2016 ANNUAL REPORT

mainpower

Contents

Most of us use electricity every day to make our lives easier and more comfortable. In New Zealand, around 80% of our electricity generation comes from renewable sources like sun, wind and water. It's the bit in between boiling a kettle and the generation of electricity that involves us.

We are your local electricity lines company, responsible for delivering and maintaining a safe, secure and reliable power supply to the North Canterbury and Kaikoura region. Simply put, we look after the 'poles and wires' that deliver electricity to our region's homes, businesses, schools and communities.

Maintaining the electricity distribution network brings with it other responsibilities, like restoring power as safely and quickly as possible following an outage. We also help connect new customers to the network including those with new technology like solar photovoltaics (PV).

Ensuring a reliable power supply means we also monitor vegetation in the region, making sure there is a safe clearance between trees and power lines. Our in-house capability means we can also offer a complete design service for clients such as developers, consultants, surveyors and property owners. Plus, we're committed to keeping our people and community safe around electricity.

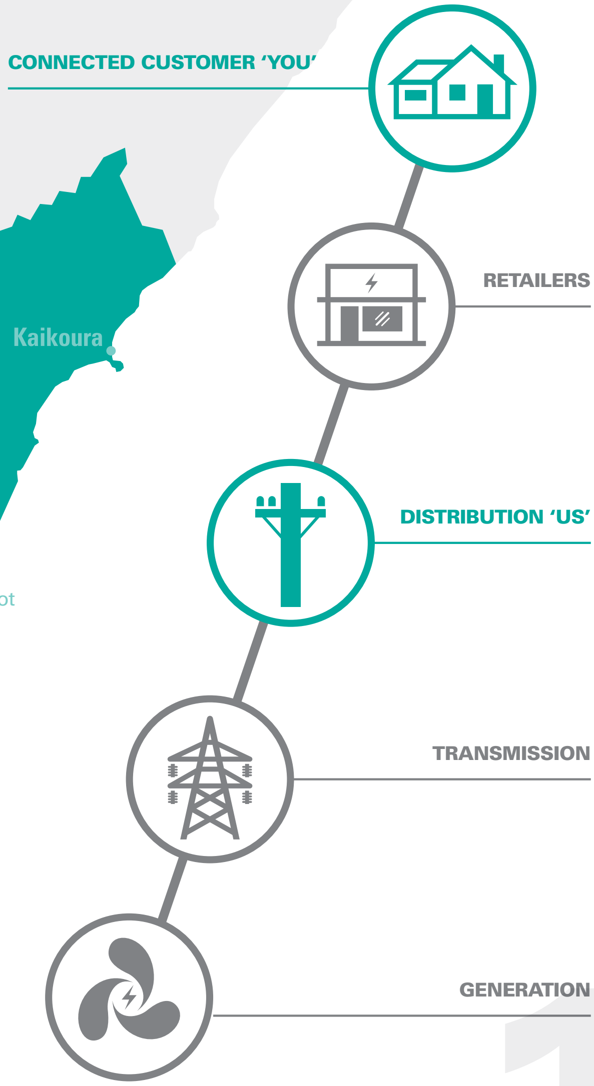
Managing our network of 4,996 kilometres of overhead lines and underground cables as well as associated electricity infrastructure is a team of dedicated staff who do an all-round great job for our local communities.

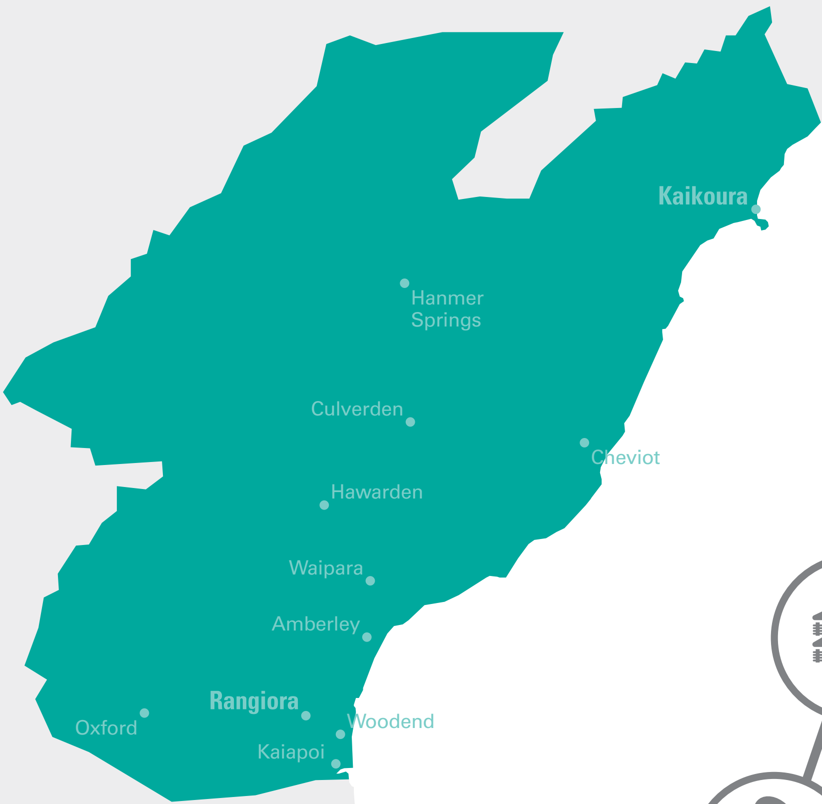
mainpower

Welcome

OUR ROLE IN POWERING THE COMMUNITY

Electricity supplying the North Canterbury and Kaikoura region is generated by hydro-electric power stations throughout the South Island. Electricity travels across high voltage transmission lines and equipment owned by Transpower, called the national grid. MainPower owns and operates the power lines and equipment used to distribute electricity from the national grid to homes and businesses throughout the North Canterbury and Kaikoura region. Electricity retailers then sell electricity to consumers.





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Network Highlights

WHO OWNS MAINPOWER?

MainPower's ownership structure is designed to benefit the consumers of North Canterbury and Kaikoura. The MainPower Trust holds the ownership of MainPower New Zealand Limited on behalf of the qualifying customers. The Trust's seven Trustees appoint MainPower's Board of Directors, monitor the company's performance through its Statement of Corporate Intent and by regularly meeting with the Directors.

Consumer ownership of MainPower entitles qualifying customers* to a share of profit. Once a customer is connected to the MainPower network, that customer is issued with a redeemable preference share (also called a rebate share) in MainPower through which they receive a rebate or 'pay back' which is credited on each monthly power bill.

*Customers previously connected to the Kaiapoi Electricity Network and builders temporary supply are not deemed qualifying customers under the Trust Deed.

Total number of employees	**173**
Number of depots	**3**
Kilometers of lines and cables	**4,996**
Connected customers	**38,389**
Regional population**	**65,070**
Volume of electricity distributed annually (Gigawatt hours†)	**629**
Average supply interruptions per customer during the year (Industry average **2.48**)	**2.09**
Annual expenditure on vegetation management	**$791k**
Qualifying customer rebates distributed in 2016	**$9.8m**
Total assets	**$312m**

**2013 Census data

†Gigawatt hours is a unit of energy equivalent to one million kilowatt hours (kWh). An average home in New Zealand consumes around 11,000 kWh a year.

CHAIR'S REVIEW

The electricity industry is moving into a new era. For consumers, it is exciting to imagine what the energy future will look like. It's a dynamic world of choice and control with the generation, storage and use of electricity undergoing rapid, unprecedented change.

For an electricity distribution business this "disruption" could be viewed as a threat or opportunity.

As a Board, our focus has been on repositioning MainPower's strategic direction to embrace change, to innovate and to become a business that is fit for purpose and continues to deliver strong outcomes for the community and our shareholders. That includes becoming much more of a technology enabled organisation.

"MainPower has a clear strategy to transform its business."

MainPower has a clear strategy to transform its business. With forward planning and insight we can say with some confidence that we are on track to meeting the future.

Distributed energy technology such as photovoltaics, battery storage, small scale generation and home management systems have the potential to deliver real benefits to our region, particularly for rural and remote communities which characterise our network landscape. Embracing these technologies means we can lead and learn while continuing to offer a reliable and cost effective power supply to our region.

Evolving to meet change needs to be balanced against our responsibility as an essential service provider. MainPower is committed to the delivery of an electricity supply to the North Canterbury and Kaikoura region. The development and operation of the electricity distribution network is the company's core business. This means being of service to our communities by efficiently distributing electricity to our customers in a way that is safe, reliable and sustainable.

"The safety of our people and community is a non-negotiable."

The safety of our people and community is a non-negotiable. The new Health and Safety at Work Act has further reinforced our obligations and absolute commitment to ensuring a strong health and safety culture within the business. Delivering on this commitment requires strong leadership, from all levels within the business.

During the year the Board seeks to visit MainPower worksites with the objective of engaging with our people to encourage safety conversations and embed safe practices. We can't expect to drive this change without having first-hand knowledge of what actually happens on the frontline.

Our scorecard for service performance in terms of maintaining continuity of electricity supply was mixed for the year. Customers experienced an average 2.09 interruptions during the year, below the industry average of 2.48 per year (System Average Interruption Frequency Index – SAIFI). The average length of an interruption experienced by customers increased to 264 minutes in 2015/16 (System Average Interruption Duration Index – SAIDI), up from 192 minutes on prior year. This was due to extended outages required for a planned network upgrade project and an unplanned Transpower fault.

Delivery of a consistent power supply needs to be balanced against safety, the realities of our climatic environment and the requirement to maintain and expand the electricity network.

From a financial perspective, the balance sheet remains strong. The company's operating profit before qualifying customer rebates and tax totalled $18.1 million; cash generated from operations totalled $21.4 million, up from $15 million on prior year. Capital and development expenditure on the network for the year totalled $23.2 million. This financial stability means we are positioned well to take advantage of future growth opportunities.

Qualifying customer rebates credited during the year totalled $9.8 million, up from $9.3 million prior year. A further amount of $446,839 went into new community partnerships and sponsorship initiatives to support the region with a focus on youth, energy efficiency, environmental sustainability and economic development.

I extend thanks to the management and people of the MainPower Group for their continued dedication and commitment. Their effort is integral to the realisation of the strong position the business is in today. With the challenges and opportunities ahead, it is this collective endeavour that will position us well to take advantage of the future.

I would like to welcome Mr Graeme Abbot, Ms Janice Fredric and Mr Tony King who join the Board of Directors as of 1 August 2016. Our new Board members embody the spirit of community and bring talent, experience and energy to the table.

In closing, I would like to thank my fellow Board members for their focus and guidance. It is necessary to also recognise the ongoing support of our ordinary shareholder, the MainPower Trust, and our preference shareholders and customers. Our vision is to be valued by our customers and provide sustainable returns to our community.

Gill Cox
Chairman
MainPower New Zealand Limited

MainPower Board of Directors

Gill Cox
Chairman

Trevor Burt

Peter Cox

Judith Hoban

Stephen Lewis





Financial Highlights

NET PROFIT
before tax and rebates

2016

$18.1 million

2015 **$15.5M** 2014 **$17.7M**

NETWORK CAPITAL INVESTMENT

$23.2 million

2015 **$25.3M** 2014 **$14.6M**

CHIEF EXECUTIVE'S MESSAGE

The past 12 months have been a period of significant change for our organisation as we prepare the business to respond to the game-changing potential of emerging technologies that give our customers greater choice on how they produce, store and consume electricity. The opportunity and impact on our core business as an electricity distributor is an ongoing focus.

