

mainpower trust

Annual Report 2011

Mission Statement:

To ensure that MainPower New Zealand Limited provides a reliable, economic and sustainable electricity supply to our community

Directory

TRUSTEES

Anthony Hall	Chairman
Richard Allison	Deputy Chairman
James Abernethy	Trustee
Kevin Brookfield	Trustee
Brent Hassall	Trustee
Catherine Elliott	Trustee
Nigel Jones	Trustee

SECRETARY

Kathy Hansell	Koller & Hassall Limited
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TRUST OFFICE

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Telephone: (0064) 03 313 8103
www.mainpowertrust.org.nz

BANKER

Westpac New Zealand Limited, Rangiora

SOLICITORS

Duncan Cotterill, Christchurch

AUDITOR

Prosser Quirke & Co., Rangiora



TRUSTEES

From left to right: (back) Richard Allison, Kevin Brookfield, Nigel Jones
(front) Catherine Elliott, Kathy Hansell (Secretary), Tony Hall, Brent Hassall, Jim Abernethy

THE TRUSTEES

Tony Hall MNZM, Chairman, MainPower Trust

Tony is the Chair of MainPower Trust. Tony has been a Trustee since May 2003 and is a resident in Waikuku.

Tony is involved in economic development and education in North Canterbury. He was the founding Chairman of Enterprise North Canterbury, and is also Chairman of the Community Colleges New Zealand Council, Pro-Chancellor of Lincoln University and a Commissioner on the Tertiary Education Commission. He is also a Trustee and Chairman of the Partnership of Excellence Life Sciences, Massey-Lincoln; a Trustee on the Rangī Ruru Girl's School Trust Board and a director of Core Education Ltd.

Tony is Chairman of the North Canterbury Sport and Recreation Trust. Tony is also actively involved in support and sponsorship of disabled winter athletes, carrying on his late wife Gilly's work with Adaptive Snowsports New Zealand. Tony is a keen multi-sportsman in his own right, having completed the London and New York Marathons and the Coast to Coast as well as numerous other well-known events. He is a member of the Coast to Coast Event Management Team and a life member of Outward Bound Trust.

Richard Allison (B.Agriculture)

Richard was first elected to MainPower Trust in 1999 and is now Deputy Chair.

He obtained an Agricultural degree at Massey University. After three years working in London with his wife Jeannette, they came home to go farming, however, combined this with a career in rural banking. In recent years they have started up and run preschools in Rangiora and Christchurch.

Richard has been a Director of Waimakariri Irrigation since its inception in 1998 and is a past Chairman. He has followed the development of our southern hydro lakes, water storage and irrigation and seen how surrounding rural communities have flourished. He is an advocate for good water management as this will result in huge benefits for recreation, hydro electricity generation and food production.

Brent Hassall (JP, C.St J)

Brent is a Chartered Accountant and has been in public practice in Rangiora since 1967. He is a lifetime resident of Rangiora. Previously a Rangiora Borough Councillor and Deputy Mayor, Brent has also been a member of the Board of Governors for Rangiora High School and has been active in St John Ambulance, Rangiora Fire Brigade and Rangiora Scout Group. Brent has been a Justice of the Peace for the past 30 years.

Brent was a foundation member of MainPower Trust when it was established in 1995. He was the Chairman of the Trust from its inception until 2008. His involvement dates back to his election to the North Canterbury Electric Power Board in October 1986.

Jim Abernethy

Jim Abernethy lives in Kaikoura where he has been actively involved in the community through numerous organizations, associations and service clubs. Jim was an elected member of Kaikoura District Council and was Mayor of Kaikoura for six years. Prior to moving to Kaikoura Jim lived in Cheviot for most of his working life, during which time he and his brother Bruce owned and operated Cheviot Lime Company Ltd. Jim has been a member of both the Cheviot and Kaikoura Volunteer Fire Brigades for 25 years and retired as Chief Fire Officer in Kaikoura. He was also the Kaikoura member of the Marlborough Harbour Board for 12 years. His community activities include voluntary work in Cheviot, Kaikoura and the Marlborough region.

Kevin Brookfield

For over 35 years Kevin Brookfield has operated a series of successful small businesses. He has an accountancy background and has lived in Amberley for over 28 years. Kevin owns the local Pukeko Junction Wine Centre and Gallery and enthusiastically promotes hospitality in the region. He is a member of the Amberley Ward committee of Hurunui District Council.

Kevin recognises the ever-increasing value of a secure and efficiently-run energy system to ensure the continued growth and stability of North Canterbury.

Catherine Elliott

As a Chartered Accountant, Catherine Elliott has worked in the public sector, corporate business and education. She has experience in senior management positions and governance roles. These include being a Trustee of the MainPower Trust during 2002 and 2003. Currently she has contracting roles and lectures part-time at the University of Canterbury.

With her family, Catherine has lived in the Waimakariri District for 20 years. During that time she has been actively involved with a variety of community organizations.

Nigel Jones

Nigel brings to the MainPower Trust a broad business background and skill set, along with strength in strategic planning, driving positive change and innovation, coupled with a strong belief in supporting the community.

He has worked for Jade Software in Christchurch for over 20 years and is currently their Contracts, Bids and Project Manager. He is also Deputy Chair and Financial Trustee of Wellbeing North Canterbury, an organization that delivers social services district wide. He has been a Director of a successful business, a Trustee and Treasurer for a local school, and coached rugby and hockey.

Nigel has lived in North Canterbury for over 20 years and enjoys playing golf, walking his two Golden Retrievers on the beach and working on a lifestyle block, where he lives with his family.

CHAIRMAN'S REPORT TO THE ANNUAL GENERAL MEETING TUESDAY 30 AUGUST 2011

I wish to take this opportunity to welcome you to the AGM of the MainPower Trust and to introduce you to my fellow Trustees – Richard Allison, Deputy Chair, Brent Hassall, previous Trust Chair, Jim Abernethy, Kevin Brookfield, Catherine Elliott and Nigel Jones.

