2019 – 2020

Statement of Corporate Intent MainPower New Zealand Limited

Directory

MainPower New Zealand Limited

Board of Directors

Tony King
Chairman

Graeme Abbot
Director

Janice Fredric
Director

Fraser Jonker
Director

Stephen Lewis
Director

Brian Wood
Director

Senior Leadership Team

Andy Lester
Chief Executive

Mark Appleman
General Manager – Network

Sarah Barnes
General Manager – Finance

Karen Cameron
Safety and Business Risk Manager

Geoff Gale
Chief Information Officer

Penny Kibblewhite
General Manager – Customer and Corporate Relations

Sandra O'Donohue
General Manager – People and Culture

Bob Taylor
General Manager – Operations (Acting)

Todd Voice
General Manager – Commercial

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MainPower New Zealand Limited is an electricity distribution business servicing the North Canterbury region – from North of the Waimakariri River, through Hurunui and into Kaikoura – we’re committed to contributing towards a bright future for our region by delivering an electricity network that is ready for the future.

1 Introduction

This Statement of Corporate Intent ("SCI") is submitted to the MainPower Trust (the "Trust") by the Board of MainPower New Zealand Limited ("MainPower") (the "Board").

This SCI is prepared in accordance with clause 3 of MainPower's Constitution.

The SCI covers the activities of MainPower and its subsidiaries, and sets out MainPower's intentions and the objectives agreed between the Board and the Trustees for the Financial Year commencing 1 April 2019, and the two succeeding financial years.

The following appendices are made available in support of the SCI:

- Corporate Governance Statement
- Statement of Accounting Policies

Clause 3 of MainPower's Constitution requires the SCI to provide detail on the following:

(a) the objectives of the group;

(b) the nature and scope of the activities to be undertaken;

(c) the ratio of consolidated Shareholders' funds to total assets and definitions of those terms;

(d) the accounting policies used in respect of the Statement of Corporate Intent;

(e) the performance targets and other measures (including the rate of return on Shareholders' funds after payment of tax) by which the performance of the group may be judged in relation to its objectives;

(f) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholders;

(g) the kind of information to be provided to the Shareholders by the group during the course of those financial years, including the information to be included in each half-yearly report;

(h) the procedures to be followed before any members of the group subscribes for, purchases or otherwise acquires shares in any company or other organisation;

(i) an estimate of the amount of fixed and variable line charge revenue received from "Qualifying Customers" (as defined in the Trust Deed) of the Company during the "Financial Year" (as defined in the Trust Deed) that is to be made available to Qualifying Customers of the Company in the "District" (as defined in the Trust Deed) during the Financial Year or the following Financial Year in the form of "Customer Discounts" (as defined in the Trust Deed) or "Customer Rebates" (as defined in the Trust Deed) and the method for allocation of them;

(j) A statement of performance relating to "Adjusted Shareholders' Funds" which will provide:

    (i) the total value of Adjusted Shareholders' Funds (as defined in the Trust Deed);

    (ii) a statement specifying the Directors' opinion on the optimum, before the payment of tax, weighted average cost of capital for the Company;

    (iii) a statement of the method applied in (ii); and

    (iv) the estimated rate of return on total Adjusted Shareholders' Funds and the estimated shortfall (if any) with respect to (ii) before the payment of tax and before the granting of Customer Rebates; and

(k) such other matters as are agreed by the Trustees and Directors.

2

Letter of Expectations

The Letter of Expectations provided by the MainPower Trust, forms an important part of the Statement of Corporate Intent. The expectations of the Trust are taken into account during strategy development and when reviewing how the Company is operated.

Trustees will be consulted in circumstances where the Board's intentions are at variance to these expectations.

Ownership of MainPower

Last year's Capital Distribution Review confirmed that our beneficiaries remain supportive of the Trust's continued 100% ownership of the Company.

The Board will advise the Trust immediately on becoming aware of any circumstances which could potentially result in a change to the Trust's 100% ownership of the Company.

Governance

Continuing adherence to the principles of good governance is a fundamental expectation. A competent, well balanced, commercial and community focused Board will be developed and structured to face the current and expected future issues facing the Company and the industry in which it operates. The Trust further expects that regular monitoring of the Board's performance will be undertaken, both by peer review and independent evaluation, to ensure that the skill sets which have been identified as necessary for the Board's performance are maintained and exercised. It is expected that the Board will also consider and address succession issues.

Health & Safety

The safety of MainPower staff and the community will continue to remain a major focus for the Company. The expectation is that the Company will be a good corporate citizen, making sure safety around electricity is a priority for staff and all members of the community, whether or not they are customers. The Trust seeks reassurance that MainPower is promoting a positive safety culture resulting in a safer, healthier and more productive workplace. This should exceed rather than merely meet the requirements of the Health and Safety at Work Act 2015. Safety is a cornerstone of the MainPower brand. The Trust expects that the results of the annual Health & Safety audit will be communicated to the Trust on a timely basis.

Investment Decisions

The Board will, when making investment decisions, take into account the Trustees obligations under Sections 138 and 13E of Part 2, Investment, of the Trustee Act 1956, which requires Trustees as the Ordinary Shareholders of the Company, to act prudently in terms of the Trust's own investments and to have regard to the need for the Trust to maintain the real value of the capital of the Trust and recognise the potential for capital value appreciation.

Return on Investment

The Board will structure its business operations, including funding and the pricing of its services, in order to earn an appropriate return on investment. The Trust expects that, when possible, surpluses not required to fund the business and its development will be returned to the Trust's beneficiaries.

Currently these returns are distributed to Qualifying Customers in the form of rebates off their electricity accounts. The methodology for distributing these returns in future is under review and the Trust and Board have established a joint Working Group for the purpose of this review. It is expected that the Board will use its best endeavours and will support Trustees in bringing this matter to a conclusion as soon as possible.

Scope of Business Operations

The Board will continue to give priority to the ongoing development and operation of the electricity network in the North Canterbury and Kaikoura regions as the Company's core business. The Board will investigate and, if deemed appropriate, invest in opportunities for core and unrelated business expansion both within and beyond the Company's traditional area of operation, including those involving third party collaboration or other forms of reconstruction.

Innovation

The Trust acknowledges that the energy industry is facing rapid technological change, and that traditional methods of energy supply and usage will be increasingly challenged by new developments. Ensuring MainPower stays relevant amid rapid change requires reinvention through the early adoption of opportunities identified as part of the strategic direction for the Company.

Innovation across almost all aspects of the business will be essential and the Board is expected to be actively looking for new and innovative ways to gain and keep market share within the wider energy industry.

Network Performance

Network performance as a measure of the reliability of supply is a critical element both in the eyes of the beneficiaries and the sector as a whole. The Trust expects that the Board will seek to ensure that the Company's performance remains above average relative to appropriate industry comparisons.

Customer Relationships

The Trust acknowledges that the ICP holders (as customers of MainPower) are the primary stakeholders of the Company. This is emphasised by the fact that most of the customers are in fact beneficiaries of the Trust by virtue of that relationship. The Trust expects that the Board will ensure that customers are given appropriate attention and consideration, and that the level of customer satisfaction will continue to be measured by regular independent surveys together with any other measures which are considered relevant. The Trust expects that the results of such measures will be communicated to the Trust on a timely basis.

