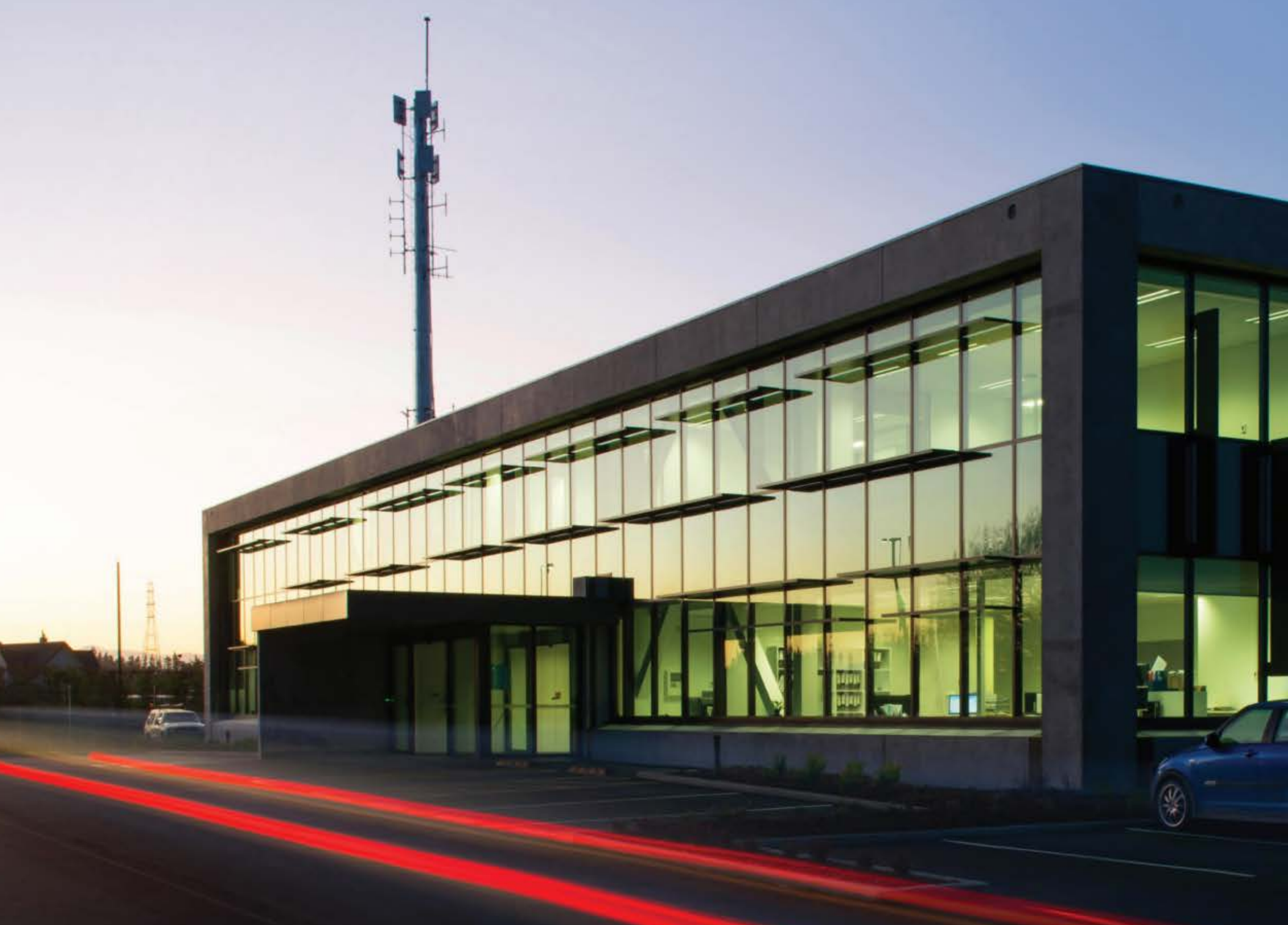
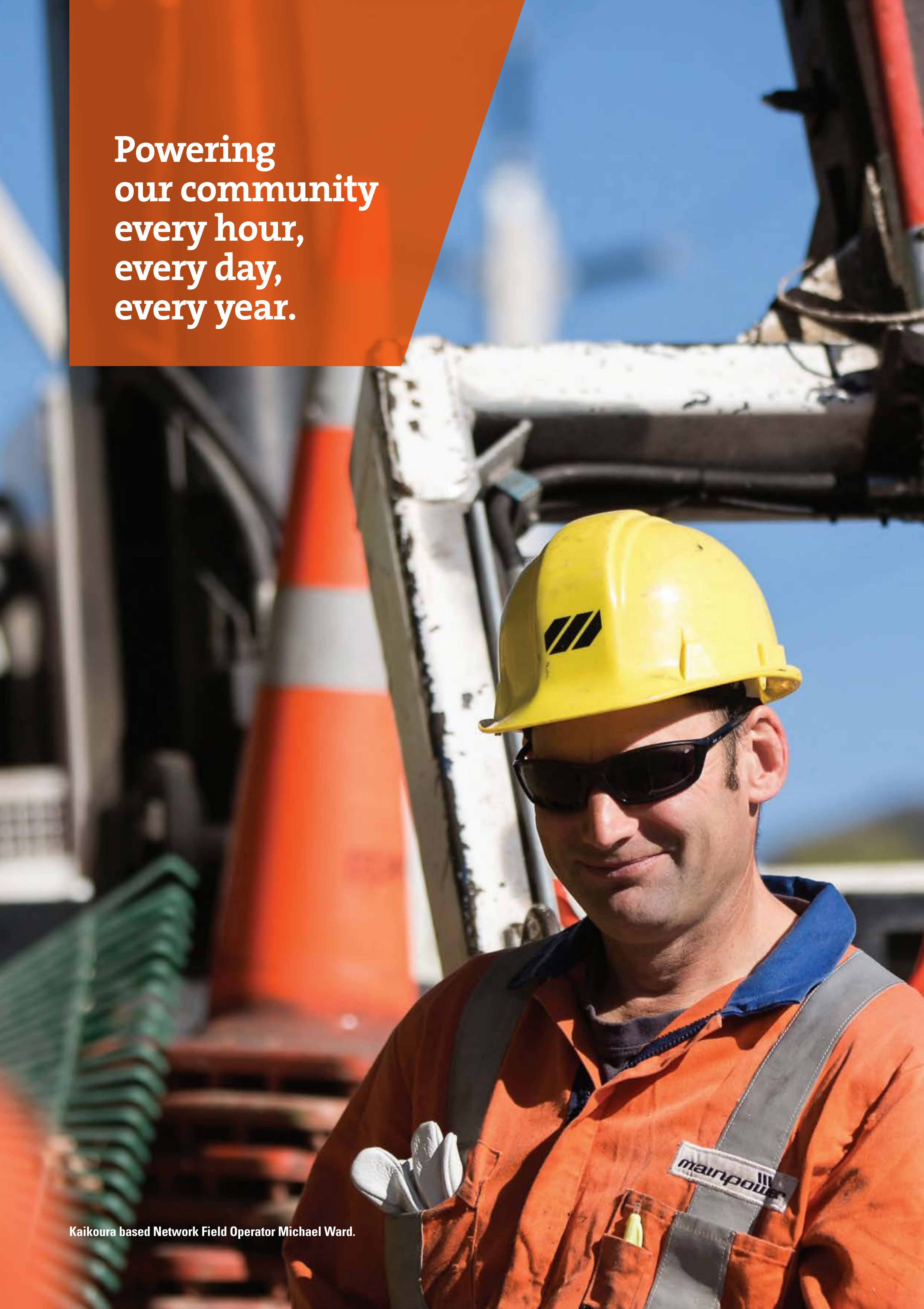
mainpower
THE POWER TO MAKE IT HAPPEN



MainPower Financial Report 2014

MainPower New Zealand Limited

Powering our community every hour, every day, every year.



Kaikoura based Network Field Operator Michael Ward.

FINANCIAL REPORT 2014

Front cover: MainPower's new premises at Southbrook Business Park.

