,879	3,517	146,715	15,740	168,851
Additions	26	6	12,137	4,039	16,208
Disposals	-	-	-	(114)	(114)
Net revaluation increments/(decrements)	-	-	-	-	-
Balance at 31 March 2008	2,905	3,523	158,852	19,665	184,945
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2006	-	110	10,605	6,744	17,459
Disposals	-	-	-	(75)	(75)
Depreciation expense	20	112	5,731	1,523	7,386
Balance at 31 March 2007	20	222	16,336	8,192	24,770
Disposals	-	-	-	(75)	(75)
Impairment loss charged to profit					
Net adjustments from revaluation increments/ (decrements)	-	-	-	-	-
Depreciation expense	22	58	5,713	1,571	7,364
Balance at 31 March 2008	42	280	22,049	9,688	32,059
Net book value at 31 March 2007	2,859	3,295	130,379	7,548	144,081
Net book value at 31 March 2008	2,863	3,243	136,803	9,977	152,886

14. Property, plant and equipment continued

Parent entity

	Freehold land at fair value $000	Buildings at fair value $000	Electricity distribution network at fair value $000	Plant, equiptment, vehicles furniture & fittings $000	Total $000
Gross carrying amount					
Balance at 1 April 2006	2,687	3,517	138,350	3,740	148,294
Additions	192	-	10,657	239	11,088
Disposals	-	-	-	(51)	(51)
Balance at 31 March 2007	2,879	3,517	149,007	3,928	159,331
Additions	26	6	13,338	2,560	15,930
Disposals	-	-	-	(43)	(43)
Impairment loss charged to profit	-	-	-	-	-
Net revaluation increments/(decrements)	-	-	-	-	-
Balance at 31 March 2008	2,905	3,523	162,345	6,445	175,218
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2006	-	110	10,675	2,188	12,973
Disposals	-	-	-	(40)	(40)
Depreciation expense	20	112	5,764	328	6,224
Balance at 31 March 2007	20	222	16,439	2,476	19,157
Disposals	-	-	-	(35)	(35)
Impairment loss charged to profit					
Net adjustments from revaluation increments/ (decrements)	-	-	-	-	-
Depreciation expense	22	58	5,769	332	6,181
Balance at 31 March 2008	42	280	22,208	2,773	25,303
Net book value at 31 March 2007	2,859	3,295	132,568	1,452	140,174
Net book value at 31 March 2008	2,863	3,243	140,137	3,672	149,915

14. Property, plant and equipment continued

Carrying amounts of property, plant and equipment had they been recognised under the cost model:

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Freehold land	1,992	1,989	1,992	1,989
Buildings	1,203	1,254	1,304	1,356
Electricity distribution network	68,764	62,657	73,573	66,307
Plant, equipment, vehicles, furniture and fittings	9,977	7,548	3,869	1,670
	81,936	73,448	80,738	71,322

Deemed cost approach on NZ IFRS adoption

The group elected to take the deemed cost approach on adoption of NZ IFRS, in accordance with NZ IFRS 1. This approach has utilised the fair value determined for each asset category at its most recent valuation and then adjusted for subsequent additions at cost, removals and depreciation to determine deemed cost at the date of NZ IFRS adoption.

Revaluations and impairment review

The group's electricity distribution network and substation buildings were revalued to fair value of $112,068,933 as at 31 March 2004 by Ms Lynne Taylor, a director, and Mr Craig Rice, a partner of independent valuers PricewaterhouseCoopers. PricewaterhouseCoopers was assisted by Maunsell Limited, registered valuers. Additions since that valuation date have been added at cost, depreciation applied to the assets and disposals removed. Ms Taylor and Mr Rice have been responsible for all of the electricity network valuations undertaken by PricewaterhouseCoopers for financial reporting purposes over the last decade.

The group's land and buildings were revalued to fair value of $5,142,100 as at 31 March 2005 by independent registered valuer Williams and Associates Limited. Williams and Associates Limited has extensive experience in the property valuation field. Additions since 1 April 2005 have been added at cost, depreciation applied and disposals removed.

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

In accordance with NZ IAS 36, the group, has undertaken a review to determine whether the carrying values of any items of property, plant and equipment might be impaired. Based on evidence from asset disposals, the group does not believe that any such carrying values are materially impaired at 31 March 2008 (2007: nil).

15. Goodwill

Consolidated Group

	Total $000
Gross carrying amount	
Balance at 1 April 2006	674
Additions - Metering Inspection Services	239
Disposals	-
Balance at 31 March 2007	913
Additions	-
Disposals	-
Balance at 31 March 2008	913
Accumulated impairment	
Balance at 1 April 2006	-
Impairment	-
Disposals	-
Balance at 31 March 2007	-
Impairment	-
Disposals	-
Balance at 31 March 2008	-
Net book value at 31 March 2007	913
Net book value at 31 March 2008	913

16. Other Intangible Assets

	Software $000	Lease premium $000	Total $000
Consolidated Group			
Gross carrying amount			
Balance at 1 April 2006	1,036	800	1,836
Additions	381	-	381
Balance at 31 March 2007	1,417	800	2,217
Additions	235	-	235
Disposals	(8)	-	(8)
Balance at 31 March 2008	1,644	800	2,444
Accumulated ammortisation and impairment			
Balance at 1 April 2006	753	14	767
Ammortisation expense	225	80	305
Disposals	-	-	-
Balance at 31 March 2007	978	94	1,072
Ammortisation expense	256	80	336
Disposals	(7)	-	(7)
Balance at 31 March 2008	1,227	174	1,401
Net book value at 31 March 2007	439	706	1,145
Net book value at 31 March 2008	417	626	1,043

16. Other Intangible Assets continued

	Software $000	Total $000
Parent entity		
Gross carrying amount		
Balance at 1 April 2006	735	735
Additions	227	227
Balance at 31 March 2007	962	962
Additions	91	91
Disposals	-	-
Balance at 31 March 2008	1,053	1,053
Accumulated ammortisation and impairment		
Balance at 1 April 2006	610	610
Ammortisation expense	133	133
Balance at 31 March 2007	743	743
Ammortisation expense	113	113
Disposals	-	-
Balance at 31 March 2008	856	856
Net book value at 31 March 2007	219	219
Net book value at 31 March 2008	197	197

Amortisation expense is included in the line item depreciation, amortisation and impairment in the income statement.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
17. Current trade and other payables				
Trade payables	6,213	5,152	4,241	2,827
Customer deposits	-	291	-	-
GST payable	142	278	-	-
Employee entitlements	1,105	1,006	196	208
	7,460	6,727	4,437	3,035
18. Non-current borrowings				
Unsecured:				
Loans	500	465	-	-
Deferred settlement	397	587	-	-
	897	1,052	-	-
Less current portion	(250)	(250)	-	-
Non current borrowings	647	802	-	-

Interest bearing debt by the group comprise New Zealand dollar borrowings.
Interest rate on loans is currently 9%.
The deferred settlement is stated at fair value by discounting the future amounts due to their present value using a discount rate of 10.2% pa.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
19. Other non-current financial liabilities				
At cost:				
Redeemable preference (rebate) shares	7	3	7	3

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.