Our intention is for MainPower to be a leader of this energy transformation, by planning for change, ensuring we have the right capability within our business, prioritising innovation and building solid relationships with our customers. Our challenge is how we can continue to provide our customers with solutions by adopting new energy supply technology. From battery storage through to electric vehicles, solar photovoltaics (PV) and energy management systems – it is all about greater choice for our customers.

You may remember from last year's Annual Review that I spoke of the importance of meeting the expectations of our customers and the work required to achieve this. Changing the mindset of an organisation that has been very much engineering driven is no easy task. Our future is one where customers are at the centre of our business. This requires organisational change which is ongoing, as we continue to work on developing our customer vision and align our organisation with the opportunities that are ahead.

Our starting point is developing a greater understanding of who our customers are and what their needs and expectations are - reconnecting with our customers, community and stakeholders. Creating enduring relationships starts by listening. You will no doubt start hearing more from us as we increase our engagement efforts and meaningfully use feedback to inform our decisions. It's all about working collaboratively with our community, with our objectives aligned.

We are also working hard on improving our internal processes, with the customer or end-user in mind. We need to remove the pain points that our customers are experiencing in their interactions with us. To help achieve this, we are exploring technology currently available to improve our communication channels and make better use of customer data to provide greater value.

"Our role as an essential service provider will always be our core focus"

Our role as an essential service provider will always be our core focus. Our customers can have peace of mind that delivering a safe, secure and reliable supply of electricity to our region is a fundamental requirement of our business, to which we remain firmly committed. Our people are key to achieving this and we are enormously proud of their efforts over the past year, especially as our region continues to experience unplanned outages. These events are mostly driven by the vagaries of the weather and are of continual frustration to our customers.

"Over the past four years MainPower has completed a major upgrade project"

Over the past four years, MainPower has completed a major upgrade project to expand the capacity, security and reliability of an ageing network. Completed in 2015, the Waimakariri West project is a forward thinking solution that balances innovation, customer need and our responsibility for fair pricing, commensurate with our service levels.

We sincerely appreciate the patience of the local community while this upgrade project was underway. Restoring power promptly or avoiding the inconvenience of planned outages by working on the live network is important; however safety continues to be our number one priority.

Driving behavioural change within the organisation to deliver safer outcomes has been a big piece of work for MainPower. It signals a new way of thinking about health and safety that is not centred on compliance but about getting people engaged in workplace safety to ensure they go home healthy and safe. This has to be led from the top with strong leadership providing inspiration through showing commitment and direction. We have spent a lot of time and resource over the past 12 months working with employees to define our workplace culture, to ensure we continue to provide a safe workplace.

Our outlook for the year ahead remains positive. In addition to improving customer service outcomes and adapting to new technology trends, we are driving improvements within the organisation around efficiency and reducing operating costs. Our continued focus is to provide value to our customers and sustainable returns to our community.

My thanks to the MainPower team who continue to show commitment and passion for the business and our local community. We are all excited about the future. We are thinking ahead and look forward to introducing you to the MainPower of tomorrow.

Bruce Emson
Chief Executive
MainPower New Zealand Limited

SAFETY FIRST

During the year we have maintained and further improved our workplace and public safety management systems – safe outcomes from all our activities remains our first priority.

The new Health and Safety at Work Act 2015 that came into effect in April 2016 has reinforced our organisation's responsibility to ensure the safety of our people and those who provide services to the business. To prepare for the introduction of the Act we have made a number of changes to our business. This has included a review of all our hazards to ensure the risk from each hazard is fully understood and that appropriate controls are in place to either eliminate or minimise the risk. We have also made changes to ensure proactive employee engagement and to enable our Health and Safety Committee and Health and Safety Representatives to take a far more proactive role in identifying and resolving health and safety matters.

As we move into 2016, further work streams have been initiated to support our management of health and safety and to improve our procedures around safety in design and hazard, incident, defect and improvement reporting and corrective action procedures.

ENGAGING OUR PEOPLE IN HEALTH AND SAFETY

At MainPower, we're working really hard to ensure that our people are empowered to participate in workplace health and safety, because employee engagement is integral to the continual improvement of our practices.

One area that was identified for improvement was our employee and management health and safety committee structure. At the time, we had two committees that met independently; there was slow communication between the committees and a separation between management and worker views. We decided to make a change and put a group of our people together to review our committees and make some recommendations. The outcome was the creation of a single Health and Safety Committee (HSC) with people nominated from each work group within the business.

Our HSC has specific functions which are distinct to those of Health and Safety Representatives (HSR), as explains Steven Benney, MainPower Surveyor and elected Chair of our HSC. "I guess the main difference is the scope, as a member of the HSC, we look at a company focus on promoting excellence in health and safety performance. As an elected Health and Safety Representative your role is more to do with championing improvement within your work group to ensure safe outcomes" says Steven.

MainPower's main avenue for employee engagement is through its HSC and HSR. "Engagement is really important. Our people need to know that when it comes to health and safety, everyone has a say and can contribute to improving the way we do things. I spent 17 years out in the field as a line mechanic, working on our overhead electricity network, so I have a pretty good understand of the challenges our people face and the importance of delivering safe outcomes".

Steven sees the role of the HSC increasing with the introduction of the new Act and the transition from a hazard to risk based focus for health and safety. "We have a solid work programme in place to drive change within the organisation. The improvements the HSC are working on come out of the feedback we receive from our people. Success for me is everyone getting home safely to their families at night".

STEVEN BENNEY, CHAIR HSC

THE YEAR AHEAD...

- Create a workplace that is safe and a culture of collective responsibility to prevent harm and injury.
- Drive ongoing improvements in employee, contractor and public safety.
- Implement our health and safety activity plan and deliver on our objective of zero harm.

CUSTOMER SCORECARD

	Description	Target	Actual	How did we perform
LTIFR	lost time injury frequency rate	1.60	2.52	✗
LTISR	lost time injury severity rate	32.0	21.20	✓

DELIVERING VALUE

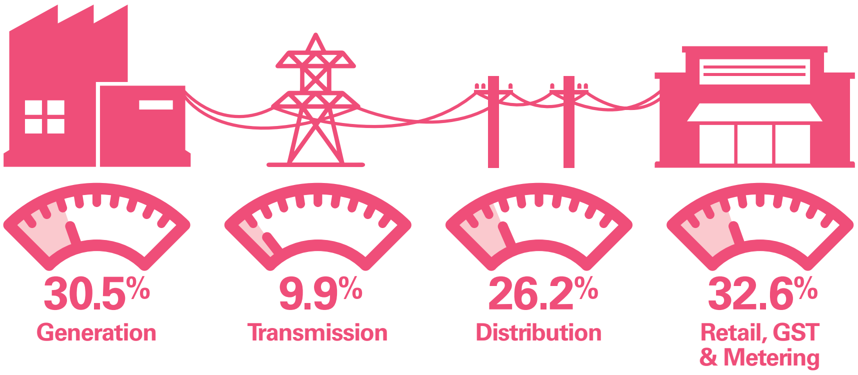
We're changing the way we do things at MainPower. Our vision is to deliver consistently good customer service by putting the customer at the centre of everything we do. Our focus has always been the delivery of a safe, secure and reliable power supply to the people of North Canterbury and Kaikoura but we realise we need to do more so we're adding 'great service' into the mix.

CUSTOMERS ON OUR NETWORK

PERCENTAGE OF TOTAL ELECTRICITY CONSUMED

Residential	41%
Large Users	20%
Non-Residential	19%
Irrigation	18%
Other	2%

Non-Residential includes our commercial and business customers who are not quite big enough to move into the Large User category. Our Large Users are typically big commercial and industrial businesses in the region like manufacturers, hospitality/tourism providers, and wholesalers/retail trade providers. Other includes council pumping and lighting, for example street lighting and right of way lighting. Our current pricing categories are set based on these customer groups.



THE COSTS INVOLVED TO SUPPLY ELECTRICITY IS SPLIT BETWEEN FOUR PROVIDERS

CUSTOMER FEEDBACK

We take customer feedback seriously at MainPower. Our customer fronting staff are trained to treat customers with courtesy and respect. Our first task is to deliver a level of service that our customers are happy with. If this doesn't happen then we aim to investigate and provide a resolution on customer complaints as quickly as possible, within seven working days. We are also a member of the Electricity and Gas Complaints Commissioner Scheme (EGCC). If we are unable to resolve complaints to our customer's satisfaction, the EGCC provides a free and independent service to review and further investigate issues for customers.

WHAT OUR CUSTOMERS ARE TELLING US

We regularly consult with our customers to gauge their general level of satisfaction with the distribution services we provide, as well as on price and quality expectations. For our customers, the most important performance deliverable is continuity or keeping the power on. This is followed closely by price (keeping costs down) and restoration (reducing the length of time power is off).

In 2015 MainPower performed pretty well with continuity and restoration, scoring 8.77 and 8.39 out of 10 respectively. Our performance on price wasn't that great, scoring just 6.5 out of 10. Furthermore, 8 out of 10 survey respondents said that any increase in price would be too much to pay for an improvement in the service provided by MainPower. In saying that, our customers are definitely not prepared to accept a poorer level of service from us even if it resulted in a reduction in their power bill.

NETWORK PRICES

As your local electricity distribution company, MainPower charges 'line charges' to cover the cost of delivering electricity to homes and businesses. This is passed onto electricity retailers who send you your electricity bill. Our line charges make up about 26% of your electricity bill. The money you pay goes towards maintaining existing infrastructure as well as contributing towards new network development.

PRICING CONSULTATION

There is a lot of change happening in the electricity industry. To better accommodate our customers and ensure our long term sustainability we need to rethink our approach to pricing. In 2016 we commenced a multi stage consultation process with customers, the community and stakeholders, to explore preferences regarding pricing structures, and consider any feedback to deliver an optimal pricing approach. We can't make pricing decisions in isolation of our communities. We are only at the very early stages of our pricing review but it is important that we engage people in this process and use feedback to inform our decisions.

THE YEAR AHEAD...

- Improve our unplanned outage communication to provide real-time, personalised experiences that reach customers when they need it.
- Enhance customer engagement by making it easier for customers to interact with us.
- Develop and communicate our customer commitment including how we will listen to and respect our customers, safely deliver on our promises and place customers at the centre of everything we do.

CUSTOMER SCORECARD

	Description	Target	Actual	How did we perform
Deliverables rating	customer service score based on key deliverables	>=8	7.93	✗
Overall performance rating	overall satisfaction with performance	>=8	8.0	✓

PEOPLE

Our people are our brand ambassadors, they are out on the front line representing the company and doing an all-round great job for the communities of North Canterbury and Kaikoura. That's because they not only work here but generally also live here. They probably live next door to you, their kids go to school with your kids, they play for the local footy club and maybe even get involved as a member of the volunteer fire brigade.

There are 173 of us, based at three depots across the region including Kaikoura, Culverden and Rangiora. Investing in our people makes sense for MainPower. It could be as simple as a "job well done" and a reward for those who have done great things, encouraging our people to volunteer and fundraise in our community or through continual training and personal development opportunities. Growing the skills of our people fosters a high performance culture and that means a team focussed on delivering real value for our customers and community.

It's been a long journey for Fiona, who has been juggling full time work commitments and study for close to seven years. Perseverance and dedication paid off when Fiona completed her New Zealand Diploma in Engineering (Electrical) in 2015; on track to pursing a career as an electrical engineer. "MainPower supported my career pathway from the beginning with flexible working arrangements and enabling me to tap into the knowledge and experience of existing MainPower engineers. They encouraged me to reach my goal and I'm grateful for the value they saw in me and the investment in my future".

