

mainpower trust

Annual Report 2010

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
Daniel Crossen	Trustee
Brent Hassall	Trustee
Max Smith	Trustee

SECRETARY

Kathy Hansell	Koller & Hassall Limited
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TRUST OFFICE

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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) Lindsay Martin (Secretary), Daniel Crossen, Kevin Brookfield, Richard Allison
(front) Jim Abernethy, Brent Hassall, Tony Hall, Max Smith

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 is an advocate for maintaining ownership and control of community-owned lines companies, such as MainPower, as he sees electricity becoming increasingly central in our lives, especially in transport.

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.

Daniel Crossen (M.Ed., Dip.Tchg., B.B.A.(Hons)

Daniel is a professional business consultant, economist and educator. He has lived in North Canterbury for 12 years and was elected to MainPower Trust in 2002.

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.

Max Smith

Max has had a lifetime of involvement in the electricity industry, having been engineer-architect and manager of the Upper Waitaki Power Project involving 2,000 employees and a town of 6,000 people. Max also spent some years as a high and hill country farmer, with sheep and cattle studs and he now produces his own wines at his Whitestone Vineyard in the Waipara Valley. Max has been a Trustee of MainPower Trust since 1996.

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. He fully supports MainPower's current ownership model and commits to ensuring this remains unchanged, believing it to be in the best interests of the community.

MainPower Trust Annual General Meeting – Monday 23rd August 2010

Chairman's Report

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, Max Smith, Daniel Crossen, Jim Abernethy and Kevin Brookfield.

The Trustees represent a wide range of interest in the North Canterbury and Kaikoura regions and I value their experience, knowledge and wisdom. I would like to also acknowledge the contribution of our long-serving Board Secretary, Lindsay Martin. The trust wishes to commend the Company, its Board and staff on a very satisfactory year and lend our support to the vision and values that the Company upholds, as articulated on page 3 of the Statement of Corporate Intent.

A major focus of our deliberations this year has been our commitment to an ownership research project. The trust operates under a Trust Deed which was settled in 1995 and has served us well since then. Two of the architects of that Deed were Allan Berge and Brent Hassall and their institutional knowledge has been, and still is, enormously valuable. The Trustees and the Company wish to ensure, however, that the Trust Deed and ownership structure is relevant in today's and tomorrow's challenging operational environment.

That means maintaining and enhancing shareholder value, providing MainPower a stable ownership platform from which to plan and operate effectively and to place the Trust and Company in a position of strength to be able to respond to changes in government policy settings or other external influences that may arise.

To this end we have engaged the New Zealand Institute for the Study of Competition and Regulation, ISCR for short, to look at ownership structures and best practice models in a national and international search.

I hasten to add that we are not approaching this project with any notion of reformist zeal. If the research project affirms the current ownership structure, all well and good; however we have an obligation as Trustees to future-proof the Trust and the Company in a manner that maximizes the benefit to shareholders and the community and this may involve some reform. Over the next 12 months we look forward to receiving advice from this research project.

I wish to conclude my comments by thanking Gil Cox and Tony King for making themselves available for re-election to the Board. We are fortunate to have a Board of such high caliber and we all benefit from the contributions that Gil and Tony make.

Again, thank you very much for your attendance.



A.J. Hall
Chairman


Audited financial statements

**The Trustees are pleased to present
The audited financial statements of
MainPower Trust for the year ended
31 March 2010.**

Authorised for issue on 18 August 2010
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 2010

	Notes	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
Operating revenue	2	58,637	61,262	39,894	503
Other income	3	703	(1,253)	5,965	2,968
		59,340	60,009	45,859	3,471
Operating expenses	4, 5	37,509	40,301	187	311
Depreciation, amortisation and impairment	6	7,746	7,869	-	-
Finance expenses	7	66	104	-	-
Rebates		7,627	7,561	-	-
		52,948	55,835	187	311
Profit before income tax expense		6,392	4,174	45,672	3,160
Income tax expense (credit)	8	1,826	1,076	13,074	52
Operating profit from continuing operations		4,566	3,098	32,598	3,108
Loss for the year from discontinued operations		(1,484)	(195)	-	-
Profit for the year		3,082	2,903	32,598	3,108
Other Comprehensive Income					
Revaluation of electricity distribution network		42,169	-	-	-
Deferred tax arising from asset revaluation income		(12,651)	-	-	-
Other comprehensive income		29,518	-	-	-
Total comprehensive income		32,600	2,903	32,598	3,108
<i>Profit for the year is attributable to:</i>					
Members of the parent		3,080	3,108		
Minority interests		2	(205)		
		3,082	2,903		
<i>Comprehensive Income is attributable to:</i>					
Members of the parent		32,598	3,108		
Minority interests	22	2	(205)		
		32,600	2,903		

