

Notes to Support Financial Statements

1. Consolidated Operating Surplus Before Taxation

Twelve Months 31.03.06 \$000	Six Months 30.09.06 \$000	Six Months 30.09.05 \$000
8,113	3,341	4,647
After Charging:		
7,093	3,405	3,596
7,000	3,905	3,183
After Crediting:		
26,911	14,015	13,266
23,986	14,685	11,998
1,067	403	507
4,156	1,793	2,072

2. Reconciliation of Consolidated Net Cash Inflow from Operating Activities to Net Surplus

Twelve Months 31.03.06 \$000	Six Months 30.09.06 \$000	Six Months 30.09.05 \$000
5,781	2,282	3,450
Non Cash Items		
7,000	3,905	3,183
(4,156)	(1,793)	(2,072)
109	-	-
2,953	2,112	1,111
Movements in Working Capital Items		
(1,296)	1,524	670
(739)	(378)	(317)
829	(1,922)	(475)
(1,206)	(776)	(122)
1,347	-	-
\$8,875	\$3,618	\$4,439

Notes to Support Financial Statements (cont'd..)

- The results for the six month period ended September 2006 are unaudited.
- The results for the 12-month period ended March 2006 and the 6-month periods ended September 2005 and 2006 have been consolidated to include the performance of:
 - MainPower Contracting Limited, Electro Services NZ Limited and Tasman Electrical Limited (100% owned by MainPower New Zealand Limited);
 - VirCom Energy Management Services Limited (77% owned by MainPower New Zealand Limited).
- The Interim Financial Statements have been prepared in accordance with the Financial Reporting Standard (FRS-24) as adopted by the Institute of Chartered Accountants of New Zealand.
- The Accounting Policies as published in the 31 March 2006 Annual Report have been consistently applied in determining the Earnings and Cash Flows for the six months ended 30 September 2006 and the Financial Statements as at that date.
- The Financial Statements should be read in conjunction with the audited Annual Report for the year ended 31 March 2006. Comparative figures for the 12 months ended 31 March 2006 have been extracted from the audited Annual Report.
- Commitments and Contingent Liabilities**
There are no significant commitments or contingent liabilities as at 30 September 2006.
- Significant Events After Balance Date**
There are no events subsequent to balance date that would have or may have an effect on the operation of MainPower, the results of MainPower's operations or the state of the affairs of MainPower.
- International Financial Reporting Standards (IFRS)**
MainPower will be required to adopt NZ IFRS for the first time in the Financial Statements for the year ending 31 March 2008. These standards will have a significant impact on the Company's reported Statement of Financial Position with the most significant changes relating to Deferred Taxation and the Asset Revaluation Reserve.

Deferred Taxation

Deferred taxation recognises the tax effect of the difference between the Companies' carrying value for fixed assets and the equivalent tax carrying value for the same assets. This difference principally arises from the revaluation of the Company's electricity distribution network in accordance with the requirements of the Commerce Act (Electricity Information Disclosure Requirements) Notice 2004, pursuant to Part 4A of the Commerce Act 1986.

An estimated additional deferred tax liability of approximately \$19 million will arise on 1 April 2006, with shareholders' equity reducing by an equivalent amount. This change will be included in the NZ IFRS-compliant comparatives required within the 31 March 2008 financial statements.

Revaluation of Assets

The Company will from time to time undertake a revaluation of its Distribution System Network assets in accordance with the requirements of the Commerce Act (Electricity Information Disclosure Requirements) Notice 2004, pursuant to Part 4A of the Commerce Act 1986. Every five years the Company will also undertake a revaluation of its Land and Buildings.

The Company plans to utilise the "Deemed Cost" exemption on the adoption of IFRS. This will cause the reclassification of the Asset Revaluation Reserve to Retained Earnings.

At 1 April 2006 and 30 September 2006, the Asset Revaluation was made up of:

Revaluation of Distribution System Fixed Assets	\$76.553 million
Revaluation of Land	\$ 0.490 million
Revaluation of Buildings	\$ 1.042 million

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Chairman's Review

The Board of MainPower is pleased to report on a very successful six-month period of operation.



Gill Cox,
Chairman

Financial Performance and Financial Position

The un-audited Consolidated Net Surplus for the six months ended 30 September 2006, after providing for tax of \$1.059 million and after Qualifying Customer Rebates of \$3.405 million, is \$2.282 million, \$0.716 million ahead of the budget for the year but some \$1.168 million less than the surplus achieved for the corresponding period in 2005. This is due to lower contributions from subsidiaries and increased operating costs as anticipated in the 2006 budget; in particular

MainPower's increased focus on maintenance for the first six months of the year.