8,709 (2007: 9,468) redeemable preference shares at 10 cents each were redeemed during the year.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
20. Non-current provisions				
Employee benefits	944	932	241	208

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 % (2007: 3.00%)
- discount rate (6.35% - 6.95% (2007: 5.83% - 7.11%)

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
21. Share capital				
30,400,000 fully paid ordinary shares	30,400	30,400	30,400	30,400

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

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
22. Reserves				
Company establishment reserve:				
Balance at 31 March	6,034	6,034	6,034	6,034
Asset revaluation reserve:	-	-	-	-
Balance at 31 March	6,034	6,034	6,034	6,034

The asset revaluation reserve arises on the revaluation of the electricity distribution network, land and buildings. Where a revalued asset is sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

On transition to NZ IFRS the asset revaluation reserve balance has been transferred to retained earnings.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
23. Retained earnings				
Balance at beginning of financial year:	96,277	90,236	95,822	89,596
Net profit attributable to members of the parent entity	3,457	6,041	4,572	6,226
	99,734	96,277	100,394	95,822
24. Minority interest				
Balance at beginning of financial year:	1,097	1,134	-	-
Net loss attributable to minority interest	(208)	(37)	-	-
	889	1,097	-	-

25. Notes to the cash flow statement

Reconciliation of profit for the period to net cash flows from operating activities

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Net profit for the year	3,249	6,004	4,572	6,226
Adjustments for				
(Gain)/loss on disposal of property, plant & equipment	-	(8)	-	-
Loss on disposal	6	-	-	25
Depreciation and amortisation of non-current assets	7,700	7,692	6,294	6,357
Interest on deferred settlement	60	79	-	-
Capital contributions	(5,021)	(4,366)	(5,021)	(4,366)
	2,745	3,397	1,273	2,016
Changes in net assets and liabilities				
(Increase)/decrease in current tax balances	(897)	(811)	(392)	(625)
Increase/(decrease) in deferred tax balances	1,335	(1,985)	1,482	(1,848)
(Increase)/decrease in assets				
Current receivables	(122)	541	(390)	330
Current inventories	(176)	(620)	-	-
Other current assets	(715)	(51)	(713)	(55)
Increase/(decrease) in liabilities				
Current payables	733	763	1,402	114
Non-current provisions	(239)	14	32	(13)
	(81)	(2,149)	1,421	(2,097)
Net cash from operating activities	5,913	7,252	7,266	6,145

26. Acquisition of business

On 1 April 2006, VirCom Energy Management Services Limited acquired the business of Metering Inspection Services Limited. The acquisition had the following net effect on the consolidation financial position of the group:

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Non-current assets				
Property, plant and equipment	-	41	-	-
Goodwill	-	239	-	-
Net outflow of cash to the group	-	280	-	-

27. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2008 (2007: nil).

Operating lease commitments

The minimum value of lease commitments are:

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Within one year	219	261	-	-
1 – 2 years	136	163	-	-
2 – 5 years	-	175	-	-

Prudential commitments

At 31 March 2008 the company and group had no guarantees (performance bonds) to third parties (2007, nil).

28. 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 (2007: Nil).

During the periods no transactions were entered into with any of the company's directors other than the payment of directors' fees and 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 held directorships. These transactions are carried out on a commercial and arms length basis.

During the year, MainPower entered into an agreement with Tiromoana Station Limited to purchase a parcel of land for the purpose of the development of a wind farm on Mt Cass. Mr W G Cox, Chairman of MainPower New Zealand Limited is also the Chairman of Transwaste Canterbury Limited who are the owners of Tiromoana Station. Mr W G Cox withdrew from all discussions and decisions relating to this aquisition.

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Transactions during the year				
Purchases from subsidiaries	10,482	9,088	9,920	8,561
Revenues from subsidiaries	317	379	266	211
Dividends from subsidiaries	691	1,267	250	795
Outstanding balances as at 31 March				
Accounts payable to subsidiaries	925	1,277	861	1,174
Accounts receivable from subsidiaries	20	36	20	20
Work in progress not invoiced by a subsidiary	313	40	313	40
Loans to subsidiaries	1,320	720	890	70

28. Related party transactions continued

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 totalling $ 176,233 (2007: $165,000)

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 (2007, all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2007, nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2008 no transactions occurred between the group and an organisation in which a key management person of the group holds a position of control:

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000

29. Key management personnel

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

	Group 2008 $000	Group 2007 $000	Parent 2008 $000	Parent 2007 $000
Short term employee benefits	1,098	1,154	801	891
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.

30. Segmental reporting

MainPower New Zealand Limited and its subsidiaries operate predominantly in the electricity distribution network sector. The Australian operations are not material in relation to MainPower's overall operations.

31. Significant events after balance date

During 2007, Vircom Energy Management Services Limited established an operation in Australia for the purpose of determining meter service business opportunities. Subsequent to balance date, the Board of Vircom Energy Management Services limited made the decision to withdraw from Australia in order to focus on the company's New Zealand operation.

Apart from the information disclosed above, there are no 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.

32. Opening retained earnings

A subsidiary company had not originally accounted for the fair value of the deferred settlement for the acquisition of a business. This error was corrected when preparing the NZ IFRS transition balance sheet. The effect was to decrease the deferred settlement liability by $200,000, decrease goodwill by $192,000 and to increase retained earnings by $8,000.

33. Financial instruments

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

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.

Foreign currency risk
Foreign currency risk is the risk that the value of the group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The group is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars.

Liquidity risk
Liquidity risk represents the risk that the group may not have the financial ability to meet its contractual obligations. The group evaluates its liquidity requirements on an ongoing basis. In general, the group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has the capacity to arrange funding to cover potential shortfalls.

Market risk
Market risk is the risk that the value of the group's assets and liabilities will fluctuate due to changes in market prices. These changes may be caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group is exposed to market risk through its investments in bonds. It is not the group's policy to hedge its exposures to market risk. The group has specific policies and procedures for identifying and evaluating investment opportunities.

