

Financial Report 2009




mainpower
THE POWER TO MAKE IT HAPPEN





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DIRECTORY

Directors

Gill Cox	Chairman
Peter Cox	Deputy Chairman
Allan Berge	Managing Director
Trevor Burt	Director (appointed September 2008)
Judith Hoban	Director
Tony King	Director
Stephen Lewis	Director (appointed September 2008)

Senior Management

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

REGISTERED OFFICE

5 High Street, P O Box 346
Rangiora 7440

BANKER

Westpac New Zealand Limited, Rangiora

SOLICITORS

Helmore Bowron and Scott, Rangiora
Bell Gully, Wellington

AUDITOR

Deloitte, Christchurch

MainPower New Zealand Limited
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DIRECTORS' REPORT

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its subsidiaries; MainPower Contracting Limited, Electro Services NZ Limited and VirCom Energy Management Services Limited for the financial year ended 31 March 2009.

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 each Company and the Group for each financial year so as to give a true and fair view of the financial performance and the state of affairs of the Company and Group for that financial year.

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

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

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

Electro Services NZ Limited is a power system and electrical contractor based in Richmond, Nelson providing power system reticulation, industrial electrical service installations, workshop services and generator sales and hire.

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

Directors holding office during the year

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Managing Director
Trevor Burt	Director
Judith Anne Hoban	Director
Anthony Charles King	Director
Stephen Paul Lewis	Director

Dividends

The Directors have resolved that no dividend will be payable.

Rebates

The holding of a Rebate Share entitles Preference Shareholders (Qualifying Customers) to a rebate of part of their variable distribution line charges. The rebate totalled \$7.561 million for the 2008-2009 financial year. The Directors of the Company have approved the payment of rebates for the 2009-2010 financial year of \$7.826 million.

Review of Operations

Results for the Year Ended 31 March

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
Profit Before Tax and After Rebates	5,174	5,389	6,636	6,702
Taxation	(1,158)	(2,140)	(1,381)	(2,130)
Profit for the year	4,016	3,249	5,255	4,572

Equity

Share Capital	30,400	30,400	30,400	30,400
Reserves	109,989	105,768	111,683	106,428
Shareholder's interest	140,389	136,168	142,083	136,828
Minority interest	684	889	-	-
Total equity	141,073	137,057	142,083	136,828

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 Company's Annual Meeting.

The MainPower Group has adopted a policy to ensure that audit independence and integrity is maintained. The provision of non audit services by the auditor of the Group requires the prior approval of the Audit Committee to ensure that the auditor's independence is not compromised.



W G Cox
Chairman of Directors
MainPower New Zealand Limited



A Berge
Managing Director
MainPower New Zealand Limited

MAINPOWER BOARD



Judith Hoban, Tony King, Trevor Burt, Peter Cox, Gill Cox (Chairman), Allan Berge (Managing Director), Stephen Lewis.

Judith Hoban

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

Other directorships: The Order of St John.

Tony King

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

Other directorships: Option One Limited, City Care Limited.

Trevor Burt

Trevor was appointed to the Board of MainPower in September 2008 and is a member of the Audit Committee. Trevor is a company director and business consultant based in Christchurch.

Other directorships: Hossack Station Limited, Breakaway Investments Limited, Lyttelton Port Company Limited, Landpower Limited, Beachheads NZ Advisory Board.

Peter Cox

Peter 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.

Gill Cox

Gill has been a Director of MainPower since May 1996 and became Chairman in April 2001. He is Chairman of the Board's Remuneration Committee and a member of the Audit Committee. Gill is a Chartered Accountant and has a background in management consulting.

Other directorships: Advanced Business Education Limited, Elastomer Products Limited, Transwaste Canterbury Limited, Talbot Plastics Limited, Barlow Bros Limited, Coolpak Coolstores Limited, Independent Fisheries Limited, Vbase Limited.

Allan Berge

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

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

Stephen Lewis

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

Other directorships: Electricity and Gas Disputes Resolution Services, Trustee - Community Energy Action

MainPower will be recognised by its community as a leading regional electricity distribution and electricity supply company



Our Values

Safety First

Teamwork

Loyalty

Pride

Fairness

Integrity



MainPower's Values reflect the way we interact with our community and with each other

FINANCIAL STATEMENTS

The directors are pleased to present the audited financial statements of MainPower New Zealand Limited and its subsidiaries for the year ended 31 March 2009.

Authorised for issue on 29 June 2009
for and on behalf of the board of directors:



W G Cox
Chairman of Directors
Christchurch



A Berge
Managing Director
Christchurch

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Income statement

For the year ended 31 March 2009

	Notes	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
Operating revenue	2	65,033	65,645	40,837	37,392
Other income	3	-	-	-	-
		65,033	65,645	40,837	37,392
Operating expenses	4, 5	43,893	45,188	19,829	17,215
Depreciation, amortisation and impairment	6	8,214	7,700	6,797	6,294
Finance expenses	7	191	196	14	9
Rebates		7,561	7,172	7,561	7,172
		59,859	60,256	34,201	30,690
Profit before income tax expense		5,174	5,389	6,636	6,702
Income tax expense	8	1,158	2,140	1,381	2,130
Profit for the year		4,016	3,249	5,255	4,572
<i>Attributable to:</i>					
Shareholders of the parent		4,221	3,457	5,255	4,572
Minority interest	24	(205)	(208)	-	-
Profit for the year		4,016	3,249	5,255	4,572

Balance sheet

As at 31 March 2009

	Notes	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
Current assets					
Cash and cash equivalents		1,256	4,584	653	4,286
Trade and other receivables	9	7,477	6,815	3,109	2,602
Inventories	10	2,545	2,526	-	-
Current tax assets	8	261	1,399	-	807
Other assets	11	458	779	453	768
Total current assets		11,997	16,103	4,215	8,463
Non-current assets					
Investments in subsidiaries	12	-	-	7,854	7,854
Other financial assets	13	3,119	2,878	5,429	3,768
Property, plant and equipment	14	160,481	152,886	158,802	149,915
Goodwill	15	913	913	-	-
Other intangible assets	16	956	1,043	181	197
Total non-current assets		165,469	157,720	172,266	161,734
Total assets		177,466	173,823	176,481	170,197
Current liabilities					
Trade and other payables	17	6,187	7,460	3,933	4,437
Current tax liability	8	-	-	202	-
Borrowings	18	689	250	-	-
Total current liabilities		6,876	7,710	4,135	4,437
Non-current liabilities					
Borrowings	18	-	647	-	-
Other financial liabilities	19	7	7	7	7
Deferred tax liabilities	8	28,511	27,458	29,999	28,684
Provisions	20	999	944	257	241
Total non-current liabilities		29,517	29,056	30,263	28,932
Equity					
Share capital	21	30,400	30,400	30,400	30,400
Reserves	22	6,034	6,034	6,034	6,034
Retained earnings	23	103,955	99,734	105,649	100,394
Total equity attributable to parent equity holders		140,389	136,168	142,083	136,828
Minority interest	24	684	889	-	-
Total equity		141,073	137,057	142,083	136,828
Total liabilities and equity		177,466	173,823	176,481	170,197

9.