Staff Relationships

MainPower will be a good employer, fostering new workers and encouraging career paths in the electricity supply industry. There should be encouragement for staff to increase their personal skills and development in the work place, giving opportunities for leadership roles and mentoring. The intention is to develop a corporate culture that values each worker's part in it and where all staff are working to a common goal. This will foster the worth of a valuable career within the electricity industry, as well as being part of the "MainPower Family".

Stakeholder Relationships

In addition to the customer and staff relationships, central to the realisation of the organisation's objectives is the building of relationships with other stakeholders. Transparency, openness and respect in interactions with all stakeholders will be especially important as the Company faces technological, pricing, and investment challenges in the foreseeable future.

The expectation is that the Company's executive will actively participate in, and represent the Company in the wider industry, electricity distribution related research, industry conferences and the consideration of trends developing internationally.

Disclosure

There is an expectation the Company will meet all its regulatory requirements and be transparent in its disclosures, within appropriate commercial boundaries.

Environmental

The Board will adopt responsible, environmental practices and will provide its services in a manner that is consistent with the Company's commitment to sustainability.

Community Leadership

MainPower is a critical commercial operation within the North Canterbury and Kaikoura communities. As such, the Trust is keen to ensure that the Company is a good corporate citizen. The Company will continue to take a leadership and supportive role in the North Canterbury and Kaikoura communities.

3 Statement of Intentions

3.1 About Us

MainPower New Zealand Limited (MainPower) is a consumer trust owned Electricity Distribution Business (EDB) that builds, owns, operates and maintains the electricity distribution network in the North Canterbury region. MainPower provides distribution services to over 40,000 residential and business connections and delivers electricity to a population base of around 65,000 people. MainPower's purpose is simple. We are responsible for providing a safe, secure and reliable network that delivers electricity supply to homes and businesses in the North Canterbury region, from north of the Waimakariri River through the Hurunui to Kaikoura.

We play a crucial role in both supplying the energy needs of our communities, as well as contributing to the growth of a vibrant and prosperous region.

The New Zealand electricity sector is facing significant transformation, driven by new energy technologies and changing end-user consumer behaviour. Going forward, our role is changing to one of an enabler where we partner with our customers to enable community growth - through creating employment and local economic development, by connecting people and places, while delivering value to our shareholders.

No longer will electricity flow in one direction through our network, we will have to evolve with advancing technologies and respond to rapidly changing consumer behaviours and requirements.

3.2 Generation

MainPower has been investigating options for renewable distributed generation in and around the North Canterbury region since 2004. In that time, we have built a mini-hydro station at Cleardale and gained resource consent for a wind farm at Mt Cass. The Mt Cass wind farm project is progressing well and we believe this could bring a huge economic advantage to North Canterbury.

3.3 Our Changing Future

The future of energy is evolving. MainPower's role in powering local communities is also changing. This requires a new approach and refreshed thinking of our strategic direction – building and operating a network for the future that is responsive to consumer demand, while delivering value to our community.

3.4 Our Strategic Direction

Our Vision

MainPower's vision is to provide safe, secure and sustainable services for current and future generations.

Our Mission

To partner in our customers' energy future.

Our Strategic Intent

Our strategy seeks to strengthen the core business for the future, while generating new investments in the wider energy sector that leverage existing capability and resources, to create opportunities and enable growth.

Strengthening our core business for the future

- MPower safety
- MPower our people
- Ensure the customer is at our core
- Strategic asset management and operational excellence
- Evolution to the 'Network of the Future'
- Fair and sustainable pricing
- Strengthen our community and regulatory relationships

Growth – Creating new opportunities

- The new energy future
- Expanding beyond the network
- Leveraging our core business
- Generation

Our Plan

Delivering on our strategic intent requires a clear strategic focus for each area of our business as well as a commitment to build better relationships with our community. We use the word 'community' as an expression to encompass everyone in our ecosystem including customers, shareholders and stakeholders.

Our Values

Our success is based on our values:

- Do what's right
- Make it happen
- Work together
- Make it better

Drivers of change

The global electricity sector is experiencing unprecedented change.

Technology

Distributed generation and battery storage

Behind the electricity meter devices

Smart grid

Electrification of transport sector

Customers

Opportunities for generation and storage

Changing patterns in electricity consumption

Increased expectations on service providers

Increased competition and new entrants

Fluctuating weather patterns

Advancing energy efficiency technology

Regulatory & Government

Changing energy and environmental policies

Government review of electricity pricing

Focus on infrastructure investment

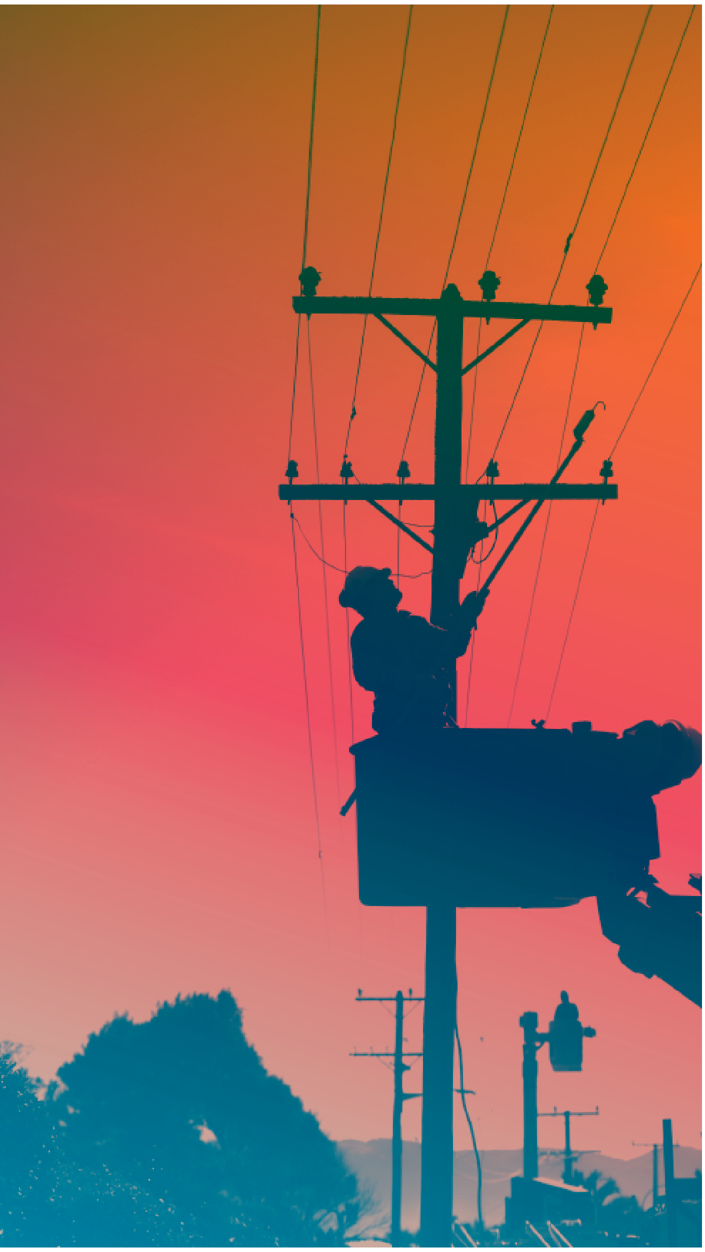
Key network stats

Forecast March 2020

Gigawatt-hours (GWHs) entering the system	**617** GWhs
Gigawatt-hours (GWHs) delivered to customers	**586** GWhs
Circuit length (kilometers)	**5,091**
Total customer group	**41,030**

4 Strategic Priorities

Providing a safe, secure and sustainable network for current and future generations.