Catherine and Nigel have joined the Trust since the last AGM and we have farewelled our great friend and colleague Max Smith, and also Daniel Crossen. The Trustees represent a wide range of experience in the North Canterbury and Kaikoura regions and I value their experience and wisdom as I do the assistance of the Trust Secretary, Kathy Hansell.

Since the last AGM we have held 8 trust meetings, and we have also attended additional workshops and joint meetings with the Board of MainPower New Zealand Ltd. During the meetings and workshops the Trustees have covered a range of issues, including:

- Reviewing the Statement of Corporate Intent (SCI) for MainPower New Zealand Ltd. The SCI is a key document in shaping the direction of the company;
- Reviewing and approving the appointment of Directors;
- Meeting with the Managing Director of MainPower New Zealand Ltd to receive regular updates on projects the company is involved with and other issues affecting the company;
- Appointing a returning officer and ensuring that the triennial elections held in March 2011 were carried out in accordance with the Trust Deed and best practice;
- Reviewing the Trust's investment portfolio which is managed by Forsyth Barr, including meeting with Forsyth Barr twice in the twelve months. The investment portfolio provides the income to support the day-to-day expenditure of the Trust;
- Attending conferences of the Energy Trusts of New Zealand (ETNZ) which are held in May and November. The Trust is a member of ETNZ and as such the Trustees receive regular briefings on changes affecting the Energy Industry;

As Allan Berge and Gill Cox discussed in their Directors' Report, this has been a very challenging year for MainPower. Throughout the year the company has kept the Trustees fully informed in relation to the impact of the September Earthquake on Kaiapoi infrastructure and their involvement in supporting Orion in the Christchurch Eastern suburbs following the February event.

On a very positive note the Trustees had the opportunity to visit the Cleardale hydro development on the Rakaia. This is a very innovative project and is not only achieving very satisfactory internal rates of return but also gives the company exposure and experience into mini hydro projects.

You may recall a discussion we had in last year's Chairman's Report in relation to ensuring that the Trust Deed and ownership model remain relevant in today's and tomorrow's challenging environments. Last year we indicated the work we were doing with the New Zealand Institute for the Study of Competition and Regulation, ISCR for short, to look at ownership models and best practice in a national and international search. The purpose of this is to ensure that shareholder value is maintained and enhanced and the Trust provides a stable ownership platform.

Despite the fact that the Trustees have received some initial findings from ISCR, we have made a conscious decision to pause with further work that could arise from this research project until the conclusion of the 2012 Capital Distribution Plan consultation which is scheduled for the first half of 2012. Those who are regular attendees at these meetings will be aware that our Trust Deed requires us to consult with qualifying customers about the retention of community ownership once every six years. The last consultation process was held in 2006.

The researchers at ISCR have advised the Trustees in their initial findings that from a functional perspective MainPower is a consumer cooperative. They have gone on to say that this is a desirable and possibly the optimal organisational form for an electricity distribution business serving a mix of rural and urban consumers in New Zealand under the current regulatory environment and that it is also consistent with the values and vision of its owners as articulated by the Trustees.

I would like to conclude my comments by thanking Judith Hoban and Stephen Lewis for making themselves available for re-election to the MainPower New Zealand Ltd board. We are fortunate to have a Board of such high calibre.

Again, thank you very much for your attendance.



A.J. Hall
Chairman

**MAINPOWER
TRUST**

**FINANCIAL
REPORT
2011**

Audited financial statements

**The Trustees are pleased to present
The audited financial statements of
MainPower Trust for the year ended
31 March 2011.**

Authorised for issue on 1 August 2011
for and on behalf of trustees:



A.J. Hall (Chairman)



R.W. Allison (Deputy Chairman)

Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
Operating revenue	2	59,740	58,637	428	39,894
Other income	3	162	703	16,223	5,965
		59,902	59,340	16,651	45,859
Operating expenses	4, 5	35,309	37,509	343	187
Depreciation, amortisation and impairment	6	10,084	7,746	-	-
Finance expenses	7	208	66	-	-
Rebates		8,076	7,627	-	-
		53,677	52,948	343	187
Profit before income tax expense		6,225	6,392	16,308	45,672
Income tax expense	8	66	1,826	28	13,074
Operating profit from continuing operations		6,159	4,566	16,280	32,598
Profit/(Loss) for the year from discontinued operations		133	(1,484)	-	-
Profit for the year		6,292	3,082	16,280	32,598
Other Comprehensive Income					
Revaluation of electricity distribution network	14	10,613	42,169	-	-
Revaluation of land and buildings	14	2,059	-	-	-
Reduction in deferred tax from change in tax rate	8	816	-	-	-
Deferred tax arising from asset revaluation income	8	(3,381)	(12,651)	-	-
Other comprehensive income		10,107	29,518	-	-
Total comprehensive income		16,399	32,600	16,280	32,598
<i>Profit for the year is attributable to:</i>					
Members of the parent		6,173	3,080	16,280	32,598
Minority interests		119	2	-	-
		6,292	3,082	16,280	32,598
<i>Comprehensive Income is attributable to:</i>					
Members of the parent		16,280	32,598	16,280	32,598
Minority interests	22	119	2	-	-
		16,399	32,600	16,280	32,598

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 2011

	Notes	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
Current assets					
Cash and cash equivalents		-	-	29	14
Trade and other receivables	9	8,131	6,570	23	24
Inventories	10	1,762	1,362	-	-
Current tax assets	8	185	-	79	21
Other assets	11	55	162	-	-
Total current assets		10,133	8,094	131	59
Non-current assets					
Investments in subsidiaries	12	-	-	188,065	172,004
Other financial assets	13	10,333	10,939	8,083	7,939
Property, plant and equipment	14	230,473	210,558	-	-
Goodwill	15	713	913	-	-
Other intangible assets	16	1,314	408	-	-
Total non-current assets		242,833	222,818	196,148	179,943
Total assets		252,966	230,912	196,279	180,002
Current liabilities					
Cash and cash equivalents		4,630	18	-	-
Trade and other payables	17	6,912	6,992	22	23
Current Tax Liabilities	8	-	365	-	-
Borrowings	18	-	125	-	-
Total current liabilities		11,542	7,500	22	23
Non-current liabilities					
Other financial liabilities	19	5	6	-	-
Deferred tax liabilities	8	43,386	41,822	14	15
Provisions	20	985	934	-	-
Total non-current liabilities		44,376	42,762	14	15
Trust Funds					
Accumulated Funds	21	196,243	179,964	196,243	179,964
Total equity attributable to members of the trust		196,243	179,964	196,243	179,964
Minority interest	22	805	686	-	-
Total equity		197,048	180,650	196,243	179,964
Total liabilities and equity		252,966	230,912	196,279	180,002