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 2009

	Share capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Other reserves \$000	Minority interest \$000	Total equity \$000
Consolidated entity						
Balance at 1 April 2007	30,400	96,277	-	6,034	1,097	133,808
Profit for the year	-	3,457	-	-	(208)	3,249
Total recognised income and expense for the year	-	3,457	-	-	(208)	3,249
Balance at 31 March 2008	30,400	99,734	-	6,034	889	137,057
Profit for the year	-	4,221	-	-	(205)	4,016
Total recognised income and expense for the year	-	4,221	-	-	(205)	4,016
Balance at 31 March 2009	30,400	103,955	-	6,034	684	141,073
Parent entity						
Balance at 1 April 2007	30,400	95,822	-	6,034		132,256
Profit for the year	-	4,572	-	-		4,572
Total recognised income and expense for the year	-	4,572	-	-		4,572
Balance at 31 March 2008	30,400	100,394	-	6,034		136,828
Profit for the year	-	5,255	-	-		5,255
Total recognised income and expense for the year	-	5,255	-	-		5,255
Balance at 31 March 2009	30,400	105,649	-	6,034		142,083

Cash flow statement

For the year ended 31 March 2009

	Notes	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
Cash flows from operating activities					
Receipts from customers		52,353	52,008	26,805	23,217
Interest received		525	707	652	749
Dividends received		-	-	500	250
Payments to suppliers and employees		(45,938)	(44,967)	(20,312)	(15,901)
Interest and other finance costs paid		(47)	(135)	(14)	(9)
Income tax (paid) / received		653	(1,700)	943	(1,040)
Net cash provided by operating activities	25	7,546	5,913	8,574	7,266
Cash flows from investing activities					
Payment for investment securities		(241)	(210)	(241)	(210)
Proceeds from repayment of related party loans		-	-	195	-
Amounts advanced to related parties		-	-	(1,615)	(715)
Payment for property, plant and equipment		(10,411)	(11,504)	(10,423)	(10,909)
Proceeds from sale of property, plant and equipment		38	116	-	8
Payment for intangible assets		(260)	-	(123)	(91)
Net cash used in investing activities		(10,874)	(11,598)	(12,207)	(11,917)
Cash flows from financing activities					
Proceeds from borrowings		-	40	1,000	5
Repayment of borrowings		-	-	(1,000)	-
Net cash provided by (used in) financing activities		-	40	-	5
Net decrease in cash and cash equivalents		(3,328)	(5,645)	(3,633)	(4,646)
Summary					
Cash and cash equivalents at beginning of year		4,584	10,229	4,286	8,932
Net decrease in cash and cash equivalents		(3,328)	(5,645)	(3,633)	(4,646)
Cash and cash equivalents at end of year		1,256	4,584	653	4,286

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 2009

1. Statement of accounting policies

Statement of compliance

MainPower New Zealand Limited (the company) is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The group consists of MainPower New Zealand Limited and its subsidiaries (refer also to note 12). The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

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

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

Basis of financial statement preparation

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

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

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

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

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

Preparing financial statements to conform with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

The company operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the group's approved network asset management plan. The costs associated with recording and tracking all individual components replaced and removed from the network substantially outweighs the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the network in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network. Refer also note 1(j) property, plant and equipment regarding revaluations.

1. Statement of accounting policies *continued*

The company invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. When determining line revenue management recognise actual amounts billed during the financial period and, if material, make an adjustment to recognise the estimated value of unread meters where applicable.

Other areas where judgement has been exercised in preparing these financial statements are in relation to assessing the level of any unrecoverable work in progress and calculating provisions for employee benefits.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of these financial statements:

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired, exceeds the cost of acquisition, the difference is credited to the income statement in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the group obtains control and until such time as the group ceases to control the subsidiary. In preparing the consolidated financial statements, all intergroup balances and transactions, and unrealised profits arising within the group are eliminated in full.

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

Associate Companies - equity accounting

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

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

In the parent financial statements, investments in subsidiaries and the associate companies are stated at cost less impairment.

(b) Goods and services tax

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

1. Statement of accounting policies continued

(c) Foreign currency

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

(d) Cash and cash equivalents

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

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

In the parent financial statements, investments in subsidiaries and associates are stated at cost less impairment. Details of the impairment tests performed are disclosed in note 1(i).

The classification into the following categories depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Held to maturity investments

Certain deposits, notes and bonds held by the group classified as being held to maturity are measured at amortised cost using the effective interest method.

In the parent financial statements, investments in subsidiaries and associates are stated at cost less impairment. Details of the impairment tests performed are disclosed in note 1(i).

Loans and receivables

Accounts receivable are stated at cost less impairment losses. All known bad debts are written off during the financial year. Intergroup balances due from subsidiaries and associates are stated at cost less impairment losses.

Contract work in progress is stated at cost plus attributable profit to date (based on percentage of completion of each contract) less progress billings. Cost includes all costs directly related to specific contracts and an allocation of general overhead expenses incurred by the contracting subsidiaries. Losses on contracts are taken to the income statement in the period in which they are identified.

Details of the impairment tests performed are disclosed in note 1(i).

(f) Inventories

Inventories are valued at the lower of cost, determined on a weighted average basis, and net realisable value.

1. Statement of accounting policies *continued*

(g) Income tax

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

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

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

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

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

(h) Leased assets

MainPower leases certain plant and equipment and land and buildings. All leases are classified as operating leases. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised as an expense on a straight-line basis over the lease term.

(i) Impairment of assets

The carrying amounts of the group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. An impairment of goodwill is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the related component of the revaluation reserve, with any remaining impairment loss expensed in the income statement. If the impairment loss is subsequently reversed, the reversal is firstly applied to the income statement to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

1. Statement of accounting policies continued

For assets which are not revalued, an impairment loss is expensed immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Equity instruments, being shares in subsidiaries, are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit and loss.

(j) Property, plant and equipment

Land and buildings are valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in these financial statements of the group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from fair value.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an optimised depreciated replacement cost methodology. The fair values are recognised in these financial statements of the group and are reviewed at the end of each reporting period to ensure that the carrying value of the distribution system is not materially different from fair value. Consideration is given as to whether the distribution system is impaired as detailed in note 1(i).

Any revaluation increase arising on the revaluation of land and buildings and the distribution system is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation is provided on property, plant and equipment, including freehold buildings and landscaping.

Depreciation on revalued buildings and the distribution system is charged to the income statement. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings. Plant and equipment are valued at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials, direct labour and an allowance for overheads.

1. Statement of accounting policies continued

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

	Years
Electricity distribution network	7 to 70
Building	40 to 100
Landscaping	25
Office furniture and equipment	3 to 10
Plant and equipment	2 to 14
Vehicles	4 to 5

The carrying amount for an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets are transferred to retained earnings.

(k) Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Usually this period does not exceed 5 years.

Lease Premiums

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

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if future benefits are expected to exceed these costs. Otherwise development expenditure is recognised as an expense in the period in which it is incurred.

(l) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised, but it is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Refer also to note 1(i).

(m) Payables

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

1. Statement of accounting policies continued

(n) Borrowings

Borrowings are recorded initially at fair value, plus transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

(o) Employee benefits

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months, such as long service, sickness and retiring leave, are measured as the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to reporting date taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement, determined annually by independent actuarial valuation.

(p) Financial instruments issued by the group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(q) Revenue recognition

Revenue from the sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance date as measured by progress invoices raised to customers in conjunction with an assessment of costs incurred to date.

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

(r) Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the group.