DIRECTORY

DIRECTORS

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

SENIOR MANAGEMENT

Allan Berge	Managing Director
Dayle Parris	Safety, Health, Environment & Quality Manager
Sandra O'Donohue	Human Resources Manager
Warren Wright	Group Finance Manager
Wayne Lapslie	Corporate Services Manager
Peter Hurford	Engineering Manager
Andrew Hurley	Generation Manager
Craig Shepherd	Chief Executive Officer VirCom Energy Management Services Limited

REGISTERED OFFICE

172 Fernside Road, PO 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
172 Fernside Road, Rangiora. PO Box 346, Rangiora 7440
Telephone 03 311 8300, Facsimile 03 311 8301
www.mainpower.co.nz

DIRECTORS' REPORT

The Directors of MainPower New Zealand Limited ("MainPower") have pleasure in presenting the Annual Report for MainPower and its subsidiaries; VirCom Energy Management Services Limited and Electro Services NZ Limited for the financial year ended 31 March 2014.

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 Group for that financial year.

The Directors consider that in preparing the Group and Company financial statements, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and all relevant financial reporting standards have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The Directors have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company, to ensure compliance with all statutory and regulatory requirements and to prevent and detect fraud and other irregularities.

Principal Activities of the Group

MainPower was established in accordance with the requirements of the Energy Companies Act 1992 and the Companies Act 1993. The Company owns and manages the electricity distribution network throughout the North Canterbury and Kaikoura regions.

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

Electro Services NZ Limited was a power system and electrical contractor based in Richmond, Nelson providing power system reticulation, industrial electrical service installations, workshop services and generator sales and hire. At 31 March 2010 the business and assets of Electro Services NZ Limited were sold to Buller Electricity Limited and the company's operations are currently being wound up.

Directors holding office during the year

Wynton Gill Cox	Chairman
Peter Antony Cox	Deputy Chairman
Allan Berge	Managing Director
Judith Anne Hoban	Director
Trevor Burt	Director
Stephen Paul Lewis	Director
Anthony Charles King	Director (Resigned August 2013)

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 $8.447M for the 2013-2014 financial year. The Directors of the Company have approved the payment of rebates for the 2014-2015 financial year of $8.403M.

Chairman and Managing Director's Report - Year in Review

"We are delighted to comment on what has been a period of stellar achievement by the Company. Without doubt the highlight has been the relocation of MainPower's entire Rangiora operation to a purpose-built facility at Southbrook."

The achievements of the Company during this past period were evidenced in a number of areas; viz-

Financial Performance

The Company's operating profit before Qualifying Customer Rebates and tax totalled $17.716 million; cash generated from operations totalled $20.252 million.

Qualifying Customer rebates credited during the year totalled $8.447 million - a record level 'payout' by the Company back to its customers.

Network Performance and Investment

A record 560 million units of electricity were distributed across MainPower's electricity distribution network during the year ended 31 March 2014.

MainPower completed a further $14.652 million of new network investment during the year in order to support the unprecedented growth occurring in both urban and rural activity in the region.

Community Support

The level of community support provided by the Company in the past year totalled $313,500. It compares to $304,000 in the previous year. Our community support focussed on youth programmes - $141,100 and on the promotion of energy efficiency for homes and businesses - $81,200.

Health and Safety

MainPower continues to invest heavily in health and safety management and performance for both our staff and our community. It is pleasing to note that the improvements achieved in recent years have continued. Continual improvement in health and safety is however challenging - and is in fact a journey without end. While current performance in the area of health and safety is the best it has been for several decades, management and the Board are committed to further gains in this area, as we strive toward the goal of 'zero harm'.

Relocation to Southbrook

While not occurring strictly in the 2013-2014 reporting period covered by this Annual Review, in June 2014 MainPower relocated its entire Rangiora operations to new purpose-built facilities at Southbrook Business Park. This follows three years of operating out of temporary accommodation following the 2011 Canterbury earthquakes when we became aware that the High Street, Rangiora head office building met only 10% of the required building code.

As a result of the decision to relocate, both the Rangiora High Street and Keir Street sites have been sold - proceeds being used to partly fund the new facilities at Southbrook. The total cost of the new facilities, net of the sale proceeds of High Street and Keir Street, is $13.807 million. This has been funded by way of borrowings, thereby spreading the impact over current and future generations of customers and shareholders. The relocation provides for future proofing of MainPower's operations as well as providing a valuable resource for our North Canterbury community in the inevitable emergency events that will confront us in the future.

VirCom EMS

While considerable variability continues in VirCom's business of electricity meter installation and management throughout New Zealand, it is pleasing to report that VirCom has again performed beyond expectations - a reflection of the management skill and effort that has been directed to this area of the MainPower Group operations.

Rural Development

A significant driver of the rural economic development critical to the continued prosperity of our region is water and water management. MainPower, as the second largest shareholder, remains actively involved in the governance of Hurunui Water Project Limited. This company is in the process of developing an irrigation scheme in the Hurunui district which has the potential to irrigate up to 50,000 hectares of land.

Renewable Generation

MainPower continues to pursue renewable generation where it can demonstrate an economic benefit to the Company's core electricity network business. A small number of exciting projects are currently being investigated.

The proposed Mt Cass wind farm site continues to be monitored as required under the resource consent conditions, pending decisions regarding the further progression of this project.

MainPower, in its capacity of providing the transmission line, is also playing a major role with regard to the landfill gas to electricity project currently being progressed at the Kate Valley landfill.

With the changing landscape for both electricity demand and supply, MainPower is adopting an active but cautious stance in relation to generation investment, and will carefully evaluate opportunities to ensure that there is a high level of confidence that opportunities pursued will provide an appropriate level of benefit for the Company, its shareholders and the community.

Acknowledgements

The Company appreciates the active and continuing support of its ordinary shareholder - the MainPower Trust, and its preference shareholders and consumers. It is the confidence in this support that allows the Company to continue to fulfil such an active and important role in the economic and social development of our region.

The Board of MainPower also appreciates and congratulates all of the staff in the MainPower Group for their efforts and skill that have, in aggregate, delivered the stellar year that this Review comments upon.

Financial Results

Results for the year ended 31 March excluding Discontinued Operations	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Profit Before Tax and After Rebates	9,269	11,405	8,168	10,526
Taxation	1,891	3,111	1,513	2,868
Profit for the year	**7,378**	**8,294**	**6,655**	**7,658**
Equity				
Share Capital	56,774	56,774	56,774	56,774
Reserves	150,145	142,130	151,411	143,909
Shareholder's interest	206,919	198,904	208,185	200,683
Minority interest	1,138	987	-	-
Total equity	**208,057**	**199,891**	**208,185**	**200,683**

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.

On behalf of the Board

W G Cox

Chairman of Directors
MainPower New Zealand Limited

A Berge

Group Managing Director
MainPower New Zealand Limited

MAINPOWER BOARD

Gill Cox
Chairman

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

Other directorships: Elastomer Products Limited, Transwaste Canterbury Limited, Talbot Technologies Limited, Barlow Bros Limited, Coolpak Coolstores Limited, Independent Fisheries Limited, New Zealand Transport Agency Limited, Canterbury Museum Trust Board, Connell Contractors South Limited, Ngai Tahu Farming Limited.

Peter Cox
Deputy Chairman

Peter Cox has been a Director of MainPower since November 1989. He is Deputy Chairman of the Board and is Chairman of the Board's Audit Committee. Peter is a company director and business consultant based in Christchurch.

Other directorships: J J Angerstein and Associates Limited, House of Travel Holdings Limited, J Ballantyne and Company Limited, International Motor Inn Limited, Commodore Airport Hotel Limited. Board Member, Duncan Cotterill.

Allan Berge
Managing Director

Allan Berge 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 Group Managing Director following corporatisation in 1993.

Other directorships: VirCom Energy Management Services Limited, Electro Services NZ Limited, Tasman Electrical Limited, Hurunui Water Project Limited.

Trevor Burt
Director

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

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

Judith Hoban
Director

Judith Hoban was appointed to the Board of MainPower in December 2005 and is the Chairperson of the Community Leadership Group. 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. In 2013 Judith was appointed Dame Grand Cross of the Order of St John.

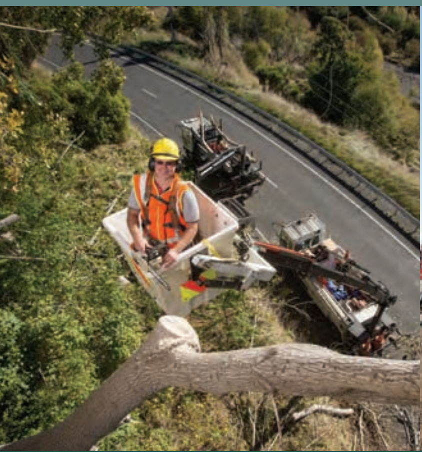
Other directorships: The Order of St John.

