MainPowerTrust

2019 Annual Report

DIRECTORY

TRUSTEES

SECRETARY

Kathy Hansell	Koller & Hassall Limited

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BANKER

Westpac New Zealand

SOLICITORS

Simpson Grierson, Christchurch

AUDITOR

Deloitte, Christchurch

Kevin Brookfield

Kevin has been the Trust Chair since March 2018. The added time to Kevin's role with MainPower Trust effectively means other business ventures stay on hold. Alongside MainPower Trust, Kevin presides over a 15 hectare lifestyle block in Amberley. Kevin enjoys a close input with 4 growing grandchildren, and wouldn't have it any other way.

Richard Allison

Richard was first elected to MainPower Trust in 1999 and is Deputy Chairperson. Following Massey University he and his wife Jeanette worked in London and back packed around Europe. They returned to New Zealand to go farming. This was combined with work in rural banking. From 2001 they have been managing preschools in Rangiora and Christchurch. Richard sees electricity as increasingly important in our daily lives. The growth of distributed generation means our lines network is now being used to send as well as to supply power. He hopes electricity will begin to displace fossil fuel use with MainPower transporting this energy both reliably and efficiently. MainPower's ability to do this is vital.

Jo Ashby

Jo was elected to the MainPower Trust in 2013. Jo and her family run a dairy farm business they have owned for the past 20 years. She is a qualified accountant (currently retired status) having specialised in rural accounting. Jo has been involved with a number of community organisations over the more than 35 years she has lived in the Waimakariri district.

Allan Berge

Allan was elected as a Trustee in March 2017. Allan held the position of Chief Executive and Managing Director of MainPower for 28 years prior to his retirement in 2015.

Allan is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants Australia and New Zealand, a Fellow of the Institute of Management New Zealand and a member of the Institute of Directors.

Quentin de Hamel

Quentin works locally as a solicitor. His specialist areas are in property law, commercial transactions, conveyancing, farming, leases and business advice. He has been on the Board of Trustees of both Rangiora Borough School and Rangiora High School. He is also actively involved in the local Lions Club. Quentin is married with two adult children and lives in Rangiora. His approach is friendly and casual, but also caring and knowledgeable. His goal is to ensure we, as power consumers, get the best value for our investment.

Hugh Lindo

Hugh was appointed by the Trustees under their power of appointment in 2017. Hugh is a senior partner at Simpson Grierson in the corporate and commercial department, based in the Christchurch Office. He has extensive corporate and not-for-profit governance experience. Hugh's involvement with other organisations includes board membership (and past president) of the Canterbury Employers Chamber of Commerce, a fellow of the Christ's College Board and Trustee of the Christchurch Foundation.

Jim Abernethy

Jim is now in his second six year term on MainPower Trust, and is enjoying the challenge of protecting the MainPower beneficiaries' rights. Jim Abernethy lives in Kaikoura, where he has been actively involved in the community through numerous organisations, associations and service clubs. Jim was elected a member of Kaikoura District Council and was Mayor of Kaikoura for six years. Prior to moving to Kaikoura Jim lived in Cheviot for most of his working life, during which time he and his brother owned and operated Cheviot Lime Company Ltd. Jim has been a member of both the Cheviot and Kaikoura Volunteer Fire brigades for 25 years and retired as Chief Fire Officer in Kaikoura. He was also the Kaikoura member of the Marlborough Harbour Board for 12 years. His community activity includes voluntary work in Cheviot, Kaikoura and the Marlborough region. Alongside all of these commitments, Jim has also been a Marriage Celebrant for over 20 years.

CHAIRMAN'S REPORT

to the Annual General Meeting Thursday 15 August 2019

Welcome to the MainPower Trust Annual General Meeting, 2019. I am Kevin Brookfield, the current Trust Chair, and I would like to introduce my fellow Trustees: Richard Allison, Jim Abernethy, Quentin de Hamel, Hugh Lindo, Jo Ashby and Allan Berge. We own the ordinary shares in MainPower on behalf of our beneficiaries being those connected to the MainPower network in North Canterbury.

It has been a busy and interesting 12 months for the Trust. The Trust meets monthly and has maintained a full workload.

Our engagement with the Company has never been better and we are excited about the future as MainPower continues to play a pivotal role in our Community.