(s) Capital contributions

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

1. Statement of accounting policies continued

(t) Borrowing costs

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

New standards not yet adopted

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

Standard	Effective for Annual Reporting periods beginning on or after		Expected to be initially applied in the year ending	
	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
NZ IFRS 3 Business Combinations				
NZ IFRS 7 Financial Instruments : Disclosure (revised standard)				
NZ IFRS 8 Operating Segments				
NZ IAS 1 Presentation of Financial Statements (revised standard)				
NZ IAS 23 Borrowing Costs (revised standard)				
NZ IAS 27 Consolidated and Separate Financial Statements (revised standard)				

2. Operating revenue

Line revenue	34,329	31,205	34,329	31,205
Contracting revenue	25,046	28,755	-	-
Capital contributions	5,158	5,021	5,158	5,021
Rental revenue:				
Related parties	-	-	234	214
Interest revenue:				
Other	465	636	443	626
Related parties	-	-	149	52
Dividends:				
Subsidiaries	-	-	500	250
Other	35	28	24	24
	65,033	65,645	40,837	37,392

Notes to the financial statements continued
For the year ended 31 March 2009

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
3. Other income				
Gain on disposal of property, plant & equipment	-	-	-	-
Other	-	-	-	-
	-	-	-	-
4. Operating expenses				
Bad debts written off	203	198	5	16
Directors fees	203	188	203	192
Employee remuneration and benefits	16,284	15,879	2,937	2,415
Loss on disposal of property, plant and equipment	69	6	36	-
Operating lease costs	505	484	-	-
Network maintenance	4,799	3,586	4,799	3,586
Research and development	1,461	1,341	1,461	1,341
Transmission expenses	7,459	7,490	7,459	7,490
Other	12,810	15,910	2,879	2,125
	43,793	45,082	19,779	17,165
5. Remuneration of auditors				
Audit of the financial statements	75	71	45	38
Auditors other assurance services	25	35	5	12
	100	106	50	50
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.				
6. Depreciation, amortisation and impairment				
Depreciation of non-current assets	7,870	7,364	6,661	6,181
Amortisation of non-current assets	344	336	136	113
	8,214	7,700	6,797	6,294
7. Finance expenses				
Interest on deferred settlement	41	61	-	-
Interest expense on loans	47	60	-	-
Realised foreign exchange loss	45	19	-	-
Other interest expense	58	56	14	9
	191	196	14	9

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
8. Income taxes				
Income tax expenses recognised in profit				
Tax expense comprises:				
Current tax expense	659	924	761	767
Adjustments recognised in current year in relation to the current tax of prior years	(554)	(119)	(695)	(119)
Deferred tax expense relating to the origination and reversal of temporary differences	1,053	1,335	1,315	1,482
Total income tax expense recognised in profit	1,158	2,140	1,381	2,130
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit before tax from continuing operations	5,174	5,389	6,636	6,702
Prima facie income tax expense calculated at 30% /33% (2008)	1,552	1,817	1,991	2,211
Non-deductible expenses	160	549	85	-
Non-assessable income	-	(107)	-	38
	1,712	2,259	2,076	2,249
Under/(over) provision of income tax in previous year	(554)	(119)	(695)	(119)
Total income tax expense recognised in profit	1,158	2,140	1,381	2,130
Current tax assets and liabilities				
Current tax asset				
Tax refund receivable	261	1,399	-	807
Current tax liability				
Tax payable	-	-	202	-

Notes to the financial statements continued
For the year ended 31 March 2009

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
8. Income taxes continued				
Consolidated group for the year ended 31 March 2009				
Taxable and deductible temporary differences arise from:				
<i>Deferred tax liabilities</i>				
Property, plant & equipment	28,358	1,087	-	29,445
Intangible assets	20	4	-	24
	28,378	1,091	-	29,469
<i>Deferred tax assets</i>				
Provisions	(920)	(38)	-	(958)
	(920)	(38)	-	(958)
Net deferred tax liability	27,458	1,053	-	28,511

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

<i>Deferred tax liabilities</i>				
Property, plant & equipment	26,835	1,523	-	28,358
Intangible assets	19	1	-	20
	26,854	1,524	-	28,378
<i>Deferred tax assets</i>				
Provisions	(731)	(189)	-	(920)
	(731)	(189)	-	(920)
Net deferred tax liability	26,123	1,335	-	27,458

8. Income taxes continued

Parent entity for the year ended 31 March 2009

Taxable and deductible temporary differences arise from:

Deferred tax liabilities

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
Property, plant & equipment	28,813	1,338	-	30,151
Intangible assets	12	1	-	13
	28,825	1,339	-	30,164

Deferred tax assets

Provisions	(141)	(24)	-	(165)
	(141)	(24)	-	(165)
Net deferred tax liability	28,684	1,315	-	29,999

Parent entity for the year ended 31 March 2008

Taxable and deductible temporary differences arise from:

Deferred tax liabilities

Property, plant & equipment	27,323	1,490	-	28,813
Intangible assets	11	1	-	12
	27,334	1,491	-	28,825

Deferred tax assets

Provisions	(132)	(9)	-	(141)
	(132)	(9)	-	(141)
Net deferred tax liability	27,202	1,482	-	28,684

Notes to the financial statements continued
For the year ended 31 March 2009

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
8. Income taxes continued				
Imputation credit account balances				
Opening balance	15,235	13,535	12,788	11,625
Imputation credits relating to previous periods	9	-	9	-
Taxation (received) / paid	(653)	1,700	(943)	1,040
Attached to dividends received		-	214	123
Closing balance	14,591	15,235	12,068	12,788

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

9. Current trade and other receivables				
Trade receivables	6,228	5,731	2,548	2,237
Related party	-	-	127	77
Amount due from customers under construction contracts	841	849	-	-
GST receivable	-	-	57	53
Interest receivable	9	69	9	69
Other receivables	399	166	368	166
	7,477	6,815	3,109	2,602

Information in respect of concentrations of credit risk within trade receivables is included in Note 31.

Electricity retailers are invoiced on the 12th day of the month of usage with payment due on 20th of that month. This means that by month's end there should be no delivery revenue outstanding. Invoiced amounts are subject to a subsequent wash-up process as outlined under critical judgements, estimates and assumptions in note 1.

Interest is charged on overdue trade receivables where applicable.

Included in the Group's trade receivables are debtors with a carrying amount of \$0.934M (2008: \$1.366M) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts still considered recoverable.

Included in the Parent trade receivables are debtors with a carrying amount of \$0.076M (2008: \$0.076M) which are past due at the reporting date for which the Parent has not provided for as there has not been a significant change in credit quality and the amounts still considered recoverable.

Aging of past due trade receivables

30-60 days	475	725	15	33
60-90 days	115	286	-	3
90+ days	344	355	61	40
	934	1,366	76	76

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
10. Current inventories				
Distribution system and metering items	2,545	2,526	-	-

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

11. Other current assets

Prepayments	458	779	453	768
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	Effective ownership 2009	Effective ownership 2008	Country of incorporation	Year end
12. Group entities				

Investment in subsidiaries

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

Entity name

MainPower Contracting Limited	100%	100%	NZ	31 March
VirCom Energy Management Services Limited	77.4%	77.4%	NZ	31 March

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

Entity name

Electro Services (NZ) Limited	100%	100%	NZ	31 March
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The effective ownership and the voting interests in the above subsidiaries are the same.

Investment in Associates

MainPower New Zealand Limited owns 25% of Hurunui Water Project Limited, a company incorporated in New Zealand.

The carrying value of this investment is \$Nil (2008 : Nil). The group has not recognised its 25% 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. No public price quotation exists for this investment.