Fiona Maule

MainPower Engineering Cadet

PEOPLE SCORECARD

Description	2014	2015	2016	How did we perform
Develop a motivated and high performing team	–	–	4.06	84% response rate to staff culture survey with a 4.06 out of 5 score for employee motivation. This is the first year for this survey which will set a benchmark for future surveys.
Women in the workforce	23	25	26	↑

OUR CULTURE

With our industry facing considerable change due to emerging technologies and our emphasis on moving the organisation towards a customer focussed business strategy, we need to refine our organisational structure to respond to change. We have also spent time defining and shaping our workplace culture to meet our ongoing commitment to excellence, continuous improvement and growth. It's about building the right culture and having the right capability within our business to deliver on our organisational objectives.

Ongoing employee engagement is critical to our success and through measuring our workplace culture we have identified areas of our business that our people believe we need to work on. Our wider leadership group is leading the change within our organisation with a focus on five work streams.

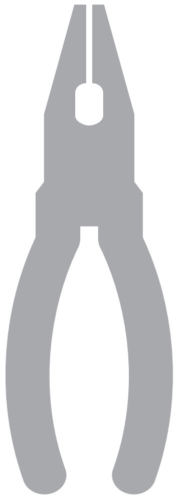
1. Mission and Values
employee involvement in creating our mission and values

2. Reward & Recognition
how we recognise mistakes and reward good performance

3. Task and Coaching
helping our employees do their job

4. Interaction Problem Solving
encouraging people to work as a team

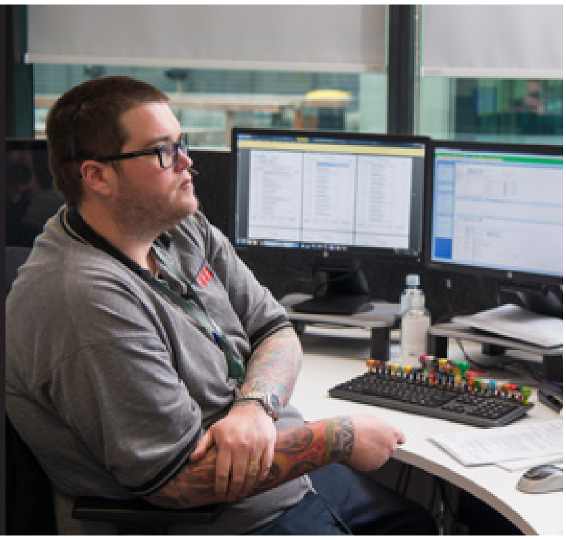
5. Process Mapping
improving the way we do things, to deliver a better service to our customers



"The way electricity is generated, distributed and supplied is changing. One of our challenges is to clearly define who we are as a company in this new and exciting age of electricity. As a first step, we're working towards identifying a set of values that all employees believe in and can express clearly. Our values are the mortar that holds the people of MainPower together and was the logical place to start on our culture journey."

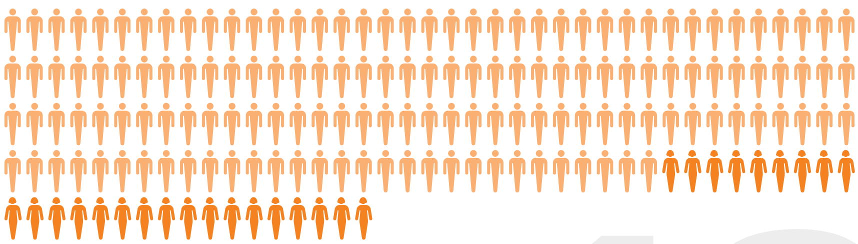
Adam Slater

MainPower Controller and Project Coordinator for the Mission and Values work stream



THE YEAR AHEAD...

- Defining our company vision and values in consultation with our people.
- Continuing our leadership development programme to grow performance through our people.
- Building on our employee wellness programme to promote, protect and support the overall health and wellbeing of our people.
- Introducing a framework to develop and promote diversity and inclusion within the organisation.



OPERATIONAL EXCELLENCE

MainPower owns and operates over $280 million of distribution infrastructure including 4,996 kilometres of overhead lines and underground cables, serving a population of over 65,000 in the North Canterbury and Kaikoura region. We have an asset management plan in place to set objectives for the development, maintenance and replacement of our assets. The plan provides our customers and stakeholders with insight and explanation on how we intend to provide electricity distribution services over the next ten years. Our plan is available to view on the MainPower website.

OPERATIONS SCORECARD

	Description	Target	Actual	How did we perform
Operational effectiveness	Field staff utilisation	76%	75.4%	✗
SAIDI	Average minutes customer is without power during the year	123	264	✗
SAIFI	Average supply interruptions per customer during the year	1.58	2.09	✗
Reliability of supply	Unplanned faults per 100kms during the year	6.17	3.87	✓
	Total power interruptions	834	754	✓

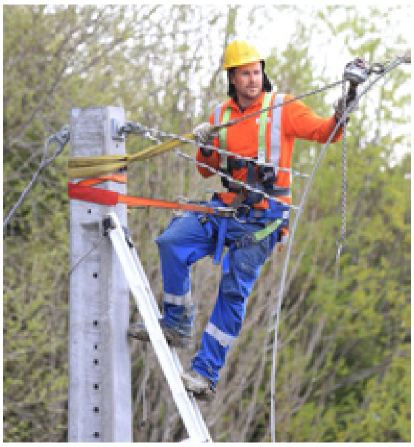
NETWORK PROJECTS

MainPower invests in the electricity network to ensure a safe, secure and reliable power supply is provided to the region. This includes making sure capacity for future growth is available as well as keeping pace with ageing assets. In 2015/16 we completed an extensive network upgrade and maintenance programme.

- Commissioned a 66kV (kilovolt) power supply to Burnt Hill and Swannanoa, supplying Cust, Bennetts, Oxford, Swannanoa and Fernside.
- Completed a Transpower upgrade of the Ashley GXP (Grid Exit Point) to provide more capacity.
- Completed a Transpower upgrade of the Southbrook GXP to create 66kV feeder lines and improve security of supply.
- Upgraded the Swannanoa substation to a 66KV supply at increased capacity.
- Completed 988 new customer connections.
- Inspected 1,600 poles to ensure ongoing serviceability of the network.
- Replaced 180 poles following testing to improve safety.

VEGETATION MANAGEMENT

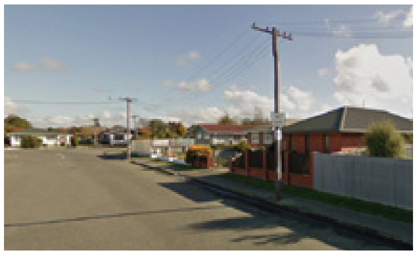
Severe weather, especially storms and strong winds, can adversely impact our electricity network. Each year we develop a maintenance plan for the network which is aligned with our business objectives and supports our network strategy. Trees and power lines don't mix so vegetation management is a major component of the plan. Close to $800,000 is spent annually on maintaining clearance zones for trees around power lines. We trim trees and branches growing too close to power lines to keep the community and our people safe and maintain the reliability of the network.



UNDERGROUNDING POWER SUPPLY

Around 94 percent of our electricity network consists of overhead power poles and lines. While there are many benefits in undergrounding the power supply, burying our region's power poles would be a massive job, and a very expensive one. The cost differential for underground reticulation is approximately five times more than overhead. We need to balance network maintenance and development against cost, to ensure a fair and equitable distribution network for our customers and local communities. Our approach to undergrounding power supply takes into consideration a number of factors including the condition of the overhead power poles and lines. Generally, poles with reasonable remaining life are not considered for undergrounding. We also look at the social and environmental benefit to the community. To keep costs down we also try to partner with developers and local councils to integrate work programmes. Our recent focus has been on tourism dominated urban areas. Examples of this have been the underground conversion of Conical Hill Road in Hanmer, Williams Street South in Kaiapoi, as well as parts of The Esplanade, Beach Road and South Bay in Kaikoura.

BEFORE



AFTER

THE YEAR AHEAD

- Develop initiatives to defer capital investment in electricity infrastructure, where the cost of supply of the life of the asset exceeds revenue recovered.
- Continual maintenance of the electricity network to improve the safety and reliability of electricity supply to the region.
- Develop a consistent company-wide approach to procurement and inventory management to drive cost savings for the business.

Improving supply to the Waimakariri

The Western region of the Waimakariri District has experienced significant growth over the last decade. The increased demand on electricity for pasture irrigation during the summer months was placing strain on a network of older hardwood power poles with electricity sourced from four substations scattered around the area. It was clear that the network was not going to provide the capacity or reliability required to meet the changing needs of our customers. Four years ago we embarked on the biggest project in our almost-100 year history; re-engineering the network in Waimakariri to provide greater capacity, security and reliability to rural customers. The result is a future proofed network that includes forward-thinking innovative features that we can build on. Customers now benefit from a higher level of reliability and capacity which means businesses can grow without affecting the reliability of the wider network. Our greatest achievement was completing the expansion project with no serious harm incidents for both our employees and the community.

COMMUNITY

Every year we're giving back to our local community. While our community support sponsorship programme and public safety initiatives deliver value to the region, we think we can do even better. Our focus is to continue to look for ways that we can have an even greater impact on our local communities.

COMMUNITY SUPPORT

YOUTH

MAINPOWER NORTH CANTERBURY SPORTS AWARDS
recognising outstanding talent since
2009

MAINPOWER YOUTH SPORTS SCHOLARSHIPS
$178,000
awarded to 58 young sport stars over 11 years

MAINPOWER PRIMARY SCHOOL COACHING PROGRAMME
7000
students, from 42 schools benefit annually

WAISWIM PROGRAMME
48,600
swimming lessons with 5,400 children from 37 schools annually

PRIMARY & SECONDARY SCHOOL PRICES
$6,500
awarded to 41 regional schools annually

ENERGY EFFICIENCY

INSULATION IN NETWORK AREA
75
households benefit annually

ENERGY ADVICE SERVICE
60
home energy checks provided annually

ENVIRONMENTAL SUSTAINABILITY

MAINPOWER HURUNUI NATURAL ENVIRONMENT FUND
2
community groups benefited in 2015

GREEN CORPS
10
planting/mulching days with 250 school students this year

ECONOMIC DEVELOPMENT

NORTH CANTERBURY RADIO TRUST
keeping the voice of North Canterbury on the air

ENTERPISE NORTH CANTERBURY
supporting the growth of business

KAIKOURA HEALTH TE HA OTE ORA
(Kaikoura Health Facility) – assisting the people of Kaikoura to realise their vision for a high standard of healthcare for residents and visitors

GROUPS WE'VE SUPPORTED THIS YEAR

- Amberley Fitness Centre
- Canterbury Country Cricket Association
- Community Energy Action
- Cust School PTA
- Enterprise North Canterbury
- EVolocity
- Kaiapoi Club (Kaiapoi Workingmens Club)
- Kaikoura Health Facility Charitable Trust
- North Canterbury Alpine Trust
- North Canterbury Musical Society
- North Canterbury Riding for the Disabled
- North Canterbury Sport and Recreation Trust
- Oxford Benevolent and Improvement League
- Reflections Community Trust
- St John Kaiapoi
- St John North Canterbury
- Saracens Rugby Club
- Swannanoa School
- You Me We Us (Kaiapoi)
- Waipara Valley Promotion Association
- Wellbeing North Canterbury

We also encourage our people to get out and make a difference in our community. Initiatives our staff have supported include:

- Big Brothers Big Sisters North Canterbury
- Familial Trust
- Orange Friday for Shine
- Movember
- RSA Poppy Appeal

Community Fund

Community and neighbourhood groups in the North Canterbury and Kaikoura region were given an opportunity to receive sponsorship support with the introduction of the Community Fund in 2015. The contestable fund was open for public vote with $10,000 up for grabs for local groups including charitable organisations, cultural organisations and schools. The fund received great support from the local community with over 2,000 votes for 370 groups. When the votes were counted, Wellbeing North Canterbury and North Canterbury Riding for the Disabled were announced as the 2015 fund recipients.