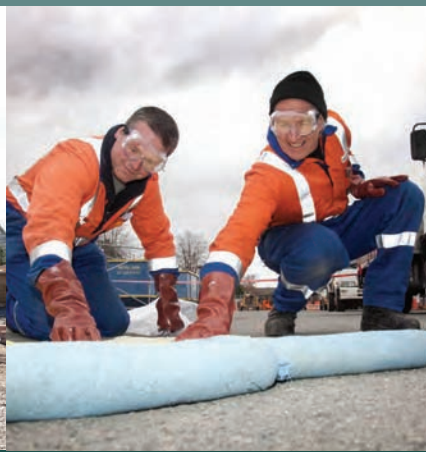
Stephen Lewis
Director

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

Other directorships: Community Energy Action, Dance Aotearoa New Zealand.
Trustee, Dance and Physical Theatre Trust.

mainpower
THE POWER TO MAKE IT HAPPEN



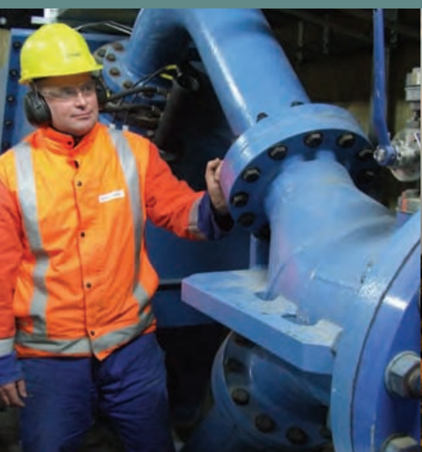


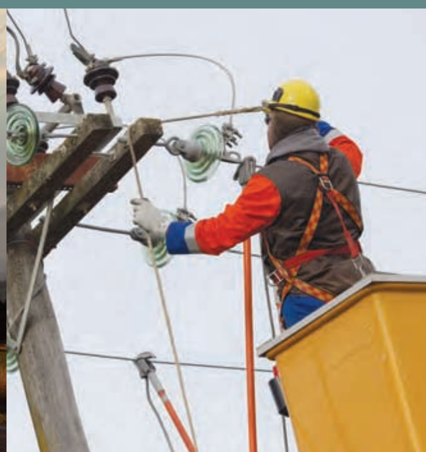
OUR VISION & OUR VALUES

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

SAFETY FIRST • TEAMWORK • LOYALTY • PRIDE • FAIRNESS • INTEGRITY

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





"We will not compromise on safety for our staff or our community"

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 2014.

Authorised for issue on 1 July 2014
for and on behalf of the board of directors:

W G Cox	A Berge
Chairman of Directors Christchurch 1 July 2014	Group Managing Director Rangiora 1 July 2014

TABLE OF CONTENTS

Statement of comprehensive income

For the year ended 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Continuing Operations:					
Operating revenue	2	79,514	73,604	56,329	56,533
		79,514	73,604	56,329	56,533
Operating expenses	3, 4	50,652	43,146	28,794	27,187
Depreciation and amortisation	5	10,805	10,525	10,580	10,296
Finance expenses	6	341	277	340	273
Rebates		8,447	8,251	8,447	8,251
		70,245	62,199	48,161	46,007
Profit before income tax expense		9,269	11,405	8,168	10,526
Income tax expense / (credit)	7	1,891	3,111	1,513	2,868
Operating profit from continuing operations		7,378	8,294	6,655	7,658
Profit for the year from discontinued operations		(2)	47	-	-
Profit for the year		**7,376**	**8,341**	**6,655**	**7,658**
Other Comprehensive Income:					
Items that will not be classified subsequent to profit and loss					
Revaluation of land	22	440	-	440	-
Deferred tax derecognised as a result of assets held for sale	22	407	-	407	-
Other comprehensive income for the year		847	-	847	-
Profit and total comprehensive income for the year		**8,223**	**8,341**	**7,502**	**7,658**
Profit for the year is attributable to:					
Shareholders of the parent		7,225	8,198	6,655	7,658
Minority interests		151	143	-	-
		7,376	**8,341**	**6,655**	**7,658**
Comprehensive income is attributable to:					
Shareholders of the parent		8,072	8,198	7,502	7,658
Minority interests		151	143	-	-
		8,223	**8,341**	**7,502**	**7,658**

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

Statement of financial position

As at 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
ASSETS					
Current assets					
Cash and cash equivalents		257	-	-	-
Trade and other receivables	8	9,305	8,368	5,834	5,994
Inventories	9	3,960	3,224	3,950	3,214
Other assets	10	171	263	171	263
Other financial assets	13	2,000	-	2,000	-
Assets classified as held for sale	14	6,715	-	6,715	-
Total current assets		22,408	11,855	18,670	9,471
Non-current assets					
Investments in subsidiaries	11	-	-	3,136	3,136
Other financial assets	13	-	3,000	-	3,000
Property, plant and equipment	14	259,948	244,805	259,352	244,345
Capital works under construction	14A	9,887	4,409	9,887	4,409
Goodwill	15	713	713	-	-
Computer software	16	835	889	675	811
Total non-current assets		271,383	253,816	273,050	255,701
Total assets		**293,791**	**265,671**	**291,720**	**265,172**
EQUITY AND LIABILITIES					
Current liabilities					
Cash and cash equivalents (Bank overdraft)		137	11,529	137	11,780
Trade and other payables	17	11,391	8,698	8,838	6,809
Current tax liability	7	705	380	889	619
Current borrowings	18	-	-	210	210
Liabilities directly associated with assets classified as held for sale	14	550	-	550	-
Total current liabilities		12,783	20,607	10,624	19,418
Non-current liabilities					
Deferred tax liabilities	7	43,316	44,177	43,392	44,225
Term borrowings	18	28,650	-	28,650	-
Other financial liabilities	19	8	3	8	3
Non current provisions	20	977	993	861	843
Total non-current liabilities		72,951	45,173	72,911	45,071
Equity					
Share capital	21	56,774	56,774	56,774	56,774
Reserves	22	40,472	39,625	36,058	35,211
Retained earnings	23	109,673	102,505	115,353	108,698
Total equity attributable to parent equity holders		206,919	198,904	208,185	200,683
Minority interest	24	1,138	987	-	-
Total equity		208,057	199,891	208,185	200,683
Total liabilities and equity		**293,791**	**265,671**	**291,720**	**265,172**

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 2014

	Notes	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Other reserves $000	Total parent company $000	Minority interest $000	Total equity $000
Consolidated entity								
Balance at 1 April 2012		56,774	94,307	39,625	-	190,706	844	191,550
Profit for the year		-	8,198	-	-	8,198	143	8,341
Total comprehensive income		-	8,198	-	-	8,198	143	8,341
Balance at 31 March 2013		56,774	102,505	39,625	-	198,904	987	199,891
Profit for the year	22 23	-	7,225	-	-	7,225	151	7,376
Revaluation of land		-	-	440	-	440	-	440
Deferred tax arising from derecognition of assets held for sale		-	-	407	-	407	-	407
Total comprehensive income		-	7,225	847	-	8,072	151	8,223
Dividends paid		-	(57)	-	-	(57)	-	(57)
Balance at 31 March 2014		**56,774**	**109,673**	**40,472**	**-**	**206,919**	**1,138**	**208,057**

	Notes	Share capital $000	Retained earnings $000	Asset revaluation reserve $000		Total parent company $000
Parent entity						
Balance at 1 April 2012		56,774	101,040	35,211		193,025
Profit for the year		-	7,658	-		7,658
Total comprehensive income		-	7,658	-	-	7,658
Balance at 31 March 2013		56,774	108,698	35,211	-	200,683
Profit for the year	22 23	-	6,655	-		6,655
Revaluation of land		-	-	440		440
Deferred tax arising from derecognition of assets held for sale		-	-	407		407
Total comprehensive income		-	6,655	847	-	7,502
Balance at 31 March 2014		**56,774**	**115,353**	**36,058**	**-**	**208,185**