Safety and Business Risk
Never compromise

People and Culture
Being an employer of choice

Operations
Doing things the right way

Network
Strategic asset management and operational excellence

Finance and Administration
Helping us make smart choices

Commercial
Delivering shareholder value

Information Technology
Empowering us for success

Customer and Corporate Relations
Enabling community growth

Delivering our Integrated Management System
Environmental sustainability
Risk management

Performance management
Employee engagement and retention
Learning and development

Safety
Cost
Quality
Delivery

Public safety
Asset Management Plan
Network of the future

Financial leadership
Timely and meaningful financial reporting
Profit and cashflow management

Fair and sustainable pricing
Strong regulatory relationships
Create new opportunities for growth

Customer centric and customer driven
Empowering the business for operational excellence
Enabling efficiency gain and cost reduction

Community engagement
Customer centricity, improving the customer experience and positive brand recognition
Sponsorship

5 Business Priorities

5.1 Asset Management

MainPower's strategic asset management plan summarises the management of current and future electricity demand, risks, objectives and processes. It focuses specifically on service level targets to customers, and the required plan for investment, maintenance, replacement, funding and organisational development.

Asset management is MainPower's core business and it must be fully aligned with our corporate goals. It also means our business objectives and network performance is delivering what our customers are telling us they want, while ensuring the network is ready for a "New Energy Future" which includes operational readiness and effectiveness. The "New Energy Future" includes the way our electricity distribution network will be used in the future, influenced by changing customer behaviours due to new technologies and decarbonisation of the economy.

Effective asset management is essential to realise the asset value and involves the balancing of risks, opportunities and cost against the desired performance of assets, to achieve the organisational objectives over the asset life cycle.

MainPower will design, construct, operate, maintain, renew and dispose of network assets in an effective manner to deliver:

- Compliance and regulatory excellence – ensuring we comply with laws, regulations, standards and industry codes of practice
- Ensure customer engagement effectively informs asset management
- Provide resources that ensure asset management objectives can be delivered

- Apply quality management systems and strive for continuous improvement and innovation
- Apply industry best practices, systems and techniques
- Apply performance monitoring and benchmark against industry
- Apply a risk-based approach to managing our assets balancing cost, performance and risk
- Ensure network growth delivers customer requirements while facilitating regional development

- Effective systems and business process, roles and responsibilities
- Enhance industry collaboration creating partnerships that enable and support innovation

- Manage competence and training
- Effectively plan our activities
- Optimise operations and do it right, first time

5.2
Operational Excellence

MainPower is focused on delivering work cost effectively, while meeting customer and business requirements. There are a number of focus areas including:

- Reviewing and improving operational HSEQ systems to make sure work practices align with risk management.
- All critical processes are to be documented. Resources and training will be provided to ensure outcomes that protect our people, the public, public property and the environment.
- The Field Services Agreement (FSA) will be fully implemented. The FSA aims to build a strong professional relationship between Network and Operations that places clear accountability for delivery of the work programme.
- A work flow will be established that ensures clear accountability for delivery of routine and project services under the FSA.
- The implementation of the Work Management System will be completed. This will enable Operations to operate like a commercial entity and be accountable for all job costs. Outputs include a full rate card detailing price and target labour hours for all standard routine and project services.
- Optimisation of inventory management including storage, handling, stock accuracy and stock turnover.
- Review of current fleet lease/ ownership.

5.3
Network Pricing

Pricing review timeline

2015-2016

Defined overall pricing objectives and started consultation with customers

2016-2017

Developed pricing options and further consultation with customers and stakeholders

2018-2019

Identified costs of providing lines services to each customer and further consultation

FROM 2020

Implementation of cost reflective pricing structures

Emerging technologies like solar panels and electric vehicles are influencing the way our customers are using the electricity network. In response, we are changing the way we charge for our services.

Ultimately, we want to move to a pricing model that better reflects the actual cost of supplying power to the individual customer's installation control point (ICP).

Over the last year, we have undertaken a significant piece of work to identify the cost of providing lines services to each customer ICP. This work is key to introducing more cost reflective pricing.

The next step in the process is to develop detailed pricing options and a strategy to implement any required changes. Feedback gathered through the community consultation undertaken in 2016-2018 will inform the development of these plans.

It is likely that any option will include a greater proportion of fixed charges to reflect the largely fixed cost nature of network costs. The approach to determining the quantum of fixed charges will be assessed as part of the review of options. A greater fixed price component would also reduce MainPower's exposure to revenue volatility due to climatic conditions.

We will consult with retailers and customers on preferred new pricing options prior to making any final decisions on the pricing structure, with a new pricing methodology being issued before new prices take effect. Retailers will be notified of any price changes within the notice periods specified in our conveyance only use of system agreement. We are required to give customers at least 45 days' notice of pricing changes via the electricity retailers under the use of system agreement.

MainPower plans to implement more cost reflective pricing structures from April 2020.

5.4
Managing Our Risk

MainPower remains focused on ensuring the safety of our people, customers and community as its highest priority.

From tailgate talks at work sites, to our far-reaching safety advertising campaigns, safety is a deeply embedded part of our culture and brand.

Our dedication to safety is underpinned by our Integrated Management System Policy that combines and strengthens our commitment to health, safety, environment and quality (HSEQ).

Supporting this is our Risk Management Plan which aims to anticipate risk and provide a proactive plan for managing this risk.

It includes:

- Risk management planning
- Risk identification
- Risk assessment and analysis
- Controls to prevent and treat risks
- A review process to measure the effectiveness of risk controls

The risk management journey

Risk management at MainPower is not done in isolation. We take a collaborative approach, involving our people at every stage, seeking input from those who understand the processes and tasks in question.

"Critical risk" is defined as:

- The actual or potential to cause death to employees, contractors or members of the public;
- Cause significant property damage; or
- Cause MainPower to be severely impacted as a business.

Our risk journey has brought our teams together to identify our critical risks. We held a series of workshops over a five month period in 2018-19, which resulted in ten safety critical risks and four business critical risks being identified and risk control plans for each being developed.

A stringent monitoring programme has also been set up to test the effectiveness of the critical controls. Monitoring is both planned (monthly and annually) and based on trigger events like near misses, industry learnings, audit and observations, new or emerging risks as well as changing circumstances.

Managing our performance

In addition to the work already undertaken for critical risks, we have also focused on the development of critical processes.

Goals for this financial year:

- All business units to complete process mapping of all critical risks
- All staff to complete one critical control observation
- Executive managers complete three critical control observations, alongside their monthly field site visits

5.5
Environmental Responsibility

Through providing a safe and reliable source of electricity for homes and businesses in North Canterbury, MainPower plays a key role in the community.

As a member of this community, it is our responsibility to set a positive example in all areas of our operations, including our efforts to conduct our business in an environmentally sustainable way.