Concentration of credit risk
Financial instruments that potentially subject the group to concentrations of credit risk consist principally of cash and cash equivalents, trade and other receivables and held to maturity investments. The group places its cash and investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its treasury policy.

The group manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all customers requiring credit wherever possible, and continuously monitoring the outstanding credit exposure to individual customers. The group does not generally require or hold collateral against 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 owned by Contact Energy Limited which represents 21% (2007 – 35%) of the group's trade receivables.

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.

33. Financial instruments continued

Capital management

The group's capital includes share capital, reserves and retained earnings. The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The group is not subject to any externally imposed capital requirements.

The allocation of capital between the group's specific business segments' operations and activities is, to a large extent, driven by risk-adjusted optimisation of the returns achieved on capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operations and activities.

The group policies in respect of capital management and allocation are reviewed regularly by the board of directors. There have been no material changes to the group's management of capital during the period.

Sensitivity analysis

In managing interest rate and currency risks the group aims to reduce the impact of short-term fluctuations on the group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March 2008 it is estimated that a general increase of one percentage point in interest rates would increase the group's profit before income tax by approximately $66,072 (2007, $111,619).

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies with respect to MainPower's contractual obligations would have decreased the group's profit before income tax by less than $10,000 for the year ended 31 March 2008 (2007, less than $10,000).

A decrease in both interest rates and exchange rates would have the opposite impact on profit than that described above.

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 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

33. Financial instruments continued

Classification of financial instruments

	Notes	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Consolidated group as at 31 March 2008				
Current assets				
Cash and cash equivalents		4,584	-	4,584
Trade and other receivables	9	6,815	-	6,815
Current tax asset	8	1,399	-	1,399
		12,798	-	12,798
Non-current assets				
Other financial assets	13	-	2,878	2,878
		-	2,878	2,878
Total financial assets		12,798	2,878	15,676
Current liabilities				
Trade and other payables	17	-	7,460	7,460
Borrowings	18	-	250	250
		-	7,710	7,710
Non-current liabilities				
Borrowings	18	-	647	647
Other financial liabilities	19	-	7	7
Provisions	20	-	944	944
		-	1,598	1,598
Total financial liabilities		-	9,308	9,308
Consolidated group as at 31 March 2007				
Current assets				
Cash and cash equivalents		10,229	-	10,229
Trade and other receivables	9	6,693	-	6,693
Current tax asset	8	502	-	502
		17,424		17,424
Non-current assets				
Other financial assets	13	-	2,668	2,668
		-	2,668	2,668
Total financial assets		17,424	2,668	20,092
Current liabilities				
Trade and other payables	17	-	6,727	6,727
Borrowings	18	-	250	250
		-	6,977	6,977
Non-current liabilities				
Borrowings	18	-	802	802
Other financial liabilities	19	-	3	3
Provisions	20	-	932	932
		-	1,737	1,737
Total financial liabilities		-	8,714	8,714

33. Financial instruments continued

Classification of financial instruments

	Notes	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Parent entity as at 31 March 2008				
Current assets				
Cash and cash equivalents		4,286	-	4,286
Trade and other receivables	9	2,602	-	2,602
Current tax asset	8	807	-	807
		7,695	-	7,695
Non-current assets				
Other financial assets	13	-	3,768	3,768
		-	3,768	3,768
Total financial assets		7,695	3,768	11,463
Current liabilities				
Trade and other payables	17	-	4,437	4,437
Non-current liabilities				
Other financial liabilities	19	-	7	7
Provisions	20	-	241	241
		-	248	248
Total financial liabilities		-	4,685	4,685
Parent entity as at 31 March 2007				
Current assets				
Cash and cash equivalents		8,932	-	8,932
Trade and other receivables	9	2,212	-	2,212
Current tax asset	8	415	-	415
		11,559	-	11,559
Non-current assets				
Other financial assets	13	-	2,843	2,843
		-	2,843	2,843
Total financial assets		11,559	2,843	14,402
Current liabilities				
Trade and other payables	17	-	3,035	3,035
Non-current liabilities				
Other financial liabilities	19	-	3	3
Provisions	20	-	208	208
		-	211	211
Total financial liabilities		-	3,246	3,246

33. Financial instruments continued

Maturity profile of financial instruments

Consolidated group as at 31 March 2008

The following table details the group's exposure to interest rate and liquidity risk

	Weighted average effective interest rate %	Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	8.16%	978	3,218	388	4,584
Trade and other receivables	-	-	-	6,815	6,815
Other financial assets	8.22%	389	2,489	-	2,878
Current tax asset		-	-	1,399	1,399
		1,367	5,707	8,602	15,676
Financial liabilities					
Trade and other payables		-	-	7,460	7,460
Borrowings	5.00%	500	-	397	897
Other financial liabilities		-	-	7	7
Provisions		-	-	944	944
		500	-	8,808	9,308

An analysis of the contractual maturity dates is as follows:

		Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets:					
Less than 1 year		1,367	5,707	8,602	15,676
1 – 2 years		-	-	-	-
2-5 years		-	-	-	-
5 yrs		-	-	-	
		1,367	5,707	8,602	15,676
Financial liabilities:					
Less than 1 year		500	-	7,864	8,364
1 – 2 years		-	-	-	-
2-5 years		-	-	91	91
5 yrs		-	-	853	853
		500	-	8,808	9,308

33. Financial instruments continued

Maturity profile of financial instruments

Consolidated group as at 31 March 2007

The following table details the group's exposure to interest rate and liquidity risk:

	Weighted average effective interest rate %	Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	7.12%	2,058	8,171	-	10,229
Trade and other receivables		-	-	6,693	6,693
Other financial assets	7.57%	777	1,891	-	2,668
Current tax asset		-	-	502	502
		2,835	10,062	7,195	20,092
Financial liabilities					
Trade and other payables		-	-	6,727	6,727
Borrowings	3.90%	1,052	-	-	1,052
Other financial liabilities		-	-	3	3
Provisions		-	-	932	932
		1,052	-	7,662	8,714

An analysis of the contractual maturity dates is as follows:

	Weighted average effective interest rate %	Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets:					
Less than 1 year		2,835	9,567	7,195	19,597
1 – 2 years		-	495	-	495
2-5 years		-	-	-	-
5 yrs		-	-	-	-
		2,835	10,062	7,195	20,092
Financial liabilities:					
Less than 1 year		250	-	6,730	6,980
1 – 2 years		250	-	-	250
2-5 years		552	-	34	586
5 yrs		-	-	898	898
		1,052	-	7,662	8,714

33. Financial instruments continued

Maturity profile of financial instruments

Parent entity as at 31 March 2008

The following table details the parents exposure to interest rate and liquidity risk:

	Weighted average effective interest rate %	Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	8.16%	1,068	3,218	-	4,286
Trade and other receivables		-	-	2,602	2,602
Other financial assets	8.22%	389	2,489	-	2,878
Related party loans	8.25%	-	890	-	890
Current tax asset		-	-	807	807
		1,457	6,597	3,409	11,463
Financial liabilities					
Trade payables				4,437	4,437
Other financial liabilities				7	7
Provisions				241	241
				4,685	4,685

An analysis of the contractual maturity dates is as follows:

	Weighted average effective interest rate %	Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets:					
Less than 1 year		1,457	5,707	3,409	10,573
1 – 2 years		-	-	-	-
2-5 years		-		-	-
5 yrs		-	890	-	890
		1,457	6,597	3,409	11,463
Financial liabilities:					
Less than 1 year				4,444	4,444
1 – 2 years				-	-
2-5 years				-	-
5 yrs				241	241
				4,685	4,685

33. Financial instruments continued

Maturity profile of financial instruments

Parent entity as at 31 March 2007

The following table details the parent's exposure to interest rate and liquidity risk:

	Weighted average effective interest rate %	Variable interest rate $000	Fixed maturity dates $000	Non-interest bearing $000	Total $000
Financial assets					
Cash and cash equivalents	7.12%	761	8,171	-	8,932
Trade and other receivables		-	-	2,212	2,212
Other financial assets	7.57%	777	1,891	-	2,668
Related party loans	8.25%	-	175	-	175
Current tax asset		-	-	415	415
		1,538	10,237	2,627	14,402
Financial liabilities					
Trade and other payables				3,035	3,035
Other financial liabilities				3	3
Provisions				208	208
				3,246	3,246

An analysis of the fixed maturity dates is as follows:

Financial assets:					
Less than 1 year		1,538	9,742	2,627	13,907
1 – 2 years		-	495	-	495
2-5 years		-	-	-	-
5 yrs		-	-	-	-
		1,538	10,237	2,627	14,402
Financial liabilities:					
Less than 1 year				3,038	3,038
1 – 2 years				-	-
2-5 years				-	-
5 yrs				208	208
				3,246	3,246

34. Impacts of the adoption of NZ IFRS

Impact of NZ IFRS on the balance sheet as at 1 April 2006

Explanation of transition to NZ IFRS

As stated in note 1, these are the group's first financial statements prepared in accordance with NZ IFRS. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2008, the comparative information presented in these financial statements for the year ended 31 March 2007 and in the preparation of an opening NZ IFRS balance sheet at 1 April 2006 (the group's date of transition). In preparing its opening NZ IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

In preparing these consolidated financial statements in accordance with NZ IFRS 1, the group has applied the mandatory exemptions and certain optional exemptions from full retrospective application of NZ IFRS.

Exemptions from full retrospective application elected by the group.

The group has elected to apply the following optional exemptions from full retrospective application:

- Business combinations exemption
  The group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 1 April 2006 transitional date.

- Fair value as deemed cost exemption
  The group has elected to record its property, plant and equipment at deemed cost as at 1 April 2006 on the basis that the revaluation under previous GAAP was broadly comparable to fair value as at the date of the revaluation.

An explanation of how the transition from previous GAAP to NZ IFRS has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables. Note that in some cases items have been reclassified between categories prior to any financial NZ IFRS adjustments.

(a) Under NZ IFRS the group reversed the provisions for doubtful debts and inventory obsolescence.

(b) Goodwill, which was amortised under superseded policies, is not amortised under NZ IFRS from the date of transition.

(c) The deferred settlement liability was discounted to its fair value. The adjustment to fair value each balance date is disclosed as a finance expense. The initial effect of this was to reduce the deferred settlement liability by $200,000 and to derecognise goodwill of $192,000 that arose on the initial transaction.

(d) Under NZ IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

(e) Redeemable preference shares were reclassified from equity to non-current liabilities.

(f) As discussed above, the group elected to measure property, plant and equipment on transition (1 April 2006) to NZ IFRS at fair value and has used that fair value as the item's deemed cost at that date. As a result the effect of this is to reclassify any amounts in the asset revaluation reserve to retained earnings.

34. Impacts of the adoption of NZ IFRS continued

(g) Computer software has been reclassified as an intangible asset.

(h) On adoption of NZ IFRS the group has derecognised a liability of $14,000.

(i) On adoption of NZ IFRS the group has recognised a liability for sick leave and other employee entitlements.

(j) Advances to subsidiaries have been reclassified as other financial assets.

(k) The 2007 debit to the foreign currency translation reserve has been expensed.

(l) Minority interest has been adjusted to reflect the movement in retained earnings in a subsidiary company.

(m) Receivable and payable for $81,000 netted as an offset is available.

(n) Reclassification of gain on disposal of property, plant and equipment.

Impact of NZ IFRS on deferred tax balances

Under superseded policies, the group adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were only recognised to the extent that they could be foreseen to crystallise in the future. Deferred tax assets attributable to timing differences or tax losses were only recognised if there was virtual certainty of realisation.

Under NZ IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

34. Impacts of the adoption of NZ IFRS continued

	Group 1 April 2006 $000	Group 31 March 2007 $000	Parent 1 April 2006 $000	Parent 31 March 2007 $000
Impact of NZ IFRS on deferred tax balances continued				
Deferred tax liability recognised directly in equity	28,108	28,108	29,050	29,050
Deferred tax recognised in income statement:				
Relating to origination and reversal of temporary differences	-	627	-	872
Effect of change in rate of tax from 33% to 30%	-	(2,612)	-	(2,720)
Net increase in deferred tax balances	28,108	26,123	29,050	27,202

Impact of NZ IFRS on retained earnings

	Note	Group 1 April 2006 $000	Group 31 March 2007 $000	Parent 1 April 2006 $000	Parent 31 March 2007 $000
Transfer from asset revaluation reserve	(f)	78,085	78,085	76,189	76,189
Adjustments to deferred tax balances	(d)	(28,108)	(26,123)	(29,050)	(27,202)
Liability no longer recognised	(h)	14	14		
Doubtful debt provisions derecognised	(a)	79	90	50	-
Employee provisions recognised	(i)	(193)	(191)	(30)	(30)
Goodwill no longer amortised	(b)	-	161	-	-
Discounting of deferred settlement liability and derecognition of related goodwill	(c)	8	8	-	-
Movement attributable to minority interests	(l)	(17)	(94)	-	-
Interest in deferred settlement liability	(c)	-	(79)	-	-
Inventories provision derecognised	(a)	-	8	-	-
Transfer from foreign currency translation reserve	(k)	-	(3)	-	-
Total increase in retained earnings attributable to members of parent entity		49,868	51,876	47,159	48,957

