Interim Report and Financial Statements

Six Months Ended 30 September 2009

mainpower

THE POWER TO MAKE IT HAPPEN

CHAIRMAN'S REVIEW

Gill Cox, Chairman

The following Review covers the operations of the MainPower New Zealand Limited Group of Companies for the six months ended 30 September 2009.

Overview

Changing levels of customer demand for new capacity and electricity supply provide a barometer of economic activity, both nationally and regionally. An increase in demand during recent months therefore signals that in our region, there is some improvement in economic activity taking place.

Importantly both our people and our network assets are in good shape to cope with any further increase in demand as the improvement in economic activity continues.

Financial Overview

Profit after Tax of the Group for the six months ended 30 September 2009 is $100,000 ahead of that for the same period in 2008, albeit off a slightly lower operating revenue base.

Operating cash flows are $800,000 higher than for the same period in 2008. Investing activities – related primarily to further development of the network, and to further investigation/development of electricity generation opportunities, total $5.9 million. While the net result was a further reduction in the cash balances held by the Group, these investments are expected to provide significant future benefits to the Group.

Current indications are that the financial performance of the Group for the year ending 31 March 2010 will exceed the budgeted net profit after Tax and Rebates which was set at $ 2.026 million. This is based on the second half of the Group's year including summer irrigation demand being stronger than the first half, however performance in the second half is clearly related to weather patterns over summer months.

The Group continues to see an increase in equity with a low level of external liabilities.

The following table presents a summary of the MainPower Group's financial performance for the six months ended 30 September 2009 and financial position as at that date.

	6 Months 30.09.09 $,000	6 Months 30.08.08 $,000	Yr Ended 31.03.09 $,000
Operating Revenue	30,135	31,061	65,033
Tax expense	869	1,075	1,158
Qualifying Customer Rebates	3,713	3,566	7,561
Profit for the period after Tax and Rebates	2,142	2,033	4,016
Equity	143,215	139,090	141,073
Liabilities	35,605	34,220	36,393
Assets	178,820	173,310	177,466
Net Cash Flows	6 Months 30.09.09 $,000	6 Months 30.09.08 $,000	Yr Ended 31.03.09 $,000
From operating activities	4,357	3,544	7,546
From investing activities	(5,874)	(6,065)	(10,874)
From financing activities	-	-	-
Net (decrease) in cash held	(1,517)	(2,521)	(3,328)
Closing cash balance	(261)	2,063	1,256

Line Service Charges

Increases in the cost of Transpower's transmission charges to MainPower, and the need for continued funding associated with the ongoing development of MainPower's electricity network, will necessitate MainPower increasing its line services charges from 1 February 2010 by 9.37% on average. This increase is the first by MainPower for almost 2 years – the last increase being effective 1 April 2008.

The impact of this increase on individual customers will vary depending on their usage. Where a customer's chosen Electricity Retailer passes on the MainPower increase in full, an 'average residential customer' will see an increase (net of MainPower's Rebate) of about 2.9% in their monthly electricity account.

It is important to note that MainPower's Qualifying Customer Rebates will remain at current levels with these rebates expected to total more than $8m, during the next financial year.

Customer Service Statistics

		Actual 1st 6 Mths		Target 12 Mths
No. of Minutes a customer has been without power (on average)		69.44		103
No. of Interruptions to power supply experienced by a customer (on average)		0.84		1.11
Total Units Conveyed (millions)		270		555
Units Lost (percentage)		5.53		5.58

Directors and Executive Management Team (as at 30 September 2009)

Gill Cox (Chairman)
Peter Cox (Deputy Chairman)
Tony King (Director)
Judith Hoban (Director)
Trevor Burt (Director)
Stephen Lewis (Director)
Allan Berge (Group Managing Director)
Warren Wright (Group Finance Manager)
Peter Hurford (Network Manager)
Todd Mead (Commercial Manager)
Wayne Lapslie (GM, MainPower Contracting Limited)
Craig Shepherd (CEO, VirCom Energy Management Services Limited)

A detailed copy of MainPower's Interim Report and Financial Statements for the period ended 30 September 2009 can be obtained by contacting MainPower on (03) 311 8300, or via the Company's website: www.mainpower.co.nz .

W G Cox
Chairman

CONSOLIDATED CONDENSED INCOME STATEMENT
FOR THE PERIODS ENDED

THIS STATEMENT HAS NOT BEEN AUDITED	Six months 30.09.09 $,000	Six months 30.09.08 $,000	Year ended 31.03.09 $,000
Operating revenue	30,135	31,061	65,033
Profit before finance expenses and tax	3,042	3,144	5,365
Finance expenses	31	36	191
Profit before tax	3,011	3,108	5,174
Tax expense	869	1,075	1,158
Profit for the period	2,142	2,033	4,016
Profit (Loss) attributable to minority interests	5	(137)	(205)
Profit attributable to parent equity holders	2,137	2,170	4,221