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

Balance Sheet

As at 31 March 2010

	Notes	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
Current assets					
Cash and cash equivalents		-	1,294	14	38
Trade and other receivables	9	6,570	7,510	24	33
Inventories	10	1,362	2,545	-	-
Current tax assets	8	-	323	21	61
Other assets	11	162	458	-	-
Total current assets		8,094	12,130	59	132
Non-current assets					
Investments in subsidiaries	12	-	-	172,004	140,389
Other financial assets	13	10,939	10,005	7,939	6,886
Property, plant and equipment	14	210,558	160,481	-	-
Goodwill	15	913	913	-	-
Other intangible assets	16	408	956	-	-
Total non-current assets		222,818	172,355	179,943	147,274
Total assets		230,912	184,485	180,002	147,407
Current liabilities					
Cash and cash equivalents		18	-	-	-
Trade and other payables	17	6,992	6,212	23	24
Current Tax Liabilities	8	365	-	-	-
Borrowings	18	125	689	-	-
Total current liabilities		7,500	6,901	23	24
Non-current liabilities					
Borrowings	18	-	-	-	-
Other financial liabilities	19	6	7	-	-
Deferred tax liabilities	8	41,822	28,527	15	16
Provisions	20	934	999	-	-
Total non-current liabilities		42,762	29,533	15	16
Trust Funds					
Accumulated Funds	21	179,964	148,051	179,964	147,367
Total equity attributable to members of the trust		179,964	147,367	179,964	147,367
Minority interest	22	686	684	-	-
Total equity		180,650	148,051	179,964	147,367
Total liabilities and equity		230,912	184,485	180,002	147,407

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 2010

Notes	Retained earnings \$000	Minority interest \$000	Total equity \$000
Group			
Balance at 1 April 2008	144,260	889	145,149
Profit for the year	3,108	(205)	2,903
Total comprehensive income	3,108	(205)	2,903
Preference Shares gifted to beneficiaries	(1)	-	(1)
Balance at 31 March 2009	147,367	684	148,051
Profit for the year	3,080	2	3,082
Revaluation of electricity distribution network	42,169	-	42,169
Deferred tax arising from revaluation	(12,651)	-	(12,651)
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

Notes	Retained earnings \$000	Total equity \$000
Parent		
Balance at 1 April 2008	144,260	144,260
Profit for the year	3,108	3,108
Total comprehensive income	3,108	3,108
Preference Shares gifted to beneficiaries	(1)	(1)
Balance at 31 March 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

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 2010

	Notes	Group 2010 \$000's	Group 2009 \$000's	Parent 2010 \$000's	Parent 2009 \$000's
Cash flows from operating activities					
Receipts from customers		52,210	52,353	-	-
Interest received		328	754	216	229
Dividends received		296	295	296	295
Payments to suppliers and employees		(40,836)	(46,231)	(168)	(293)
Interest and other finance costs paid		(92)	(47)	-	-
Income tax paid		(1)	557	(45)	(96)
Net cash provided by operating activities	23	11,905	7,681	299	135
Cash flows from investing activities					
Proceeds from investment securities		340		221	
Payment for investment securities		(544)	(357)	(544)	(116)
Payment for property, plant and equipment		(13,160)	(10,411)	-	-
Proceeds from sale of property, plant and equipment		753	38	-	-
Payment for intangible assets		(231)	(260)	-	-
Net cash used in investing activities		(12,842)	(10,990)	(323)	(116)
Cash flows from financing activities					
Repayment of borrowings		(375)	-	-	-
Net cash provided by (used in) financing activities		(375)	-	-	-
Net increase/(decrease) in cash and cash equivalents		(1,312)	(3,309)	(24)	19
Summary					
Cash and cash equivalents at beginning of year		1,294	4,603	38	19
Net increase/(decrease) in cash and cash equivalents		(1,312)	(3,309)	(24)	19
Cash and cash equivalents at end of year		(18)	1,294	14	38
Cash flows from discontinued operations included above:					
Net cash flows from operating activities		526	105	-	-
Net cash flows from investing activities		415	(135)	-	-
Net cash flows from financing activities		(375)	(33)	-	-
		566	(63)	-	-

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 2010

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 2010 and the comparative information presented in these financial statements for the year ended 31 March 2009.