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
13. Other non-current financial assets				
At amortised cost				
Interest bearing loans advanced to subsidiaries	-	-	2,310	890
Held to maturity investments	3,119	2,878	3,119	2,878
	3,119	2,878	5,429	3,768

Amounts receivable from related entities

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

Notes to the financial statements continued
For the year ended 31 March 2009

	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
14. Property, plant and equipment					
Consolidated group					
<i>Gross carrying amount</i>					
Balance at 1 April 2007	2,879	3,517	146,715	15,740	168,851
Additions	26	6	12,137	4,039	16,208
Disposals	-	-	-	(114)	(114)
Balance at 31 March 2008	2,905	3,523	158,852	19,665	184,945
Additions	-	7	12,933	2,629	15,569
Disposals	-	-	-	(1,167)	(1,167)
Balance at 31 March 2009	2,905	3,530	171,785	21,127	199,347
<i>Accumulated depreciation, amortisation and impairment</i>					
Balance at 1 April 2007	20	222	16,336	8,192	24,770
Disposals	-	-	-	(75)	(75)
Depreciation expense	22	58	5,713	1,571	7,364
Balance at 31 March 2008	42	280	22,049	9,688	32,059
Disposals	-	-	-	(1,063)	(1,063)
Depreciation expense	22	105	6,160	1,583	7,870
Balance at 31 March 2009	64	385	28,209	10,208	38,866
Net book value at 31 March 2008	2,863	3,243	136,803	9,977	152,886
Net book value at 31 March 2009	2,841	3,145	143,576	10,919	160,481

14. Property, plant and equipment continued

Parent entity

Gross carrying amount

	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
Balance at 1 April 2007	2,879	3,517	149,007	3,928	159,331
Additions	26	6	13,338	2,560	15,930
Disposals	-	-	-	(43)	(43)
Balance at 31 March 2008	2,905	3,523	162,345	6,445	175,218
Additions	-	7	14,088	1,486	15,581
Disposals	-	-	-	(989)	(989)
Balance at 31 March 2009	2,905	3,530	176,433	6,942	189,810

Accumulated depreciation, amortisation and impairment

Balance at 1 April 2007	20	222	16,439	2,476	19,157
Disposals	-	-	-	(35)	(35)
Depreciation expense	22	58	5,769	332	6,181
Balance at 31 March 2008	42	280	22,208	2,773	25,303
Disposals	-	-	-	(956)	(956)
Depreciation expense	22	105	6,214	320	6,661
Balance at 31 March 2009	64	385	28,422	2,137	31,008
Net book value at 31 March 2008	2,863	3,243	140,137	3,672	149,915
Net book value at 31 March 2009	2,841	3,145	148,011	4,805	158,802

Notes to the financial statements continued
For the year ended 31 March 2009

Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
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14. Property, plant and equipment continued

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

Freehold land	1,970	1,992	1,970	1,992
Buildings	1,105	1,203	1,206	1,304
Electricity distribution network	75,537	68,764	81,447	73,573
Plant, equipment, vehicles, furniture and fittings	10,919	9,977	5,002	3,869
	89,531	81,936	89,625	80,738

Revaluations and impairment review

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

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

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

In accordance with NZ IAS 36, the group, has undertaken a review to determine whether the carrying values of any items of property, plant and equipment might be impaired. Based on evidence from asset disposals, the group does not believe that any such carrying values are materially impaired at 31 March 2009 (2008: nil).

	Total \$000
15. Goodwill	
Consolidated group	
<i>Gross carrying amount</i>	
Balance at 1 April 2007	913
Additions	-
Disposals	-
Balance at 31 March 2008	913
Additions	-
Disposals	-
Balance at 31 March 2009	913
<i>Accumulated impairment</i>	
Balance at 1 April 2007	-
Impairment	-
Disposals	-
Balance at 31 March 2008	-
Impairment	-
Disposals	-
Balance at 31 March 2009	-
Net book value at 31 March 2008	913
Net book value at 31 March 2009	913

Notes to the financial statements continued
For the year ended 31 March 2009

	Software \$000	Lease premium \$000	Total \$000
16. Other intangible assets			
Consolidated group			
<i>Gross carrying amount</i>			
Balance at 1 April 2007	1,417	800	2,217
Additions	235	-	235
Disposals	(8)	-	(8)
Balance at 31 March 2008	1,644	800	2,444
Additions	260	-	260
Disposals	(261)	-	(261)
Balance at 31 March 2009	1,643	800	2,443
<i>Accumulated amortisation and impairment</i>			
Balance at 1 April 2007	978	94	1,072
Amortisation expense	256	80	336
Disposals	(7)	-	(7)
Balance at 31 March 2008	1,227	174	1,401
Amortisation expense	264	80	344
Disposals	(258)	-	(258)
Balance at 31 March 2009	1,233	254	1,487
Net book value at 31 March 2008	417	626	1,043
Net book value at 31 March 2009	410	546	956

	Software \$000	Total \$000
16. Other intangible assets <i>continued</i>		
Parent entity		
<i>Gross carrying amount</i>		
Balance at 1 April 2007	962	962
Additions	91	91
Disposals	-	-
Balance at 31 March 2008	1,053	1,053
Additions	123	123
Disposals	(261)	(261)
Balance at 31 March 2009	915	915
<i>Accumulated amortisation and impairment</i>		
Balance at 1 April 2007	743	743
Amortisation expense	113	113
Disposals	-	-
Balance at 31 March 2008	856	856
Amortisation expense	136	136
Disposals	(258)	(258)
Balance at 31 March 2009	734	734
Net book value at 31 March 2008	197	197
Net book value at 31 March 2009	181	181

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

Notes to the financial statements continued
For the year ended 31 March 2009

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
17. Current trade and other payables				
Trade payables	4,851	6,213	3,689	4,241
GST payable	201	142	-	-
Employee entitlements	1,135	1,105	244	196
	6,187	7,460	3,933	4,437

18. Non-current borrowings

Unsecured:

Loans	500	500	-	-
Deferred settlement	189	397	-	-
	689	897	-	-
Less current portion	(689)	(250)	-	-
Non current borrowings	-	647	-	-

Interest bearing debt by the group comprise New Zealand dollar borrowings.

Interest rate on loans is currently 7% - 8.25%.

The deferred settlement is stated at fair value by discounting the future amounts due to their present value using a discount rate of 10.2% pa.

19. Other non-current financial liabilities

At cost:

Redeemable preference (rebate) shares	7	7	7	7
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Redeemable preference (rebate) shares confer special rights to participate in a customer rebate scheme, receive notices, attend and speak, but not vote at any general meetings of the company.

8,349 (2008: 8,709) redeemable preference shares at 10 cents each were redeemed during the year.