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 2011

Notes	Retained earnings \$000	Minority interest \$000	Total equity \$000
Group			
Balance at 1 April 2009	147,367	684	148,051
Profit for the year	3,080	2	3,082
Total comprehensive income	32,598	2	32,600
Preference Shares gifted to beneficiaries	(1)	-	(1)
Balance at 31 March 2010	179,964	686	180,650
Profit for the year	6,173	119	6,292
Revaluation of electricity distribution network	10,613	-	10,613
Revaluation of land and buildings	2,059	-	2,059
Reduction in deferred tax arising from change in tax rate	816	-	816
Deferred tax arising from revaluation	(3,381)	-	(3,381)
Total comprehensive income	16,280	119	16,399
Preference Shares gifted to beneficiaries	(1)	-	(1)
Balance at 31 March 2011	196,243	805	197,048

Notes	Retained earnings \$000	Total equity \$000
Parent		
Balance at 1 April 2009	147,367	147,367
Profit for the year	32,598	32,598
Total comprehensive income	32,598	32,598
Preference Shares gifted to beneficiaries	(1)	(1)
Balance at 31 March 2010	179,964	179,964
Profit for the year	16,280	16,280
Total comprehensive income	16,280	16,280
Preference Shares gifted to beneficiaries	(1)	(1)
Balance at 31 March 2011	196,243	196,243

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 2011

	Notes	Group 2011 \$000's	Group 2010 \$000's	Parent 2011 \$000's	Parent 2010 \$000's
Cash flows from operating activities					
Receipts from customers		47,098	52,210	-	-
Interest received		343	328	201	216
Dividends received		228	296	228	296
Payments to suppliers and employees		(35,944)	(40,836)	(344)	(168)
Interest and other finance costs paid		(153)	(92)	-	-
Income tax paid		(1,500)	(1)	(87)	(45)
Net cash provided by operating activities	23	10,072	11,905	(3)	299
Cash flows from investing activities					
Proceeds from investment securities		1,007	340	257	221
Payment for investment securities		(239)	(544)	(239)	(544)
Payment for property, plant and equipment		(14,155)	(13,160)	-	-
Proceeds from sale of property, plant and equipment		103	753	-	-
Payment for intangible assets		(1,275)	(231)	-	-
Net cash used in investing activities		(14,559)	(12,842)	18	(323)
Cash flows from financing activities					
Repayment of borrowings		(125)	(375)	-	-
Net cash provided by (used in) financing activities		(125)	(375)	-	-
Net increase/(decrease) in cash and cash equivalents		(4,612)	(1,312)	15	(24)
Summary					
Cash and cash equivalents at beginning of year		(18)	1,294	14	38
Net increase/(decrease) in cash and cash equivalents		(4,612)	(1,312)	15	(24)
Cash and cash equivalents at end of year		(4,630)	(18)	29	14
Cash flows from discontinued operations included above:					
Net cash flows from operating activities		438	526	-	-
Net cash flows from investing activities		-	415	-	-
Net cash flows from financing activities		(125)	(375)	-	-
		313	566	-	-

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

Notes to the financial statements continued

For the year ended 31 March 2011

1. Statement of accounting policies

Statement of compliance

MainPower Trust is a Trust for the benefit of customers connected to the network of MainPower New Zealand Limited. The group consists of MainPower Trust and MainPower New Zealand Limited and its subsidiaries.

The MainPower Trust was established by deed on 24th October 1995.

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

Compliance with NZ IFRS ensures that the group financial statements comply with International Financial Reporting Standards (IFRS). The parent entity financial statements also comply with IFRS.

Basis of financial statement preparation

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

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

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

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2011 and the comparative information presented in these financial statements for the year ended 31 March 2010.

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

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

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

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

The Group operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the group's approved network asset management plan. 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 Group invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. When determining line revenue management recognise actual amounts billed during the financial period and, if material, make an adjustment to recognise the estimated value of unread meters where applicable.

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

Notes to the financial statements continued

For the year ended 31 March 2011

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 Trust (the parent entity) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

Associate Companies – equity accounting

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

Equity accounting involves recognising the Group's share of net surpluses or deficits as part of operating revenue in the Income Statement. In the 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 the Inland Revenue Department are shown net in the statement of cash flows. The Trust is not registered for GST and therefore all Trust transactions are inclusive of GST.

(c) Foreign currency

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

(d) Cash and cash equivalents

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

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

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

Notes to the financial statements continued

For the year ended 31 March 2011

1. Statement of accounting policies continued

(e) Financial assets continued

Held to maturity investments

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

Loans and receivables

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

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

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

(f) Inventories

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

(g) Income tax

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

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

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

(h) Leased assets

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

(i) Impairment of assets

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

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

Notes to the financial statements continued

For the year ended 31 March 2011

1. Statement of accounting policies continued

(i) Impairment of assets continued

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 the income statement. If the impairment loss is subsequently reversed, the reversal is firstly applied to the income statement to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

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

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

(j) Property, plant and equipment

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

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

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

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

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

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

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

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

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

Notes to the financial statements continued

For the year ended 31 March 2011

1. Statement of accounting policies continued

(k) Intangible assets

Computer software

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

Lease Premiums

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

Research and development costs

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

(l) Goodwill

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

(m) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes 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, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

(o) Employee benefits

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

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

(p) Financial instruments issued by the group

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

(q) Revenue recognition

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

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

Notes to the financial statements continued

For the year ended 31 March 2011

1. Statement of accounting policies continued

(r) Distinction between capital and revenue expenditure

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

(s) Capital contributions

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

(t) Borrowing costs

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

Adoption of new and revised Standards and Interpretation

The Group and Parent have adopted all new standards as issued by the Financial Reporting Standards Board (except for those listed in the table below). Those standards with a disclosure impact in these financial statements are as follows:

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet adopted: The impact of initial application of the following standards is unknown.