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 2010

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 balance sheet.

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 Balance Sheet, the Group's interest in the associate company is carried at an amount that reflects the Group's share of the net assets of that Company.

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

(b) Goods and services tax

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

(c) Foreign currency

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

(d) Cash and cash equivalents

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

(e) Financial assets

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

In the 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 2010

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 2010

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. An impairment of goodwill is not subsequently reversed.

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

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 2010

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 balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(q) Revenue recognition

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

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

Notes to the financial statements continued

For the year ended 31 March 2010

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:

Standard		
NZ IAS1	Presentation of Financial Statements (revised 2007)	This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
NZ IFRS 7	Financial Instruments. Disclosures (amendments to)	The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.

Standard 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:

Standard	Effective for Annual Reporting periods beginning on or after	Expected to be initially applied in the year ending
NZ IFRIC 17 Distributions of Non-Cash Assets to Owners	1 July 2009	31 March 2011
NZIFRS 9 Financial Instruments	1 January 2013	31 March 2014

2. Operating revenue

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
Line revenue	35,196	34,329	-	-
Contracting revenue	18,676	20,793	-	-
Capital contributions	3,711	5,158	-	-
Interest revenue	350	652	208	208
Dividends	322	295	39,686	295
Other	382	35	-	-
Operating revenue from continuing operations	58,637	61,262	39,894	503
Operating revenue from discontinued operations	4,465	4,274	-	-

Notes to the financial statements continued

For the year ended 31 March 2010

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
3. Other income				
Expenses Reimbursed	-	-	21	-
Fair value movement on investments	703	(1,253)	5,944	2,968
	703	(1,253)	5,965	2,968

4. Operating expenses

Bad debts written off	93	202	-	-
Directors / Trustees fees	318	286	85	83
Employee remuneration and benefits	14,120	14,504	-	-
Loss on disposal of property, plant and equipment	15	69	-	-
Operating lease costs	356	365	-	-
Network maintenance	3,666	4,799	-	-
Research and development	815	1,461	-	-
Community relationships	412	840	-	-
Transmission expenses	9,413	7,459	-	-
Other	12,914	10,316	96	222
Operating expenses from continuing operations	43,571	40,301	181	305
Operating expenses from discontinued operations	6,149	3,891	-	-

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 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	63	-	-
Other auditor fees for other services	12	25	-	-
Remuneration of auditors of continuing operations	81	88	6	6
Remuneration of auditors of discontinued operations	9	12	-	-

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	7,542	7,630	-	-
Amortisation of non-current assets	204	239	-	-
Depreciation and amortization for continuing operations	7,746	7,869	-	-
Depreciation and amortization for discontinued operations	299	345	-	-

Notes to the financial statements continued

For the year ended 31 March 2010

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
7. Finance expenses				
Interest on deferred settlement	-	-	-	-
Interest expense on loans	22	47	-	-
Realised Foreign Exchange Loss	-	45	-	-
Other interest expense	44	12	-	-
Finance expenses for continuing operations	66	104	-	-
Finance expenses for discontinued operations	26	87	-	-

8. Income taxes

Income tax expense recognised in profit

Tax expense comprises:

Current tax expense	603	695	13,059	36
Adjustments recognised in current year in relation to the current tax of prior years	45	(554)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	644	1,069	15	16
Total income tax expense recognised in profit	1,292	1,210	13,074	52