PUBLIC SAFETY

MainPower is committed to improving safety around the electricity distribution network. We continue to keep our website updated with the latest safety information and run an advertising campaign throughout the region that focuses on key safety messages. We are also a partner in Injury Prevention Waimakariri's in-school education programme 'Down the Back Paddock'. It's an opportunity to get our safety message out to young ears and encourage responsible behaviour around electricity. Safety is our number one priority at MainPower and we'll continue to do our best to ensure public awareness of the potential hazards associated with the use of, and interaction with electricity, as well as seasonal issues such as storm awareness.

COMMUNITY SCORECARD

Description	2016	How did we perform
Supported our region through our community sponsorship programme	Provided $446,839 in funding support	✓
Deliver a fair and equitable programme of community support	Completed an independent review of our sponsorship programme to ensure it adheres to industry best-practice	✓
Improve electrical safety awareness in our community	Implemented safety awareness education campaigns	✓

THE YEAR AHEAD

- Continual improvement of our public safety communication strategy to deliver measurable behavioural change.
- Maintain a community presence by being active in the local community and through participation in events.
- Continue to deliver MainPower's community sponsorship programme.

RENEWABLE GENERATION

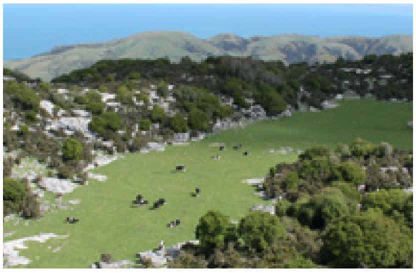
MainPower has been involved in renewable generation since 2004. We will continue to investigate options that deliver value to our business and customers.

CLEARDALE CELEBRATES FIVE YEARS

MainPower's Cleardale Hydro Power Station located at Rakaia Gorge, celebrated its fifth birthday in 2015. The mini-hydro station was commissioned in 2010 and over the past five years has generated around 19 million kWh (kilowatt hours) of energy. That's enough electricity to cook around 450 million slices of toast!

Cleardale is a joint electricity/irrigation scheme that uses water from Little River to drive a pelton wheel turbine. The turbine rotates at 1000 rpm (revolutions per minute) which converts the energy into electricity via a 1 MW (megawatt) generator.

MT CASS WIND FARM



MainPower has resource consent to develop a wind farm at Mt Cass, east of Waipara. We have completed a three year environmental management plan as part of the project which included baseline gecko monitoring, studies of bird populations, ground water quality and vegetation. Currently there isn't a strong commercial business case to pursue investment in this project, based on the current environment in New Zealand, so our focus is to maintain the site and the consent for any future development.

POWERING ELECTRIC VEHICLES

Mainstream adoption of plug-in electric vehicles is quickly becoming a reality in New Zealand with uptake likely to increase following the Government's announcement of its Electric Vehicles Programme. The Government has set a target of doubling the number of electric vehicles (EV) in New Zealand every year to reach approximately 64,000 by 2021.

As more people make the move to electric, there will need to be solid recharging infrastructure in place. MainPower is currently working with local councils, businesses and other stakeholders to assist where we can with a coordinated roll out of EV chargers in the region. We started by opening Rangiora's first public EV charging station earlier this year, located at our Rangiora head office. The standard charger was initially installed to power our Nissan LEAF as well as other electric vehicles visiting our office but we thought, why not open it for public use, free of charge!

What's renewable generation?

Renewable or 'green' energy comes from sources that are naturally replenished in a relatively short timeframe. Sunlight, wind, water and geothermal heat are all renewable energy sources. Around 80 percent of electricity generation in New Zealand comes from renewable sources. The government has announced a target of 90 percent of electricity generation to come from renewable sources by 2025.

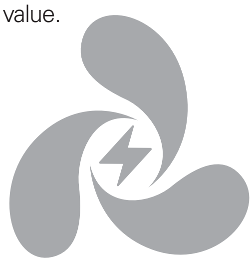
CUSTOMER PROFILE

Dancing on Moonlight Stables

MainPower customer 'Dancing on Moonlight' Stables is located in Swannanoa and has recently installed over 1,000 black-glass-architectural-solar panels on various farm buildings, residences and fields. The advanced German 'CIGS' type panels, collectively rated at 122.04 kWp (kilowatt peak) generates approximately 200 MWh (megawatt hours) per year and CO2 offsets of around 32 tonnes per annum. The systems generate power and revenue offsets for heating, hot-water and contribute to the high pumping loads; they also go a long way to offsetting the farm's carbon emissions. The system is a continuing workpiece with advanced data monitoring and experimentation including load control management systems that seek to maximise consumption of generation onsite. The inverter technology also has on board grid support mechanisms and is smart grid ready. Euroglass Solar Product Manager Greg Hussey worked with both the customer and MainPower on the install of the solar array. "MainPower have been a fantastic partner as we work together and data share to understand how solar can really effect grid capacity, infrastructure operation, and pricing structures. Euroglass Solar is proud and excited to be part of this outstanding project" said Greg.

WHAT'S DISTRIBUTED GENERATION?

Distributed or embedded generation refers to energy that is generated by small scale generating technologies that are connected to the distribution network. Distributed generation means our customers can produce some or all of the electricity they need using renewable sources like solar, water or wind. We are working with our customers and the community on distributed generation to ensure that it meets industry regulation and delivers choice and real value.



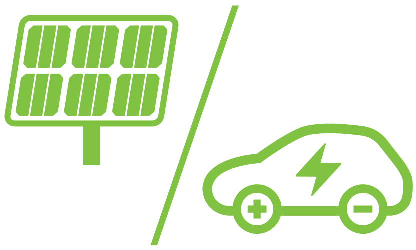
SOLAR PHOTOVOLTAICS (PV)

Solar PV is steadily increasing in our region. As of March 2016 there were 411 solar PV systems connected across North Canterbury and Kaikoura with an installed capacity of 1,823 kilowatts (kW). The average size of solar PV systems in the region is 5 kW which is slightly larger than the New Zealand average of 2-3 kW. There are network impacts that we need to manage to ensure that our customers have greater choice over how they generate and use electricity. It represents a new set of challenges to operate our network in a safe, reliable and secure manner but we need to continue to adapt to meet our customer needs and behaviours.

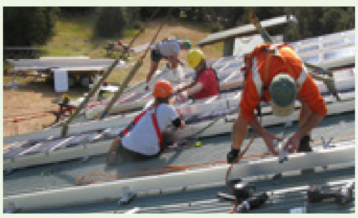
Kilowatt (kW) is a unit for measuring electricity use. Your electricity bill may show how many kilowatt hours (kWh) you have used.

THE YEAR AHEAD

- Deliver smarter, more localised energy solutions for customers.
- Collaborate with industry partners on new and emerging technologies that meet our changing customer needs.
- Engage with local stakeholders and authorities on electric vehicle charging infrastructure.
- Further develop our business model to enable our customers to take advantage of emerging technologies and have greater choice in how they consume electricity.



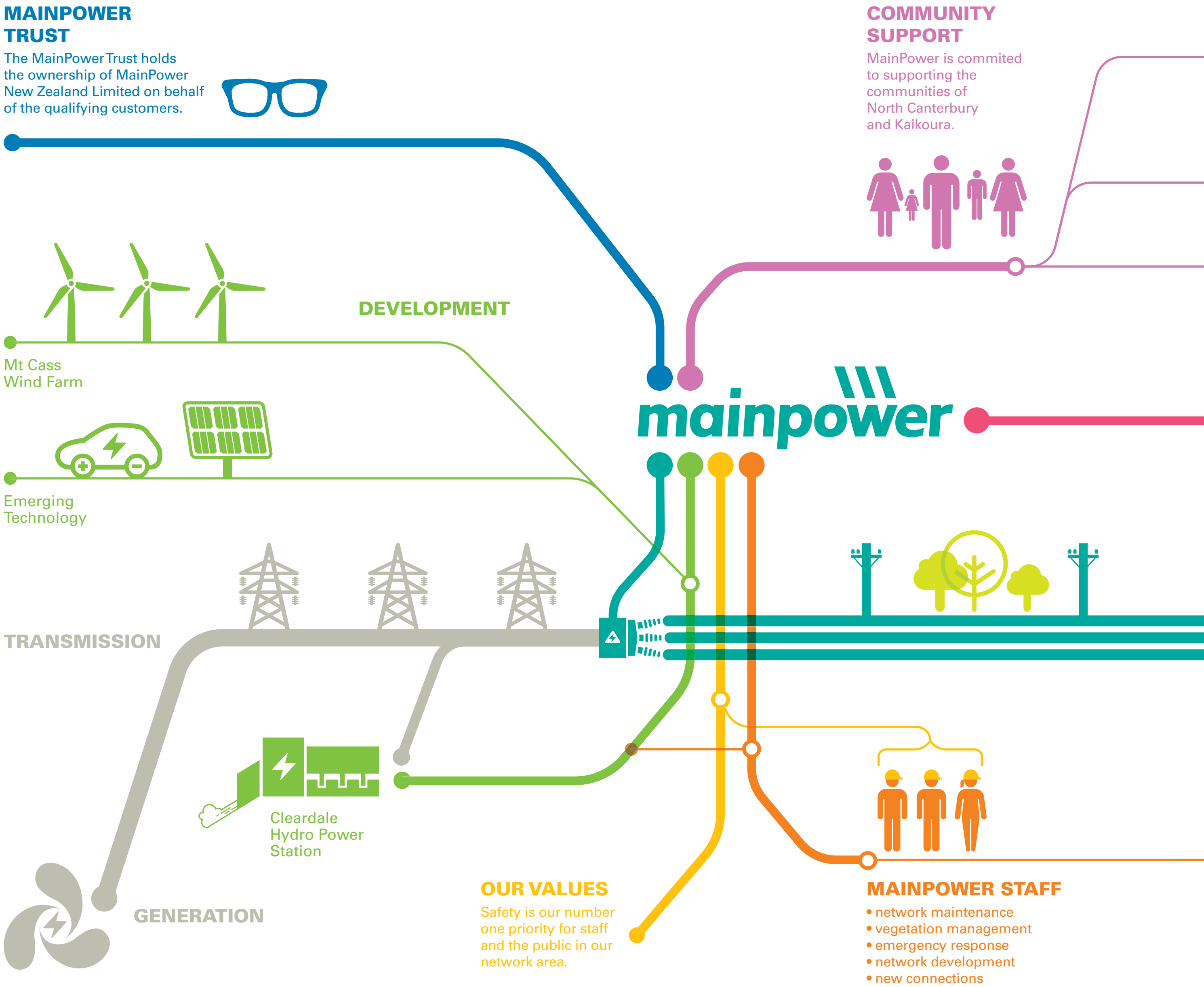
Outdoor education centre switches on to solar power



Boyle River Outdoor Education Centre has taken a big step down the path to sustainability with the installation of 80 solar panels on the roof of the main camp building, thanks to MainPower and solar power provider solarcity. Operated by the not-for-profit North Canterbury Alpine Trust, Boyle River provides tailor-made outdoor education based programmes for school groups at its facility located 15 kilometres south of the Lewis Pass. The photovoltaic solar panels produce enough energy to run an average household. In addition to providing energy savings for the education centre, the panels will also be used as a teaching resource for students visiting the camp. MainPower would like to acknowledge the volunteers who made the project happen, including ten of our people who gave up their weekend to install the panels, the team from Boyle River, solarcity who donated mounting racks for the panels, as well as The Warehouse Rangiora who donated the panels originally installed on MainPower's former High Street office.