20. Non-current provisions

Employee benefits	999	944	257	241
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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 % (2008: 3.00%)
- discount rate 3.76% - 5.52% (2008: 6.35% - 6.95%)

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
21. Share capital				
30,400,000 fully paid ordinary shares	30,400	30,400	30,400	30,400
The ordinary shares rank equally in respect of voting rights, entitlements to dividends and distribution on winding up.				
22. Reserves				
Company establishment reserve:				
Balance at 31 March	6,034	6,034	6,034	6,034
	6,034	6,034	6,034	6,034
The Company establishment reserve represents the difference between the issued and paid up capital and the net assets vested in MainPower New Zealand Limited from the former North Canterbury Electric Power Board.				
23. Retained earnings				
Balance at beginning of financial year:	99,734	96,277	100,394	95,822
Net profit attributable to members of the parent entity	4,221	3,457	5,255	4,572
	103,955	99,734	105,649	100,394
24. Minority interest				
Balance at beginning of financial year:	889	1,097	-	-
Net loss attributable to minority interest	(205)	(208)	-	-
	684	889	-	-

Notes to the financial statements continued
For the year ended 31 March 2009

	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
25. Notes to the cash flow statement				
Reconciliation of profit for the period to net cash flows from operating activities				
Net profit for the year	4,016	3,249	5,255	4,572
Adjustments for				
(Gain)/loss on disposal of property, plant & equipment	69	6	36	-
Depreciation and amortisation of non-current assets	8,214	7,700	6,797	6,294
Interest on deferred settlement	42	60	-	-
Non-current provisions deferred settlement	(250)	-	-	-
Capital contributions	(5,158)	(5,021)	(5,158)	(5,021)
	2,917	2,745	1,675	1,273
Changes in net assets and liabilities				
(Increase)/decrease in current tax balances	1,138	(897)	1,009	(392)
Increase/(decrease) in deferred tax balances	1,053	1,335	1,315	1,482
(Increase)/decrease in assets				
Current receivables	(662)	(122)	(507)	(390)
Current inventories	(19)	(176)	-	-
Other current assets	321	(715)	315	(713)
Increase/(decrease) in liabilities				
Current payables	(1,273)	733	(504)	1,402
Non-current provisions	55	(239)	16	32
	613	(81)	1,644	1,421
Net cash from operating activities	7,546	5,913	8,574	7,266

Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
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26. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2009 (2008: nil).

Operating lease commitments

The minimum value of lease commitments are:

Within one year	174	219	-	-
1 – 2 years	73	136	-	-
2 – 5 years	447	-	-	-

Prudential commitments

At 31 March 2009 the company and group had guarantees (performance bonds) to third parties amounting to \$400,000 (2008: nil).

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 (2008: Nil).

During the periods 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 held directorships. These transactions are carried out on a commercial and arms length basis.

In October 2008, MainPower settled with Tiromoana Station Limited to purchase a parcel of land for the purpose of the development of a wind farm on Mt Cass. Mr W G Cox, Chairman of MainPower New Zealand Limited is also the Chairman of Transwaste Canterbury Limited who are the owners of Tiromoana Station. Mr W G Cox withdrew from all discussions and decisions relating to this acquisition.

An Ordinary Shareholder and Trustee of the MainPower Trust is a Director in a business which has entered into an agreement to grant an easement to MainPower. Payments made to this business during the year were \$33,750 (2008:Nil).

Transactions during the year

Purchases from subsidiaries	11,724	10,482	11,426	9,920
Revenues from subsidiaries	460	317	460	266
Dividends from subsidiaries	566	691	500	250

Outstanding balances as at 31 March

Accounts payable to subsidiaries	1,681	925	1,577	861
Accounts receivable from subsidiaries	31	20	26	20
Work in progress not invoiced by a subsidiary	163	313	163	313
Loans to subsidiaries	3,115	1,320	2,310	890

Notes to the financial statements continued

For the year ended 31 March 2009

27. Related party transactions continued

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

No provisions were made for doubtful debts relating to the amount of outstanding balances and no bad or doubtful debts expense was recognised in relation to related parties during the period.

Other transactions involving related parties

The group paid directors' fees totalling \$203,617 (2008: \$176,233)

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 (2008, all less than \$1,000). There were no significant outstanding balances with key management personnel at the end of the period (2008, nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2009 no transactions occurred between the group and an organisation in which a key management person of the group holds a position of control.

Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
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28. Key management personnel

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

Employee remuneration and benefits	1,141	1,098	833	801
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. Segmental reporting

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

30. Significant events after balance date

There are no events subsequent to balance date that would have or may have a material effect on the operation of MainPower, the results of MainPower's operations or the state of affairs of MainPower.

31. Financial instruments

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

Interest rate risk

Interest rate risk is the risk that the value of the group's assets and liabilities will fluctuate due to changes in market interest rates. The group has interest bearing debt which is subject to interest rate variations in the market.

Foreign currency risk

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

Liquidity risk

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

Market risk

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

Concentration of credit risk

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

The group manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all customers requiring credit wherever possible, and continuously monitoring the outstanding credit exposure to individual customers. The group does not generally require or hold collateral against credit risk.

The level of credit risk in respect of accounts receivable is influenced by the small number of major electricity retailers conveying electricity across MainPower's distribution system. There is a concentration of credit risk in respect of the amount owned by Contact Energy Limited which represents 29% (2008 – 21%) of the group's trade receivables, while Advanced Metering Services Limited is 11% (2008 - Nil).

MainPower places its cash and investments with financial institutions who have a Standard and Poors credit rating of A- or better and local authorities and also limits the amount of credit exposure to any one financial institution.

The carrying value is the maximum exposure to credit risk for cash and cash equivalents, accounts receivable and investments.

31. Financial instruments continued

Capital management

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

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

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

Sensitivity analysis

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

At 31 March 2009 it is estimated that a general increase of one percentage point in interest rates would increase the group's profit before income tax by approximately \$36,000 (2008: \$66,072).

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies with respect to MainPower's contractual obligations would have decreased the group's profit before income tax by less than \$10,000 for the year ended 31 March 2009 (2008: less than \$10,000).

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

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

	Notes	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000
31. Financial instruments <i>continued</i>				
Categories of financial instruments				
Consolidated group as at 31 March 2009				
Current assets				
Cash and cash equivalents		1,256	-	1,256
Trade and other receivables	9	7,477	-	7,477
Current tax asset	8	261	-	261
		<u>8,994</u>	<u>-</u>	<u>8,994</u>
Non-current assets				
Other financial assets	13	-	3,119	3,119
		<u>-</u>	<u>3,119</u>	<u>3,119</u>
Total financial assets		<u>8,994</u>	<u>3,119</u>	<u>12,113</u>
Current liabilities				
Trade and other payables	17	-	6,187	6,187
Borrowings	18	-	689	689
		<u>-</u>	<u>6,876</u>	<u>6,876</u>
Non-current liabilities				
Borrowings	18	-	-	-
Other financial liabilities	19	-	7	7
Provisions	20	-	999	999
		<u>-</u>	<u>1,006</u>	<u>1,006</u>
Total financial liabilities		<u>-</u>	<u>7,882</u>	<u>7,882</u>
Consolidated group as at 31 March 2008				
Current assets				
Cash and cash equivalents		4,584	-	4,584
Trade and other receivables	9	6,815	-	6,815
Current tax asset	8	1,399	-	1,399
		<u>12,798</u>	<u>-</u>	<u>12,798</u>
Non-current assets				
Other financial assets	13	-	2,878	2,878
		<u>-</u>	<u>2,878</u>	<u>2,878</u>
Total financial assets		<u>12,798</u>	<u>2,878</u>	<u>15,676</u>
Current liabilities				
Trade and other payables	17	-	7,460	7,460
Borrowings	18	-	250	250
		<u>-</u>	<u>7,710</u>	<u>7,710</u>
Non-current liabilities				
Borrowings	18	-	647	647
Other financial liabilities	19	-	7	7
Provisions	20	-	944	944
		<u>-</u>	<u>1,598</u>	<u>1,598</u>
Total financial liabilities		<u>-</u>	<u>9,308</u>	<u>9,308</u>