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	6,392	4,174	45,672	3,160
Profit before tax from discontinued operations	(2,018)	(61)	-	-
Profit from operations	4,374	4,113	45,672	3,160
Prima facie income tax expense calculated at respective tax rates	1,344	1,202	15,072	1,043
Non-deductible expenses	171	574	-	-
Non-assessable income	(268)	(12)	(1,998)	(991)
	1,247	1,764	13,074	52
Under/(over) provision of income tax in previous year	45	(554)	-	-
Total income tax expense recognised in profit	1,292	1,210	13,074	52
Attributable to:				
Continuing Operations	1,826	1,076	13,074	52
Discontinued Operations	(534)	134	-	-
	1,292	1,210	13,074	52

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	-	323	21	62
Current tax liability				
Tax payable	365	-	-	-

Notes to the financial statements continued

For the year ended 31 March 2010

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Closing balance \$000
8. Income taxes continued				
Consolidated group for the year ended 31 March 2010				
Taxable and deductible temporary differences arise from:				
<i>Deferred tax liabilities</i>				
Property, plant & equipment	29,445	678	12,651	42,774
Intangible assets	24	(84)	-	(60)
	29,469	594	12,651	42,714
<i>Deferred tax assets</i>				
Provisions	(942)	50	-	(892)
	(942)	50	-	(892)
Net deferred tax liability	28,527	644	12,651	41,822
Consolidated group for the year ended 31 March 2009				
Taxable and deductible temporary differences arise from:				
<i>Deferred tax liabilities:</i>				
Property, plant & equipment	28,358	1,087	-	29,445
Intangible assets	20	4	-	24
	28,378	1,091	-	29,469
<i>Deferred tax assets:</i>				
Provisions	(896)	(46)	-	(942)
	(896)	(46)	-	(942)
Net deferred tax liability	27,482	1,045	-	28,527
Parent entity for the year ended 31 March 2010				
Taxable and deductible temporary differences arise from:				
<i>Deferred tax liabilities</i>				
Investments	(16)	1	-	(15)
Net deferred tax liability	(16)	1	-	(15)
Parent entity for the year ended 31 March 2009				
Taxable and deductible temporary differences arise from:				
<i>Deferred tax liabilities</i>				
Property, plant & equipment	(24)	8	-	(16)
Net deferred tax liability	(24)	8	-	(16)

Notes to the financial statements continued

For the year ended 31 March 2010

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
9. Current trade and other receivables				
Trade receivables	6,234	6,228	-	-
Amount due from customers under construction contracts	150	841	-	-
Interest receivable	63	42	24	33
Other receivables	123	399	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,570	7,510	24	33

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 \$0.782m (2009: \$0.934m) 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	406	475	-	-
60-90 days	198	115	-	-
90+ days	183	344	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	787	934	-	-

10. Current inventories

Distribution System and Metering items	<hr/>	<hr/>	<hr/>	<hr/>
	1,362	2,545	-	-

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

11. Other current assets

Prepayments	<hr/>	<hr/>	<hr/>	<hr/>
	162	458	-	-

Notes to the financial statements continued

For the year ended 31 March 2010

	Effective ownership 2010	Effective ownership 2009	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

MainPower Contracting Limited	-	100%	NZ	31 March
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Vircom Energy Management Services Limited	77.4%	77.4%	NZ	31 March
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Tasman Electrical Limited	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%	-	NZ	31 March
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The effective ownership and the voting interests in the above subsidiaries are the same.

Investment in Associates

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

The carrying value of this investment is \$Nil (2009: Nil), The group has not yet recognised its 25% share of accumulated profits or losses' relating to the associate as Hurunui Water Project Limited is still in the set-up stage of its life cycle.

No public price quotation exists for this investment.

Amalgamation

On 31 March 2010 MainPower Contracting Limited amalgamated with MainPower New Zealand Limited.

The net assets of MainPower Contracting Limited at the time of amalgamation were:

Cash and cash equivalents	1,373
Receivables	4,100
Non current assets	4,478
Payables and provisions	<u>(2,757)</u>
Net assets	<u>7,194</u>

Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
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13. Other non-current financial assets

At amortised cost

Held to maturity investments	3,944	3,964	944	845
	3,944	3,964	944	845

Assets held for trading at fair value

Forsyth Barr Portfolio	6,695	5,741	6,695	5,741
Other equity investments	300	300	300	300
	6,995	6,041	6,995	6,041

Total	10,939	10,005	7,939	6,886
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Notes to the financial statements continued