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

Cash flow statement

For the year ended 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Cash flows from operating activities					
Receipts from customers		70,194	63,062	47,962	46,504
Interest received		140	101	142	98
Payments to suppliers and employees		(47,961)	(43,377)	(26,590)	(27,568)
Interest and other finance costs paid		(100)	(277)	(101)	(273)
Income tax (paid) / received		(2,021)	(2,465)	(1,671)	(2,232)
Net cash provided by operating activities	25	20,252	17,044	19,742	16,529
Cash flows from investing activities					
Proceeds from investment securities		1,000	(500)	1,000	(500)
Proceeds prepaid for assets held for sale		550	-	550	-
Payment for property, plant and equipment		(38,614)	(23,830)	(38,278)	(23,552)
Proceeds from sale of property, plant and equipment		76	164	68	137
Payment for intangible assets		(213)	(233)	(94)	(222)
Net cash used in investing activities		(37,201)	(24,399)	(36,754)	(24,137)
Cash flows from financing activities					
Dividends paid		(57)	-	-	-
Proceeds from borrowings		28,650	-	28,650	-
Proceeds from redeemable preference shares		5	-	5	-
Borrowings from related parties		-	-	-	210
Net cash provided by (used in) financing activities		28,598	-	28,655	210
Net increase/(decrease) in cash and cash equivalents		**11,649**	**(7,355)**	**11,643**	**(7,398)**
Summary					
Cash and cash equivalents at beginning of year		(11,529)	(4,174)	(11,780)	(4,382)
Net increase/(decrease) in cash and cash equivalents		11,649	(7,355)	11,643	(7,398)
Cash and cash equivalents at end of year (Bank overdraft)		**120**	**(11,529)**	**(137)**	**(11,780)**
Cash flows from discontinued operations included above:					
Net cash flows from operating activities		(4)	23	-	-
Net cash flows from financing activities		-	(210)	-	-
		(4)	(187)	-	-

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 2014

1. Statement of accounting policies

Statement of compliance

MainPower New Zealand Limited (the Company) is a profit-oriented Company incorporated in New Zealand under the Companies Act 1993. The Group consists of MainPower New Zealand Limited and its subsidiaries (refer also to note 11). 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-oriented entities.

The Group financial statements comply with International Financial Reporting Standards (IFRS). The Parent entity financial statements also comply with IFRS.

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

Basis of financial statement preparation

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

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

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

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2014 and the comparative information presented in these financial statements for the year ended 31 March 2013.

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

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

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

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

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

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

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

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

Significant accounting policies

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

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the 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 profit or loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the Group obtains control and until such time as the Group ceases to control the subsidiary. In preparing the consolidated financial statements, all intergroup balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of comprehensive income and Statement of financial position.

Associate Companies - equity accounting

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

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

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

(c) Foreign currency

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

(d) Cash and cash equivalents

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

(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).

1. Statement of accounting policies (continued)

(e) Financial assets (continued)

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 profit or loss in the period in which they are identified.

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

(f) Inventories

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

(g) Income tax

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

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

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

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

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

(h) Leased assets

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

1. Statement of accounting policies (continued)

(i) Impairment of assets

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

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

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

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired, any impairment is recognised immediately in the Statement of comprehensive income and is not subsequently reversed.

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

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

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

(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 profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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

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

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

(j) Property, plant and equipment (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 are reviewed at the end of each annual reporting period. The main bases for the calculation of depreciation are as follows:

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

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

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

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through the sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such an asset and its sale is highly probable. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

(k) Intangible assets

Computer software

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

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

(m) Payables

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

(n) Borrowings

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

1. Statement of accounting policies (continued)

(o) Employee benefits

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

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

(p) Financial instruments issued by the Group

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

(q) Derivative financial instruments

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

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

(r) Revenue recognition

Revenue from 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 profit or loss as it accrues, using the effective interest rate method.

(s) Distinction between capital and revenue expenditure

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

(t) Capital contributions

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

(u) Borrowing costs

Borrowing costs are expensed using the effective interest rate method.

Adoption of new and revised Standards and Interpretations

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

Standards and Interpretations in issue not yet adopted

MainPower is not aware of any standards in issue but not yet effective which would materially impact on the amounts recognised or disclosed in these financial statements.

2. Operating revenue	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Line revenue	46,707	45,554	46,707	45,554
Contracting revenue	26,231	19,646	2,873	2,562
Generation revenue	263	364	263	364
Capital contributions	5,105	7,197	5,105	7,197
Rental revenue:				
Related parties	-	-	-	12
Interest revenue:				
Other	119	131	119	121
Related parties	-	-	2	7
Dividends:				
Subsidiaries	-	-	194	-
Other	1,089	712	1,066	716
Operating revenue for continuing operations	79,514	73,604	56,329	56,533
Operating revenue from discontinued operations	-	59	-	-

3. Operating expenses	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Bad debts written off	73	51	29	51
Directors' fees and expenses	277	292	277	292
Employee remuneration and benefits	9,274	8,043	4,080	3,748
Loss on disposal of property, plant and equipment	1,104	954	1,100	951
Operating lease costs	257	159	32	33
Network maintenance	5,077	4,375	5,077	4,375
Generation cost of production	104	77	104	77
Generation operations	738	801	738	801
Community relationships	635	683	635	683
Transmission expenses	11,627	11,007	11,627	11,007
Cost of goods sold, excluding employee remuneration	17,839	12,982	1,467	1,453
Other	3,557	3,572	3,559	3,584
Operating expenses from continuing operations	50,562	42,996	28,725	27,055
Operating expenses from discontinued operations	-	-	-	-

On 31 March 2010, MainPower sold the business assets and liabilities of Electro Services NZ Limited to Buller Electricity Limited. Included in the Statement of Comprehensive Income for the Group in 2013 and 2014 under the heading "Discontinued operations" is the wash-up of Electro Services NZ Limited operations.

4. Remuneration of auditors	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Audit of the financial statements	70	66	49	48
Auditors other services	20	84	20	84
Remuneration of auditors of continuing operations	90	150	69	132
Remuneration of auditors of discontinued operations	2	3	-	-

The audit committee monitors the independence of the auditor and approves and reviews those services provided by the auditor other than in its statutory audit role. Other services comprise the audit of regulatory submissions to the Commerce Commission for financial and non-financial information, together with the assistance in the preparation of a business case for the installation of smart meters.

5. Depreciation and amortisation	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Depreciation of non-current assets	10,538	10,241	10,350	10,058
Amortisation of non-current assets	267	284	230	238
Depreciation and amortisation for continuing operations	10,805	10,525	10,580	10,296
Depreciation and amortisation for discontinued operations	-	-	-	-

6. Finance expenses	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Interest expense on loans	-	2	-	-
Other interest expense	202	275	201	273
Interest rate swaps and foreign exchange contracts	139	-	139	-
Finance expenses for continuing operations	341	277	340	273
Finance expenses for discontinued operations	-	-	-	-

7. Income taxes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Income tax expense recognised in profit				
Tax expense comprises:				
Current tax expense	2,360	2,824	1,950	2,535
Adjustments recognised in current year in relation to the current tax of prior years	(15)	(40)	(11)	(13)
Deferred tax expense relating to the origination and reversal of temporary differences	(454)	336	(426)	346
Total income tax expense recognised in profit	1,891	3,120	1,513	2,868

7. Income taxes (continued)	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
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	9,269	11,405	8,168	10,526
Profit before tax from discontinued operations	(3)	56	-	-
Profit from operations	9,266	11,461	8,168	10,526
Prima facie income tax expense calculated at 28%	2,594	3,209	2,287	2,947
Deferred tax derecognised as a result of assets held for sale	(661)	-	(661)	-
Non-deductible / (deductible) expenses	(27)	(49)	(102)	(66)
	1,906	3,160	1,524	2,881
Under/(over) provision of income tax in previous year	(15)	(40)	(11)	(13)
Total income tax expense / (credit) recognised in profit	1,891	3,120	1,513	2,868
Attributable to:				
Continuing Operations	1,891	3,111	1,513	2,868
Discontinued Operations	-	9	-	-
	1,891	3,120	1,513	2,868

Current tax assets and liabilities

Current tax liability:				
Tax payable	705	380	889	619

Consolidated group for the year ended 31 March 2014	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Taxable and deductible temporary differences arise from:				
Deferred tax liabilities				
Property, plant & equipment	45,100	(428)	(407)	44,265
Intangible assets	10	5	-	15
	45,110	(423)	(407)	44,280
Deferred tax assets				
Provisions	(933)	(31)	-	(964)
	(933)	(31)	-	(964)
Net deferred tax liability	44,177	(454)	(407)	43,316

Consolidated group for the year ended 31 March 2013				
Taxable and deductible temporary differences arise from:				
Deferred tax liabilities				
Property, plant & equipment	44,769	331	-	45,100
Intangible assets	(4)	14	-	10
	44,765	345	-	45,110
Deferred tax assets				
Provisions	(924)	(9)	-	(933)
	(924)	(9)	-	(933)
Net deferred tax liability	43,841	336	-	44,177