Standard		Effective for Annual reporting periods beginning on or after	Expected to be initially applied in the year ending
NZ IAS 24	Related Party Disclosures (revised 2009)	1 January 2011	31 March 2012
NZ IFRS 9	Financial Instruments	1 January 2013	31 March 2014
*Revised NZ IFRS 9	Financial Instruments	1 January 2013	31 March 2014
Amendments to NZ IFRS 7	Financial Instruments	1 July 2011	31 March 2013

* The revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

2. Operating revenue

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
Line revenue	39,081	35,196	-	-
Contracting revenue	16,866	18,676	-	-
Capital contributions	3,052	3,711	-	-
Interest revenue	361	350	200	208
Dividends	228	322	228	39,686
Other	152	382	-	-
Operating revenue from continuing operations	59,740	58,637	428	39,894
Operating revenue from discontinued operations	283	4,465	-	-

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
3. Other income				
Expenses Reimbursed	-	-	-	21
Fair value movement on investments	162	703	16,223	5,944
	162	703	16,223	5,965

4. Operating expenses

Bad debts written off	37	93	-	-
Directors / Trustees fees and expenses	359	318	85	85
Cost of goods sold, excluding employee remuneration	9,358	11,248		
Employee remuneration and benefits	8,883	9,139	-	-
Loss on disposal of property, plant and equipment	100	15	-	-
Impairment of subsidiary investment/goodwill	200	-	-	-
Operating lease costs	146	356	-	-
Network maintenance	3,464	3,666	-	-
Generation development	586	815	-	-
Community relationships	813	412	-	-
Transmission expenses	9,375	9,413	-	-
Other	1,900	2,032	252	96
Operating expenses from continuing operations	35,221	37,443	337	181
Operating expenses from discontinued operations	263	6,149	-	-

On 31 March 2010, the Group sold the business assets and liabilities of Electro Services NZ Limited to Buller Electricity for \$777,516. Included in the Statement of Comprehensive Income for the Group in 2010 under the heading "Loss for the year from discontinued operations" is a loss amounting to \$1.48M. This loss is attributable to a post-tax loss on the disposal of the assets of Electro Services NZ Limited, including Plant, Equipment and Inventory, \$459,000, together with the write-off of intangible assets, \$467,000 and reversal of intangible liabilities, \$188,000. The balance of the loss is attributable to the company's trading operations which were severely affected by the global recession.

5. Remuneration of auditors

Audit of the financial statements of the Trust	6	6	6	6
Other auditors fees for the audit of the financial statements of MainPower New Zealand Limited and Group	69	69	-	-
Other auditor fees for other services	13	12	-	-
Remuneration of auditors of continuing operations	88	87	6	6
Remuneration of auditors of discontinued operations	-	9	-	-

The audit committee of Mainpower New Zealand Limited monitors the independence of the auditor and approves and reviews those services provided by the auditor other than in its statutory audit role. Other assurance services comprise the audit of regulatory submissions to the Commerce Commission for financial and non-financial information.

6. Depreciation, amortisation and impairment

Depreciation of non-current assets	9,731	7,542	-	-
Amortisation of non-current assets	353	204	-	-
Depreciation and amortization for continuing operations	10,084	7,746	-	-
Depreciation and amortization for discontinued operations	-	299	-	-

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
7. Finance expenses				
Interest expense on loans	153	22	-	-
Other interest expense	55	44	-	-
Finance expenses for continuing operations	208	66	-	-
Finance expenses for discontinued operations	-	26	-	-

8. Income taxes

Income tax expense recognised in profit

Tax expense comprises:

Current tax expense	1,459	603	29	13,059
Adjustments recognised in current year in relation to the current tax of prior years	(505)	45	-	-
Effect on deferred tax of change in company tax rate 30% to 28%	(1,965)	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	964	644	(1)	15
Total income tax expense recognised in profit	(47)	1,292	28	13,074

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	6,225	6,392	16,308	45,672
Profit before tax from discontinued operations	20	(2,018)	-	-
Profit from operations	6,245	4,374	16,308	45,672
Prima facie income tax expense calculated at respective tax rates	1,882	1,344	5,382	15,072
Effect on deferred tax of change in tax rate 30% to 28%	(1,965)	-	-	-
Non-deductible expenses	595	171	-	-
Non-assessable income	(54)	(268)	(5,354)	(1,998)
	458	1,247	28	13,074
Under/(over) provision of income tax in previous year	(505)	45	-	-
Total income tax expense recognised in profit	(47)	1,292	28	13,074
Attributable to:				
Continuing Operations	66	1,826	28	13,074
Discontinued Operations	(113)	(534)	-	-
	(47)	1,292	28	13,074

The tax rates used in the above reconciliation are the trustee tax rate of 33% payable by New Zealand trustees on taxable income, and the company tax rate of 30% payable by New Zealand companies on taxable profits under New Zealand tax law.