Notes to the financial statements continued
For the year ended 31 March 2009

	Notes	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000
31. Financial instruments continued				
Categories of financial instruments				
Parent entity as at 31 March 2009				
Current assets				
Cash and cash equivalents		653	-	653
Trade and other receivables	9	3,109	-	3,109
Current tax asset	8	-	-	-
		<u>3,762</u>	<u>-</u>	<u>3,762</u>
Non-current assets				
Other financial assets	13	-	5,429	5,429
		<u>-</u>	<u>5,429</u>	<u>5,429</u>
Total financial assets		<u>3,762</u>	<u>5,429</u>	<u>9,191</u>
Current liabilities				
Trade and other payables	17	-	3,933	3,933
Current tax liability		-	202	202
		<u>-</u>	<u>4,135</u>	<u>4,135</u>
Non-current liabilities				
Other financial liabilities	19	-	7	7
Provisions	20	-	257	257
		<u>-</u>	<u>264</u>	<u>264</u>
Total financial liabilities		<u>-</u>	<u>4,399</u>	<u>4,399</u>
Parent entity as at 31 March 2008				
Current assets				
Cash and cash equivalents		4,286	-	4,286
Trade and other receivables	9	2,602	-	2,602
Current tax asset	8	807	-	807
		<u>7,695</u>	<u>-</u>	<u>7,695</u>
Non-current assets				
Other financial assets	13	-	3,768	3,768
		<u>-</u>	<u>3,768</u>	<u>3,768</u>
Total financial assets		<u>7,695</u>	<u>3,768</u>	<u>11,463</u>
Current liabilities				
Trade and other payables	17	-	4,437	4,437
Non-current liabilities				
Other financial liabilities	19	-	7	7
Provisions	20	-	241	241
		<u>-</u>	<u>248</u>	<u>248</u>
Total financial liabilities		<u>-</u>	<u>4,685</u>	<u>4,685</u>

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates \$000	Non-interest bearing \$000	Total \$000
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31. Financial instruments *continued*

Maturity profile of financial instruments

Consolidated group as at 31 March 2009

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

Financial assets

Cash and cash equivalents	3.00%	1,085	-	171	1,256
Trade and other receivables		-	-	7,477	7,477
Other financial assets	3.37%	1,900	1,219	-	3,119
Current tax asset		-	-	261	261
		2,985	1,219	7,909	12,113

Financial liabilities

Trade and other payables		-	-	6,187	6,187
Borrowings	7.00%	500	-	189	689
Other financial liabilities		-	-	7	7
Provisions		-	-	999	999
		500	-	7,382	7,882

An analysis of the contractual maturity dates is as follows:

Financial assets:

Less than 1 year	2,985	1,219	7,909	12,113
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
5 years	-	-	-	-
	2,985	1,219	7,909	12,113

Financial liabilities:

Less than 1 year	500	-	6,358	6,858
1 – 2 years	-	-	38	38
2 – 5 years	-	-	114	114
5 years	-	-	872	872
	500	-	7,382	7,882

Notes to the financial statements continued
For the year ended 31 March 2009

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates \$000	Non-interest bearing \$000	Total \$000
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31. Financial instruments continued

Maturity profile of financial instruments

Consolidated group as at 31 March 2008

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

Financial assets

Cash and cash equivalents	8.16%	978	3,218	388	4,584
Trade and other receivables		-	-	6,815	6,815
Other financial assets	8.22%	389	2,489	-	2,878
Current tax asset		-	-	1,399	1,399
		1,367	5,707	8,602	15,676

Financial liabilities

Trade and other payables		-	-	7,460	7,460
Borrowings	5.00%	500	-	397	897
Other financial liabilities		-	-	7	7
Provisions		-	-	944	944
		500	-	8,808	9,308

An analysis of the contractual maturity dates is as follows:

Financial assets:

Less than 1 year	1,367	5,707	8,602	15,676
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
5 years	-	-	-	-
	1,367	5,707	8,602	15,676

Financial liabilities:

Less than 1 year	500	-	7,864	8,364
1 – 2 years	-	-	-	-
2 – 5 years	-	-	91	91
5 years	-	-	853	853
	500	-	8,808	9,308

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates \$000	Non-interest bearing \$000	Total \$000
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31. Financial instruments *continued*

Maturity profile of financial instruments

Parent entity as at 31 March 2009

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

Financial assets

Cash and cash equivalents	3.00%	482	-	171	653
Trade and other receivables		-	-	3,109	3,109
Other financial assets	3.00%	-	3,119	-	3,119
Related party loans	8.25%	-	2,310	-	2,310
Current tax asset		-	-	-	-
		482	5,429	3,280	9,191

Financial liabilities

Trade and other payables				3,933	3,933
Current tax liabilities				202	202
Other financial liabilities				7	7
Provisions				257	257
				4,399	4,399

An analysis of the contractual maturity dates is as follows:

Financial assets:

Less than 1 year	482	3,119	3,280	6,881
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
5 years	-	2,310	-	2,310
	482	5,429	3,280	9,191

Financial liabilities:

Less than 1 year			4,142	4,142
1 – 2 years			-	-
2 – 5 years			-	-
5 years			257	257
			4,399	4,399

Notes to the financial statements continued
For the year ended 31 March 2009

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates \$000	Non-interest bearing \$000	Total \$000
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31. Financial instruments continued

Maturity profile of financial instruments

Parent entity as at 31 March 2008

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

Financial assets

Cash and cash equivalents	8.16%	1,068	3,218	-	4,286
Trade and other receivables		-	-	2,602	2,602
Other financial assets	8.22%	389	2,489	-	2,878
Related party loans	8.25%	-	890	-	890
Current tax asset		-	-	807	807
		1,457	6,597	3,409	11,463

Financial liabilities

Trade and other payables				4,437	4,437
Other financial liabilities				7	7
Provisions				241	241
				4,685	4,685

An analysis of the fixed maturity dates is as follows:

Financial assets:

Less than 1 year	1,457	5,707	3,409	10,573
1 – 2 years	-	-	-	-
2 – 5 years	-	-	-	-
5 years	-	890	-	890
	1,457	6,597	3,409	11,463

Financial liabilities:

Less than 1 year			4,444	4,444
1 – 2 years			-	-
2 – 5 years			-	-
5 years			241	241
			4,685	4,685

AUDIT REPORT TO THE SHAREHOLDERS OF MAINPOWER NEW ZEALAND LIMITED

We have audited the financial statements on pages 6 to 44. The financial statements provide information about the past financial performance and financial position of Mainpower New Zealand Limited and Group as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 12 to 19.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) 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' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of Mainpower New Zealand Limited and Group as at 31 March 2009 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

Other than in our capacity as auditor and the provision of electricity disclosure compliance audit services, we have no relationship with or interests in Mainpower New Zealand Limited or any of its subsidiaries.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by MainPower New Zealand Limited as far as appears from our examination of those records; and
- the financial statements on pages 6 to 44:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the financial position of MainPower New Zealand Limited and Group as at 31 March 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 29 June 2009 and our unqualified opinion is expressed as at that date.



Chartered Accountants
CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of MainPower New Zealand Limited for the year ended 31 March 2009 included on MainPower New Zealand Limited's website. The Board of Directors is responsible for the maintenance and integrity of MainPower New Zealand's website. We have not been engaged to report on the integrity of MainPower New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 29 June 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATUTORY INFORMATION

Directors' remuneration

The Company's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. Non-executive Directors do not receive any performance related remuneration.

Details of the nature and the amount of each major element of the emoluments of each Director of the Company and the subsidiaries are:

Name	Position	Fees \$	Salary \$	Total \$
MAINPOWER NEW ZEALAND LIMITED				
W G Cox	Chairman	59,500	-	59,500
P A Cox	Director	38,200	-	38,200
T Burt	Director	17,667	-	17,667
J A Hoban	Director	30,167	-	30,167
A C King	Director	38,958	-	38,958
S P Lewis	Director	19,125	-	19,125
A Berge	Managing Director *	-	307,566	307,566
		<u>203,617</u>	<u>307,566</u>	<u>511,183</u>

* The Managing Director also receives the use of a Company motor vehicle.