GETTING THE POWER TO YOU

Maintaining the electricity distribution network so that you have a safe, year round supply of electricity is a big job. There's a lot more going on in the background than you might expect. MainPower's ownership structure means our organisational goals need to benefit the Kaikoura, Hurunui and Waimakariri communities – from maintenance of the power lines through to profit distribution in the form of funding for community initiatives.



THE NETWORK

11,180 square kilometres

MainPower owns and operates $287 million of distribution infrastructure including 4,996 kilometres of overhead lines and underground cables, serving a population of over 65,000 in the North Canterbury and Kaikoura region. Our electricity network spans approximately 11,180 square kilometres. We invest in the electricity network to ensure a safe, secure and reliable power supply is provided to the region, this includes making sure capacity for future growth is available as well as keeping pace with ageing assets.

MAINPOWER TRUST

7 Trustees

MainPower's ownership structure is designed to benefit the consumers of North Canterbury and Kaikoura. The MainPower Trust holds the ownership of MainPower New Zealand Limited on behalf of the qualifying customers. If your premises are connected to the MainPower electricity distribution network, you have become a qualifying customer*. The Trust's seven Trustees appoint MainPower's Board of Directors, monitor the company's performance through its Statement of Corporate Intent and by regularly meeting with the Directors.

*Excludes customers previously connected to the Kaiapoi Electricity Network.

DEVELOPMENT

Energy Solutions

MainPower's Cleardale Hydro Power Station located at Rakaia Gorge, celebrated its fifth birthday in 2015. Over the past five years the mini-hydro station has generated around 19 million kWh (kilowatt hours) of energy.

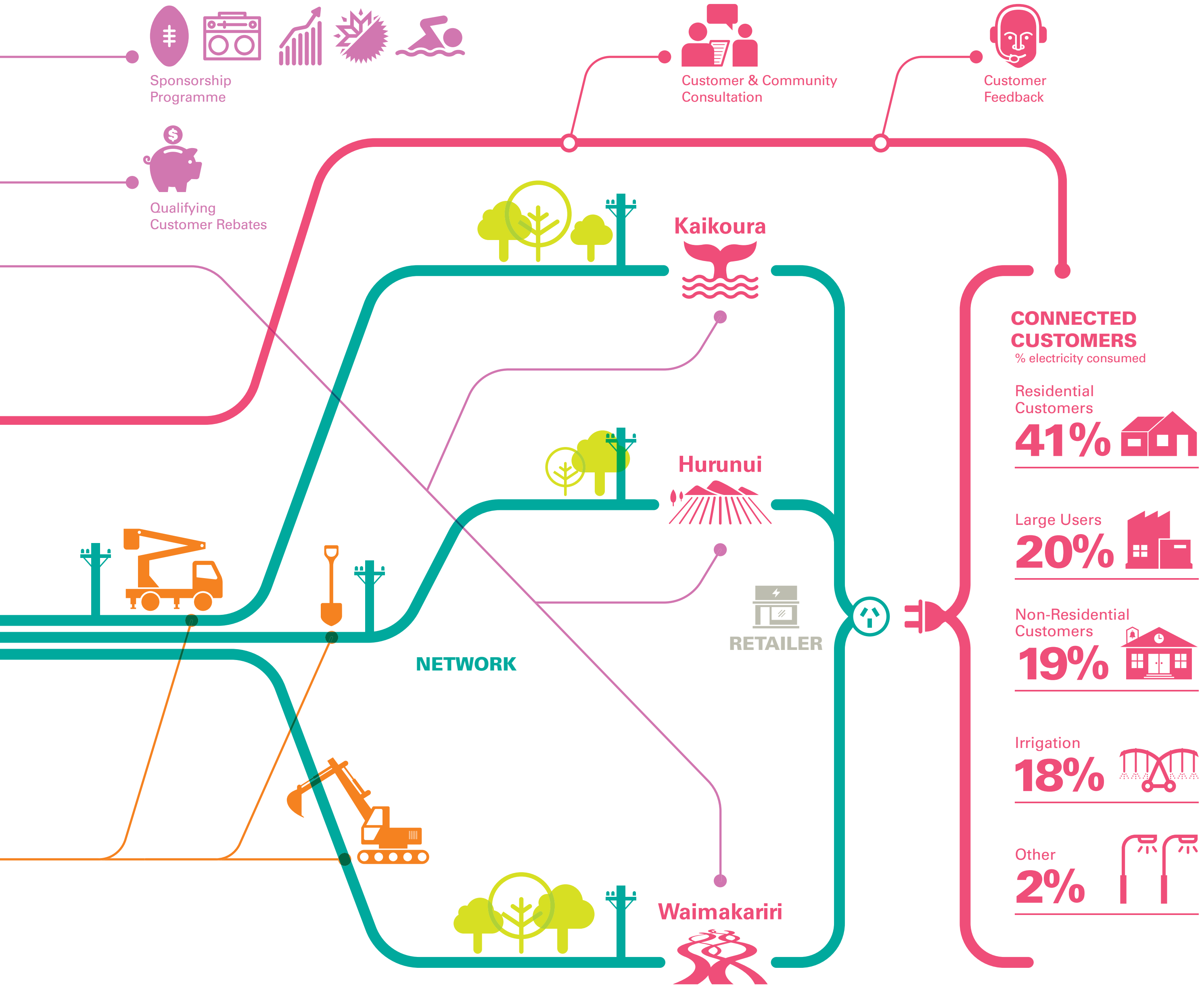
Our existing resource consent to develop a wind farm at Mt Cass is currently being maintained for potential future development.

We are also continuing to investigate opportunities to deliver smarter, more localised energy solutions for customers using emerging technologies.

OUR VALUES

Safety First

During the year we have maintained and further improved our workplace and public safety management systems - safe outcomes from all our activities remains our first priority. We are working really hard to ensure that our people are empowered to participate in workplace health and safety, because employee engagement is integral to the continual improvement of our practices.



MAINPOWER STAFF

173 employees

Our people are our brand ambassadors, they are out on the front line representing the company and doing an all-round great job for the communities of North Canterbury and Kaikoura. That's because they not only work here but generally also live here. They probably live next door to you, their kids go to school with your kids, they play for the local footy club and maybe even get involved as a member of the volunteer fire brigade.

CONNECTED CUSTOMERS

38,389

We're changing the way we do things at MainPower. Our vision is to deliver consistently good customer service by putting the customer at the centre of everything we do. Our focus has always been the delivery of a safe, secure and reliable power supply to the people of North Canterbury and Kaikoura but we realise we need to do more so we're adding 'great service' into the mix.

COMMUNITY SUPPORT

$9.8 million

Every year we're giving back to our local community. During the year we credited $9.8M in qualifying customer rebates as part of our profit distribution programme. In addition, $446,839 in funding support went back into the community – from teaching our kids how to swim through to supporting environmental sustainability. While our community support sponsorship programme delivers value to the region, we think we can do even better. Our focus is to continue to look for ways that we can have an even greater impact on our local communities.


21


22

MAINPOWER NEW ZEALAND LIMITED

Financial Report 2016

CONTENTS

DIRECTORY

Directors

Gill Cox	Chairman
Peter Cox	Deputy Chairman
Trevor Burt	Director
Judith Hoban	Director
Stephen Lewis	Director

Senior Management

Bruce Emson	Chief Executive
Nicola Cull	Communications Manager
Peter Hurford	Engineering Manager
Piers Hutchings	Information Technology Manager
Sandra O'Donohue	Human Resources Manager
Robert Taylor	Health, Safety, Environment & Quality Manager
Mark Williamson	Commercial Manager
Rob Wilson	Operations Manager
Warren Wright	Finance Manager
Scott Taylor	Chief Executive, VirCom Energy Management Services Limited

Registered Office

172 Fernside Road, PO Box 346
Rangiora 7440

Banker

Westpac New Zealand Limited, Rangiora

Principal Solicitors

Helmore Stewart, Rangiora
Bell Gully, Wellington
Chapman Tripp, Christchurch

Auditor

Deloitte, Christchurch

MainPower New Zealand Limited
172 Fernside Road, Rangiora. PO Box 346, Rangiora
Telephone +64 3 311 8300, Facsimile +64 3 311 8301
www.mainpower.co.nz

DIRECTORS' REPORT

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its subsidiaries: VirCom Energy Management Services Limited and Electro Services NZ Limited for the financial year ended 31 March 2016.

The Annual Report has been prepared as two separate documents; firstly an Annual Review; and secondly the 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 Group for each financial year so as to present fairly, in all material respects the financial performance and the state of affairs of the Group for that financial year.

The Directors consider that in preparing the Group 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 Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

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

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.

Electro Services NZ Limited was 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. At 31 March 2010 the business and assets of Electro Services NZ Limited were sold to Buller Electricity Limited and the company's operations are currently being wound up.

Directors holding office during the year

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Judith Anne Hoban	Director
Trevor Burt	Director
Stephen Paul Lewis	Director

Dividends

The Directors of MainPower New Zealand Limited 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 $9.827M for the 2015-2016 financial year. The Directors of the Group have approved the payment of rebates for the 2016-2017 financial year of $10.199M.

FINANCIAL RESULTS

Results for the Year Ended 31 March excluding Discontinued Operations	**Group 2016 $000**	**Group 2015 $000**
Profit Before Tax and After Rebates	8,284	6,251
Taxation	2,304	1,899
Profit for the year	5,980	4,352
Equity		
Share Capital	56,774	56,774
Reserves	160,351	154,586
Shareholder's interest	217,125	211,360
Minority interest	1,153	1,051
Total equity	218,278	212,411

Auditor

Deloitte is the auditor of MainPower and has signified its 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 Group'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

P A Cox
Director
MainPower New Zealand Limited

MAINPOWER BOARD

Gill Cox has been a Director of MainPower since May 1996 and became Chairman in April 2001. He is a member 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: Elastomer Products Limited, Transwaste Canterbury Limited, Talbot Technologies Limited, Barlow Bros Limited, Independent Fisheries Limited, New Zealand Transport Agency Limited, Canterbury Museum Trust Board, Connell Contractors South Limited, Ngai Tahu Farming Limited, Shopping Centre Investments Limited, Committee for Canterbury, Motus Health Network and Anderson Lloyd.

Peter Cox has been a Director of MainPower since 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. Board Member, Duncan Cotterill.

Trevor Burt was appointed to the Board of MainPower in September 2008. He is Chairman of the Remuneration Committee. Trevor is a company director and business consultant based in Christchurch.

Other directorships: Lyttelton Port Company Limited, Land Power Holdings Limited, Silver Fern Farms Limited, Ngai Tahu Holdings Corporation Limited, Ngai Tahu Capital Limited, New Zealand Lamb Company (North America) Limited, Agria Asia Investments Limited, Agria Singapore Pty Limited, PGG Wrightson Limited.

Judith Hoban was appointed to the Board of MainPower in December 2005. 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. Judith has recently been appointed Dame Grand Cross of the Order of St John.