Current tax assets and liabilities

Current tax asset				
Tax refund receivable	185	-	79	21
Current tax liability				
Tax payable	-	365	-	-

Notes to the financial statements continued

For the year ended 31 March 2011

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Change in tax rate \$000	Closing balance \$000
8. Income taxes continued					
Consolidated group for the year ended 31 March 2011					
Taxable and deductible temporary differences arise from:					
<i>Deferred tax liabilities</i>					
Property, plant & equipment	42,774	1,030	3,381	(2,824)*	44,361
Intangible assets	(60)	(8)	-	(1)	(69)
	42,714	1,022	3,381	(2,825)	44,292
<i>Deferred tax assets</i>					
Provisions	(892)	(58)	-	44	(906)
	(892)	(58)	-	44	(906)
Net deferred tax liability	41,822	964	3,381	(2,781)	43,386

* Of this balance, \$816,000 is recognised in equity (other comprehensive income) with the remainder of this balance recognised in Income Tax expense

On 20 May 2010, the Minister of Finance announced that the company tax rate will reduce from 30% to 28% with effect from 1 April 2011. This change in the tax rate has been incorporated in the calculation of deferred tax for 2011.

Consolidated group for the year ended 31 March 2010

Taxable and deductible temporary differences arise from:

Deferred tax liabilities

Property, plant & equipment	29,445	678	12,651	42,774
Intangible assets	24	(84)	-	(60)
	29,469	594	12,651	42,714

Deferred tax assets

Provisions	(942)	50	-	(892)
	(942)	50	-	(892)
Net deferred tax liability	28,527	644	12,651	41,822

Parent entity for the year ended 31 March 2011

Taxable and deductible temporary differences arise from:

Deferred tax liabilities

Investments	15	(1)	-	14
Net deferred tax liability	15	(1)	-	14

Parent entity for the year ended 31 March 2010

Taxable and deductible temporary differences arise from:

Deferred tax liabilities

Investments	16	(1)	-	15
Net deferred tax liability	16	(1)	-	15

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
9. Current trade and other receivables				
Trade receivables	6,570	6,234	-	-
Work under construction	1,446	150	-	-
Interest receivable	85	63	23	24
Other receivables	30	123	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,131	6,570	23	24

Information in respect of concentrations of credit risk within trade receivables is included in Note 29.

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

Interest is charged on overdue trade receivables where applicable.

Included in the Group's trade receivables are debtors with a carrying amount of \$0.357m (2010: \$0.782m) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts still considered recoverable.

Aging of past due trade receivables

30-60 days	123	406	-	-
60-90 days	91	198	-	-
90+ days	143	183	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	357	787	-	-

10. Current inventories

Distribution System and Metering items	<hr/>	<hr/>	<hr/>	<hr/>
	1,762	1,362	-	-

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

11. Other current assets

Prepayments	<hr/>	<hr/>	<hr/>	<hr/>
	55	162	-	-

Notes to the financial statements continued

For the year ended 31 March 2011

	Effective ownership 2011	Effective ownership 2010	Country of incorporation	Year end
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12. Group entities

MainPower Trust's directly held subsidiaries as at 31 March were as follows:

Entity name

MainPower New Zealand Limited	100%	100%	NZ	31 March
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MainPower Trust's indirectly held subsidiaries as at 31 March were as follows:

Entity name

Vircom Energy Management Services Limited	77.4%	77.4%	NZ	31 March
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Tasman Electrical Limited	100%	100%	NZ	31 March
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Tasman Electrical Limited's subsidiaries as at 31 March were as follows:

Entity Name

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

Investment in Associates

Mainpower New Zealand Limited owns 35% of Hurunui Water Project Limited, a company incorporated in New Zealand.

The carrying value of this investment is \$Nil (2010: Nil). The group has not yet recognised its 35% share of accumulated profits or losses' relating to the associate as Hurunui Water Project Limited is still in the set-up stage of its life cycle.

No public price quotation exists for this investment.

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
13. Other non-current financial assets				
At amortised cost				
Held to maturity investments	2,947	3,944	697	931
	2,947	3,944	697	931
Assets held for trading at fair value				
Forsyth Barr Portfolio	7,075	6,695	7,075	6,695
Other equity investments	311	300	311	313
	7,386	6,995	7,386	7,008
Total	10,333	10,939	8,083	7,939

Notes to the financial statements continued

For the year ended 31 March 2011

	Freehold land at fair value \$000	Buildings at fair value \$000	Electricity distribution network at fair value \$000	Plant, equipment, vehicles, furniture & fittings \$000	Total \$000
14. Property, plant and equipment					
Consolidated group					
<i>Gross carrying amount</i>					
Balance at 1 April 2009	2,905	3,530	171,785	21,127	199,347
Revaluations	-	-	42,169	-	42,169
Additions	-	7	11,629	5,235	16,871
Disposals	-	-	(34,361)	(2,324)	(36,685)
Balance at 31 March 2010	2,905	3,537	191,222	24,038	221,702
Revaluations	605	1,454	10,613	-	12,672
Additions	-	306	10,712	6,120	17,138
Disposals/ Adjustments	(103)	(596)	(8,199)	(2,051)	(10,949)
Balance at 31 March 2011	3,407	4,701	204,348	28,107	240,563
<i>Accumulated depreciation, amortisation and Impairment</i>					
Balance at 1 April 2009	64	385	28,209	10,208	38,866
Disposals	-	-	(34,361)	(1,106)	(35,467)
Depreciation expense	20	103	6,152	1,470	7,745
Balance at 31 March 2010	84	488	-	10,572	11,144
Disposals/Adjustments	(103)	(596)	(8,197)	(1,889)	(10,785)
Depreciation expense	19	108	8,197	1,407	9,731
Balance at 31 March 2011	-	-	-	10,090	10,090
Net book value at 31 March 2010	2,821	3,049	191,222	13,466	210,558
Net book value at 31 March 2011	3,407	4,701	204,348	18,017	230,473

Notes to the financial statements continued
For the year ended 31 March 2011

	Group	Group	Parent	Parent
	2011	2010	2011	2010
	\$000	\$000	\$000	\$000

14. Property, plant and equipment continued

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

Freehold land	1,970	1,970	-	-
Buildings	1,418	1,112	-	-
Electricity distribution network	97,958	87,246	-	-
Plant, equipment, vehicles, furniture and fittings	20,911	14,953	-	-
	122,257	105,281	-	-

Revaluations and impairment review

The group's electricity distribution network and substation buildings 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 have had extensive experience in the property valuation field.