7. Income taxes (continued)

	Opening balance $000	Charged to income $000	Charged to equity $000	Closing balance $000
Parent entity for the year ended 31 March 2014				
Taxable and deductible temporary differences arise from:				
Deferred tax liabilities				
Property, plant & equipment	44,663	(422)	(407)	43,834
Intangible assets	90	2	-	92
	44,753	(420)	(407)	43,926
Deferred tax assets				
Provisions	(528)	(6)	-	(534)
	(528)	(6)	-	(534)
Net deferred tax liability	44,225	(426)	(407)	43,392
Parent entity for the year ended 31 March 2013				
Taxable and deductible temporary differences arise from:				
Deferred tax liabilities				
Property, plant & equipment	44,329	334	-	44,663
Intangible assets	74	16	-	90
	44,403	350	-	44,753
Deferred tax assets				
Provisions	(524)	(4)	-	(528)
	(524)	(4)	-	(528)
Net deferred tax liability	43,879	346	-	44,225

Imputation credit account balances	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening balance	6,596	3,819	5,461	2,956
Less taxation payable/(receivable) 2012 and 2013	(380)	(61)	(619)	(329)
Imputation credits relating to previous periods	(122)	314	(98)	317
Taxation paid	2,143	2,144	1,769	1,898
Imputation credits attached to dividends received/(paid)	(22)	-	75	-
Taxation payable/(receivable)	705	380	889	619
Closing balance	8,920	6,596	7,477	5,461

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

8. Current trade and other receivables	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Trade receivables	8,793	7,804	5,311	5,556
Related party	-	-	84	30
Work under construction	388	429	315	273
Interest receivable	75	96	75	96
Other receivables	49	39	49	39
	9,305	8,368	5,834	5,994

Information in respect of concentrations of credit risk within trade receivables is included in Note 30.

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

Interest is charged on overdue trade receivables where applicable.

9. Current inventories				
Distribution System and Metering items	3,960	3,224	3,950	3,214

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

10. Other current assets				
Prepayments	171	263	171	263

11. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/14	31/3/13
VirCom Energy Management Services Limited	Provision of Metering Services	New Zealand	77.4%	77.4%

11.2 Composition of the Group

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		31/3/14	31/3/13
Provision of Metering Services	New Zealand	1	1

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit / (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/3/14	31/3/13	31/3/14	31/3/13	31/3/14	31/3/13
VirCom Energy Management Services Limited	New Zealand	22.6%	22.6%	151	143	1,138	987

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

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

11.5 Financial support

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

11.6 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.

12. Associates

12.1 Details of material associates

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/14	31/3/13
Hurunui Water Project Limited	Irrigation	New Zealand	13.18%	12.8%

No public price quotation exists for this investment.

The carrying value of this investment is $Nil (2013: Nil). The Group has not recognised its 13.18% share of accumulated profits or losses relating to the associate as Hurunui Water Project Limited is still in the set-up stage of its life cycle (2013: 12.8%).

13. Other financial assets	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
At amortised cost				
Self Insurance Fund Investment - Current	2,000	-	2,000	-
Self Insurance Fund Investment - Non current	-	3,000	-	3,000
	2,000	**3,000**	**2,000**	**3,000**

14. Property, plant and equipment	Freehold land at fair value $000	Buildings at fair value $000	Electricity distribution network at fair value $000	Plant, equipment, vehicles, furniture & fittings $000	Total $000
Consolidated group					
Gross carrying amount					
Balance at 1 April 2012	5,180	4,763	215,224	29,914	255,081
Revaluations	-	-	-	-	-
Additions	1,728	-	16,103	2,862	20,693
Disposals/Adjustments	-	-	(3,103)	(613)	(3,716)
Balance at 31 March 2013	6,908	4,763	228,224	32,163	272,058
Revaluations	440	-	-	-	440
Reclassified as held for sale	(2,900)	(4,103)	-	-	(7,003)
Additions	792	14,463	14,652	3,229	33,136
Disposals/Adjustments	-	-	(2,887)	(398)	(3,285)
Balance at 31 March 2014	5,240	15,123	239,989	34,994	295,346
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2012	-	188	8,107	11,315	19,610
Disposals/Adjustments	-	-	(2,178)	(420)	(2,598)
Depreciation expense	-	196	8,153	1,892	10,241
Balance at 31 March 2013	-	384	14,082	12,787	27,253
Eliminated as reclassified as held for sale	-	(288)	-	-	(288)
Disposals/Adjustments	-	-	(1,866)	(239)	(2,105)
Depreciation expense	-	188	8,502	1,848	10,538
Balance at 31 March 2014	-	284	20,718	14,396	35,398
Net book value at 31 March 2013	6,908	4,379	214,142	19,376	244,805
Net book value at 31 March 2014	5,240	14,839	219,271	20,598	259,948

14. Property, plant and equipment (continued)	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
Parent entity					
Gross carrying amount					
Balance at 1 April 2012	5,180	4,763	215,224	27,741	252,908
Revaluations	-	-	-	-	-
Additions	1,728	-	16,103	2,584	20,415
Disposals/Adjustments	-	-	(3,103)	(491)	(3,594)
Balance at 31 March 2013	6,908	4,763	228,224	29,834	269,729
Revaluations	440	-	-	-	440
Reclassified as held for sale	(2,900)	(4,103)	-	-	(7,003)
Additions	792	14,463	14,652	2,893	32,800
Disposals/Adjustments	-	-	(2,887)	(334)	(3,221)
Balance at 31 March 2014	5,240	15,123	239,989	32,393	292,745
Accumulated depreciation, amortisation and impairment					
Balance at 1 April 2012	-	188	8,107	9,537	17,832
Disposals/Adjustments	-	-	(2,178)	(328)	(2,506)
Depreciation expense	-	196	8,153	1,709	10,058
Balance at 31 March 2013	-	384	14,082	10,918	25,384
Eliminated as reclassified as held for sale	-	(288)	-	-	(288)
Disposals/Adjustments	-	-	(1,866)	(187)	(2,053)
Depreciation expense	-	188	8,502	1,660	10,350
Balance at 31 March 2014	-	284	20,718	12,391	33,393
Net book value at 31 March 2013	6,908	4,379	214,142	18,916	244,345
Net book value at 31 March 2014	5,240	14,839	219,271	20,002	259,352

14. Property, plant and equipment (continued)

Revaluations and impairment review

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

The Group's land and buildings were revalued to fair value of $8,108,750 as at 31 March 2011 by independent registered valuer Williams and Associates Limited. Williams and Associates Limited has extensive experience in the property valuation field.

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

The Group's Regulatory Asset base which is inclusive of the electricity distribution network and substation land and buildings but exclusive of assets funded from customers' contributions was valued at March 2013 at $202.799 million. The book value of electricity distribution network assets funded from customer contributions at March 2014 amounted to $33.995 million.

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 2014 (2013: Nil).

Within the asset class plant, equipment, vehicles, furniture and fittings is $13.316 million of generation assets. MainPower commissioned a review by Peter Seed Limited to look at the assets for impairment. Peter Seed Limited, utilising the discounted cashflow methodology, concluded there was no impairment of the assets.

MainPower relocation

On 5 April 2013 the Board of MainPower New Zealand Limited approved the construction and associated contractual arrangements for the relocation of its operations to the Southbrook Business Park. MainPower relocated to the new site at 172 Fernside Road, Southbrook in June 2014.

Assets classified as held for sale	31/3/14 $000	31/3/13 $000
Freehold land held for sale (i)	2,900	-
Buildings held for sale	3,815	-
	6,715	-
Liabilities associated with assets held for sale (ii)	550	-

(i) MainPower New Zealand Limited has entered into contracts to sell its High Street and Keir Street properties. At 31 March, these contracts were unconditional. The transfer of ownership for each of these properties will take place in August 2014.

In March 2011, these properties were revalued to their estimated market value and have been revalued in March 2014 to reflect their sales value. The movement in the asset revaluation reserve arising from this revaluation amounted to $440,105.

(ii) At 31 March 2014, the purchaser of the property had paid a deposit amounting to $550,000 which is disclosed as a liability in the Statement of Financial Position.