As part of MainPower's Integrated Management System Policy (approved by the Board in 2018), the Company has made a commitment to identifying opportunities to prevent and reduce any pollution or waste created by our activities. We will also provide our employees with the appropriate training, support and information necessary to understand any environmental impacts we may have and to enable us to work in an environmentally responsible manner.

Over the summer, we carried out a study to gather baseline data on our waste levels and identify opportunities to reduce waste and emissions.

From this work, three key actions were established and have been incorporated into MainPower's Strategic Business Plan.

Key action points:

1. **Review our procurement policy from an environmental perspective**
   Considerations include transitioning to a more efficient vehicle fleet and making environmentally conscious choices around the purchasing and disposal of goods and services.
2. **Minimise our SF6 emissions**
   The SF6 gas is used by the industry as an insulator in circuit breakers. MainPower's objective is to engage an expert to audit the Company's management of SF6, to identify business risks and establish best practice.
3. **Educate and empower all MainPower employees in the correct waste disposal practices**
   Our staff have been involved in this process and have already identified a range of actions we can make in order to reduce our waste. One example is to establish a process for recycling our used cable ducting.

5.6 Community Engagement

Creating a network for the future requires an understanding of what our customers and stakeholders expect from us. We identify these expectations through a wide range of engagement activities, including surveys, consultation and maintaining open channels for feedback via our website. The insights we gather determine our approach to service levels and our overall strategic priorities.

In addition, the MainPower Trust and the Company have a comprehensive, annual engagement plan for the purpose of sharing information.

Empowering our community to make a difference

MPower Us
Have your say, make a difference

In the last year, MainPower has continued our focus on engaging with our community by developing a new customer engagement brand, MPower Us. The focus of the brand and the range of activities that fall under it, is to enable our customers and community to make a difference to their local lines company.

The MPower Us brand demonstrates our ongoing commitment to listening to our customers, with the key goal of taking these insights and allowing these to drive positive change within MainPower.

Our programme of engagement allows for consistent monitoring of satisfaction levels and continuous reviews of the services we provide.

Our standard research program includes our:

- Service Monitoring survey (focused on new power supplies and new ICP connections). Initial benchmarking was completed in late 2017 and is now completed annually.
- Customer Pulse survey (focused on the community perception of MainPower). Facilitated by an external research provider, the initial benchmarking for this survey was completed in 2017, with the survey now being completed annually in December each year.
- Voice of the Customer research – a monthly survey sent out to customers who have interacted with MainPower in the previous month.

Additional community engagement is also planned for the 2020 financial year, with a key focus on engaging our customers to help inform future network planning.

Measuring performance

By listening to our customers and community, we have developed a clear understanding of the measures of performance that are most important to them and how MainPower is currently performing against those measures. Summary insights from recent customer research indicate that our customers view electricity reliability as a key performance deliverable.

Customer feedback

Customer feedback gives us an opportunity to develop a relationship with customers by demonstrating the value placed on them by taking their concerns seriously and dealing with them effectively. MainPower has a complaints resolution process, focused on resolving the majority of complaints received within seven working days.

Customer strategy

The customer strategy for 2020 is to continue to build a commitment to engage with our customers. This allows our customer insights to drive business improvement and ensure that the services we provide are meeting our customer's needs.

Already, the research and engagement we have completed in 2018 is feeding into significant improvements for the 2019-20 year. One key message from our customers centred around the need for us to communicate with them more effectively, especially when MainPower's work impacted them.

The 2019-20 year sees us investing in our communication channels, making it easier for us to update our customers on planned work, outages and general MainPower information.

A website redevelopment is also scheduled, which will focus on getting the right information online to help drive customer engagement through digital channels. The website project has a KPI of ensuring that our end users (our customers) are involved in the development of this, with user testing being a key component.

5.7 Community Support

Each year MainPower's sponsorship activity supports dozens of community initiatives and organisations. The Board has previously agreed that priority should be given to activities that promote energy efficiency and conservation, facilitate economic growth in North Canterbury, support environmental sustainability, and youth activities.

Our sponsorship work allows us to connect in a meaningful way to a broad range of organisations and individuals in the community, building a strong network of relationships and brand recognition.

The work also helps to position MainPower as a community leader and valued member of the North Canterbury community.

Activities we are supporting:

Our Customer Pulse survey, completed in December 2018, found that 74% of respondents could recall at least one example of MainPower's community sponsorship.

YOUTH

- MainPower North Canterbury Sports Awards
- MainPower Youth Sports Scholarships
- MainPower Primary School Coaching Programme
- WaiSwim Programme
- Primary & Secondary School Prizes
- MainPower Scholarship- University Scholarship
- NZRT12 Cadet Scholarship
- EPECentre – University of Canterbury
- MainPower Musical Theatre Taster Day
- Big Brothers Big Sisters of North Canterbury

ENERGY EFFICIENCY

- Insulation in Network Area - Community Energy Action
- Energy Advice Service - Community Energy Action
- Evolocity - Electric Vehicle Competition

ECONOMIC DEVELOPMENT

- Enterprise North Canterbury
- North Canterbury Business Awards
- North Canterbury Radio Trust (Compass FM)
- Rangiora Festival of Colour
- Rangiora Winter Festival

ENVIRONMENTAL SUSTAINABILITY

- MainPower Hurunui Natural Environment Fund
- Green Corps
- Flightpath – Orange-fronted Kakariki conservation project

GENERAL COMMUNITY SUPPORT

- Māia Health Foundation
- Charity Mud Run event - Pegaus Lions
- Kaiwara Classic - Cheviot Lions
- Ashley River Ramble - Rangiora Lions
- MainPower Oval - Canterbury Country Cricket Association
- MainPower Hockey Turf
- Omihi School Farm Race
- Sefton Tug of War - Sefton School PTA
- Swannanoa Country Fair- Swannanoa School
- ThriveME app development - Miss Lilly's Angel Trust
- Hurunui Remembers – war commemoration event
- A&P Associations
- Summer garden concert – Vivacity Consort
- Rangiora Christmas Night Celebration – Rangiora Promotions
- Hurunui Garden Festival
- Kaiapoi Christmas Carnival and Santa Parade – Kaiapoi Promotions Association
- Christmas on the Lake – Pegasus Residents' Group
- Rangiora Golf Club
- Community Christmas lunch - Reflections Community trust

Community Fund

Introduced in 2015, the MainPower Community Fund has been a great success, with over 20,000 votes received and $70,000 distributed amongst 23 different recipients.

The annual contestable fund is open to public voting, with a share of the proceeds being awarded to groups that receive the most votes.

In 2019, $30,000 will be made available to charities, cultural organisations, schools and community groups serving North Canterbury through the fund. This will allow members of the community a greater say in where our community sponsorship funding is directed.

Recipients 2015-2018

- Community Wellbeing Trust
- North Canterbury Riding for the Disabled
- Amberley Community Pool Society
- North Canterbury Academy of Music
- Miss Lilly's Angel trust
- Waiau Community Pool
- Coast Guard North Canterbury
- You, Me, We, Us
- Rachel's House Trust
- North Canterbury BMX Club
- Mini Ha Ha Horse Haven
- Rangiora Community Choir
- Big Brothers Big Sisters North Canterbury
- Rangiora Toy Library
- Sefton School
- Leithfield School
- Rotherham School
- Southbrook School
- Waiau School
- Fernside School
- Broomfield School
- Rangiora High School
- Omihi School

Employee benefit developing the next generation

Jessica Price, daughter of MainPower Network Field Operator Brent Price, is the 2019 MainPower Bright Spark Scholar. Jessica is in her first year of study at the University of Canterbury, studying towards a Bachelor of Arts degree, majoring in Psychology. Jessica hopes to use her qualifications and experience gained during her studies to help the youth of North Canterbury.