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

In accordance with NZ IAS 36, the group has undertaken a review to determine whether the carrying values of any items of property, plant and equipment might be impaired. Based on evidence from asset disposals, the group does not believe that any such carrying values are materially impaired at 31 March 2011 (2010: nil).

Christchurch Earthquake

On 4 September 2010 and 22 February 2011 Canterbury experienced two major earthquakes resulting in widespread damage to the region. The September earthquake caused significant damage to MainPower's infrastructure assets, mainly in the Kaiapoi region, while the February earthquake saw minor disruption to MainPower's network.

The cost of remedial work arising from the earthquake amounted to \$1,013,781.

Notes to the financial statements continued

For the year ended 31 March 2011

	Total \$000
15. Goodwill	
Consolidated group	
<i>Gross carrying amount</i>	
Balance at 1 April 2009	913
Additions	-
Disposals	-
Balance at 31 March 2010	<u>913</u>
Additions	-
Disposals	(200)
Balance at 31 March 2011	<u>713</u>
<i>Accumulated impairment</i>	
Balance at 1 April 2009	-
Impairment	-
Disposals	-
Balance at 31 March 2010	<u>-</u>
Impairment	-
Disposals	-
Balance at 31 March 2011	<u>-</u>
Net book value at 31 March 2010	<u>913</u>
Net book value at 31 March 2011	<u>713</u>

Notes to the financial statements continued

For the year ended 31 March 2011

	Total \$000
16. Other intangible assets	
Consolidated group	
<i>Gross carrying amount</i>	
Balance at 1 April 2009	2,443
Additions	231
Disposals	(872)
Balance at 31 March 2010	<u>1,802</u>
Additions	1,275
Disposals	(555)
Balance at 31 March 2011	<u>2,522</u>
<i>Accumulated amortisation and impairment</i>	
Balance at 1 April 2009	1,487
Amortisation expense	300
Disposals	(393)
Balance at 31 March 2010	<u>1,394</u>
Amortisation expense	353
Disposals	(539)
Balance at 31 March 2011	<u>1,208</u>
Net book value at 31 March 2010	<u>408</u>
Net book value at 31 March 2011	<u>1,314</u>

Amortisation expense is included in the line item depreciation and amortisation in the statement of comprehensive income.

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
17. Current trade and other payables				
Trade payables	5,742	5,955	22	23
Employee entitlements	1,170	1,037	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,912	6,992	22	23

18. Non-current borrowings

Unsecured:

Loans

-	125	-	-
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-	125	-	-
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Less current portion

-	(125)	-	-
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Non current borrowings

-	-	-	-
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19. Other non-current financial liabilities

At cost:

Redeemable preference (rebate) shares

5	6	-	-
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Redeemable preference (rebate) shares confer special rights to participate in a customer rebate scheme, receive notices, attend and speak, but not vote at any general meetings of MainPower NZ.

7,024 (2010: 7,410) redeemable preference shares at 10 cents each were redeemed during the year.

20. Non-current provisions

Employee benefits

985	934	-	-
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The provision for long service, sick and retiring leave is an actuarial assessment of entitlements that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

Key assumptions in the calculation of the provision include:

- salary inflation (3.00 % (2010: 3.00%))
- discount rate (2.71% - 6.61% (2010: 3.76% - 6.08%))

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
21. Retained earnings				
Balance at beginning of financial year:	179,964	147,367	179,964	147,367
Preference Shares gifted to beneficiaries	(1)	(1)	(1)	(1)
Comprehensive income attributable to members of the parent entity	16,280	32,598	16,280	32,598
	<u>196,243</u>	<u>179,964</u>	<u>196,243</u>	<u>179,964</u>
22. Minority interest				
Balance at beginning of financial year:	686	684	-	-
Comprehensive income attributable to minority interest	119	2	-	-
	<u>805</u>	<u>686</u>	<u>-</u>	<u>-</u>
23. Notes to the cash flow statement				
Reconciliation of profit for the period to net cash flows from operating activities				
Net profit for the year	6,292	3,082	16,280	32,598
Adjustments for				
(Gain)/loss on disposal of property, plant & equipment	77	493	-	-
Depreciation and amortisation of non-current assets	10,084	8,045	-	-
Impairment of investment in subsidiary/goodwill	200	-	-	-
Capital contributions	(2,983)	(3,711)	-	-
Non-current provisions/ deferred settlement/lease premium	-	262	-	-
Fair Value movement in investments	(162)	(730)	(16,223)	(32,346)
	<u>7,216</u>	<u>4,359</u>	<u>(16,223)</u>	<u>(32,346)</u>
Changes in net assets and liabilities				
(Increase)/decrease in current tax balances	(551)	687	(59)	41
Increase/(decrease) in deferred tax balances recognised in tax expense	(1,001)	644	(1)	(1)
<i>(Increase)/decrease in assets</i>				
Current receivables	(1,561)	939	1	8
Current inventories	(400)	1,183	-	-
Other current assets	107	296	-	-
<i>Increase/(decrease) in liabilities</i>				
Current payables	(80)	781	(1)	(1)
Non-current provisions	50	(66)	-	-
	<u>(3,436)</u>	<u>4,464</u>	<u>(60)</u>	<u>46</u>
Net cash from operating activities	<u>10,072</u>	<u>11,905</u>	<u>(3)</u>	<u>299</u>

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
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24. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2011 (2010: Cleardale Hydro Scheme (\$2.8M)).

Operating lease commitments

The minimum value of lease commitments are:

Within one year	171	263	-	-
1 – 2 years	93	263	-	-
2 – 5 years	-	789	-	-

Prudential commitments

At 31 March 2011 the Group had guarantees (performance bonds) to third parties amounting to \$200,000 (2010: \$200,000).