34. Impacts of the adoption of NZ IFRS continued

Reconciliation of profit for the year ended 31 March 2007

	Note	Previous GAAP $000	Effect of transition to NZ IFRS $000	NZ IRFS $000
Consolidated group				
Operating revenue		61,480	-	61,480
Other income	(n)	-	8	8
		61,480	8	61,488
Operating expenses	(a) (i) (n)	41,916	1	41,917
Change in doubtful debts provision	(a)	11	(11)	-
Depreciation, amortisation and impairment	(b)	7,853	(161)	7,692
Finance expenses	(c)	37	79	116
Rebates		6,669	-	6,669
		56,486	(92)	56,394
Profit before income tax expense		4,994	100	5,094
Income tax expense (credit)	(d)	1,075	(1,985)	(910)
Profit for the period		3,919	2,085	6,004
Attributable to:				
Shareholders of the parent		4,033	2,008	6,041
Minority interest	(l)	(114)	77	(37)
Profit for the period		3,919	2,085	6,004
Parent entity				
Operating revenue		33,686	-	33,686
Other income		-	-	-
		33,686	-	33,686
Operating expenses		15,807	-	15,807
Change in doubtful debts provision	(a)	(50)	50	-
Depreciation, amortisation and impairment		6,357	-	6,357
Finance expenses		4	-	4
Rebates		6,669	-	6,669
		28,787	50	28,837
Profit before income tax expense		4,899	(50)	4,849
Income tax expense (credit)	(d)	471	(1,848)	(1,377)
Profit for the period attributable to parent entity		4,428	1,798	6,226

34. Impacts of the adoption of NZ IFRS continued

Reconciliation of equity as at 1 April 2006

	Note	Previous GAAP $000	Effect of transition to NZ IFRS $000	NZ IRFS $000
Consolidated group				
Current assets				
Cash and cash equivalents		11,157	-	11,157
Trade and other receivables	(a)	6,571	79	6,650
Inventories		1,730	-	1,730
Current tax assets		-	-	-
Other assets		597	-	597
Total current assets		20,055	79	20,134
Non-current assets				
Other financial assets		2,599	-	2,599
Property, plant and equipment	(g)	139,830	(283)	139,547
Goodwill	(c)	866	(192)	674
Other intangible assets	(g)	786	283	1,069
Total non-current assets		144,081	(192)	143,889
Total assets		164,136	(113)	164,023
Current liabilities				
Trade and other payables	(h) (i)	5,950	14	5,964
Borrowings		130	-	130
Current tax payables		309	-	309
Total current liabilities		6,389	14	6,403
Non-current liabilities				
Borrowings	(c)	986	(200)	786
Other financial liabilities	(e)	-	4	4
Deferred tax liabilities	(d)	-	28,108	28,108
Provisions	(i)	753	165	918
Total non-current liabilities		1,739	28,077	29,816
Total liabilities		8,128	28,091	36,219
Net assets		156,008	(28,204)	127,804
Equity				
Share capital	(e)	30,404	(4)	30,400
Asset revaluation reserve	(f)	78,085	(78,085)	-
Other reserves		6,034	-	6,034
Retained earnings		40,368	49,868	90,236
Parent entity interest		154,891	(28,221)	126,670
Minority interest	(l)	1,117	17	1,134
Total equity		156,008	(28,204)	127,804

34. Impacts of the adoption of NZ IFRS continued

Reconciliation of equity as at 31 March 2007

Consolidated group

	Note	Previous GAAP $000	Effect of transition to NZ IFRS $000	NZ IRFS $000
Current assets				
Cash and cash equivalents		10,229	-	10,229
Trade and other receivables	(a) (m)	6,684	9	6,693
Inventories	(a)	2,342	8	2,350
Current tax assets		502	-	502
Other assets		64	-	64
Total current assets		19,821	17	19,838
Non-current assets				
Other financial assets		2,668	-	2,668
Property, plant and equipment	(g)	144,520	(439)	144,081
Goodwill	(b) (c)	944	(31)	913
Other intangible assets	(g)	706	439	1,145
Total non-current assets		148,838	(31)	148,807
Total assets		168,659	(14)	168,645
Current liabilities				
Trade and other payables	(h) (m)	6,794	(67)	6,727
Borrowings		250	-	250
Total current liabilities		7,044	(67)	6,977
Non-current liabilities				
Borrowings	(c)	923	(121)	802
Other financial liabilities	(e)	-	3	3
Deferred tax liabilities	(d)	-	26,123	26,123
Provisions	(i)	769	163	932
Total non-current liabilities		1,692	26,168	27,860
Total liabilities		8,736	26,101	34,837
Net assets		159,923	(26,115)	133,808
Equity				
Share capital	(e)	30,403	(3)	30,400
Asset revaluation reserve	(f)	78,085	(78,085)	-
Other reserves	(k)	6,031	3	6,034
Retained earnings		44,401	51,876	96,277
Parent entity interest		158,920	(26,209)	132,711
Minority interest	(l)	1,003	94	1,097
Total equity		159,923	(26,115)	133,808

34. Impacts of the adoption of NZ IFRS continued

Reconciliation of equity as at 1 April 2006

Parent Entity

	Note	Previous GAAP $000	Effect of transition to NZ IFRS $000	NZ IRFS $000
Current assets				
Cash and cash equivalents		9,725	-	9,725
Trade and other receivables	(a)	2,492	50	2,542
Total current assets		12,217	50	12,267
Non-current assets				
Investment in Subsidiaries	(j)	8,124	(245)	7,879
Other financial assets	(j)	2,599	245	2,844
Property, plant and equipment	(g)	135,446	(125)	135,321
Other intangible assets	(g)	-	125	125
Total non-current assets		146,169	-	146,169
Total assets		158,386	50	158,436
Current liabilities				
Trade and other payables		2,921	-	2,921
Current tax payables		210	-	210
Total current liabilities		3,131	-	3,131
Non-current liabilities				
Other financial liabilities	(e)	-	4	4
Deferred tax liabilities	(d)	-	29,050	29,050
Provisions	(i)	191	30	221
Total non-current liabilities		191	29,084	29,275
Total liabilities		3,322	29,084	32,406
Net assets		155,064	(29,034)	126,030
Equity				
Share capital	(e)	30,404	(4)	30,400
Asset revaluation reserve	(f)	76,189	(76,189)	-
Other reserves		6,034	-	6,034
Retained earnings		42,437	47,159	89,596
Total equity		155,064	(29,034)	126,030