14A. Capital works under construction	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Capital works under construction	9,887	4,409	9,887	4,409

15. Goodwill

Consolidated group

	Total $000
Gross carrying amount	
Balance at 31 March 2013	713
Additions	-
Disposals	-
Balance at 31 March 2014	713
Accumulated impairment	
Balance at 31 March 2013	-
Impairment	-
Disposals	-
Balance at 31 March 2014	-
Net book value at 31 March 2013	713
Net book value at 31 March 2014	713

16. Computer software	Group $000	Parent $000
Gross carrying amount		
Balance at 1 April 2012	2,450	1,741
Additions	233	222
Disposals/Adjustments	-	-
Balance at 31 March 2013	2,683	1,963
Additions	213	94
Disposals/Adjustments	-	-
Balance at 31 March 2014	2,896	2,057
Accumulated amortisation and impairment		
Balance at 1 April 2012	1,510	914
Amortisation expense	284	238
Disposals/Adjustments	-	-
Balance at 31 March 2013	1,794	1,152
Amortisation expense	267	230
Disposals/Adjustments	-	-
Balance at 31 March 2014	2,061	1,382
Net book value at 31 March 2013	889	811
Net book value at 31 March 2014	835	675

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

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
17. Current trade and other payables				
Trade payables	9,909	7,460	7,725	5,851
Employee entitlements	1,343	1,238	974	958
Interest rate swaps and foreign exchange contracts	139	-	139	-
	11,391	8,698	8,838	6,809
18. Borrowings				
Current borrowings:				
Loan advances from subsidiaries	-	-	210	210

The loan advances from subsidiaries are interest free and repayable on demand.

Term borrowings:				
Term Loans facility	28,650	-	28,650	-

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $25,000,000 will expire on 31 December 2016 and $20,000,000 on 31 December 2017. At 31 March 2014 MainPower had drawn down $28,650,000 which is unsecured, but subject to a negative pledge arrangement (2012: $4,350,000).

During the year $648,563 of interest was capitalised to MainPower's generation and building relocation projects.

19. Other financial liabilities

At cost:				
Redeemable preference (rebate) shares	8	3	8	3

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

7,039 (2013: 9,253) redeemable preference shares at 10 cents each were redeemed during the year.

20. Non-current provisions

Employee benefits	977	993	861	843

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% (2013: 3.00%)
- discount rate 3.15% to 5.50% (2013: 2.56% to 6.00%)

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
21. Share capital				
Balance at beginning of financial year	56,774	56,774	56,774	56,774
56,774,000 fully paid ordinary shares	56,774	56,774	56,774	56,774

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

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
22. Reserves				
Asset revaluation reserve:				
Balance at beginning of financial year	39,625	39,625	35,211	35,211
Revaluation of assets	440	-	440	-
Deferred tax arising from derecognition of assets held for sale	407	-	407	-
Total reserves	40,472	39,625	36,058	35,211
23. Retained earnings				
Balance at beginning of financial year	102,505	94,307	108,698	101,040
Comprehensive income attributable to members of the parent entity	7,225	8,198	6,655	7,658
Dividends paid	(57)	-	-	-
	109,673	102,505	115,353	108,698
24. Minority interest				
Balance at beginning of financial year	987	844	-	-
Comprehensive income attributable to minority interest	151	143	-	-
	1,138	987	-	-

25. Notes to the cash flow statement	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Reconciliation of profit for the period to net cash flows from operating activities				
Net profit for the year	7,376	8,341	6,655	7,658
Adjustments for				
Loss on disposal of property, plant & equipment	1,104	954	1,100	951
Depreciation and amortisation of non-current assets	10,805	10,525	10,580	10,296
Non-current provisions / fixed asset adjustments	(143)	(1)	(143)	(1)
	11,766	11,478	11,537	11,246
Changes in net assets and liabilities				
Increase/(decrease) in current tax liability	325	319	270	290
Increase/(decrease) in deferred tax balances recognised in tax expense	(861)	336	(833)	346
(Increase)/decrease in assets				
Current receivables	(937)	(2,581)	160	(1,927)
Current inventories	(736)	(800)	(736)	(799)
Other current assets	92	(128)	92	(128)
Increase/(decrease) in liabilities				
Current payables	3,243	89	2,579	(155)
Non-current provisions	(16)	(10)	18	(2)
	1,110	(2,775)	1,550	(2,375)
Net cash from operating activities	20,252	17,044	19,742	16,529

26. Commitments and contingent liabilities

On 5 April 2013 the Board of MainPower New Zealand Limited approved the construction and associated contractual arrangements for the relocation of its operations to the Southbrook Business Park. MainPower will relocate to the new site at 172 Fernside Road, Southbrook in June 2014. MainPower has entered into an unconditional Sale and Purchase Agreement for the High Street and Keir Street sites with title being transferred to the new owners in August 2014.

Apart from the above there are no other significant contracted capital commitments or contingent liabilities as at 31 March 2014. (2013: Nil).

Operating lease commitments

The minimum value of lease commitments are:

	Group 2014	Group 2013	Parent 2014	Parent 2013
Within one year	265	215	33	30
1 - 2 years	220	180	33	-
2 - 5 years	638	117	99	-

Prudential commitments

At 31 March 2014 the Company and Group had guarantees (performance bonds) to third parties amounting to $200,000 (2013: $200,000).

27. Related-party transactions

Group structure

The Parent entity in the consolidated Group is MainPower New Zealand Limited, which is 100% owned by the MainPower Trust. There were no related party transactions with the MainPower Trust during the year (2013: Nil).

During the period no transactions were entered into with any of the Company's directors other than the payment of directors' fees, the reimbursement of valid company related expenses such as travel costs to board meetings, and transactions referred to in the following note. From time to time transactions may be entered into with companies in which some directors hold directorships. These transactions are carried out on a commercial and arms length basis.

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

	Group 2014 $000	Group 2013 $000
Transactions during the year		
Purchases from subsidiaries	4	-
Revenues from subsidiaries	553	564
Dividends from subsidiaries	193	-
Loans repaid by subsidiaries	-	-
Outstanding balances as at 31 March		
Accounts payable to subsidiaries	2	9
Accounts receivable from subsidiaries	84	30
Loans to subsidiaries	-	-

Electro Services NZ Limited has advanced $210,000 to MainPower New Zealand Limited, refer Note 18.

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 $260,600 (2013: $275,000)

Key management personnel of the Group purchased sundry goods and services from Group companies during the period which in total did not exceed $1,000 for any individual (2013: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2013: Nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2014, no transactions occurred between the Group and an organisation in which a key management person of the Group holds a position of control.

28. Key management personnel

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

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Employee remuneration and benefits	1,763	1,672	1,411	1,288
Post employment benefits	-	-	-	-

Executive staff remuneration comprises salary and other short term benefits. MainPower executives appointed to the boards of related companies do not receive directors' fees personally.

29. Significant events after balance date

As detailed in Note 26 the Board of MainPower New Zealand Limited has entered into an unconditional Sale and Purchase Agreement for the High Street and Keir Street sites with title being transferred to the new owners in August 2014. Other than the above MainPower is not aware of any other significant events subsequent to balance date that would have or may have a material effect on the operation of MainPower, the results of MainPower's operations or the state of affairs of MainPower.

30. Financial instruments

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

Borrowings

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $25,000,000 will expire on 31 December 2016 and $20,000,000 on 31 December 2017. At 31 March 2014 MainPower had drawn down $28,650,000 which is unsecured, but subject to a negative pledge arrangement (2013: $11,800,000).