For the year ended 31 March 2010

	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 2008	2,905	3,523	158,852	19,665	184,845
Additions	-	7	12,933	2,629	15,569
Disposals	-	-	-	(1,167)	(1,167)
Balance at 31 March 2009	2,905	3,530	171,785	21,127	199,347
Revaluations	-	-	42,169	-	42,169
Additions	-	7	11,629	5,235	16,879
Disposals/ Adjustments	-	-	(34,361)	(2,324)	(36,685)
Balance at 31 March 2010	2,905	3,537	171,785	24,038	221,702
<i>Accumulated depreciation, amortisation and Impairment</i>					
Balance at 1 April 2008	42	280	22,049	9,688	32,059
Disposals	-	-	-	(1,063)	(1,063)
Depreciation expense	22	105	6,160	1,583	7,870
Balance at 31 March 2009	64	385	28,209	10,208	38,866
Disposals/Adjustments	-	-	(34,361)	(1,106)	(33,467)
Depreciation expense	20	103	6,152	1,470	7,745
Balance at 31 March 2010	84	488	-	10,572	11,144
Net book value at 31 March 2009	2,841	3,145	143,576	10,919	160,481
Net book value at 31 March 2010	2,821	3,049	191,222	13,466	210,558

Notes to the financial statements continued
For the year ended 31 March 2010

	Group	Group	Parent	Parent
	2010	2009	2010	2009
	\$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	1,112	1,105	-	-
Electricity distribution network	87,246	75,537	-	-
Plant, equipment, vehicles, furniture and fittings	14,953	10,919	-	-
	<hr/> 105,281	<hr/> 89,531	<hr/> -	<hr/> -

Revaluations and impairment review

The group's electricity distribution network and substation buildings were revalued to fair value of \$191,221,565 as at 31 March 2010 by Ms Lynne Taylor, a director, and Mr Craig Rice, a partner of independent valuers PricewaterhouseCoopers. PricewaterhouseCoopers was assisted by Maunsell Limited, registered valuers. Additions since that valuation date have been added at cost, depreciation applied to the assets and disposals removed. Ms Taylor and Mr Rice have been responsible for all of the electricity network valuations undertaken by PricewaterhouseCoopers for financial reporting purposes over the last decade.

The group's land and buildings were revalued to fair value of \$5,142,100 as at 31 March 2005 by independent registered valuer Williams and Associates Limited. Williams and Associates Limited have has extensive experience in the property valuation field. Additions since 1 April 2005 have been added at cost, depreciation applied and disposals removed. During the current financial year Williams and Associates undertook a valuation of the group's land and buildings. The valuation identified that there was no material difference between the valuation and the group's book value of \$M 5.870.

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 2010 (2009: nil).

Notes to the financial statements continued

For the year ended 31 March 2010

	Total \$000
15. Goodwill	
Consolidated group	
<i>Gross carrying amount</i>	
Balance at 1 April 2008	913
Additions	-
Disposals	-
	<hr/>
Balance at 31 March 2009	913
Additions	-
Disposals	-
	<hr/>
Balance at 31 March 2010	913
	<hr/>
<i>Accumulated impairment</i>	
Balance at 1 April 2008	-
Impairment	-
Disposals	-
	<hr/>
Balance at 31 March 2009	-
Impairment	-
Disposals	-
	<hr/>
Balance at 31 March 2010	-
	<hr/>
Net book value at 31 March 2009	913
	<hr/>
Net book value at 31 March 2010	913
	<hr/>

Goodwill has been tested for impairment, in accordance with NZ GAAP using Value in Use cash flow projections based on financial budgets approved by management covering a five year period.