Directors' remuneration continued

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

MainPower executives appointed to the boards of related companies do not receive directors' fees personally.

Directors' insurance

During the year MainPower paid insurance premiums for all Directors of the MainPower Group in respect of liability and costs permitted to be insured under Clause 31 of the Company's Constitution and in accordance with section 162 of the Companies Act 1993.

In accordance with Clause 31, MainPower has agreed to indemnify the Directors against all costs and expenses incurred in defending any action falling within the scope of the indemnity.

Loans to directors

There were no loans made to directors.

Directors use of company information

During the year the Company received no notices from Directors of MainPower requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Statutory information continued

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 2009.

Director	Company	Position
W G Cox	Advanced Business Education Limited	Director
	Elastomer Products Limited	Director
	Transwaste Canterbury Limited	Director
	Talbot Plastics Limited	Director
	Barlow Bros Limited	Director
	4D Steel Detailing Limited	Director (Resigned 28.02.09)
	Coolpak Coolstores Limited	Director
	Independent Fisheries Limited	Director
Vbase Limited	Director	
P A Cox	J J Angerstein and Associates Limited	Director
	House of Travel Holdings Limited	Director
	J Ballantyne and Company Limited	Director
	Syft Technologies Limited	Director (Resigned 24.09.08)
	Duncan Cotterill	Board Member
A Berge	MainPower Contracting Limited	Director
	Electro Services (NZ) Limited	Director
	Vircom Energy Management Services Limited	Director
	Selwyn Plantation Board Limited	Director
	Hurunui Water Project Limited	Director
T Burt	Hossock Station Limited	Director
	Canterbury Fresh Limited	Director
	Breakaway Investments Limited	Director
	Lyttelton Port Company Limited	Director
	Beachheads NZ Advisory Board	Member
	Ngai Tahu Holdings Corporation Limited	Interim Chief Executive
	Landpower Limited	Director
J A Hoban	The Order of St John	Trustee
	MainPower Trust	Trustee (Resigned 12.03.09)
A C King	Option One Limited	Director
	City Care Limited	Director
S P Lewis	Electricity and Gas Disputes Resolution Service	Director
	Community Energy Action	Trustee

Group employee remuneration

The number of employees (not being Directors) whose remuneration and other benefits were within the bands specified in section 211(1)(g) of the Companies Act 1993 is as follows:

Remuneration \$000's	No. of current and former employees
100 - 110	1
110 - 120	-
120 - 130	1
130 - 140	1
140 - 150	-
150 - 160	2
160 - 170	1
170 - 180	3

A number of Executive employees also receive the use of a Company motor vehicle.

CORPORATE GOVERNANCE STATEMENT

1. Role of the Board

The Board is responsible for the overall corporate governance of MainPower. The Board guides and monitors the business and affairs of MainPower on behalf of both the Ordinary Shareholder, the MainPower Trust, to whom it is primarily accountable and the Preference Shareholders of the Company, ie, the Qualifying Customers in the region.

The Board's primary objective is to satisfy the shareholder's wish of enhancing shareholder value through a commitment to financial performance, customer service and regional prosperity. Financial performance is measured in terms of financial return while customer service is measured by 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 meet the expectations of shareholders, as well as other legislative and ethical expectations and obligations. In addition, the Board ensures areas of significant business risk are identified by management and that arrangements are in place to adequately manage these risks.

To this end the Board will:

- set the strategic direction of the Company and Group in consultation with management, having particular regard to rate of return expectations, financial policy and the review of performance against strategic objectives;
- maintain an understanding of the electricity industry, and continue to monitor industry reform, security of supply, industry governance and Government intervention in order to identify the impact on MainPower's business;
- monitor and understand the expectations and needs of the growing North Canterbury and Kaikoura communities;
- remain informed about Company affairs in order to exercise judgement about management and its procedures;
- identify risks and manage those risks by ensuring that the Company has implemented comprehensive systems of internal control together with appropriate monitoring of compliance activities;
- approve and foster a corporate culture which requires management and every employee to demonstrate the highest level of ethical behaviour;
- appoint, review the performance of, and set the remuneration of, the Managing Director;
- approve transactions relating to acquisitions and divestment, and capital expenditure above delegated authorities;
- approve operating and development budgets, review performance against these budgets, and monitor corrective actions by management;
- ensure the preparation of the Statement of Corporate Intent, Interim and Annual Reports;
- enhance relationship with all stakeholders.

3. Delegation

The Board delegates the day-to-day responsibility for the operation and administration of MainPower, including management of human resources and implementation of the risk management strategy set by the Board, to the Managing Director.

The Managing Director is responsible for ensuring MainPower achieves its business objectives and values. The Board ensures that the Managing Director, and through him, the senior management are appropriately qualified, experienced and remunerated to discharge their responsibilities.

4. Codes and Standards

All Directors, executives and staff of MainPower New Zealand Limited are expected to act with integrity and to promote and enhance the Company's reputation with its various stakeholders. Behavioural standards and accountabilities, the use of confidential information, trade practices, health, safety and environmental management are set out in a range of formal codes, policies and procedures. These are subject to regular independent review to ensure they remain current and appropriate.

5. Conflicts of Interest

All Directors and senior managers are required to disclose any specific or general interests which could be in conflict with their obligations to MainPower New Zealand Limited and its subsidiaries.

6. Board Review

The Board will periodically undertake a self-assessment of its performance. The result of this review will be made available to the MainPower Trust.

7. Company Constitution

The Company's Constitution sets out policies and procedures on the operations of the Board, including the appointment and removal of Directors. The Constitution specifies that the number of Directors will not at any time be more than eight nor less than four, and that one-third of the Directors, other than the Managing Director will retire by rotation each year.

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

The Directors of the Company currently in office are:

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Managing Director
Trevor Burt	Director
Anthony Charles King	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 strategic direction, financial performance and compliance of the Company and its subsidiaries. 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 four standing committees. They provide guidance and assistance to the Board with overseeing certain aspects of the Board's corporate governance. Each standing committee is empowered to seek any information it requires and to obtain independent legal or other professional advice if it is considered necessary.

9.1 Audit Committee

The Audit Committee operates under a comprehensive Charter, which outlines the Audit Committee's authority, membership, responsibilities and activities and which is approved by the Board. The Charter is reviewed annually against best practice and emerging trends. The Audit Committee's primary role is to review MainPower's Financial Statements and related announcements and to liaise with the external auditor on external and internal audit matters on behalf of the Board.

The activities of the Audit Committee are reported annually. The Audit Committee invites the Managing Director, Finance Manager and the external auditor to be in attendance at meetings of the Committee from time to time in accordance with the Audit Committee Charter. The Audit Committee also monitors the independence of the auditor, and approves and reviews those services provided by the auditor other than in their statutory audit role. In addition, the auditor provides a quarterly certificate to the Audit Committee of any non-statutory audit service provided to the MainPower Group.

Current membership of the Audit Committee Mr P A Cox, Chairman, Mr W G Cox and Mr T Burt.

Following meetings of the Committee, the Chairman reports all findings and recommendations to the Board.

9.2 Remuneration Committee

The Remuneration Committee's primary role is to advise the Board on performance reviews, remuneration policies and practices and to make recommendations on remuneration packages and other terms of employment for non executive directors, executive directors and senior executives which fairly reward individual performance in relation to their contribution to the Company's overall performance.