Interest rate risk

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

30. Financial instruments (continued)

	Notes	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Categories of financial instruments				
Consolidated group as at 31 March 2014				
Current assets				
Cash and cash equivalents		120	-	120
Trade and other receivables	8	8,917	-	8,917
		9,037	-	9,037
Non-current assets				
Other financial assets	13	-	2,000	2,000
		-	2,000	2,000
Total financial assets		9,037	2,000	11,037
Current liabilities				
Cash and cash equivalents		-	-	-
Trade and other payables	17	-	11,391	11,391
		-	11,391	11,391
Non-current liabilities				
Other financial liabilities	18	28,650	-	28,650
		28,650	-	28,650
Total financial liabilities		28,650	11,391	40,041
Consolidated group as at 31 March 2013				
Current assets				
Trade and other receivables	8	7,939	-	7,939
Non-current assets				
Other financial assets	13	-	3,000	3,000
		-	3,000	3,000
Total financial assets		7,939	3,000	10,939
Current liabilities				
Cash and cash equivalents		11,529	-	11,529
Trade and other payables	17	-	8,698	8,698
		11,529	8,698	20,227
Non-current liabilities				
Other financial liabilities	19	-	3	3
		-	3	3
Total financial liabilities		11,529	8,701	20,230

30. Financial instruments (continued)

	Notes	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000
Categories of financial instruments				
Parent entity as at 31 March 2014				
Current assets				
Trade and other receivables	8	5,519	-	5,519
Non-current assets				
Other financial assets	13	-	2,000	2,000
		-	2,000	2,000
Total financial assets		5,519	2,000	7,519
Current liabilities				
Cash and cash equivalents		137	-	137
Trade and other payables	17	-	8,838	8,838
		137	-	8,975
Non-current liabilities				
Other financial liabilities	18	28,650	8	28,658
		28,650	8	28,658
Total financial liabilities		28,787	8,846	37,633
Parent entity as at 31 March 2013				
Current assets				
Trade and other receivables	8	5,721	-	5,721
Non-current assets				
Other financial assets	13	-	3,000	3,000
		-	3,000	3,000
Total financial assets		5,721	3,000	8,721
Current liabilities				
Cash and cash equivalents		11,780	-	11,780
Trade and other payables	17	-	6,809	6,809
		11,780	6,809	18,589
Non-current liabilities				
Other financial liabilities	19	-	3	3
		-	3	3
Total financial liabilities		11,780	6,812	18,592

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

Report on the Financial Statements

We have audited the financial statements of MainPower New Zealand Limited and group on pages 9 to 37, which comprise the consolidated and separate statements of financial position of MainPower New Zealand Limited, as at 31 March 2014, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 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' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

Other than in our capacity as auditor, review of the design and calculation of smart meters, and the Commerce Commission disclosure audit we have no relationship with or interests in MainPower New Zealand Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 9 to 37:

- comply with generally accepted accounting practice in New Zealand, in particular New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- give a true and fair view of the financial position of MainPower New Zealand Limited and group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by MainPower New Zealand Limited as far as appears from our examination of those records.

Deloitte

Chartered Accountants
1 July 2014
Christchurch, New Zealand

This audit report relates to the financial statements of MainPower New Zealand Limited and group for the year ended 31 March 2014 included on MainPower New Zealand Limited's website. The Board of Directors is responsible for the maintenance and integrity of MainPower New Zealand Limited's website. We have not been engaged to report on the integrity of MainPower New Zealand Limited'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 1 July 2014 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	75,400	-	75,400
P A Cox	Director	52,200	-	52,200
T Burt	Director	44,500	-	44,500
J A Hoban	Director	41,500	-	41,500
A C King	Director (Resigned August 2013)	3,500	-	3,500
S P Lewis	Director	43,500	-	43,500
A Berge	Managing Director *	-	376,365	376,365
		260,600	376,365	636,965

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

Name	Position	Fees $	Salary $	Total $
SUBSIDIARIES				
Tasman Electrical 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	-	-	-
W Lapslie	Executive Director	-	-	-
		-	-	-

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.

Statistical Information

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 2014.

Director	Company	Position
W G Cox	Elastomer Products Limited	Director
	Transwaste Canterbury Limited	Director
	Talbot Technologies Limited	Director
	Barlow Bros Limited	Director
	Coolpak Coolstores Limited	Director
	Independent Fisheries Limited	Director
	New Zealand Transport Agency Limited	Director
	Canterbury Museum Trust Board	Trustee
	Connell Contractors South Limited	Director
	Ngai Tahu Farming Limited	Director
P A Cox	J J Angerstein and Associates Limited	Director
	House of Travel Holdings Limited	Director
	J Ballantyne and Company Limited	Director
	International Motor Inn Limited	Director
	Commodore Airport Hotel Limited	Director
	Duncan Cotterill	Board Member
A Berge	Electro Services NZ Limited	Director
	VirCom Energy Management Services Limited	Director
	Tasman Electrical Limited	Director
	Hurunui Water Project Limited	Director
T Burt	Lyttelton Port Company Limited	Director
	Land Power Holdings Limited	Director
	Silver Fern Farms Limited	Director
	Ngai Tahu Holdings Corporation Limited	Chair
	Ngai Tahu Capital Limited	Chair
	New Zealand Lamb Company (North America) Limited	Director
	Agria Asia Investments Limited	Director
	Agria Singapore Pty Limited	Director
	PGG Wrightson Limited	Director
J A Hoban	The Order of St John	Director
A C King	Option One Limited	Director
(Resigned	City Care Limited	Chair
August 2013)	Expert Reference Group, Ministry of Business Innovation and Employment	Member
	Nimbus Software Limited	Director
S P Lewis	Community Energy Action	Chair
	Dance and Physical Theatre Trust	Trustee
	Dance Aotearoa New Zealand	Director

Group employee remuneration

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

Remuneration $000's	No. of current and former employees
100 - 110	4
110 - 120	2
120 - 130	3
130 - 140	3
140 - 150	5
150 - 160	1
160 - 170	1
180 - 190	-
190 - 200	1
200 - 210	1
210 - 220	1
220 - 230	1

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

Corporate Governance Statement

1. Role of the Board

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

The Board's primary objective is to satisfy the shareholders' wish of enhancing shareholder value through a commitment to customer service and regional prosperity. Customer service is measured in terms of both financial return and MainPower's ability to deliver excellence in electricity distribution system security and reliability, responsiveness to customers, quality and price competitiveness. Regional prosperity is measured in terms of MainPower's role in leading and/or supporting regional initiatives for economic development.

The Board also aims to ensure that MainPower is a good employer and corporate citizen.

2. Board Responsibilities

The Board acts on behalf of and is accountable to the shareholders. The Board seeks to identify the expectations of shareholders, as well as other legislative and ethical expectations and obligations. In addition, the Board ensures areas of significant business risk are identified by management and that arrangements are in place to adequately manage these risks.

To this end the Board will:

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

3. Delegation

The Board delegates the day-to-day responsibility for the operation and administration of MainPower to the Group Managing Director.

The Group Managing Director is responsible for ensuring MainPower achieves its business objectives and values.

The Board ensures that the Group Managing Director, and through him, the senior management are appropriately qualified, experienced and remunerated to discharge their responsibilities.

4. Codes and Standards

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

5. Conflicts of Interest

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

6. Board Review

The Board will undertake a self-assessment of its performance and the performance of individual Directors on at least a biennial basis. The result of this review will be made available to the MainPower Trust.

7. Company Constitution

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

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

The Directors of the Company currently in office are:

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

8. Meetings

The Board meets monthly to review, monitor, and initiate action in respect of the Health and Safety, the strategic direction, financial performance and compliance of the Company and its subsidiaries. MainPower's Business Plan details matters which require Board consideration, including long-term strategic direction, operating and capital budgeting, statutory and risk management. In addition to the scheduled meetings, the Board meets several times each year to consider specific opportunities and other matters of importance to the Company. Annually the Board takes the opportunity to debate and review its long term strategic direction.

9. Committees

The Board has two standing committees and two oversight Groups. They provide guidance and assistance to the Board with overseeing certain aspects of the Board's corporate governance. Each committee is empowered to seek any information it requires and to obtain independent legal or other professional advice if it is considered necessary.

9.1. Audit Committee

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

The activities of the Audit Committee are reported annually. The Audit Committee invites the Group 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 its statutory audit role. In addition, the auditor provides a quarterly certificate to the Audit Committee of any non-statutory audit service provided to the MainPower Group.

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

Corporate Governance Statement (continued)

9.3. Network Development Group

The Network Development Group's primary role is to strengthen the relationships and therefore communications between the Board and management on matters relating to Network Development. The Group focus is on the strategic direction of MainPower's core electricity network business, the introduction of intelligent network technologies, network planning, distributed generation and principles related to pricing. Current membership is Lead Director, Mr. S Lewis and Managing Director, Mr. A Berge.

9.4. Community Leadership Group

The Community Leadership Group's primary role is to advise the Board on matters and issues affecting and impacting upon the Community. Current membership is Lead Director Mrs. J A Hoban.

10. Risk Management

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

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

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

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

11. Non-Executive Directors' Fees

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

12. The Role of Shareholders

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

- Strategic Objectives
- Network Development
- Generation Development
- Hurunui Water Project
- Financial Performance
- Distributions to Shareholders and Rebates
- Corporate Governance

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

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

13. Customers

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

14. Subsidiary Companies

MainPower's subsidiary companies each have a formally constituted Board of Directors. The MainPower New Zealand Limited Board receives monthly updates on and monitors the performance of each of its subsidiary companies.