The Company's constitution requires the Trust to play an active role in working with the Board in developing MainPower's Statement of Corporate Intent. This provides the Trust with the opportunity to reflect the ambitions of the Community for the Company and its future. A particular focus has been providing the Company with a mandate to consider alternative revenue streams with a view to diversifying the business if opportunities present themselves.

As covered in my report last year, the Trust is responsible for the appointment of Company Directors. This year Janice Fredric and Graeme Abbot retire by rotation; both have signalled they wish to renew their terms on the Board. Following a full assessment process the Trust is pleased to confirm their reappointment and we welcome Janice and Graeme back to contribute to what promises to be an exciting next 3 years.

A fresh initiative this year has been the formation of a Joint Working Group with the Board principally to review the extent to which the Company's current Rebate scheme remains fit for purpose. As the financials show, the Beneficiaries received $9.7m from this mechanism last year. The Joint Working Group is close to agreeing a future path that will be in the best interests of our beneficiaries and we look forward to providing details of this in due course once that work concludes.

Richard Allison having accepted an invitation from ETNZ (the body that represents the interests of energy trusts like ours) has joined its executive. This appointment reflects Richard's passion for the industry and will enable the Main Power Trust to be even closer to developments in our sector.

I am pleased to report that the Trust's financial position is strong. As well as owning the shares in MainPower, we own a significant investment portfolio that is professionally managed by

Forsyth Barr. Although the global financial markets have been disrupted from time to time, the performance of our investments has been steady.

As mentioned above the review of the rebate scheme will see a change in the status quo but in the context of the year I am reporting on the Trust was satisfied with the level of rebates paid by the Company.

The Trust's next Election of Trustees is scheduled for March 2020. As usual, voting documentation will be mailed to all Beneficiaries in mid-February. At time of writing 2 Trustees – Jim and Hugh have advised they will not be seeking re-election, so an opportunity exists for new Trustees to join the table.

Trustees must live in the District and be an ICP holder. A commitment to at least 3 years' service is required.

Jim will have been a Trustee for 12 years in March and his consistent views on all Trust related debates around the table will be missed.

Kathy thanks again for your huge contribution to the Trust in your role as our Secretary. The depth of your institutional knowledge and your guidance is invaluable to all of us.

To our beneficiaries please do feel that you can always contact us. We would welcome your input and interest. Our website is a good source of information about the Trust and explains how you can contact us.

Finally, on behalf of the Trust can I pass on the Trust's thanks to Andy Lester, his executive team and each and every staff member of MainPower for their ongoing efforts which maintain the confidence the Trust and our community has in the company.

I'll finish on that positive note and thank you for your attendance.

Kevin W Brookfield

Chairman

MAINPOWER TRUST

FINANCIAL REPORT 2019

Audited consolidated financial statements

The Trustees are pleased to present the audited consolidated Group financial statements of MainPower Trust for the year ended 31 March 2019.

Authorised for issue on 5 July 2019
for and on behalf of trustees:

K.W. Brookfield (Chair)

R.W. Allison (Deputy Chair)

MainPower Trust Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	Group 2019 $000	Group 2018 $000 Restated
Operating revenue	2	56,505	61,403
Other income	3	612	438
		57,117	61,841
Operating expenses	4, 5	39,240	37,774
Depreciation and amortisation	6	12,968	13,013
Finance expenses	7	2,090	1,900
		54,298	52,687
Profit before income tax expense		2,819	9,154
Income tax expense	8	812	2,490
Profit and Other Comprehensive Income from Continuing Operations		2,007	6,664
Loss from discontinued operation, net of tax	9	(913)	(399)
Profit		1,094	6,265
Other Comprehensive Income			
Gain on revaluation, net of deferred tax		380	-
Total Comprehensive Income		1,474	6,265