As part of her scholarship, she will be offered summer internship work within the company.

5.8 People and Culture

MainPower remains focused on developing a culture in which our people feel valued and invested in the future of our business.

We want to be an employer of choice, capable of attracting and retaining the best recruits to our industry. We achieve this by supporting our people through training and mentorship, providing opportunities for growth within the business and providing a range of sought-after employee benefits.

Trainees and interns

Through training and mentoring, we are producing qualified tradespeople ready to take on the challenges of the future.

This year we have welcomed five trainees, who are working towards qualifications as electricians, cable jointers and line mechanics. We also had six interns join us over the summer months who were recruited from universities across the country. They worked on a variety of projects in the Network, Safety and Business Risk, and IT teams. In 2019, MainPower introduced the Bright Spark Scholarship, a tertiary scholarship available to the children, grandchildren, step children, brothers and sisters of current employees.

Learning and development

MainPower's success is based on developing a skilled workforce made up of individuals that are empowered to develop their personal and professional skills, and take on new challenges.

Our learning and development conversations take place twice a year, giving every staff member the opportunity to reflect, explore career options and set goals for the future. From these conversations, training plans are created and opportunities for mentorship identified.

This process ensures a pipeline of succession is in place within the business. It also helps to maintain a culture in which everyone feels valued and can see a place for themselves in the future of the business.

Four-Day Work Week trial

Offering positive and sought-after employee benefits is one element in retaining talented staff and maintaining an enthusiastic and engaged workforce.

Over the summer, MainPower offered all employees the opportunity to participate in a four-day work week trial. Around 30% of staff opted in to the trial, working for ten hours a day either Monday-Thursday or Tuesday-Friday.

The trial concluded at the end of March 2019, with feedback from employees being largely positive, with many valuing the flexible working arrangement. Based on this feedback a winter trial has been put in place allowing employees to opt into a nine-day fortnight (working nine hours a day) with the intention of gathering feedback at the end of winter to determine the best long-term flexible working options.

Wellness Programme

MainPower continues to deliver a Wellness Programme aimed at supporting our employees' overall health and wellbeing. Our programme includes access to health monitoring, including MoleMapping and melanoma skin checks, vaccinations, first aid training, subsidised gym memberships and health insurance.

Asking our team

Introduced in 2018, we have now completed three rounds of our employee engagement and business improvement staff survey. Each round provides insights into how our people are feeling and where attention and action needs to be focused. The insights gained from the 'MainPower 50' survey allows leaders and teams to take ownership of the results and make meaningful changes within the business. Our engagement score has continued to improve in each subsequent survey.

6 Other Business Activities

6.1 Generation

Cleardale

MainPower owns and operates a 1 megawatt (MW) hydro power station at Cleardale in the Rakaia Gorge, which generates around 3,500 MWhs of electricity each year. Cleardale provided around 123% greater revenue over the 2018 year due to the higher electricity prices in the market and the increased volume from reliability of the system.

Mt Cass

MainPower also holds the resource consent for a wind farm at Mt Cass. Mt Cass is a fully consented wind farm site located on the Mt Cass ridge near Waipara in North Canterbury.

In 2019, MainPower lodged an application to vary some of the conditions of the resource consent authorising the development of the Mt Cass wind farm with the Hurunui District Council. Given the rapid advancement in technology in recent years, MainPower has requested a change to the original consent to allow for a new type of turbine to be used.

Developed by world leaders in renewable generation, General Electric, the new GE4.2-117 wind turbines will allow for a reduction in the number of turbines required (from 26 down to 22). The new turbines, with a total installed capacity of 93MW, are capable of generating more electricity than earlier models.

Photography Credit David Alexander

6.2 Kākāriki Power

MainPower established Kākāriki Power in 2018 so that the electricity generated at Cleardale could be used to power our head office, depots and substations. Our staff are also able to sign up for our Kākāriki Power retail offering.

The work we are doing to develop Kākāriki Power is providing us with valuable insights into peer-to-peer trading of electricity and the challenges of the market we work within.

6.3 Vircom Energy Management Services

The Vircom business was sold to Vector Advanced Metering Services in September 2018.

The sale followed a strategic review of a range of options for developing new unregulated business opportunities. The future of the Vircom business was considered as part of that review and the most compelling for existing employees, future growth, and shareholder return was to divest that business and sell to its largest customer, Vector.

6.4 Hurunui Water Project / Amuri Irrigation

In late 2018 the Amuri Irrigation Company (AIC) made a takeover offer to the Hurunui Water Project (HWP) shareholders which was subsequently accepted. In support of this transaction MainPower sold its full shareholding in HWP.

The AIC shareholders have subsequently voted in favour of a proposal to construct a 7,000-9,000-hectare piped irrigation scheme on the south side of the Hurunui river.

7 Performance

7.1 Financial Performance

A summary of budgeted financial performance, financial position and other financial measures and performance statistics for the 2019-2020 financial year and the forecast for the following two financial years for the MainPower New Zealand Limited are provided in the table on page 19.

The summary forecast for the year ended March 2019 compared to the financial budget for that year and the actual financial performance for the year ended March 2018 is also made available.

The following assumptions have been made when presenting the financial budgets for 2019-2020 and succeeding years:

- Having reviewed the level of electricity distributed by MainPower in February 2019, the volume of electricity conveyed by MainPower for the year ended 31 March 2019 is now estimated at 582 GWhs, with the year ending 31 March 2020 being estimated at 586 GWhs, and the year ending 31 March 2021 being estimated at 598 GWhs. These volumes of electricity distributed reflect both changing patterns of electricity consumption by consumers and the volatility in demand the Company is experiencing due to climate variation.
- Effective 1 April 2019, there will be an average overall increase in MainPower's delivery price to customers of 2%. This is made up of a decrease in transmission pricing component of 0.7% and an increase in the distribution pricing component of 2.8%
- Rebates will continue to be credited throughout 2019-2020; 2.014 cents per kWh at a cost of $9.76M.
- Total net capital expenditure of $23.6M during the 2019-2020 financial year will be funded by way of revenue $14.2M, customers' capital contributions $3M and borrowings $6.4M.
- Total maintenance expenditure of $5.19M has been budgeted for 2019-2020.
- Provision has been made for investment in generation opportunities.
- MainPower's investment in Vircom Energy Management Services was divested on 28 September 2018 and as this was the only trading subsidiary in the Group, the financial statements for the Parent and the Group are similar in the forecast.
- MainPower has secured funding for the next 9 – 21 months. Tranche 1 ($27M) will mature December 2019, Tranche 2 ($18M) will mature December 2020.
- All costs and revenues have been inflation adjusted in line with Westpac's Economics Forecast of 1 February 2019.