Performance Statement

Financial

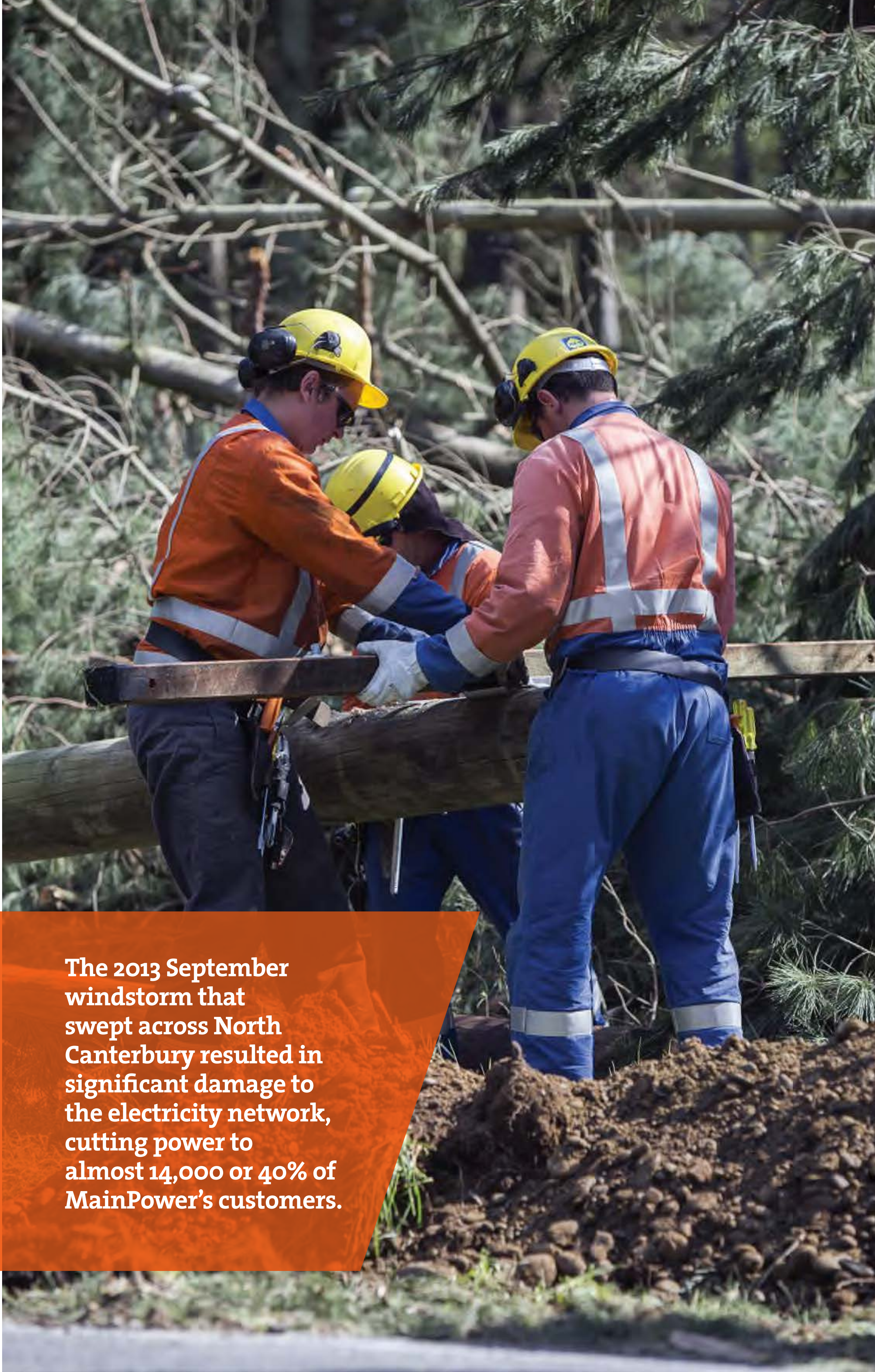
Parent:	**Actual**	**Budget**	**Actual**	**Forecast**	**Forecast**	**Forecast**
For the year ending March	**2013**	**2014**	**2014**	**2015**	**2016**	**2017**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Financial performance						
Operating revenue	56,533	57,621	56,329	58,462	58,453	60,247
Profit before rebates and tax	18,777	20,751	16,615	18,991	17,248	17,723
Rebates	(8,251)	(8,287)	(8,447)	(8,403)	(8,610)	(8,822)
Taxation	(2,868)	(3,033)	(1,513)	(2,508)	(1,673)	(1,726)
Profit after rebates and tax	7,658	9,431	6,655	8,080	6,965	7,175
Total maintenance expenditure	4,375	3,461	5,077	3,728	3,872	4,041
Total capital development expenditure	20,637	38,113	32,894	21,645	21,668	22,087
Financial position						
Net working capital	(9,947)	(1,795)	8,046	3,838	4,542	5,212
Non current assets	255,701	282,637	273,050	290,823	301,518	313,962
Term liabilities	(45,071)	(69,978)	(72,911)	(79,563)	(83,998)	(89,937)
Net assets	200,683	210,864	208,185	215,098	222,062	229,237
MainPower Group						
Financial performance (includes continued and discontinued operations)	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Operating revenue	73,663	81,536	79,514	92,877	58,453	60,247
Profit after rebates, tax and dividends	8,341	9,820	7,376	6,570	6,965	7,175
Equity	199,891	210,971	208,057	212,721	219,686	226,861
Cash flows from Operations	17,044	22,014	20,252	18,716	19,573	20,190
Cash flows from Investing Activities	(24,399)	(38,401)	(37,201)	(18,557)	(23,168)	(25,319)
Cash flows from Financing Activities	0	2,425	28,598	3,386	4,300	5,800
Net Increase/(Decrease) in Cash flow	(7,355)	(13,962)	11,649	3,545	705	671
MainPower Group Financial Ratios	%	%	%	%	%	%
Profit before tax/net assets	5.86	6.59	4.54	4.72	4.00	3.99
Profit after tax/total fixed assets	3.24	3.69	2.79	2.32	2.40	2.39
Profit after tax/equity	4.26	4.77	3.62	3.13	3.22	3.21

Performance Statement

Customer Service and Statistics

For the year ending March	Actual 2013	Budget 2014	Actual 2014	Forecast 2015	Forecast 2016	Forecast 2017
Lines Business:						
Quality of supply						
SAIDI - Average minutes customer is without power during the year	137.60	124.00	206.27	124.00	123.00	123.00
SAIFI - Average supply interruptions per customer during the year	1.32	1.59	2.05	1.58	1.58	1.57
Unplanned faults per 100kms during the year	4.13	6.34	5.55	6.24	6.17	6.11
Statistics						
Lines Business						
Total line service customers (number)	35,994	36,836	36,892	37,900	38,700	39,500
Gigawatthours purchased (GWHs)	587.60	585.31	588.91	629.00	652.00	677.00
Gigawatthours sold (GWHs)	551.63	552.93	559.53	594.00	617.00	640.00
Electricity loss ratio (%)	6.12	5.53	4.99	5.50	5.50	5.50
Network maximum coincidental demand (MW)	93.65	101.00	100.19	103.00	106.00	108.00
Load factor (%)	71.60	68.00	67.10	69.10	69.90	70.70
Total Transformer capacity (MW)	464.00	475.00	482.68	496.00	511.00	526.00
Transformer capacity utilisation factor (%)	20.40	21.30	20.80	19.80	19.60	19.40
Circuit length lines (kms)	4,786	4,812	4,873	4,905	4,955	5,000
Efficiency performance[1]	$	$	$	$	$	$
Capital cost per km	4,930	7,241	6,811	4,247	3,912	3,976
Capital cost per ICP	646	946	900	550	501	503
Operating cost per km	2,220	2,264	2,574	1,817	1,932	1,981
Operating cost per ICP	291	296	339	235	247	251
MainPower Group						
Number of employees	251	258	272	289	175	180
Number of work related accidents resulting in lost time	10	Nil	3	Nil	Nil	Nil
Total number of lost days as a result of work related accidents	16.5	Nil	55	Nil	Nil	Nil

Note: [1] Efficiency Performance measures for the financial years ended 2013 excludes Non Distribution System Fixed Assets and are determined in accordance with the EDB Information Disclosure Requirements.



The 2013 September windstorm that swept across North Canterbury resulted in significant damage to the electricity network, cutting power to almost 14,000 or 40% of MainPower's customers.

MainPower New Zealand Limited
172 Fernside Road, PO Box 346, Rangiora 7440
Telephone 03 311 8300
www.mainpower.co.nz