Key assumptions used in these projections are:

- Growth in sales – 0%
- Terminal growth rate – 0%
- Gross Margin – 23%
- Pre-tax discount rate – 19%

Notes to the financial statements continued

For the year ended 31 March 2010

	Software \$000	Lease premium \$000	Total \$000
16. Other intangible assets			
Consolidated group			
<i>Gross carrying amount</i>			
Balance at 1 April 2008	1,644	800	2,444
Additions	260	-	260
Disposals	(261)	-	(261)
Balance at 31 March 2009	1,643	800	2,443
Additions	231	-	231
Disposals	(72)	(800)	(872)
Balance at 31 March 2010	1,802	-	1,802
<i>Accumulated amortisation and impairment</i>			
Balance at 1 April 2008	1,227	174	1,401
Amortisation expense	264	80	264
Disposals	(258)	-	(258)
Balance at 31 March 2009	1,233	254	1,487
Amortisation expense	220	80	300
Disposals	(59)	(334)	(393)
Balance at 31 March 2010	1,395	-	1,394
Net book value at 31 March 2009	410	546	956
Net book value at 31 March 2010	408	-	408

Notes to the financial statements continued

For the year ended 31 March 2010

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
17. Current trade and other payables				
Trade payables	5,955	5,077	23	24
Employee entitlements	1,037	1,135	-	-
	<hr/> 6,992	<hr/> 6,212	<hr/> 23	<hr/> 24

18. Non-current borrowings

Unsecured:

Loans	125	500	-	-
Deferred settlement	-	189	-	-
	<hr/> 125	<hr/> 689	<hr/> -	<hr/> -
Less current portion	(125)	(689)	-	-
Non current borrowings	<hr/> -	<hr/> -	<hr/> -	<hr/> -

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

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

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

19. Other non-current financial liabilities

At cost:

Redeemable preference (rebate) shares	<hr/> 6	<hr/> 7	<hr/> -	<hr/> -
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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.

7,926 (2009: 8,349) redeemable preference shares at 10 cents each were redeemed during the year.

20. Non-current provisions

Employee benefits	<hr/> 934	<hr/> 999	<hr/> -	<hr/> -
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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 % (2009: 3.00%))
- discount rate (3.76% - 6.08% (2009: 3.76% - 5.52%))

Notes to the financial statements continued

For the year ended 31 March 2010

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
21. Retained earnings				
Balance at beginning of financial year:	148,051	145,149	147,367	144,260
Preference Shares gifted to beneficiaries	(1)	(1)	(1)	(1)
Comprehensive income attributable to members of the parent entity	32,600	2,903	32,598	3,108
	<u>180,650</u>	<u>148,051</u>	<u>179,964</u>	<u>147,367</u>
22. Minority interest				
Balance at beginning of financial year:	684	889	-	-
Comprehensive income attributable to minority interest	2	(205)	-	-
	<u>686</u>	<u>684</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	3,082	2,903	32,598	3,108
Adjustments for				
(Gain)/loss on disposal of property, plant & equipment	493	69	-	-
Depreciation and amortisation of non-current assets	8,045	8,214	-	-
Interest on deferred settlement	-	42	-	-
Capital contributions	(3,711)	(5,158)	-	-
Non-current provisions/ deferred settlement/lease premium	262	(250)	-	-
Fair Value movement in investments	(730)	1,236	(32,346)	(2,985)
	<u>4,359</u>	<u>4,153</u>	<u>(32,346)</u>	<u>(2,985)</u>
Changes in net assets and liabilities				
(Increase)/decrease in current tax balances	687	1,100	41	(38)
Increase/(decrease) in deferred tax balances	644	1,046	(1)	(7)
<i>(Increase)/decrease in assets</i>				
Current receivables	939	(624)	8	38
Current inventories	1,183	(19)	-	-
Other current assets	296	321	-	-
<i>Increase/(decrease) in liabilities</i>				
Current payables	781	(1,254)	(1)	19
Non-current provisions	(66)	55	-	-
	<u>4,464</u>	<u>625</u>	<u>46</u>	<u>12</u>
Net cash from operating activities	<u>11,905</u>	<u>7,681</u>	<u>299</u>	<u>135</u>

Notes to the financial statements continued

For the year ended 31 March 2010

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
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24. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2010, other than those costs associated with the building of the Cleardale Hydro Scheme \$2.8M. (2009, nil).

Operating lease commitments

The minimum value of lease commitments are:

Within one year	263	174	-	-
1 – 2 years	263	73	-	-
2 – 5 years	789	447	-	-

Prudential commitments

At 31 March 2010 the Group had guarantees (performance bonds) to third parties amounting to \$200,000 (2009: \$400,000).