7.2 Service Performance

Service level performance measure our key asset management objectives and include:

– Safety

– Compliance

– Quality of Service - Reliability

– Quality of Service - Customer Service

– Risk Management

– Efficiency and Effectiveness - Asset Utilisation

– Efficiency and Effectiveness - Operational Effectiveness

– Efficiency and Effectiveness - Financial Efficiency

Actual and planned service level performance is included in our Asset Management Plan.

SAIDI, the average minutes a customer is without power during the year and SAIFI, the average number of supply interruptions per customer during the year, continues to be the two key measures of service performance.

Going forward, benchmarking SAIDI and SAIFI against industry peers, will also be provided.

Actual, Budget and Forecast performance is detailed in the table on page 21.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7.3
Performance Statement Financial

MainPower Group

For the year ending March[1]

	Actual 2018 $000	Budget 2019 $000	Forecast 2019 $000	Forecast 2020 $000	Forecast 2021 $000
Financial performance					
Operating revenue	78,196	78,392	**64,057**	65,735	67,015
Profit before rebates and tax	18,137	14,846	**11,909**	13,979	12,439
Rebates	(9,833)	(9,719)	**(9,581)**	(9,757)	(9,962)
Taxation	(2,274)	(1,531)	**(870)**	(1,561)	(709)
Profit after rebates, tax and dividends	6,030	3,596	**1,458**	2,661	1,768
Total maintenance expenditure	4,316	5,425	**5,156**	5,185	7,149
Total capital development expenditure	9,960	17,353	**7,141**	23,601	16,209
Financial position					
Net working capital	5,605	2,727	**2,998**	3,459	3,251
Non current assets	291,855	299,863	**297,766**	306,877	309,588
Total assets	297,460	302,590	**300,764**	310,336	312,839
Term liabilities	(70,030)	(78,389)	**(70,381)**	(76,982)	(77,456)
Net assets	227,430	224,201	**230,383**	233,354	235,383
Cash flows from Operations	21,180	17,749	**15,030**	16,390	15,314
Cash flows from Investing Activities	(8,889)	(21,853)	**(16,220)**	(22,510)	(16,209)
Cash flows from Financing Activities	(11,800)	3,857	**2,812**	6,385	395
Net Increase / (Decrease) in Cash flow	491	(247)	**1,936**	265	(500)
MainPower Group Financial Ratios[2]	%	%	**%**	%	%
Profit before tax / Net assets	3.70	2.25	**1.01**	1.81	1.05
Profit after tax / Total assets	1.96	1.20	**0.48**	0.86	0.57
Profit after tax / Equity	2.68	1.58	**0.63**	1.14	0.75
Equity / Total assets	72.88	76.33	**76.60**	75.19	75.22

MainPower Group					
Number of employees	266	266	**165**	168	168
Number of major non-conformances from external certification audit	5	Nil	**Nil**	Nil	Nil
Number of enforceable regulatory notifications, e.g. notices, fines, prosecutions	Nil	Nil	**Nil**	Nil	Nil
Number of leadership safety observations	123	108	**108**	108	108
Number of work related accidents resulting in lost time	3	Nil	**Nil**	Nil	Nil

Notes

1. As the net assets of Vircom were sold on 28 September 2018, the forecast Group and Parent numbers for 2020 onwards are the same.

2. Financial Ratios are calculated after the distribution of rebates.

7.3
Performance Statement Financial

MainPower Parent
For the year ending March[1]

	Actual 2018 $000	Budget 2019 $000	Forecast 2019 $000	Forecast 2020 $000	Forecast 2021 $000
Financial performance					
Operating revenue	71,187	65,105	**64,057**	65,735	67,015
Profit before rebates and tax	18,903	14,780	**12,223**	13,979	12,439
Rebates	(9,833)	(9,719)	**(9,581)**	(9,757)	(9,962)
Taxation	(2,456)	(1,513)	**(870)**	(1,561)	(709)
Profit after rebates, tax and dividends	6,614	3,548	**1,772**	2,661	1,768
Total maintenance expenditure	4,316	5,425	**5,156**	5,185	7,149
Total capital development expenditure	9,786	12,133	**7,141**	23,601	16,209
Financial position					
Net working capital	1,793	1,180	**3,312**	3,459	3,251
Non current assets	295,046	302,728	**297,766**	306,877	309,588
Total assets	296,839	303,908	**301,078**	310,336	312,839
Term liabilities	(67,918)	(72,979)	**(70,381)**	(76,982)	(77,456)
Net assets	228,921	230,929	**230,697**	233,354	235,383
Cash flows from Operations	20,657	17,946	**15,344**	16,390	15,314
Cash flows from Investing Activities	(8,593)	(21,803)	**(16,220)**	(22,510)	(16,209)
Cash flows from Financing Activities	(11,800)	3,857	**2,812**	6,385	395
Net Increase / (Decrease) in Cash flow	264	0	**1,936**	265	(500)
MainPower Parent Financial Ratios[2]	%	%	**%**	%	%
Profit before tax / Net assets	3.99	2.20	**1.14**	1.82	1.06
Profit after tax / Total assets	2.20	1.18	**0.59**	0.87	0.57
Profit after tax / Equity	2.91	1.54	**0.77**	1.15	0.75
Equity / Total assets	77.12	75.99	**76.62**	75.19	75.24

MainPower New Zealand Limited (Parent)					
Number of employees	166	157	**162**	168	168
Number of major non-conformances from external certification audit	Nil	Nil	**Nil**	Nil	Nil
Number of enforceable regulatory notifications, e.g. notices, fines, prosecutions	Nil	Nil	**Nil**	Nil	Nil
Number of leadership safety observations	98	108	**108**	108	108
Number of work related accidents resulting in lost time	3	Nil	**Nil**	Nil	Nil

7.4
Performance Statement
Customer Service and Statistics

MainPower Group
For the year ending March

	Actual 2018	Budget 2019	Forecast 2019	Forecast 2020	Forecast 2021
Lines Business:					
Quality of Supply					
SAIDI- Average minutes customer[3] is without power during the year[4]	174.20	162.00	**204.00**	340.00	340.00
SAIFI- Average supply interruptions per customer during the year	1.60	1.59	**1.58**	1.73	1.73
Unplanned faults per 100 kms during the year	3.50	6.15	**6.63**	6.15	6.15
Statistics Lines business					
Total line service customers (number)	39,700	40,200	**40,224**	41,030	41,800
Gigawatthours entering the system (GWhs)	630.00	629.00	**633.30**	638.00	648.00
Gigawatthours delivered to customers (GWhs)	604.00	594.00	**594.00**	603.00	612.00
Losses	26.00	35.00	**39.30**	35.00	36.00
Electricity loss ratio (%)	4.13	5.56	**6.21**	5.49	5.56
Network maximum coincidental demand (MW)	113.70	114.00	**116.40**	117.00	119.00
Load factor (%)	64.20	62.00	**62.13**	61.00	61.50
Total Transformer capacity (MW)	556.60	560.00	**562.16**	571.00	581.00
Transformer capacity utilisation factor (%)	19.90	20.00	**20.50**	20.00	20.00
Circuit length lines (kms)	5,052	5,091	**5,071**	5,091	5,111

Efficiency Performance[5]	Actual 2018 $	Budget 2019 $	Forecast 2019 $	Forecast 2020 $	Forecast 2021 $
Capital cost per km	1,111	3,061	**1,265**	4,041	5,165
Capital cost per ICP	142	388	**160**	501	632
Operating cost per km	2,915	3,172	**3,644**	3,581	4,082
Operating cost per ICP	373	402	**459**	444	499

Notes (continued)

3. Customer means a person named in the records of the Company as a person whose premises are connected to the Company's distribution network.