Two Non-Executive Directors are appointed to the Remuneration Committee on an annual basis.

In order to retain and attract Directors and Executives of sufficient calibre to facilitate the efficient and effective governance and management of the Company's operations, the Remuneration Committee seeks advice of external advisors on remuneration practices.

Current membership of the Remuneration Committee Mr W G Cox, Chairman, and Mr T Burt.

9.3 Generation Development Committee

The Generation Development Committee's primary role is to assist, guide and facilitate the implementation of the Company's generation strategy. Current membership of the Generation Development Committee is Mr T King, Chairman, and Mr S Lewis.

9.4 Community Relationships Committee

The Community Relationships Committee's primary role is to advise the Board on matters and issues affecting and impacting upon the Community. Current membership of the Committee is Mrs J A Hoban, Chairperson.

10. Risk Management

The Board puts considerable emphasis on risk management, given the critical nature of this aspect to the Company's operations, and continually monitors the operational and financial aspects of the Company's activities and the Company's exposure to risk. "Risk Management and Compliance" is a permanent item on the Agenda of the monthly meeting of Directors.

An annual review of the level and appropriateness of the Company's insurance cover and a six monthly report by management addressing all areas of statutory compliance, supports the Board's risk management process.

To fulfil its responsibility, management maintains appropriate accounting records and systems of internal control.

MainPower has developed a comprehensive Business Continuity Plan. This Plan details the criteria and guidelines to apply to cope with a number of crisis scenarios. The Company actively participates with Civil Defence and other relevant agencies in order to test the Plan for effectiveness.

11. Non Executive Directors' Fees

Fees for non executive directors are based on the nature of their work and responsibilities. Independent professional advice on the level and structure of non executive directors' fees, is made available to the Board on an annual basis. Any recommendation made to shareholders at the Annual Meeting on a change in directors' fees is in accordance with this independent advice.

12. The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Each year, a Statement of Corporate Intent is developed between the Board and the MainPower Trust. This Statement details the Company's intent with respect to:

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

Information is also communicated to shareholders in the Annual Report, the Interim Report and at regular formal and informal meetings with the MainPower Trust. The Board encourages full participation of all shareholders at the Annual Meeting.

The Statement of Corporate Intent is the subject of a joint Board and Trustee Workshop prior to its adoption.

13. Customers

During the last few years MainPower has developed and expanded its relationship with its customers through 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.

PERFORMANCE STATEMENT - MAINPOWER GROUP

Financial

Year Ending 31 March	Target 2010 \$000	Actual 2009 \$000	Target 2009 \$000	2008 \$000	Actual		
					2007 \$000	2006 \$000	2005 \$000
Financial Performance							
Operating Revenue	62,759	65,033	70,672	65,645	61,488	56,233	51,977
Profit before Tax and after Rebates	3,538	5,174	6,966	5,389	5,094	8,113	6,545
Taxation	(1,512)	(1,158)	(2,193)	(2,140)	910	(2,332)	(1,697)
Profit for the year	2,026	4,016	4,773	3,249	6,004	5,781	4,848
Rebates credited to Qualifying Customers Power Accounts	7,826	7,561	7,521	7,172	6,669	7,093	7,171
Total Maintenance Expenditure	4,285	4,799	4,203	3,586	3,832	2,563	3,287
Total Capital Development Expenditure	16,028	15,829	14,961	13,338	10,662	12,570	8,727
Financial Position							
Current Assets	644	11,997	4,554	16,103	19,838	20,055	22,780
Non Current Assets	172,691	165,469	168,418	157,720	148,807	144,081	133,527
Total Assets	173,335	177,466	172,972	173,823	168,645	164,136	156,307
Liabilities	30,416	36,393	29,628	36,766	34,837	8,128	6,079
Net Assets	142,919	141,073	143,344	137,057	133,808	156,008	150,228
Share Capital	30,408	30,400	30,408	30,400	30,400	30,404	30,405
Reserves and Minority Interests	112,511	110,673	112,936	106,657	103,408	125,604	119,823
Equity	142,919	141,073	143,344	137,057	133,808	156,008	150,228
Financial Ratios							
MainPower Group							
	%	%	%	%	%	%	%
Profit before Tax/Net Assets	2.39	3.72	4.94	3.98	3.76	5.30	4.75
Profit After Tax/Total Assets	1.18	2.29	2.81	1.90	3.51	3.61	3.38
Profit after Tax/Equity	1.43	2.89	3.39	2.40	4.43	3.78	3.50
Lines Business							
	Forecast 2009						
Return on Funds	4.08	5.63	4.80	5.91	3.87	5.27	4.09
Return On Equity	3.19	5.17	3.57	4.18	3.27	4.16	3.36
Return on Investments	2.63	4.11	3.53	4.16	3.27	4.16	3.32

Financial information for the 2007 financial year has been restated to reflect the adoption of NZ IFRS, however years prior to 2007 have not been restated. Actual Financial Performance for 2010, 2009 and 2008 has been prepared under NZ IFRS.

Customer Services and Statistics

Year Ending 31 March

	Target 2010 \$000	Actual 2009 \$000	Target 2009 \$000	2008 \$000	Actual			2005 \$000
					2007 \$000	2006 \$000		
Quality of Supply								
SAIDI - Average Minutes Customer is without Power during year	103.00	146.25	103.00	110.67	236.54	109.17		115.57
SAIFI - Average Supply Interruptions per Customer during year	1.11	1.33	1.11	1.26	2.27	1.84		1.17
Unplanned Faults per 100 Kms during year	2.08	2.38	2.28	2.40	5.56	2.92		1.66
Statistics								
Lines Business								
Total Line Service Customers (Number)	34,245	33,248	33,365	32,545	31,666	30,671		30,283
Gigawatt hours Purchased (GWh)	554.50	537.67	541.01	520.33	491.66	485.54		475.50
Gigawatt hours Sold (GWh)	523.57	509.15	511.95	492.23	466.52	460.73		449.60
Electricity Loss Ratio (%)	5.58	5.31	5.37	5.40	5.11	5.11		5.45
Network Maximum Demand (MW)	94.00	91.00	88.33	86.38	84.74	79.58		76.62
Load Factor (%)	70.40	70.40	69.92	68.76	66.24	69.65		70.84
Transformer Capacity (kW)	395.00	380.00	390.00	374.30	360.55	355.90		335.70
Transformer Capacity Utilisation Factor (%)	22.65	22.65	22.65	23.08	23.50	22.36		22.82
Circuit Length Lines (kms)	4,580	4,546	4,556	4,526	4,477	4,420		4,178
Efficiency Performance								
	\$	\$	\$	\$	\$	\$		\$
Direct Line Cost per Kilometer of Line (\$)	1,178	1,287	1,161	986	1,087	799		988
Indirect Line Cost per Customer (\$)	104	119	112	95	71	72		73
MainPower Group								
Number of Employees	245	248	271	265	255	255		201
Number of Work Related Accidents resulting in Lost Time	Zero	18	Zero	12	8	19		9
Total Number of Lost Days as a result of Work Related Accidents	Zero	132	Zero	293	202	291		42
	\$000	\$000	\$000	\$000	\$000	\$000		\$000
Total Employee Salaries and Wages	14,162	16,470	15,152	15,592	13,787	12,283		10,107
Total ACC Levies Paid	291	218	258	215	210	145		122
Total Local Body Rates Paid	166	164	149	142	127	122		139
Total Employee Superannuation Subsidy	489	286	475	296	305	297		261