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

Transactions during the year

Purchases from subsidiaries of MainPower New Zealand Limited	13,037	11,724	-	-
Revenues from subsidiaries of MainPower New Zealand Limited	443	460	-	-
Dividends from subsidiaries of MainPower New Zealand Limited	3,000	566	-	-

Outstanding balances as at 31 March

Accounts payable to subsidiaries of MainPower New Zealand Limited	9	1,681	-	-
Accounts receivable from subsidiaries of MainPower New Zealand Limited	24	31	-	-
Work in progress not invoiced by a subsidiary of MainPower New Zealand Limited	-	163	-	-
Loans to subsidiaries of MainPower New Zealand Limited	1,700	3,115	-	-

Notes to the financial statements continued

For the year ended 31 March 2010

25. Related party transactions continued

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 \$318,400 (2009: \$286,312)

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 (2009, all less than \$1,000). There were no significant outstanding balances with key management personnel at the end of the period (2009, nil). All transactions were conducted on standard commercial terms.

During the year ended 31 March 2010 no transactions occurred between the group and an organisation in which a key management person of the group holds a position of control:

	Group 2010 \$000	Group 2009 \$000	Parent 2010 \$000	Parent 2009 \$000
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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	1,088	1,141	-	-
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.

On 20 May 2010, the Minister of Finance announced in the Budget that the company tax rate will reduce from 30% to 28% with effect from 1 April 2011. This change in tax rate has not been incorporated in the calculation of deferred tax above but will come to charge in next year's financial statements. The impact in the reduction in tax rate on the March accounts would be \$623,210. The Minister of Finance also announced that depreciation on buildings will be reset to zero effective 1 April 2011. The tax effect on the March accounts for MainPower New Zealand Limited would be \$329,960.

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 2010

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 58% (2009 – 29%) of the group's trade receivables, while Advanced Metering Services Limited is 14% (2009: 11%).

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 2010 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 \$31,50 (2009: \$36,000).

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 2010 (2009: 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 2010

	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 2010				
Current assets				
Cash and cash equivalents		-	-	-
Trade and other receivables	9	6,570	-	6,570
Current tax asset	8	-	-	-
		<hr/>	<hr/>	<hr/>
		6,570	-	6,570
Non-current assets				
Other financial assets	13	-	10,939	10,939
		<hr/>	<hr/>	<hr/>
		-	10,939	10,939
		<hr/>	<hr/>	<hr/>
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
Borrowings	18	-	125	125
		<hr/>	<hr/>	<hr/>
		18	7,117	7,135
Non-current liabilities				
Borrowings	18	-	-	-
Other financial liabilities	19	-	6	6
Provisions	20	-	934	934
		<hr/>	<hr/>	<hr/>
		-	940	940
		<hr/>	<hr/>	<hr/>
Total financial liabilities		18	8,057	8,075
Consolidated group as at 31 March 2009				
Current assets				
Cash and cash equivalents		1,294	-	1,294
Trade and other receivables	9	7,510	-	7,510
Current tax asset	8	323	-	323
		<hr/>	<hr/>	<hr/>
		9,127	-	9,127
Non-current assets				
Other financial assets	13	-	10,005	10,005
		<hr/>	<hr/>	<hr/>
		-	10,005	10,005
		<hr/>	<hr/>	<hr/>
Total financial assets		9,127	10,005	19,132
Current liabilities				
Trade and other payables	17	-	6,212	6,212
Borrowings	18	-	689	689
		<hr/>	<hr/>	<hr/>
		-	6,901	6,901
Non-current liabilities				
Borrowings	18	-	-	-
Other financial liabilities	19	-	7	7
Provisions	20	-	999	999
		<hr/>	<hr/>	<hr/>
		-	1,006	1,006
		<hr/>	<hr/>	<hr/>
Total financial liabilities		-	7,907	7,907