Other directorships: The Order of St John.

Stephen Lewis was appointed to the Board of MainPower in September 2008. Stephen is a company director and business consultant based in Christchurch.

Other directorships: Dance and Physical Theatre Trust.

The directors are pleased to present the audited financial statements of MainPower New Zealand Limited and its subsidiaries for the year ended 31 March 2016.

Authorised for issue on 12 July 2016
for and on behalf of the board of directors:

W G Cox
Chairman of Directors
12 July 2016

P A Cox
Director
12 July 2016

TABLE OF CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	Group 2016 $000	Group 2015 $000
Continuing Operations:			
Operating revenue	2	91,218	84,748
		91,218	84,748
Operating expenses	3, 4	57,797	54,627
Depreciation and amortisation	5	11,890	11,434
Finance expenses	6	3,420	3,179
Rebates		9,827	9,257
		82,934	78,497
Profit before income tax expense		8,284	6,251
Income tax expense/(credit)	7	2,304	1,899
Operating profit from continuing operations		5,980	4,352
Profit for the year from discontinued operations		-	2
Profit for the year		**5,980**	**4,354**
Other Comprehensive Income:			
Items that will not be classified subsequently to profit and loss			
Other comprehensive income for the year		-	-
Profit and total comprehensive income for the year		**5,980**	**4,354**
Profit for the year is attributable to:			
Shareholders of the parent		5,878	4,441
Minority interests		102	(87)
		5,980	4,354
Comprehensive income is attributable to:			
Shareholders of the parent		5,878	4,441
Minority interests		102	(87)
		5,980	4,354

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	Group 2016 $000	Group 2015 $000
ASSETS			
Current assets			
Cash and cash equivalents		1,747	250
Trade and other receivables	8	9,684	11,073
Inventories	9	3,095	4,240
Other assets	10	181	150
Other financial assets	13	3,000	2,500
Total current assets		17,707	18,213
Non-current assets			
Property, plant and equipment	14	286,477	274,375
Capital works under construction	14A	6,185	8,904
Goodwill	15	713	713
Computer Software	16	787	926
Total non-current assets		294,162	284,918
Total assets		**311,869**	**303,131**
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	17	9,043	10,906
Current tax liability	7	63	245
Borrowings	18	25,000	-
Total current liabilities		34,106	11,151
Non-current liabilities			
Deferred tax liabilities	7	43,617	43,342
Borrowings	18	12,400	33,900
Interest Rate Swaps	17A	2,574	1,306
Other financial liabilities	19	6	7
Non current provisions	20	888	1,014
Total non-current liabilities		59,485	79,569
Equity			
Share capital	21	56,774	56,774
Reserves	22	38,002	38,002
Retained earnings	23	122,349	116,584
Total equity attributable to parent equity holders		217,125	211,360
Minority interest	24	1,153	1,051
Total equity		218,278	212,411
Total liabilities and equity		**311,869**	**303,131**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Notes	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Total parent company $000	Minority interest $000	Total equity $000
Consolidated entity							
Balance at 1 April 2014		56,774	109,673	40,472	206,919	1,138	208,057
Transfer assets held for sale		-	2,470	(2,470)	-	-	-
Profit for the year	23, 24	-	4,441	-	4,441	(87)	4,354
Total comprehensive income		-	6,911	(2,470)	4,441	(87)	4,354
Balance at 31 March 2015		56,774	116,584	38,002	211,360	1,051	212,411
Profit for the year	23, 24	-	5,878	-	5,878	102	5,980
Total comprehensive income		-	5,878	-	5,878	102	5,980
Dividends paid to subsidiary minority shareholders		-	(113)	-	(113)	-	(113)
Balance at 31 March 2016		**56,774**	**122,349**	**38,002**	**217,125**	**1,153**	**218,278**

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

CASH FLOW STATEMENT

For the year ended 31 March 2016

	Notes	Group 2016 $000	Group 2015 $000
Cash flows from operating activities			
Receipts from customers		82,456	73,312
Interest received		115	111
Payments to suppliers and employees		(56,982)	(54,189)
Interest and other finance costs paid		(1,972)	(1,899)
Income tax paid		(2,209)	(2,334)
Net cash provided by operating activities	25	21,408	15,001
Cash flows from investing activities			
(Payments)/proceeds from investment securities		(500)	(500)
Payment for property, plant and equipment		(22,790)	(27,145)
Proceeds from sale of property, plant and equipment		176	7,917
Payment for intangible assets		(184)	(393)
Net cash used in investing activities		(23,298)	(20,121)
Cash flows from financing activities			
Dividends paid		(113)	-
Proceeds from borrowings		3,500	5,250
Net cash provided by financing activities		3,387	5,250
Net increase in cash and cash equivalents		1,497	130
Summary			
Cash and cash equivalents at beginning of year		250	120
Net increase in cash and cash equivalents		1,497	130
Cash and cash equivalents at end of year		1,747	250

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

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 11).

MainPower New Zealand's parent and ultimate controlling party is the MainPower Trust.

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

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1'). For the purposes of complying with NZ GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and it is not a large for profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

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 year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

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

Preparing financial statements to conform with NZ IFRS RDR 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 Group'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 Group 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. 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 Group 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 recognises actual amounts billed during the financial period and, if material, makes 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 and the carrying value of generation assets.

1. Statement of accounting policies continued

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 Company.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being MainPower New Zealand Limited 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 profit or loss 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 Statement of comprehensive income and Statement of financial position.

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 profit or loss. In the Statement of financial position, 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 Inland Revenue 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 profit or loss in the period in which they arise.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, investments in money market instruments, and bank overdrafts.

1. Statement of accounting policies continued

(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.

Financial assets at fair value through profit or loss
The Group has certain derivatives which are stated at fair value and the movements are recognised in profit or loss (refer to note 1(q)).

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.

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 profit or loss 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

1. Statement of accounting policies continued

(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; any impairment is recognised immediately in the Statement of comprehensive income and 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 profit or loss. If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss 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 profit or loss. 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.

1. Statement of accounting policies continued

(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 a discounted cash flow 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 profit or loss 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 profit or loss 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 profit or loss. 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	6 to 100
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 profit or loss. 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.

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 profit or loss and is not subsequently reversed. Refer also to note 1(i).

1. Statement of accounting policies continued

(m) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at fair value (being 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 profit or loss 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 Statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(q) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps. Further details of derivative financial instruments are disclosed in note 30.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

(r) Revenue recognition

Revenue from lines revenue, capital contributions and 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.

Interest revenue is recognised in profit or loss as it accrues, using the effective interest rate method.

(s) 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.

(t) Capital contributions

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

(u) Borrowing costs

Borrowing costs are expensed using the effective interest rate method.

Adoption of new and revised Standards and Interpretations

In the current year, the company has adopted all new mandatory and amended standards and interpretations as issued by the External Reporting Board.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following standards were in issue but not yet adopted.

Adoption of New and Revised Standards and Interpretations – Standards and Interpretations in Issue not yet Effective

No new accounting, standards or interpretations have been adopted during the year that have had a material impact on these financial statements.

The Group has not yet fully assessed the impact of NZ IFRS 9, Financial Instruments, NZ IFRS 15, Revenue from Contracts with Customer, NZ IFRS 16, Leases and Equipment, which will be effective from the 2019 financial year.

	Group 2016 $000	Group 2015 $000

2. Operating revenue

Line revenue	56,616	52,910
Contracting revenue	28,057	25,138
Generation revenue	198	235
Capital contributions	5,403	5,306
Interest revenue:		
Other	126	104
Other	818	1,055
Operating revenue	91,218	84,748

3. Operating expenses

Bad debts written off	40	112
Directors' fees and expenses	307	295
Employee remuneration and benefits	13,332	11,421
Loss on disposal of property, plant and equipment	1,664	1,368
Operating lease costs	276	312
Network maintenance	5,976	5,232
Generation cost of production	65	77
Generation operations	709	905
Community relationships	977	736
Transmission expenses	13,228	13,171
Cost of goods sold, excluding employee remuneration	18,588	18,505
Other	2,538	2,388
Operating expenses	57,700	54,522

4. Remuneration of auditor

Audit of the financial statements	73	72
Auditor's other services	24	33
Remuneration of auditor	97	105

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. Other services comprise the audit of regulatory submissions to the Commerce Commission for financial and non-financial information together with post implementation reviews.

5. Depreciation and amortisation

Depreciation of non-current assets	11,567	11,132
Amortisation of non-current assets	323	302
Depreciation and amortisation	11,890	11,434

	Group 2016 $000	Group 2015 $000

6. Finance expenses

	Group 2016 $000	Group 2015 $000
Interest expense on loans	1,972	1,973
Other finance expense	205	58
Interest rate swaps and foreign exchange contracts fair value movement	1,243	1,148
Finance expenses	3,420	3,179

7. Income taxes

	Group 2016 $000	Group 2015 $000
Income tax expense recognised in profit Tax expense comprises:		
Current tax expense	2,089	1,884
Adjustments recognised in current year in relation to the current tax of prior years	(60)	(10)
Deferred tax expense relating to the origination and reversal of temporary differences	275	26
Total income tax expense recognised in profit	2,304	1,900

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

	Group 2016 $000	Group 2015 $000
Profit before tax from continuing operations	8,284	6,251
Profit before tax from discontinued operations	-	3
Profit from operations	8,284	6,254
Prima facie income tax expense calculated at 28%	2,320	1,752
Non-deductible expenses	44	158
	2,364	1,910
Under/(over) provision of income tax in previous year	(60)	(10)
Total income tax expense/(credit) recognised in profit	2,304	1,900
Attributable to:		
Continuing Operations	2,304	1,899
Discontinued Operations	-	1
	2,304	1,900

Current tax assets and liabilities

	Group 2016 $000	Group 2015 $000
Current tax liability:		
Tax payable	63	245

7. Income taxes continued

Consolidated group for the year ended 31 March 2016
Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Deferred tax liabilities				
Property, plant & equipment	44,384	329	-	44,713
Intangible assets	3	(9)	-	(6)
	44,387	320	-	44,707
Deferred tax assets				
Provisions	(1,045)	(45)	-	(1,090)
Net deferred tax liability	43,342	275	-	43,617

Consolidated group for the year ended 31 March 2015
Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Deferred tax liabilities				
Property, plant & equipment	44,265	119	-	44,384
Intangible assets	15	(12)	-	3
	44,280	107	-	44,387
Deferred tax assets				
Provisions	(964)	(81)	-	(1,045)
Net deferred tax liability	43,316	26	-	43,342

	Group 2016 $000	Group 2015 $000
Imputation credit account balances		
Opening balance	10,794	8,920
Less prior period Taxation (payable)	(245)	(705)
Imputation credits relating to previous periods	(101)	-
Taxation paid	2,310	2,334
Imputation credits attached to dividends received/(paid)	(43)	-
Taxation payable/(receivable)	63	245
Closing balance	12,778	10,794

The MainPower consolidated tax group for income tax purposes includes MainPower New Zealand Limited, VirCom Energy Management Services Limited, Tasman Electrical Limited and Electro Services NZ Limited.

8. Trade and other receivables

	Group 2016 $000	Group 2015 $000
Trade receivables and other accurals	9,223	10,466
Work under construction	261	424
Interest receivable	94	83
Other receivables	106	100
	9,684	11,073

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.