25. Related-party transactions

Group structure

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

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

Transactions during the year

Purchases from subsidiaries of MainPower New Zealand Limited	170	13,037	-	-
Revenues from subsidiaries of MainPower New Zealand Limited	500	443	-	-
Dividends from subsidiaries of MainPower New Zealand Limited	-	3,000	-	-
Loans repaid by subsidiaries	1,165	-	-	-

Outstanding balances as at 31 March

Accounts payable to subsidiaries of MainPower New Zealand Limited	2	9	-	-
Accounts receivable from subsidiaries of MainPower New Zealand Limited	90	24	-	-
Loans to subsidiaries of MainPower New Zealand Limited	534	1,700	-	-

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

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

Other transactions involving related parties

The group paid directors' and trustees' fees totaling \$335,950 (2010: \$318,400)

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 (2010, all less than \$1,000). There were no significant outstanding balances with key management personnel at the end of the period (2010, nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2011 no transactions occurred between the group and an organisation in which a key management person of the group holds a position of control.

Notes to the financial statements continued

For the year ended 31 March 2011

	Group 2011 \$000	Group 2010 \$000	Parent 2011 \$000	Parent 2010 \$000
26. Key management personnel				
The compensation of the executives, being the key management personnel of the entity is set out below:				
Short term employee benefits	1,549	1,088	-	-
Post employment benefits	-	-	-	-

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

27. Segmental reporting

MainPower Trust and its subsidiaries operate predominantly in the electricity distribution network sector in New Zealand.

28. Significant events after balance date

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

29. Financial instruments

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

Interest rate risk

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

Foreign currency risk

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

Liquidity risk

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

Market risk

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

Notes to the financial statements continued

For the year ended 31 March 2011

29. Financial instruments continued

Concentration of credit risk

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

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

The level of credit risk in respect of accounts receivable is influenced by the small number of major electricity retailers conveying electricity across MainPower's distribution system. There is a concentration of credit risk in respect of the amount owned by Contact Energy Limited which represents 30% (2010 – 58%) of the group's trade receivables, while Advanced Metering Services Limited is 16% (2010: 14%).

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

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

Capital management

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

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

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

Sensitivity analysis

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

At 31 March 2011 it is estimated that a general increase of one percentage point in interest rates would increase the group's profit before income tax by approximately \$3,750 (2010: \$31,5 00).

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies with respect to MainPower's contractual obligations would have decreased the group's profit before income tax by less than \$10,000 for the year ended 31 March 2011 (2010: less than \$10,000).

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

Fair value of financial instruments

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

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

Notes to the financial statements continued

For the year ended 31 March 2011

	Notes	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000
29. Financial instruments continued				
Categories of financial instruments				
Consolidated group as at 31 March 2011				
Current assets				
Trade and other receivables	9	8,131	-	8,131
Current tax asset	8	185	-	185
		8,316	-	8,316
Non-current assets				
Other financial assets	13	-	10,333	10,333
		-	10,333	10,333
Total financial assets		8,316	10,333	18,649
Current liabilities				
Cash and cash equivalents		4,630	-	4,630
Trade and other payables	16	6,912	-	6,912
		11,542	-	11,542
Non-current liabilities				
Other financial liabilities	18	-	5	5
Provisions	19	-	985	985
		-	990	990
Total financial liabilities		11,542	990	12,532
Consolidated group As at 31 March 2010				
Current assets				
Trade and other receivables	9	6,570	-	6,570
Current tax asset	8	-	-	-
		6,570	-	6,570
Non-current assets				
Other financial assets	13	-	10,939	10,939
		-	10,939	10,939
Total financial assets		6,570	10,939	17,509
Current liabilities				
Cash and cash equivalents		18	-	18
Trade and other payables	17	-	6,992	6,992
Current tax liabilities	8	-	365	365
Borrowings	18	-	125	125
		18	7,482	7,500
Non-current liabilities				
Other financial liabilities	19	-	6	6
Provisions	20	-	934	934
		-	940	940
Total financial liabilities		18	8,422	8,440

Notes to the financial statements continued

For the year ended 31 March 2011

	Notes	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000
29. Financial instruments continued				
Categories of financial instruments				
Parent entity as at 31 March 2011				
Current assets				
Cash and cash equivalents		29	-	29
Trade and other receivables	9	23	-	23
Current tax asset	8	79	-	79
		131	-	131
Non-current assets				
Other financial assets	13	-	8,083	8,083
		-	8,083	8,083
Total financial assets		131	8,083	8,214
Current liabilities				
Trade and other payables	17	-	22	22
		-	22	22
Non-current liabilities				
Other financial liabilities	19	-	-	-
Provisions	20	-	-	-
		-	-	-
Total financial liabilities		-	22	22
Parent entity As at 31 March 2010				
Current assets				
Cash and cash equivalents		14	-	14
Trade and other receivables	9	24	-	24
Current tax asset	8	21	-	21
		59	-	59
Non-current assets				
Other financial assets	13	-	7,939	7,939
		-	7,939	7,939
Total financial assets		59	7,939	7,998
Current liabilities				
Trade and other payables	17	-	23	23
Non-current liabilities				
Other financial liabilities	19	-	-	-
Provisions	20	-	-	-
		-	-	-
Total financial liabilities		-	23	23

Notes to the financial statements continued

For the year ended 31 March 2011

		Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
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29. Financial instruments continued

Maturity profile of financial instruments

Consolidated group as at 31 March 2011

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

Financial assets

Trade and other receivables		-	-	8,131	8,131
Other financial assets	3.33% to 10.50%	2,904	1,854	5,575	10,333
Current tax asset		-	-	185	185
		2,904	1,854	13,891	18,649

Financial liabilities

Cash and cash equivalents	3.6%	4,630	-	-	4,630
Trade and other payables		-	-	6,912	6,912
Other financial liabilities		-	-	5	5
Provisions		-	-	985	985
		4,630	-	7,902	12,532

An analysis of the contractual maturity dates is as follows:

		Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
Financial assets:					
Less than 1 year		2,460	156	8,318	10,934
1 – 2 years		-	215	-	215
2-5 years		-	1,215	-	1,215
5 yrs		444	268	5,573	6,285
		2,904	1,854	13,891	18,649
Financial liabilities:					
Less than 1 year		-	-	6,890	6,890
1 – 2 years		4,630	-	1	4,631
2-5 years		-	-	4	4
5 yrs		-	-	1,007	1,007
		4,630	-	7,902	12,532