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDED

THIS STATEMENT HAS NOT BEEN AUDITED	Six months 30.09.09 $,000	Six months 30.09.08 $,000	Year ended 31.03.09 $,000
Equity at start of period	141,073	137,057	137,057
Profit attributable to parent equity holders	2,137	2,170	4,221
Profit attributable to minority interests	5	(137)	(205)
Total recognised revenues and expenses	2,142	2,033	4,016
Equity at end of period	143,215	139,090	141,073

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

CONSOLIDATED CONDENSED BALANCE SHEET
AS AT

THIS STATEMENT HAS NOT BEEN AUDITED	Six months 30.09.09 $,000	Six months 30.09.08 $,000	Year ended 31.03.09 $,000
Equity			
Share capital	30,400	30,400	30,400
Reserves	6,034	6,034	6,034
Retained earnings	106,092	101,904	103,955
Attributable to parent equity holders	142,526	138,338	140,389
Minority interest	689	752	684
Total equity	143,215	139,090	141,073
Non-current liabilities			
Deferred tax liabilities	28,952	27,867	28,511
Borrowings	-	647	-
Provisions	979	928	999
Other financial liabilities	7	7	7
	29,938	29,449	29,517
Current liabilities			
Trade and other payables	4,978	4,521	6,187
Current tax payables	-	-	-
Borrowings	689	250	689
	5,667	4,771	6,876
Total equity and liabilities	178,820	173,310	177,466
Non-current assets			
Property, plant and equipment	164,582	156,957	160,481
Other financial assets	3,000	3,000	3,119
Goodwill	913	913	913
Other Intangible assets	908	1,046	956
Total non-current assets	169,403	161,916	165,469
Current assets			
Cash and cash equivalents	(261)	2,063	1,256
Trade and other receivables	6,348	5,628	7,477
Current tax assets	574	405	261
Inventories	2,172	2,841	2,545
Other	584	457	458
Total current assets	9,417	11,394	11,997
Total assets	178,820	173,310	177,466

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

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED

THIS STATEMENT HAS NOT BEEN AUDITED	Six months 30.09.09 $,000	Six months 30.09.08 $,000	Year ended 31.03.09 $,000
Cash flows from operating activities			
Cash inflows	25,045	26,814	53,531
Cash outflows	20,688	(23,270)	(45,985)
Net cash flows from operating activities	4,357	3,544	7,546
Cash flows from investing activities			
Cash inflows	51	6	38
Cash outflows	(5,925)	(6,071)	(10,912)
Net cash flows from investing activities	(5,874)	(6,065)	(10,874)
Cash flows from financing activities			
Cash inflows	-	-	-
Cash outflows	-	-	-
Net cash flows from financing activities	-	-	-
Net increase/(decrease) in cash held	(1,517)	(2,521)	(3,328)
Opening cash balance	1,256	4,584	4,584
Closing cash balance	(261)	2,063	1,256

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

CONSOLIDATED RECONCILIATION OF OPERATING CASH FLOWS
FOR THE PERIODS ENDED

THIS STATEMENT HAS NOT BEEN AUDITED	Six months 30.09.09 $,000	Six months 30.09.08 $,000	Year ended 31.03.09 $,000
Profit for the period	2,142	2,033	4,016
Add/(less) non-cash items:			
Depreciation	4,163	3,858	8,214
Capital Contributions	(2,263)	(2,029)	(5,158)
(Gain) on sale of fixed assets	-	-	69
Amortisation of definite life intangible	40	40	-
Deferred tax	441	409	(250)
Interest on deferred settlement	-	-	42
	2,381	2,278	2,917
Changes in net assets and liabilities:			
Movements in working capital:			
Trade receivables and current assets	690	2,503	797
Inventories	373	(315)	(19)
Trade, payables and provisions	(1,209)	(2,939)	(1,273)
	(146)	(751)	(495)
Movements in items treated as investing activities	-	(16)	-
Movement in non-current provisions	(20)	-	1,108
Net cash flows from operating activities	4,357	3,544	7,546

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

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. 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.

Basis of financial statement preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

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

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

The accounting policies set out below have been applied in preparing these financial statements for the period ended 30 September 2009 and the comparative information presented in these financial statements for the year ended 31 March 2009 and for the six months ended 30 September 2008.

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.

1. *Statement of accounting policies* *(continued)*

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.

1. Statement of accounting policies *(continued)*

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

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

(b) Goods and services tax

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

(c) Foreign currency

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

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

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.

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.

1. Statement of accounting policies *(continued)*

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.

(g) Income tax

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

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

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

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

Current tax and deferred tax is charged or credited to 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.

1. ***Statement of accounting policies*** *(continued)*

(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.

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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2009

1. Statement of accounting policies *(continued)*

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.

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

		Years	
Electricity distribution network	7	to	70
Buildings	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 licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Usually this period does not exceed 5 years.

1. Statement of accounting policies *(continued)*

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 Group and Company become obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost.

(n) Borrowings

Borrowings are recorded initially at fair value, plus transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

1. Statement of accounting policies *(continued)*

(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.

(t) Borrowing costs

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

2. Approval of Interim Financial Statements

The Interim Financial Statements were approved by the Board of Directors on 8 December 2009.