It is expected that the Net Tax Paid Surplus after Rebates for the full year through to 31 March 2007 will meet MainPower's budget expectations of \$3.092 million.

The MainPower Group of Companies' Total Equity at 30 September 2006 is \$158.290 million.

Electricity Network Development and Security of Supply

Customer requests for electricity supply, and demand for line services across the established network continue at record levels. All major upgrades are progressing in accordance with the Company's approved Asset Management Plan. Major projects, including the upgrade from 11kV to 66kV on the line between Waipara and Kaikoura are progressing well and will be completed within budget.

On Monday 12 June, Canterbury experienced one of its heaviest snow storms in decades and MainPower again thanks our customers for their patience and understanding and acknowledges the dedication of the staff who worked tirelessly from dawn to dusk to restore the power supply.

Looking Forward

The remaining six months of the year will continue to be challenging for the Board and Staff. The quality of our services to customers, the safety of our staff, our regard for the environment and leadership in our community, along with achievement of the financial targets of rebate level and profitability, all



W.G. Cox
Chairman

Consolidated Statement of Financial Performance For Six Month Period Ended 30 September 2006

	Twelve Months 31.03.06 \$000	Six Months 30.09.06 \$000	Six Months 30.09.05 \$000
56,233	Operating Revenue	30,902	28,092
8,113	Operating Surplus Before Taxation (After Rebates)	3,341	4,647
(2,332)	Taxation	(1,059)	(1,197)
\$5,781	Net Surplus	\$2,282	\$3,450
5,671	Net Surplus comprises:		
110	Shareholders' Interest	2,333	3,325
	Minority Interest	(51)	125

Consolidated Statement of Financial Position As at 30 September 2006

	Twelve Months 31.03.06 \$000	Six Months 30.09.06 \$000	Six Months 30.09.05 \$000
114,523	Equity	114,523	114,524
40,368	Share Capital Reserves	42,701	38,022
154,891	Shareholder's Interest	157,224	152,546
1,117	Minority Interest	1,066	1,132
156,008	Total Equity	158,290	153,678
1,739	Non Current Liabilities	1,810	646
6,389	Current Liabilities	4,467	4,955
\$164,136	Total Equity and Liabilities	\$164,567	\$159,279
141,482	Non Current Assets	143,630	134,501
2,599	Fixed Assets	2,675	2,516
144,081	Investments	146,305	137,017
11,157	Current Assets	10,510	15,752
7,168	Bank & Short Term Deposits	5,644	5,202
1,730	Accounts Receivable	2,108	1,308
20,055	Inventory	18,262	22,262
\$164,136	Total Current Assets	\$164,567	\$159,279
\$164,136	Total Assets	\$164,567	\$159,279

Consolidated Summary Statement of Cashflows For Six Month Period Ended 30 September 2006

	Twelve Months 31.03.06 \$000	Six Months 30.09.06 \$000	Six Months 30.09.05 \$000
Operating Activities			
44,588	Cash Inflows	27,063	23,025
(35,713)	Cash Outflows	(23,445)	(18,586)
8,875		3,618	4,439
Investing Activities			
223	Cash Inflows	12	88
(13,969)	Cash Outflows	(4,277)	(4,689)
(13,746)		(4,265)	(4,601)
Financing Activities			
116	Cash Inflows	-	-
(5)	Cash Outflows	-	(3)
111		-	(3)
(4,760)	Net Increase / (Decrease) in Cash Holdings	(647)	(165)
15,917	Opening Bank and Short Term Deposits	11,157	15,917
\$11,157	Closing Bank and Short Term Deposits	\$10,510	\$15,752

Consolidated Statement of Movements in Equity For Six Month Period Ended 30 September 2006

	Twelve Months 31.03.06 \$000	Six Months 30.09.06 \$000	Six Months 30.09.05 \$000
150,228	Equity at the Start	156,008	150,228
5,671	Net Surplus	2,333	3,325
110	Shareholders of the Parent	(51)	125
	Minority Interest		
5,781	Total Recognised Revenues and Expenses	2,282	3,450
(1)	Redemption of Redeemable Preference Shares	-	-
\$156,008	Equity at End of the Period	\$158,290	\$153,678
154,891	Shareholders' Interest	157,224	152,546
1,117	Minority Interest	1,066	1,132