4. The Forecast numbers for 2020 and 2021 reflect the expected change in quantity of planned work for this period.

5. Capital cost is the total network capital expenditure for the year. Operating cost is the total network plus non network operational expenditure for the year. The total length of lines in the network and total ICP count are used as normalising parameters to allow comparison between EDBs.


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8 Other Measures

8.1 Distributions to the MainPower Trust

The Board and Trust have agreed that it is timely to undertake a wide review of the approach taken to rebates and dividends. The electricity industry is facing much change and with that comes opportunities (and risks).

We need to take a longer term view on strategic opportunities, how the business funds its activities, regulatory requirements and expectations of the Trust, beneficiaries of the Trust and MainPower's customers.

This review will take place during 2019 and the Board will not make any decisions relating to dividends until this is completed.

8.2 Rebates to Qualifying Customers

The gifting by the Trust of Redeemable Preference Shares to Qualifying Customers in accordance with clause 4.10 and Schedule 8 of the Deed gives the Board the opportunity to provide a Customer Rebate Scheme in favour of Qualifying Customers.

The 2019-2020 financial budget provides for $9.76M to be credited to Qualifying Customers as rebates. This represents approximately 22% of total distribution lines revenue.

8.3 Acquisition of Shares in Other Companies

The acquisition of shares in other companies or organisations will only proceed where the Board concludes such an acquisition is in the best interests of MainPower.

The Board will consult the Trust in circumstances where an acquisition is considered to be significant.

The Board will be guided by the Major Transaction Rule provided in MainPower's Constitution. A major transaction is defined as the acquisition of, or an agreement to acquire, whether contingent or not, assets equivalent in value to 25 percent or more of the assets of MainPower before the acquisition.

8.4 Return on Investment for the MainPower Regulatory Lines Business

The following information reflects the return on investment for the regulatory lines business, before deducting rebates from returns.

MainPower's cost of capital (post-tax) has been determined at 6.17% and is derived using the Capital Asset Pricing Model which was established by the Board in 2015. This is viewed as optimal by the Board.

MainPower's Return on Investment (before payment of rebates) for the year ended March 2018 was 7.04%, above the Commerce Commission's 75th percentile estimate of 5.72%.

The Return on Investment for the year ended March 2018 is 7.04%, below the Commerce Commission's default price path for non-exempt lines' businesses of 7.5%.

MainPower's budgeted Return on Investment of the regulatory lines business for the financial year ending 31 March 2019, after taxation, is expected to be $15.19M or 6.48%.

There is no shortfall between the budgeted Return on Investment and MainPower's Weighted Average Cost of Capital.

The Return of 6.48% on Investment for MainPower's regulatory lines business is considered acceptable, given the expected level of investment in the network.

8.5 Return on Shareholders' Equity for the MainPower Group of Companies (Consolidated)

MainPower's Forecast Return on Equity for the Group for the financial year ending 31 March 2019, after rebates and taxation, is expected to be $1.46M, or $8.57M (1.01%) before rebates and after adjusting for notional tax.

8.6 Information to be Provided to Shareholders

The following information will be made available to the Trust and, where applicable, to other Shareholders, i.e., all information required to be disclosed to Shareholders under the Companies Act 1993, the Financial Reporting Act 1993, Commerce Commission Information Disclosure documentation, and any other information the Board considers should be in the public arena including:

- Annual Report
- Interim Report
- Statement of Corporate Intent
- Asset Management Plan
- Electricity Information Disclosure Information

The Board will meet with Trustees on a regular basis throughout the year in order to update Trustees on the performance of MainPower and its subsidiaries.

The Board will also report to Trustees on significant operational matters, changes to MainPower's company structure and progress on current and new business initiatives.

Appendices

Appendix 1
Corporate Governance Statement

Appendix 2
Statement of Accounting Policies

Appendix 3
Glossary of Terms and Abbreviations

Appendix 1: Corporate Governance Statement

1. Role of the Board

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

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

Regional prosperity is measured in terms of MainPower's role in leading and/or supporting regional initiatives for economic development.

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

2. Board Responsibilities

The Board acts on behalf of and is accountable to the shareholders. The Board seeks to identify the expectations of shareholders, as well as other legislative and ethical expectations and obligations.

In addition, the Board ensures areas of significant business risk are identified by management and that arrangements are in place to adequately manage these risks.

To this end the Board will:

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

3. Delegation

The Board delegates the day-to-day responsibility for the operation and administration of MainPower to the Chief Executive.

The Chief Executive is responsible for ensuring MainPower achieves its business objectives and values.

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

4. Codes and Standards

All Directors, executives and staff of MainPower New Zealand Limited are expected to act with integrity and to promote and enhance the Company's reputation with its various stakeholders.

Behavioural standards and accountabilities, the use of confidential information, trade practices, health, safety and environmental management are set out in a range of formal codes, policies and procedures. These are subject to regular independent review to ensure they remain current and appropriate.

5. Conflicts of Interest

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

6. Board Review

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

7. Company Constitution

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

Non-Executive Directors of MainPower are elected by the Ordinary Shareholder. The Board currently comprises five Non-Executive Directors.

The Directors of the Company currently in office are:

Tony King, Chairman

Graeme Abbot, Director

Janice Fredric, Director

Stephen Lewis, Director

Fraser Jonker, Director

Brian Wood, Director

8. Meetings

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

9. Committees

The Board has two standing committees and one oversight group.

Health and safety governance is treated as a whole Board responsibility with quarterly meetings held outside of formal Board meetings.

9.1 Audit and Risk Committee

The Audit and Risk Committee operates under a comprehensive Charter, which outlines the Committee's authority, membership, responsibilities and activities and which is approved by the Board.

The Charter is reviewed annually against best practice and emerging trends. The primary function of the Committee is to assist the Board in relation to the Company and its subsidiary companies, with the proper and efficient discharge of its responsibilities, to exercise due care, diligence and skill in relation to the oversight of the:

- appointment and performance of the external auditors;
- integrity of external financial reporting;
- financial management and internal control systems;
- accounting policy and practice;
- risk management framework and the monitoring of compliance within that framework;
- related party transactions;
- compliance with applicable laws, regulations, standards and codes of practice;
- integrity of external regulatory reporting.

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

Three Non-Executive Directors are appointed to the Audit and Risk Committee on an annual basis.

Current membership of the Audit and Risk Committee is Ms J Fredric, Chair, Mr B Wood and Mr T King.

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

9.2 Remuneration Committee

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

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

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

Current membership of the Remuneration Committee is Mr G Abbot, Chair, Mr T King and Mr S Lewis.

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

9.3 Asset Management Steering Group

The Asset Management Steering Group's primary function is to provide a healthy and collaborative environment where:

- MainPower's approach to asset management can be challenged, verified and validated resulting in informed decisions;
- facilitate and enable asset management at MainPower;
- allow for the strategic growth of asset management at MainPower;
- provide for business proposals and investment opportunities to be reviewed;
- assist and develop the governance management interface for asset management. Current membership of the Asset Management Steering Group is Mr S Lewis and management representatives Mr A Lester, Mr M Appleman and Ms S O'Donohue.