9. Inventories

	Group 2016 $000	Group 2015 $000
Distribution System and Metering items	3,095	4,240

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

10. Other current assets

	Group 2016 $000	Group 2015 $000
Prepayments	181	150

11. Subsidiaries

11.1 Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/16	31/3/15
VirCom Energy Management Services Limited	Provision of Metering Services	New Zealand	77.4%	77.4%

11.2 Composition of the Group

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		31/3/16	31/3/15
Provision of Metering Services	New Zealand	1	1

11.3 Details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/3/16	31/3/15	31/3/16	31/3/15	31/3/16	31/3/15
VirCom Energy Management Services Limited	New Zealand	22.6%	22.6%	102	(87)	1,153	1,051

(i) The Group owns 77.4% equity shares of VirCom Energy Management Services Limited ("VirCom"). However, based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of VirCom. The relevant activities of VirCom are determined by the board of directors of VirCom based on simple majority votes. Therefore, the directors of the Group concluded that the Group has control over VirCom and VirCom is consolidated in these financial statements.

11. Subsidiaries continued

11.4 There have been no changes in the Group's interest in its subsidiaries.

11.5 Financial support

MainPower New Zealand Limited will from time to time provide overnight liquidity to VirCom Energy Management Services Limited. Any monies advanced are settled on the 20th of the month, when VirCom Energy Management Services Limited's debtors pay their accounts. Refer Note 27 Related Party Transactions.

12. Associates

12.1 Details of material associates

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/16	31/3/15
Hurunui Water Project Limited	Irrigation	New Zealand	13.18%	13.18%

No public price quotation exists for this investment.

The carrying value of this investment is $Nil (2015: Nil). The Group has not recognised its 13.18% share of accumulated profits or losses relating to the associate as Hurunui Water Project Limited is still in the set-up stage of its life cycle (2015: 13.18%).

13. Other financial assets

	Group 2016 $000	Group 2015 $000
At amortised cost		
Self Insurance Fund Investment – Current	3,000	2,500
Self Insurance Fund Investment – Non current	-	-
	3,000	2,500

14. Property, plant and equipment

	Freehold Land at fair value $000	Buildings at fair value $000	Electricity distribution network at fair value $000	Plant, equipment, vehicles, furniture & fittings $000	Total $000
Consolidated group					
Gross carrying amount					
Balance at 1 April 2014	5,240	15,123	239,989	34,994	295,346
Revaluations	-	-	-	-	-
Additions	17	689	25,331	2,090	28,127
Disposals/Adjustments	(1,378)	1,378	(5,309)	(905)	(6,214)
Balance at 31 March 2015	3,879	17,190	260,011	36,179	317,259
Revaluations	-	-	(32,421)	-	(32,421)
Additions	-	15	23,205	2,289	25,509
Disposals/Adjustments	-	-	(4,758)	(793)	(5,551)
Balance at 31 March 2016	3,879	17,205	246,037	37,675	304,796
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2014	-	284	20,718	14,396	35,398
Disposals/Adjustments	-	-	(2,947)	(699)	(3,646)
Depreciation expense	-	390	8,727	2,015	11,132
Balance at 31 March 2015	-	674	26,498	15,712	42,884
Revaluations	-	-	(32,421)	-	(32,421)
Disposals/Adjustments	-	-	(3,076)	(635)	(3,711)
Depreciation expense	-	475	8,999	2,093	11,567
Balance at 31 March 2016	-	1,149	-	17,170	18,319
Net book value at 31 March 2015	3,879	16,516	233,513	20,467	274,375
Net book value at 31 March 2016	3,879	16,056	246,037	20,505	286,477

14. Property, plant and equipment continued

Revaluations and impairment review

The Group's electricity distribution network and substation buildings excluding land were revalued to fair value of $204,347,692 as at 31 March 2011 by Ms Lynne Taylor, a director, and Mr Chris Taylor, a partner of independent valuers PricewaterhouseCoopers. PricewaterhouseCoopers was assisted by Sinclair Knight Merz Limited, consulting engineers.

During the past five years MainPower has experienced a significant amount of growth in the region following the earthquakes that occurred in Canterbury and as a result MainPower has invested an additional $89.694 million in the development of its electricity distribution network over this time.

Ernst & Young Transaction Advisory Services Limited have undertaken an independent valuation of the electricity network as at March 2016 in accordance with NZ IAS 16 – Property, Plant and Equipment and NZ IFRS 13 – Fair Value Measurement. Ernst & Young's valuation was undertaken on a discounted cashflow (DCF) basis and a number of external assumptions were assumed in the calculation of the DCF. The valuation determined that the carrying value of the network assets as at 31 March approximated fair value. The major assumptions included:

- Weighted average cost capital 5.2% to 5.8%;
- Forecast cashflow, including network pricing, operating costs and capital expenditure;
- Leverage 26% to 55%; and
- Regulatory Asset Base multiplies and Regulatory cost of capital

Therefore MainPower has elected to assume the Ernst & Young valuation which does not have an impact on the carrying value of the Network Assets.

The Group's land and buildings were revalued to fair value of $26,794,304 as at 31 March 2014 by independent registered valuer Williams and Associates Limited. Williams and Associates Limited has extensive experience in the property valuation field.

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

The Group's Regulatory Asset base which is inclusive of the electricity distribution network and substation land and buildings but exclusive of assets funded from customers' contributions was valued at March 2014 at $221.540 million. The book value of electricity distribution network assets funded from customer contributions at March 2015 amounted to $36.086 million.

14A. Capital works under construction

	Group 2016 $000	Group 2015 $000
Capital works under construction	6,185	8,904

15. Goodwill

	Total $000
Consolidated group	
Net book value at 31 March 2015	713
Net book value at 31 March 2016	713

16. Computer software

	Group $000
Gross carrying amount	
Balance at 1 April 2014	2,896
Additions	393
Disposals/Adjustments	-
Balance at 31 March 2015	3,289
Additions	184
Disposals/Adjustments	-
Balance at 31 March 2016	3,473
Accumulated amortisation and impairment	
Balance at 1 April 2014	2,061
Amortisation expense	302
Disposals/Adjustments	-
Balance at 31 March 2015	2,363
Amortisation expense	323
Disposals/Adjustments	-
Balance at 31 March 2016	2,686
Net book value at 31 March 2015	926
Net book value at 31 March 2016	787

Amortisation expense is included in the line item Depreciation and amortisation in the Statement of comprehensive income.

	Group 2016 $000	Group 2015 $000
17. Trade and other payables		
Trade payables	4,534	7,694
Accruals	2,331	1,418
Employee entitlements	1,510	1,392
GST Payable	668	402
	9,043	10,906
17A. Current financial liabilities		
Interest rate swaps	2,574	1,306

18. Borrowings

Current	25,000	-
Term	12,400	33,900
	37,400	33,900

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $25,000,000 will expire on 31 December 2016 and $20,000,000 on 31 December 2017. At 31 March 2016 MainPower had drawn down $37,400,000 which is unsecured, but subject to a negative pledge arrangement (2015: $33,900,000). With the expiry of the first tranche of the multi option facility MainPower will re-tender the total facility.

During the year Nil interest was capitalised to MainPower's generation and building relocation projects (2015: Nil).

19. Other financial liabilities

At cost:		
Redeemable preference (rebate) shares	6	7

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.

6,338 (2015: 8,396) redeemable preference shares at 10 cents each were redeemed during the year.

20. Non-current provisions

Employee benefits	888	1,014

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% (2015: 3.00%)
- discount rate 1.94% to 5.50% (2015: 3.16% to 3.57%)

21. Share capital

Balance at beginning of financial year	56,774	56,774
56,774,000 fully paid ordinary shares	56,774	56,774

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

22. Reserves

Asset revaluation reserve:		
Balance at beginning of financial year	38,002	40,472
Revaluation of assets (Note 14)	-	-
Transfer assets held for sale	-	(2,470)
Total reserves	38,002	38,002

	Group 2016 $000	Group 2015 $000

23. Retained earnings

	Group 2016 $000	Group 2015 $000
Balance at beginning of financial year	116,584	109,673
Comprehensive income attributable to members of the parent entity	5,878	4,441
Transfer assets held for sale	-	2,470
Dividends paid	(113)	-
	122,349	116,584

24. Minority interest

	Group 2016 $000	Group 2015 $000
Balance at beginning of financial year	1,051	1,138
Comprehensive income attributable to minority interest	102	(87)
	1,153	1,051

25. Notes to the cash flow statement

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

	Group 2016 $000	Group 2015 $000
Net profit for the year	5,980	4,354
Adjustments for Non Cash:		
Loss on disposal of property, plant & equipment	1,664	1,367
Depreciation and amortisation of non-current assets	11,890	11,434
Non-current provisions / fixed asset adjustments	(1)	(1)
	13,553	12,800
Changes in net assets and liabilities		
Increase/(decrease) in current tax liability	(182)	(460)
Increase/(decrease) in deferred tax balances recognised in tax expense	275	26
(Increase)/decrease in assets		
Current receivables	1,389	(1,768)
Current inventories	1,145	(280)
Other current assets	(31)	21
Increase/(decrease) in liabilities		
Current payables	(595)	271
Non-current provisions	(126)	37
	1,875	(2,153)
Net cash from operating activities	21,408	15,001

26. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2016. (2015: Nil).

Operating lease commitments

The minimum value of lease commitments are:

	Group 2016 $000	Group 2015 $000
Within one year	220	289
1 – 2 years	220	257
2 – 5 years	463	550

Prudential commitments

At 31 March 2016 the Company and Group had guarantees (performance bonds) to third parties amounting to $200,000 (2015: $200,000).

27. 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 (2015: Nil).

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

The Group amounts shown below represent the related party transactions that have been eliminated on consolidation.

	Group 2016 $000	Group 2015 $000
Transactions during the year		
Purchases from subsidiaries	43	32
Revenues from subsidiaries	110	374
Dividends from subsidiaries	387	-
Outstanding balances as at 31 March		
Accounts payable to subsidiaries	4	7
Accounts receivable from subsidiaries	5	47
Taxation owing to subsidiaries	323	323

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 totaling $277,775 (2015: $271,000).

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 (2015: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2015: Nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2016, no transactions occurred between the Group and an organisation in which a key management person of the Group holds a position of control.

28. Key management personnel

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

	Group 2016 $000	Group 2015 $000
Employee remuneration and benefits	2,239	2,144
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.

29. Significant events after balance date

MainPower is not aware of any significant 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.

30. Financial instruments

Exposure to interest rate risk arises in the normal course of the Group's business.

Borrowings

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $25,000,000 will expire on 31 December 2016 and $20,000,000 on 31 December 2017. At 31 March 2016, MainPower had drawn down $37,400,000 which is unsecured, but subject to a negative pledge arrangement (2015: $33,900,000).

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.

Derivative financial instruments

Interest rate swaps are used to manage the Group's interest rate exposure on long term floating rate borrowings. The Group has entered into interest rate swaps with the Westpac Bank and annually undertakes a valuation to establish the fair value of those swaps. Any fair value gain or loss is recognised through the Statement of comprehensive income (2016: Loss $1,268,152; 2015: Loss $1,226,268).