Notes to the financial statements continued

For the year ended 31 March 2010

29. Financial instruments continued

Maturity profile of financial instruments

Consolidated group as at 31 March 2010

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

Financial assets

		Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
Cash and cash equivalents		-	-	-	-
Trade and other receivables		-	-	6,570	6,570
Other financial assets	2.8% to 10.43%	4,068	1,969	4,902	10,939
Current tax asset		-	-	-	-
		4,068	1,969	11,472	17,509

Financial liabilities

Cash and cash equivalents	3.4%	18	-	-	18
Trade and other payables		-	-	6,992	6,992
Current tax liabilities		-	-	365	365
Borrowings	7.0%	125	-	-	125
Other financial liabilities		-	-	6	6
Provisions		-	-	934	934
		143	-	8,297	8,440

An analysis of the contractual maturity dates is as follows:

	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
Financial assets:				
Less than 1 year	1,809	444	6,570	8,823
1 – 2 years	1,500	164	-	1,664
2-5 years	-	1,135	-	1,135
5 yrs	759	226	4,902	5,887
	4,068	1,969	11,837	17,509
Financial liabilities:				
Less than 1 year	125	-	7,363	7,123
1 – 2 years	18	-	-	18
2-5 years	-	-	-	-
5 yrs	-	-	934	934
	143	-	8,297	8,440

Notes to the financial statements continued

For the year ended 31 March 2011

	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
29. Financial instruments continued				
Maturity profile of financial instruments				
Parent entity as at 31 March 2011				
The following table details the parent's exposure to interest rate and liquidity risk				
Financial assets				
Cash and cash equivalents	-	-	29	29
Trade and other receivables	-	-	23	23
Other financial assets	654	1,854	5,575	8,083
Current tax asset	-	-	79	79
	654	1,854	5,706	8,214
Financial liabilities				
Trade payables	-	-	22	22
	-	-	22	22

An analysis of the contractual maturity dates is as follows:

	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
Financial assets:				
Less than 1 year	210	156	131	497
1 – 2 years	-	215	-	215
2-5 years	-	1,215	-	1,215
5 yrs	444	268	5,573	6,287
	654	1,854	5,706	8,214
Financial liabilities:				
Less than 1 year	-	-	22	22
	-	-	22	22

Notes to the financial statements continued

For the year ended 31 March 2011

29. Financial instruments continued

Maturity profile of financial instruments

Parent entity as at 31 March 2010

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

Financial assets

	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
Cash and cash equivalents	-	-	14	14
Trade and other receivables	-	-	24	24
Other financial assets	1,068	1,969	4,902	7,939
Current tax asset	-	-	21	21
	1,068	1,969	4,961	7,998

Financial liabilities

Trade and other payables	-	-	23	23
	-	-	23	23

An analysis of the fixed maturity dates is as follows:

	Variable interest rate \$000	Fixed maturity dates \$000	Non- interest bearing \$000	Total \$000
Financial assets:				
Less than 1 year	309	-	59	368
1 – 2 years	-	164	-	164
2-5 years	-	1,135	-	1,135
5 yrs	759	670	4,902	6,331
	1,068	1,969	4,961	7,998
Financial liabilities:				
Less than 1 year	-	-	23	23
	-	-	23	23

Requests for Information by Beneficiaries

MainPower Trust is a signatory to the ETNZ Guidelines for Access to Information by Beneficiaries of Electricity Community and Consumer Trusts. As such, the Trust is required to provide details of requests for information by beneficiaries during the previous year. The Trust is required to provide details of the number of requests received and the cost of processing those requests. It is also required to report on the number of Trust decisions not to supply such information which have been subject to review and the cost and outcomes of such reviews.

In the twelve months to 31 March 2011 there had been no requests received for information by beneficiaries. There was therefore no cost to the Trust in processing any requests.

As no requests were received, there were no decisions by the Trust which were subject to review, and therefore there were no costs associated with those reviews.

PROSSER QUIRKE & CO

Chartered Accountants & Business Advisors

PARTNERS

Peter J. Quirke, C.A., J.P.

Donald M. Robertson, B Com., B Com. (Ag), C.A.

Stephen B. Kelliher, B Com, C.A.

AUDIT REPORT

To the Trustees of Mainpower Trust

We have audited the financial statements on pages 3 to 6. The financial statements provide information about the past financial performance of Mainpower Trust and its financial position as at 31st March 2011. This information is stated in accordance with the accounting policies and notes set out on pages 7 to 32.

Trustees' Responsibilities

The Trustees are responsible for the preparation of financial statements which give a true and fair view of the financial position of Mainpower Trust and of the results of its operations and cash flows for the year ended 31 March 2011.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by Mainpower Trust and report our opinion to you.

Basis of Opinion

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

- The significant estimates and judgements made by the Trustees in the preparation of the financial statements, and
- Whether the accounting policies are appropriate to Mainpower Trust's circumstances, consistently applied and adequately disclosed

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

Other than in our capacity as auditors, we have no relationship with or interests in Mainpower Trust.

Unqualified Opinion

We have obtained all the information and explanations we have required. In our opinion:

- Proper accounting records have been kept by Mainpower Trust as far as appears from our examination of those records.

The investment in Mainpower New Zealand Limited has been shown in the accounts at Net Equity as per Note 14 in the Notes to the Financial Statements. We have not independently audited the valuation of Mainpower New Zealand Limited.

We have reviewed the consolidation of Mainpower New Zealand Limited and also Mainpower Trust accounts as prepared by Koller & Hassall Limited and there are no matters arising from the consolidation.

Subject to the above, the financial statements on pages 3 to 32:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the financial position of Mainpower Trust as at 31st March 2011, and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 1st August 2011, and our unqualified opinion is expressed as at that date.



PROSSER QUIRKE & CO
Chartered Accountants
Rangiora