10. Risk Management

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

An annual review of the level and appropriateness of the Company's insurance cover and regular reporting by management addressing the major areas of risk supports the Board's risk management process.

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

The Board has commenced the process for the development of an internal audit programme for the coming year.

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

11. Non-Executive Directors' Fees

Fees for non-executive directors are based on the nature of their work and responsibilities.

Independent professional advice on the level and structure of nonexecutive directors' fees, is made available to the Board on an annual basis. Any recommendation made to shareholders at the Annual Meeting on a change in directors' fees is in accordance with this independent advice.

12. The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs.

Each year, the major shareholder of MainPower, the MainPower Trust, provide the company with a Letter of Expectations from which a Statement of Corporate Intent is developed between the Board and the MainPower Trust. This Statement details the Company's intent with respect to:

- Strategic Objectives
- Business Activities
- Non-core Activities
- Performance
- Distributions to Shareholders and Rebates
- Corporate Governance

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

The Statement of Corporate Intent is subject to consultation between the Board and the Trust, prior to its adoption.

13. Customers

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

14. Subsidiary Companies

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

Appendix 2
Statement of Accounting Policies

Statement of Compliance

MainPower New Zealand Limited (the Company) is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The Group consists of MainPower New Zealand Limited and its subsidiaries.

MainPower New Zealand's parent and ultimate controlling party is the MainPower Trust.

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

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For-profit Entities Update)' ('XRB A1'). For the purposes of complying with GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards –

Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and it is not a large for profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR.

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 (e) and property, plant and equipment as outlined in note (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 2019 and the comparative information presented in these financial statements for the year ended 31 March 2018.

Changes in Accounting Policies

IFRS 9 – Financial Instruments (effective on or after 1 January 2018)

NZ IFRS 9 Financial Instruments includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. The Group's assessment of adopting NZ IFRS 9 is that it will not have a material impact on the financial statements or any required restatement or accounting treatment to the Financial Instruments of the group.

IFRS 15- Revenue from contracts with customers (effective on or after 1 January 2018)

NZ IFRS 15 was adopted applying the cumulative retrospective approach. NZ IFRS 15 provides the principles an entity shall apply to report useful information to users of financial statements, about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Apart from providing more extensive disclosures the adoption of this standard has had no impact on the timing of recognition of all major revenue items and therefore on reported revenue in the current or prior year.

Electricity Line revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of Electricity distribution services. Consistent with NZ IFRS 15 this revenue is recognised over time based on an output method as the service is delivered to match the pattern of consumption. Customer contribution revenue relates to contributions received from customers towards the costs of electricity supply to new subdivisions, constructing uneconomic lines and relocating existing lines. The revenue recognised is the fair value of the asset being constructed.

For contracts with multiple performance obligations revenue is recognised at a point in time when the performance obligation is satisfied.

Critical Judgements, Estimates and Assumptions in Applying the Entity's Accounting Policies

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

Estimates and underlying

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

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

The 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. 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 (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 recognises actual amounts billed during the financial period and, if material, makes an adjustment to recognise the estimated value of unread meters where applicable.

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

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 Company.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being MainPower New Zealand Limited and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

In dealing with acquisitions from entities under common control the assets and liabilities of the entity acquired is included at their pre-acquisition carrying amount. Equity of subsidiaries are shown separately in the consolidated Statement of financial position.

On 28 September 2018 MainPower sold the business net assets (including the company name) of the major trading subsidiary Vircom Energy Management Services Limited to Vector Limited. The sale price of the business closely matched the value of the investment in the Company's books. As this business discontinued operation during the year, the Statement of Comprehensive Income has been restated to exclude Vircom and moved to the line "Discontinued Operations" as with the comparatives

Associate Companies – equity accounting

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

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

(b) Goods and Services Tax

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

(c) Foreign Currency

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

(d) Cash and Cash Equivalents

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

(e) Financial Assets

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

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 reevaluates this designation at every reporting date.

Financial assets at fair value through profit or loss
The Group has certain derivatives which are stated at fair value and the movements are recognised in profit or loss (refer to note (q)).

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

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

(f) Inventories

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

(g) Income Tax

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

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

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

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

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

(h) Leased Assets

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

(i) Impairment of Assets

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

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

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

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

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

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

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

(j) Property, Plant and Equipment

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

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on a discounted cash flow 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 (i).

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

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

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

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

	Years
Electricity distribution network	7 to 70
Buildings	6 to 100
Office furniture and equipment	3 to 20
Plant and equipment	2 to 25
Vehicles	4 to 10
Generation Assets	10 to 20

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

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

(k) Intangible Assets

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

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

(l) Goodwill

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

(m)Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at fair value (being cost), and subsequently at amortised cost.

(n) Borrowings

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

(o) Employee Benefits

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

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

(p) Financial Instruments Issued by the Group

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

(q) Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps.

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

(r) Revenue Recognition

Revenue from lines revenue, capital contributions and 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.

Interest revenue is recognised in profit or loss as it accrues, using the effective interest rate method.

(s) Capital Contributions

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

(t) Distinction between Capital and Revenue Expenditure

Capital expenditure is defend 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.

(u) Borrowing Costs

Borrowing costs are expensed using the effective interest rate method.

Adoption of New and Revised Standards and Interpretations

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

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of these financial statements, the following standards were in issue but not yet adopted.

Adoption of New and Revised Standards and Interpretations – Standards and Interpretations in Issue not yet Effective

No new accounting, standards or interpretations have been adopted during the year that have had a

material impact on these financial statements.

The Group is currently reviewing but has not yet fully assessed the impact of NZ IFRS 16 Leases and Equipment (31 March 2020).

Appendix 3:
Glossary of Terms and Abbreviations

TERM OR ABBREVIATION	DEFINITION
Asset Management Plan	Annual plan that documents asset management risks, objectives, processes and plans with specific focus on service targets, and the development, maintenance and replacement plans for our assets. The plan complies with the requirements of clause 2.6.1 of the Electricity Distribution Information Disclosure Determination 2012.
Behind the meter	On the owner's property; not on the side of the electricity grid
Distribution Network or Grid	The power lines and underground cables that transport electricity from the national grid to homes and businesses.
Employer Value Proposition	Characteristics and appeal of working for an organisation
EV	Electric vehicle
FY	Fiscal Year
GWh	Gigawatt-hour
HSEQ	Health, Environment, Safety and Quality
Installation Control Point	Physical point of connection on a local network
Internet of Things	The interconnection via the internet of computing devices embedded in everyday objects, enabling them to send and receive data.
Master Plan	Long term network capacity development plan
MW	Megawatt. One megawatt = 1,000 kilowatts = 1,000,000 watts.
Network Area	MainPower's electricity network extends from the north of Christchurch city starting at Kainga, Stewarts Gully, Coutts Island; through to and across the Waimkariri, Hurunui and Kaikoura Districts, up to the Clarence River
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
Smart Grid	Embracing technology to produce a grid that responds quickly to changing demand.
Transmission	Transpower owns and operates the national grid. The high-voltage transmission network that connects areas of generation with towns and cities across New Zealand.
Substation	A collection of equipment at one location, including any necessary housing, used to convert or transform electric energy and connect between two or more feeders.

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