34. Impacts of the adoption of NZ IFRS continued

Reconciliation of equity as at 31 March 2007

Parent Entity

	Note	Previous GAAP $000	Effect of transition to NZ IFRS $000	NZ IRFS $000
Current assets				
Cash and cash equivalents		8,932	-	8,932
Trade and other receivables		2,212	-	2,212
Current tax assets		415	-	415
Other		55	-	55
Total current assets		11,614	-	11,614
Non-current assets				
Investment in Subsidiaries	(j)	8,029	(175)	7,854
Other financial assets	(j)	2,668	175	2,843
Property, plant and equipment	(g)	140,393	(219)	140,174
Other intangible assets	(g)	-	219	219
Total non-current assets		151,090	-	151,090
Total assets		162,704	-	162,704
Current liabilities				
Trade and other payables		3,035	-	3,035
Total current liabilities		3,035	-	3,035
Non-current liabilities				
Other financial liabilities	(e)	-	3	3
Deferred tax liabilities	(d)	-	27,202	27,202
Provisions	(i)	178	30	208
Total non-current liabilities		178	27,235	27,413
Total liabilities		3,213	27,235	30,448
Net assets		159,491	(27,235)	132,256
Equity				
Share capital	(e)	30,403	(3)	30,400
Asset revaluation reserve	(f)	76,189	(76,189)	-
Other reserves		6,034	-	6,034
Retained earnings		46,865	48,957	95,822
Total equity		159,491	(27,235)	132,256

Audit Report

Deloitte.

AUDIT REPORT TO THE SHAREHOLDERS OF MAINPOWER NEW ZEALAND LIMITED

We have audited the financial statements on pages 5 to 51. The financial statements provide information about the past financial performance and financial position of MainPower New Zealand Limited and group as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 11 to 18.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of MainPower New Zealand Limited and group as at 31 March 2008 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of advisory services, we have no relationship with or interests in MainPower New Zealand Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by MainPower New Zealand Limited as far as appears from our examination of those records; and
- the financial statements on pages 5 to 51:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of MainPower New Zealand Limited and Group as at 31 March 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 July 2008 and our unqualified opinion is expressed as at that date.

Deloitte

Chartered Accountants
CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of MainPower New Zealand Limited for the year ended 31 March 2008 included on MainPower New Zealand Limited's website. The Board of Directors is responsible for the maintenance and integrity of MainPower New Zealand's website. We have not been engaged to report on the integrity of MainPower New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these 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 financial statements and related audit report dated 28 July 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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	56,500	-	56,500
P A Cox	Director	34,900	-	34,900
J A Hoban	Director	27,000	-	27,000
A C King	Director	34,500	-	34,500
R R Williams	Director (resigned 28 January 2008)	23,333	-	23,333
A Berge	Group Managing Director *		298,496	298,496
		176,233	298,496	474,729

- The Group Managing Director also receives the use of a company motor vehicle

Directors' remuneration continued

Name	Position	Fees $	Salary $	Total $
SUBSIDIARIES				
MainPower Contracting Limited				
A Berge	Chairman	-	-	-
W Wright	Executive Director	-	-	-
VirCom Energy Management Services Limited				
A Berge	Chairman	-	-	-
C Shepherd	Executive Director	-	-	-
W Wright	Executive Director	-	-	-
VirCom Energy Management Services Australia Limited				
A Berge	Chairman	-	-	-
C Shepherd	Executive Director	-	-	-
Electro Services (NZ) Limited				
A Berge	Chairman	10,000	-	10,000
W Lapslie	Executive Director	8,750	-	8,750
		18,750		18,750

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 interest's 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 during the year ended 31 March 2008.

Director	Company	Position
W G Cox	Advanced Business Education Limited	Director
	Elastomer Products Limited	Director
	Transwaste Canterbury Limited	Director
	Talbot Plastics Limited	Director
	Barlow Bros Limited	Director
	4D Steel Detailing Limited	Director
	Coolpak Coolstores Limited	Director
	Independent Fisheries Limited	Director
	Vbase Limited	Director
P A Cox	J J Angerstein and Associates Limited	Director
	House of Travel Holdings Limited	Director
	J Ballantyne and Company Limited	Director
	Paulsen Holdings Limited	Director
	Syft Technologies Limited	Director
	Duncan Cotterill	Board Member
Allan Berge	MainPower Contracting Limited	Director
	Electro Services (NZ) Limited	Director
	Vircom Energy Management Services Limited	Director
	Tasman Electrical Limited	Director
	Selwyn Plantation Board Limited	Director
Judith A Hoban	The Order of St John	Trustee
	MainPower Trust	Trustee
	MainPower Trust Investments Limited	Director
Anthony C King	Option One Limited	Director
	City Care Limited	Director

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 $000's	No. of current and former employees
100 - 110	1
110 - 120	1
120 - 130	1
130 - 140	2
140 - 150	-
150 - 160	3
160 - 170	2
170 - 180	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, ie, the Qualifying Customers in the region.

The Board's primary objective is to satisfy the shareholder's 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:

- 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 judgement 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 Group Managing Director;
- 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, including management of human resources and implementation of the risk management strategy set by the Board, to the Group Managing Director.

The Group Managing Director is responsible for ensuring MainPower achieves its business objectives and values. The Board ensures that the Group Managing Director, 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, other than the Managing Director will retire by rotation each year.

Non-Executive Directors of MainPower are elected by the Ordinary Shareholders. The Board currently comprises five Directors, being four Non-Executive Directors and the Group Managing Director.

The Directors of the Company currently in office are:

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Group Managing Director
Anthony Charles King	Director
Judith Anne Hoban	Director

8. Meetings

The Board meets monthly to review, monitor, and initiate action in respect of the 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 three standing committees. They provide guidance and assistance to the Board with overseeing certain aspects of the Board's corporate governance. Each standing 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 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 Managing Director, 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 their 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.

Audit Committee membership are Mr P A Cox, Chairman, Mr W G Cox and Mr A C King.

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.

Two 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.

9.3 Generation Development Committee

Mr A C King represents the Board on the Generation Development Committee. The Board's Managing Director, Commercial Manager, and other staff members employed in the generation division, regularly attend meetings of this Committee.

The Committee monitors progress of the Company's generation strategy. All major initiatives are reviewed by the Committee prior to consideration by 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 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:

- Corporate Strategy
- Strategic Development
- MainPower's Operating Environment
- Financial Performance
- Corporate Governance

Information is also communicated to shareholders in the Annual Report, the Interim Report 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 the subject of a joint Board and Trustee Workshop prior to its adoption.