Categories of financial instruments	**Notes**	**Loans and receivables $000**	**Other amortised cost $000**	**Fair value through profit & loss $000**	**Total carrying amount $000**
Consolidated group as at 31 March 2016					
Current assets					
Cash and cash equivalents		1,747	-	-	1,747
Trade and other receivables	8	9,423	-	-	9,423
Other financial assets	13	-	3,000	-	3,000
		11,170	3,000	-	14,170
Non-current assets					
Total financial assets		11,170	3,000	-	14,170
Current liabilities					
Trade and other payables	17	-	6,865	-	6,865
Other Financial Liabilities		25,000	-	-	25,000
		25,000	6,865	-	31,865
Non-current liabilities					
Other financial liabilities	18	12,400	-	-	12,400
Interest Rate Swaps	17A	-	-	2,574	2,574
Total financial liabilities		37,400	6,865	2,574	46,839
Consolidated group as at 31 March 2015					
Current assets					
Cash and cash equivalents		250	-	-	250
Trade and other receivables	8	10,649	-	-	10,649
		10,899	-	-	10,899
Non-current assets					
Other financial assets	13	-	2,500	-	2,500
Total financial assets		10,899	2,500	-	13,399
Current liabilities					
Cash and cash equivalents		-	-		-
Trade and other payables	17	-	9,112	-	9,112
Interest rate swaps	17A	-	-	1,306	1,306
		-	9,112	1,306	10,418
Non-current liabilities					
Other financial liabilities	18	33,900	-		33,900
Total financial liabilities		33,900	9,112	1,306	44,318

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAINPOWER NEW ZEALAND LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MainPower New Zealand Limited and its subsidiaries ('the Group') on pages 30 to 51, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, the Commerce Commission disclosure audit and a post implementation review of a major capital project, we have no relationship with or interests in MainPower New Zealand Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion

In our opinion, the consolidated financial statements on pages 30 to 51 present fairly, in all material respects, the financial position of MainPower New Zealand Limited and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime and generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants
12 July 2016
Christchurch, New Zealand

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	81,591	-	81,591
P A Cox	Director	56,400	-	56,400
T Burt	Director	47,392	-	47,392
J A Hoban	Director	45,598	-	45,598
S P Lewis	Director	46,794	-	46,794
		277,775	-	277,775
SUBSIDIARIES				
Tasman Electrical Limited				
B Emson	Chairman	-	-	-
W Wright	Executive Director	-	-	-
VirCom Energy Management Services Limited				
B Emson	Chairman	-	-	-
C Shepherd	Executive Director	-	-	-
M Williamson	Executive Director	-	-	-
Electro Services NZ Limited				
B Emson	Chairman	-	-	-
		-	-	-

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 interests' 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 2016.

DIRECTORS' INTERESTS – AS AT MARCH 2016

DIRECTOR	COMPANY	POSITION	APPOINTMENTS/RESIGNATIONS
W G Cox	Elastomer Products Limited	Director	
	Transwaste Canterbury Limited	Director	
	Talbot Technologies Limited	Director	
	Barlow Bros Limited	Director	
	Coolpak Coolstores Limited	Director	Resignation notified 03/11/15
	Independent Fisheries Limited	Director	
	New Zealand Transport Agency Limited	Director	
	Canterbury Museum Trust Board	Trustee	
	Connell Contractors South Limited	Director	
	Ngai Tahu Farming Limited	Director	
	Shopping Centre Investments Limited	Director	
	Committee for Canterbury	Chair	
	Canterbury Earthquake Recovery Advisory Board	Director	Forum Disestablished 2015
	Motus Health Network	Director	Appointment notified 07/07/15
	Anderson Lloyd	Director	Appointment notified 07/07/15
	Estate of T T Gough	Trustee	Appointment notified 01/03/16
P A Cox	J J Angerstein and Associates Limited	Director	
	House of Travel Holdings Limited	Director	
	J Ballantyne and Company Limited	Director	
	International Motor Inn Limited	Director	Resignation notified 03/05/16
	Commodore Airport Hotel Limited	Director	Resignation notified 03/05/16
	Duncan Cotterill	Board Member	
T Burt	Lyttelton Port Company Limited	Chair	
	Land Power Holdings Limited	Director	
	Silver Fern Farms Limited	Director	
	Ngai Tahu Holdings Corporation Limited	Chair	
	Ngai Tahu Capital Limited	Chair	
	New Zealand Lamb Company (North America) Limited	Chair	
	Agria Asia Investments Limited	Director	
	Agria Singapore Pty Limited	Director	
	PGG Wrightson Limited	Director	
J A Hoban	The Order of St John	Director	
S P Lewis	Community Energy Action	Chair	Resignation notified 07/07/15
	Dance and Physical Theatre Trust	Chair	
	Dance Aotearoa New Zealand	Director	Resignation notified 07/07/15

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 $000s	No. of current and former employees 2016	No. of current and former employees 2015
100 - 110	8	8
110 - 120	4	5
120 - 130	4	4
130 - 140	6	3
140 - 150	0	1
150 - 160	3	4
160 - 170	1	1
170 - 180	1	1
180 - 190	2	1
190 - 200	0	1
200 - 210	1	-
210 - 220	-	-
220 - 230	1	1
230 - 240	1	-
240 - 250	1	1
250 – 260	-	-
260 - 270	1	-
380 – 390	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, i.e., the Qualifying Customers in the region.

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

- provide leadership in health and safety and will ensure that employee and public safety remain at the core of the organisation in order that it remains as an integral part of MainPower's culture, its values and performance standards;
- continue to monitor all legislation and regulatory change impacting on Health and Safety requirements and compliance and will ensure that they are complied with;
- 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 judgment 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 Chief Executive;
- 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 to the Chief Executive.

The Chief Executive is responsible for ensuring MainPower achieves its business objectives and values.

The Board ensures that the Chief Executive, 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 will retire by rotation each year.

Non-Executive Directors of MainPower are elected by the Ordinary Shareholder. The Board currently comprises five Non-Executive Directors.

The Directors of the Company currently in office are:

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Trevor Burt	Director
Judith Anne Hoban	Director
Stephen Paul Lewis	Director

8. Meetings

The Board meets monthly to review, monitor, and initiate action in respect of the health and safety, 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 two standing committees. They provide guidance and assistance to the Board with overseeing certain aspects of the Board's corporate governance. Each 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 Chief Executive, 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 its 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.

Three Non-Executive Directors are appointed to the Audit Committe on an annual basis.

Current membership of the Audit Committee is Mr. P A Cox, Chairman, Mr. W G Cox and Mr. S Lewis.

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.

Three 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.

Current membership of the Remuneration Committee is Mr. T Burt, Chairman, Mr. W G Cox and Mrs J A Hoban.

Following meetings of the Committee, the Chairman reports all findings and recommendations to 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, including health and safety, 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:

- Strategic Objectives
- Trust Statement of Expectations
- Business Activities
- Non-core Activities
- Performance
- Distributions to Shareholders and Rebates
- Corporate Governance

Information is also communicated to shareholders in the Annual Report, Interim Report, the Company's website, 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 subject to consultation between the Board and the Trust, 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.

Financial

MainPower Group

For the year ending March

	Actual 2014 $000	Actual 2015 $000	Budget 2016 $000	Actual 2016 $000	Forecast 2017 $000	Forecast 2018 $000	Forecast 2019 $000
Financial performance (includes continued and discontinued operations)							
Operating revenue	79,514	84,748	85,493	91,218	86,606	87,634	88,797
Profit before rebates and tax	17,716	15,508	19,730	18,111	24,411	25,650	26,748
Rebates	(1,893)	(9,257)	(9,010)	(9,827)	(10,199)	(10,533)	(10,860)
Taxation	(8,447)	(1,897)	(3,001)	(2,304)	(3,992)	(4,314)	(4,535)
Profit after rebates, tax and dividends	7,376	4,354	7,719	5,980	10,220	10,803	11,353
Total maintenance expenditure	5,077	5,232	4,019	5,976	5,194	5,220	5,335
Total capital development expenditure	32,894	28,069	23,766	25,693	21,156	21,405	24,058
Financial position							
Net working capital	9,625	5,756	2,258	(16,399)	2,416	3,152	3,066
Non current assets	271,383	284,918	299,354	294,162	309,606	318,583	330,433
Total assets	281,008	290,674	301,612	277,763	312,022	321,735	333,499
Term liabilities	(72,951)	(78,263)	(79,897)	(59,485)	(81,082)	(80,212)	(80,842)
Net assets	208,057	212,411	221,715	218,278	230,940	241,523	252,657
Cash flows from Operations	20,252	15,001	19,775	21,408	22,424	23,302	23,956
Cash flows from Investing Activities	(37,201)	(20,121)	(24,966)	(23,298)	(21,156)	(21,105)	(24,058)
Cash flows from Financing Activities	28,598	5,250	4,650	3,387	(2,249)	(1,461)	16
Net Increase / (Decrease) in Cash flow	11,649	130	(541)	1,497	(981)	736	(86)
MainPower Group Financial Ratios	%	%	%	%	%	%	%
Profit before tax / Net assets	4.54	2.97	4.92	3.85	6.29	6.40	6.43
Profit after tax / Total assets	2.79	1.55	2.62	2.11	3.32	3.41	3.47
Profit after tax / Equity	3.62	2.07	3.54	2.78	4.52	4.57	4.59
Equity / Total assets	74.38	74.68	73.81	76.11	73.55	74.55	75.42

Customer Service and Statistics

For the year ending March

Lines Business:

	Actual 2014	Actual 2015	Budget 2016	Actual 2016	Forecast 2017	Forecast 2018	Forecast 2019
Quality of Supply							
SAIDI - Average minutes customer is without power during the year	206.27	191.98	123.00	264.00	123.00	121.00	120.00
SAIFI - Average supply interruptions per customer during the year	2.05	1.47	1.58	2.09	1.57	1.55	1.54
Unplanned faults per 100 kms during the year	5.55	6.46	6.17	3.87	6.10	6.10	6.00
Statistics							
Lines business							
Total line service customers (number)	36,892	37,891	38,771	38,389	39,130	39,840	40,515
Gigawatthours entering the system (GWHs)	588.91	641.00	665.00	667.58	681.00	699.00	718.00
Gigawatthours delivered to customers (GWHs)	559.53	604.00	629.00	629.57	643.00	661.00	678.00
Losses	29.38	37.00	36.00	38.01	38.00	38.00	40.00
Electricity loss ratio (%)	4.99	5.79	5.41	5.69	5.50	5.50	5.50
Network maximum coincidental demand (MW)	100.19	108.65	106.00	112.50	114.60	118.60	120.70
Load factor (%)	67.10	67.84	70.00	67.76	68.00	68.00	68.00
Total Transformer capacity (MW)	482.68	513.80	535.00	526.28	555.00	575.00	595.00
Transformer capacity utilisation factor (%)	20.80	20.20	19.80	20.29	19.70	19.30	19.00
Circuit length lines (kms)	4,873	4,931	5,011	4,996	5,081	5,141	5,191

	Actual 2014	Actual 2015	Budget 2016	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019
Efficiency Performance	$	$	$	$	$	$	$
Capital cost per km	6,811	4,544	4,662	4,752	4,115	4,139	4,586
Capital cost per ICP	900	587	599	619	533	533	586
Operating cost per km	2,574	2,454	2,264	2,423	2,342	2,294	2,315
Operating cost per ICP	339	321	291	315	303	295	296

	Actual 2014	Actual 2015	Budget 2016	Actual 2016	Forecast 2017	Forecast 2018	Forecast 2019
MainPower Group							
Number of employees	272	248	268	244	274	274	274
Number of work related accidents resulting in lost time	3	10	Nil	5	Nil	Nil	Nil
Total number of lost days as a result of work related accidents	55	74	Nil	47	Nil	Nil	Nil

NOTE: The variance in SAIDI between the budgeted "Quality of Supply" performance and that achieved was due to the extended outages required to complete the Waimakariri West Project and a Transpower fault which contributed to 25% of total SAIDI.

The variance in SAIFI was due to unplanned work associated with snow storms and underground cable faults.

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