Notes to the financial statements continued

For the year ended 31 March 2010

	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 2010				
Current assets				
Cash and cash equivalents		14	-	14
Trade and other receivables	9	24	-	24
Current tax asset	8	21	-	21
		<hr/>	<hr/>	<hr/>
		59	-	59
Non-current assets				
Other financial assets	13	-	7,939	7,939
		<hr/>	<hr/>	<hr/>
		-	7,939	7,939
		<hr/>	<hr/>	<hr/>
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	-	-	-
		<hr/>	<hr/>	<hr/>
		-	-	-
		<hr/>	<hr/>	<hr/>
Total financial liabilities		-	23	23
Parent entity as at 31 March 2009				
Current assets				
Cash and cash equivalents		38	-	38
Trade and other receivables	9	33	-	33
Current tax asset	8	61	-	61
		<hr/>	<hr/>	<hr/>
		132	-	132
Non-current assets				
Other financial assets	13	-	6,886	6,886
		<hr/>	<hr/>	<hr/>
		-	6,886	6,886
		<hr/>	<hr/>	<hr/>
Total financial assets		132	6,886	7,018
Current liabilities				
Trade and other payables	17	-	24	24
Non-current liabilities				
Other financial liabilities	19	-	-	-
Provisions	20	-	-	-
		<hr/>	<hr/>	<hr/>
		-	-	-
		<hr/>	<hr/>	<hr/>
Total financial liabilities		-	24	24

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	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	18	-	-	18
Trade and other payables	-	-	6,992	6,992
Borrowings	125	-	-	125
Other financial liabilities	-	-	6	6
Provisions	-	-	934	934
	143	-	7,932	8,075

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	11,472	17,509
Financial liabilities:				
Less than 1 year	125	-	6,998	7,123
1 – 2 years	18	-	-	18
2-5 years	-	-	-	-
5 yrs	-	-	934	934
	143	-	7,932	8,075

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 2009

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	1,123	-	171	1,294
Trade and other receivables	-	-	7,510	7,510
Other financial assets	3,520	2,830	3,655	10,005
Current tax asset	-	-	323	323
	4,643	2,830	11,659	19,132

Financial liabilities

Trade and other payables	-	-	6,212	6,212
Borrowings	500	-	189	689
Other financial liabilities	-	-	7	7
Provisions	-	-	999	999
	500	-	7,407	7,907

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	3,362	1,608	8,004	12,974
1 – 2 years	-	103	-	103
2-5 years	-	657	-	657
5 yrs	1,281	462	3,655	5,398
	4,643	2,830	11,659	19,132
Financial liabilities:				
Less than 1 year	500	-	6,383	6,883
1 – 2 years	-	-	38	38
2-5 years	-	-	114	114
5 yrs	-	-	872	872
	500	-	7,407	7,907

Notes to the financial statements continued

For the year ended 31 March 2010

29. Financial instruments continued

Maturity profile of financial instruments

Parent entity 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	-	-	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 payables	-	-	23	23
Other financial liabilities	-	-	-	-
Provisions	-	-	-	-
	-	-	23	23

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	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
1 – 2 years	-	-	-	-
2-5 years	-	-	-	-
5 yrs	-	-	-	-
	-	-	23	23

Notes to the financial statements continued

For the year ended 31 March 2010

29. Financial instruments continued

Maturity profile of financial instruments

Parent entity As at 31 March 2009

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	-	-	38	38
Trade and other receivables	-	-	33	33
Other financial assets	1,620	1,611	3,655	6,886
Current tax asset	-	-	61	61
	1,620	1,611	3,749	7,018

Financial liabilities

Trade and other payables	-	-	24	24
Other financial liabilities	-	-	-	-
Provisions	-	-	-	-
	-	-	24	24

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	377	389	132	898
1 – 2 years	-	103	-	103
2-5 years	-	657	-	657
5 yrs	1,243	462	3,617	5,360
	1,620	1,611	3,749	7,018
Financial liabilities:				
Less than 1 year	-	-	24	24
1 – 2 years	-	-	-	-
2-5 years	-	-	-	-
5 yrs	-	-	-	-
	-	-	24	24

PROSSER QUIRKE & CO

Chartered Accountants & Business Advisors

PARTNERS Peter Joseph Quirke, C.A., J.P. Donald Michael Robertson, B Comm., B Comm. (Ag), C.A.
Stephen Brian 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 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 12.

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 2010.

Auditors' 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 Mainpower Trust accounts as prepared by Koller and Hassall Limited and there are no matters arising from the consolidation.

- Subject to the above the financial statements on pages 3 to 6:
 - 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 2010, and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 30th August 2010, and our unqualified opinion is expressed as at that date.



PROSSER QUIRKE & CO

Chartered Accountants

Rangiora