13. Customers

During the last few years MainPower has developed and expanded its relationship with its customers through the publication of Live Lines, customer surveys, sponsorships, community based initiatives, publication of its Asset Management Plan, Annual and Interim Reports and Statement of Corporate Intent.

14. 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.

Asset Management Plan 2008 – 2009

Extract from the Executive Summary of MainPower New Zealand Limited's Asset Management Plan

(i) The Purpose of the Plan

The main purpose of this Asset Management Plan ("AMP") is to systematically document the asset management programmes established for MainPower New Zealand Limited ("MPNZ") to ensure service levels meet customer expectations, and to achieve compliance with regulatory requirements.

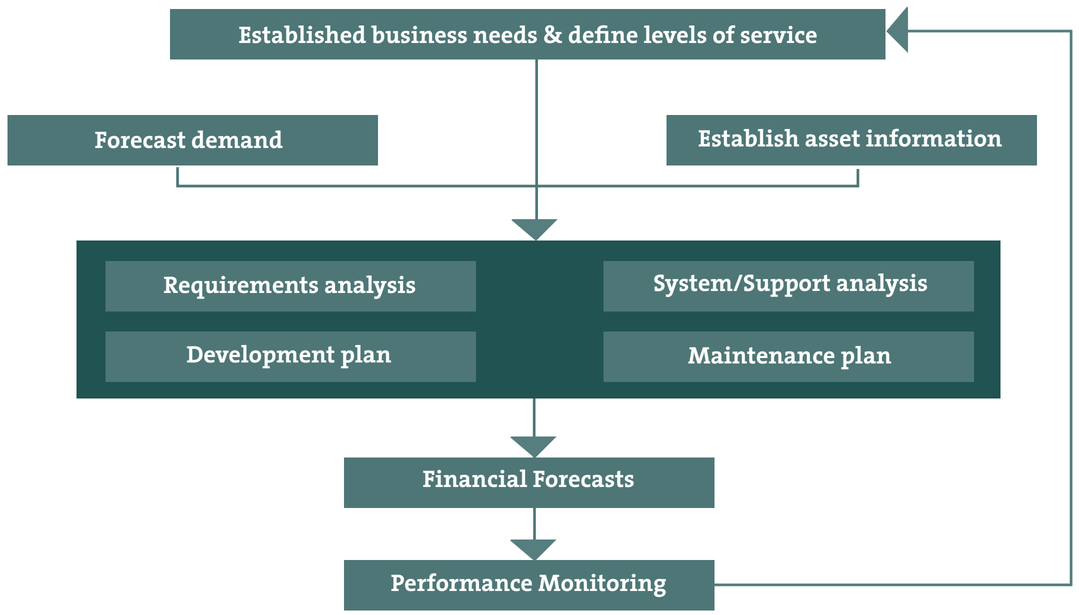
MPNZ's goals are based upon the needs of MPNZ's key stakeholders, namely shareholders, customers, employees, Government and retailers. Goals are defined in terms of network reliability (SAIDI, SAIFI), network quality (voltage, harmonics and surges/dips), net profit, safety, customer service and satisfaction, economic efficiency, environmental protection and other regional goals. The AMP is an integral part of the process of performance management and improvement.

(ii) Date Completed and Period to Which the Plan Relates

The AMP documents the likely development, maintenance and replacement requirements of the network assets over the next ten years, from April 2007 to March 2017, with a focus on specific projects that have been identified in the next three to five years. The plan will be completed for disclosure purposes in late August 2007 but is subject to a regime of continuous revision.

(iii) Asset Management Systems and Information

MPNZ asset management is based around a continuous improvement cycle depicted by the following model.



Asset management information systems have been developed at MPNZ to support all asset management processes.

(iv) Service Level Objectives

The key objective of asset management planning is to match the level of service provided by the assets to the expectations of customers and other stakeholders. The levels of service are used:

- To inform customers of the proposed service standards
- To develop asset management strategies appropriate to that level of service
- As benchmarks against which performance will be measured
- To identify the costs and benefits of the services offered, and
- To enable customers to assess the suitability, affordability and equity of the services offered

For the purposes of this AMP, the key service criteria by which MPNZ's asset management will be judged have been identified as:

- Safety
- Reliability of supply
- Capacity of the network
- Quality of supply
- Customer service
- Environmental protection
- Economic efficiency

The setting of service level targets reflects MPNZ's commitment to continual improvement. The levels of service will increasingly reflect changing customer expectations as further information on customer and other stakeholders' preferences and regulatory requirements are used to identify targets.

(v) Development Plan

An overall summary of MPNZ's development expenditure from 2008-2009 through to 2012-2013 is shown below.

Description of work	Cost ($)				
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Major Projects	3,707,000	3,046,949	2,620,000	1,500,000	-
Substations, Switchgear and Load Management	1,747,819	1,420,000	1,259,600	1,510,000	1,330,000
Distribution Lines and Cables	1,271,506	1,047,200	1,047,200	650,000	669,500
Customer Work	7,648,167	4,226,000	3,550,000	3,562,000	4,066,000
Total	14,374,492	9,740,149	8,476,800	7,222,000	6,065,500

(vi) Maintenance Plan

The maintenance expenditure forecast for the period 2008-2009 through to 2012-2013 is shown below.

Description of work		Cost ($)				
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Lines Maintenance	Condition Based	1,841,261	1,700,150	1,700,150	1,700,150	1,700,150
System Operations	Scheduled Maintenance	1,132,601	1,105,000	1,206,400	1,257,800	1,324,860
System Operations	Unscheduled Maintenance	401,894	301,450	298,699	295,345	293,462
System Operations	Faults	598,210	550,670	520,163	500,260	490,560
Operations Contingency	Storms etc	150,000	150,000	150,000	150,000	150,000
Total		4,123,966	3,807,270	3,875,412	3,903,555	3,959,032

(vii) Risk Management

The objectives of risk management include:

- safeguarding of public and employee safety
- protection and continuity of electricity supply
- fulfilment of legal obligations
- efficient protection and operation of assets
- protection of shareholder and commercial interests
- preparation of contingency plans for foreseeable emergencies

MPNZ first conducted a study of its exposure to major risks in 1997. The study focused on natural hazards, asset failure and compliance with the Resource Management Act. A second external study looking at Network risk assessment and Network asset failure recovery was completed in January 2006.

Performance Statement

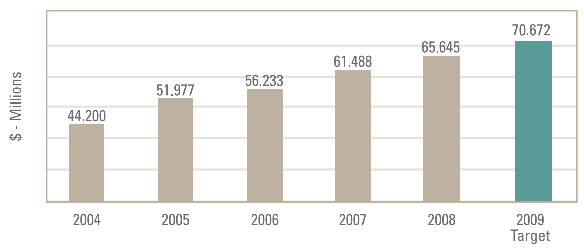
Financial

Year Ended 31 March	Target 2009	Actual 2008	Actual 2007	2006	2005	2004
Financial Performance	$000	$000	$000	$000	$000	$000
MainPower Group						
Operating Revenue	70,672	65,645	61,488	56,233	51,977	44,200
Profit before Taxation and after Qualifying Customers Rebates	6,966	5,389	5,094	8,113	6,545	7,744
Taxation	(2,193)	(2,140)	910	(2,332)	(1,697)	(1,811)
Profit after Taxation	4,773	3,249	6,004	5,781	4,848	5,933
Rebates Credited to Qualifying Customer Power Accounts	7,521	7,172	6,669	7,093	7,171	6,545
Total Maintenance Expenditure	4,203	3,586	3,832	2,563	3,287	2,438
Total Capital Development Expenditure	14,961	13,338	10,662	12,570	8,727	7,474
Financial Position	$000	$000	$000	$000	$000	$000
MainPower Group						
Current Assets	4,554	16,103	19,838	20,055	22,780	26,324
Non Current Assets	168,418	157,720	148,807	144,081	133,527	104,204
Total Assets	172,972	173,823	168,645	164,136	156,307	130,528
Liabilities	29,628	36,766	34,837	8,128	6,079	4,977
Net Assets	143,344	137,057	133,808	156,008	150,228	125,551
Share Capital	30,408	30,400	30,400	30,404	30,405	30,405
Reserves and Minority Interests	112,936	106,657	103,408	125,604	119,823	95,146
Equity	143,344	137,057	133,808	156,008	150,228	125,551
Financial Ratios	%	%	%	%	%	%
MainPower Group						
Profit Before Tax / Net Assets	4.94	3.98	3.76	5.30	4.75	6.33
Profit after Tax / Total Assets	2.81	1.90	3.51	3.61	3.38	4.70
Profit after Tax / Equity	3.39	2.40	4.43	3.78	3.50	4.87
Lines Business						
Return on Funds	4.80	5.91	3.87	5.27	4.09	5.51
Return on Equity	3.57	4.18	3.27	4.16	3.36	4.46
Return on Investments	3.53	4.16	3.27	4.16	3.32	25.80

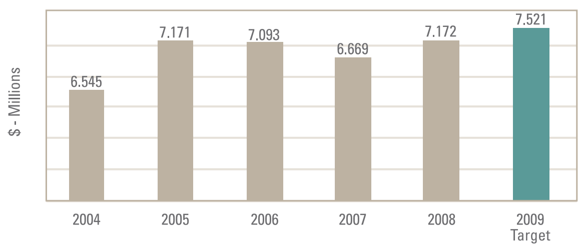
Financial information for the 2007 financial year has been restated to reflect the adoption of NZ IFRS. Prior years have not been restated.

Actual Financial Performance for 2008 has been prepared under NZ IFRS.
Performance Targets for 2008 were prepared under NZ GAAP and therefore have been excluded.

Operating Revenue



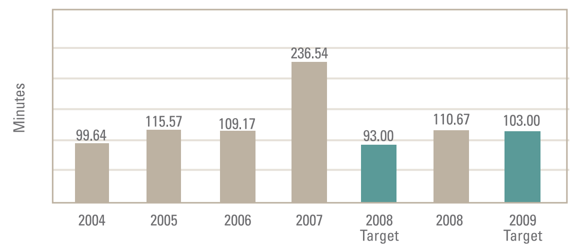
Rebates credited to Qualifying Customers' power accounts



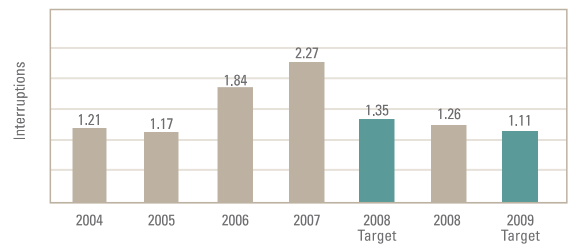
Customer service and statistics

Year Ended 31 March	Target 2009	Actual 2008	Target 2008	Actual 2007	2006	2005	2004
Quality of Supply							
SAIDI - Average number of Minutes a Customer is without Power during year	103.00	110.67	93.00	236.54	109.17	115.57	99.64
SAIFI - Average number of Supply Interruptions per Customer during year	1.11	1.26	1.35	2.27	1.84	1.17	1.21
Unplanned Faults per 100 kms of distribution line during year	2.28	2.40	2.09	5.56	2.92	1.66	2.18
(2007 is inclusive of the 12 June 2006 snow storm)							
Statistics							
Lines Business							
Total Line Service Customers (number)	33,365	32,545	31,850	31,666	30,671	30,283	29,082
Gigawatt hours Purchased (millions of units)	541.01	520.33	519.48	491.66	485.54	475.50	454.35
Gigawatt hours Sold (millions of units)	511.95	492.23	487.35	466.52	460.73	449.60	433.65
Electricity Loss Ratio (%)	5.37	5.40	6.18	5.11	5.11	5.45	4.56
Network Maximum Demand (megawatts)	88.33	86.38	86.50	84.74	79.58	76.62	74.43
Load Factor (%)	69.92	68.76	69.65	66.24	69.65	70.84	69.69
Transformer Capacity (megawatts)	390.00	374.30	375.00	360.55	355.90	335.70	309.93
Transformer Capacity Utilisation Factor (%)	22.65	23.08	23.07	23.50	22.36	22.82	24.02
Circuit Length of Distribution Lines and Cables (kilometres)	4,556	4,526	4,510	4,477	4,420	4,178	4,180
	$	$	$	$	$	$	$
Direct Line Cost per kilometre of Line ($)	1,161	986	1,093	1,087	799	988	758
Indirect Line Cost per Customer ($)	112	95	97	71	72	73	74
MainPower Group							
Number of Employees	271	265	264	255	255	201	164
Number of Work Related Accidents resulting in Lost Time	Zero	12	Zero	8	19	9	
Total Number of Lost Days as a result of Work Related Accidents	Zero	293	Zero	202	291	42	
	$000	$000	$000	$000	$000	$000	$000
Total Employee Salaries and Wages	15,152	15,592	14,898	13,787	12,283	10,107	7,111
Total ACC Levies Paid	258	215	250	210	145	122	114
Total Local Body Rates Paid	149	142	136	127	122	139	134
Total Employee Superannuation Subsidy	475	296	427	305	297	261	22

Average number of minutes a customer is without power during the year - SAIDI



Average number of supply interruptions per customer during year - SAIFI



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