2018 has been restated for the discontinued operation, refer note 8

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

MainPower Trust Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	Group 2019 $000	Group 2018 $000
Current assets			
Cash and cash equivalents		8,814	1,184
Trade and other receivables	10	6,960	8,930
Inventories	11	2,319	2,367
Current tax assets	8	464	-
Prepayments		752	852
Other financial assets	14	3,728	1,524
Total current assets		23,037	14,857
Non-current assets			
Other financial assets	14	8,388	10,422
Property, plant and equipment	15	276,587	283,839
Capital Works under construction	16	3,114	3,230
Goodwill	17	-	713
Computer Software	18	2,028	1,073
Total non-current assets		290,117	299,277
Total assets		313,154	314,134
Current liabilities			
Trade and other payables	19	6,209	7,677
Current tax liabilities	8	-	283
Current Borrowings	20	22,000	-
Total current liabilities		28,209	7,960
Non-current liabilities			
Other financial liabilities	21	6	4
Deferred tax liabilities	8	44,032	44,428
Interest Rate Swaps – Non Current	19A	2,689	2,055
Term Borrowings	20	-	22,900
Non-current provisions	22	600	643
Total non-current liabilities		47,327	70,030
Trust Funds			
Retained Earnings		203,649	198,142
Asset Revaluation Reserve		33,969	38,002
Total equity attributable to members of the trust		237,618	236,144
Total liabilities and equity		313,154	314,134

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

MainPower Trust Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Notes	Retained earnings $000	Asset Revaluation Reserve $000	Total equity $000
Group				
Balance at 1 April 2017		191,878	38,002	229,880
Profit for the Year from continuing operations		6,664	-	6,664
Loss for the Year from discontinued operations		(399)	-	(399)
Preference Shares gifted to beneficiaries		(1)	-	(1)
Balance at 31 March 2018		198,142	38,002	236,144
Profit for the Year from continuing operations		-	-	2,007
Loss for the Year from discontinued operations		(913)	-	(913)
Gain on revaluation, net of deferred tax		-	380	380
Preference Shares gifted to beneficiaries		-	-	-
Balance at 31 March 2019		203,649	33,969	237,618

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

MainPower Trust Consolidated Cashflow Statement

For the year ended 31 March 2019

	Notes	Group 2019 $000's	Group 2018 $000's Restated
Cash flows from operating activities			
Receipts from customers		56,297	61,359
Interest received		313	242
Dividends received		144	149
Payments to suppliers and employees		(40,771)	(38,151)
Interest and other finance costs paid		(2,137)	(1,697)
Income tax (paid)		(1,702)	(1,330)
Cash flows from discontinued operations		(255)	387
Net cash provided by operating activities		11,889	20,959
Cash flows from investing activities			
Proceeds from investment securities		340	400
Payment for investment securities		(177)	(1,203)
Payment for property, plant and equipment		(5,366)	(8,961)
Proceeds from sale of property, plant and equipment		86	2,273
Payment for intangible assets		(1,742)	(778)
Payments to Associate Companies		-	(250)
Cash flows from discontinued operations		3,500	(157)
Net cash used in investing activities		(3,359)	(8,676)
Cash flows from financing activities			
Repayment of borrowing		(900)	(11,800)
Net cash used in financing activities		(900)	(11,800)
Net increase/(decrease) in cash and cash equivalents		7,630	483
Summary			
Cash and cash equivalents at beginning of year		1,184	701
Net increase in cash and cash equivalents		7,630	483
Cash and cash equivalents at end of year		8,814	1,184

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

1. Statement of accounting policies

Statement of compliance

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

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

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS – RDR') and other applicable accounting 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 NZ GAAP, the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR') on the basis that it does not have public accountability and it is not a large for profit entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied all available disclosure concessions.

Basis of financial statement preparation

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

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

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

The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2019 and the comparative information presented in these financial statements for the year ended 31 March 2019 except for adoption of new accounting standards.

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

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

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

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

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

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

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

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1. Statement of accounting policies continued

Significant accounting policies

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

(a) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group.

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired, exceeds the cost of acquisition, the difference is credited to 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 inter-Group 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 comprehensive income and Statement of financial position.

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

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

(c) Foreign currency

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

The Group classifies its financial assets into one of the categories below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss
The Group has certain derivatives which are stated at fair value and the movements are recognised in the profit or loss (refer to note 1(q)).
Equities and bonds held by the Trust to provide cash flow to support Trust activities are measured at fair value, represented by the quoted price in an active market. Movements in fair value of these investments are recognised in profit or loss.

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Notes to the financial statements continued

For the year ended 31 March 2019

1. Statement of accounting policies continued

(e) Financial assets continued

Financial assets at amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, bonds and other short term highly liquid investments. These financial assets are held within a business model to collect contractual cash flows and these cash flows consist solely of principal and interest.

Accounts receivable are stated at amortised cost less impairment losses. Impairment provisions for trade receivables are based on the simplified approach within NZ IFRS 9 whereby the probability of the non-payment of the trade receivables is assessed based on an expected credit loss (ECL) approach. Trade receivables are reported net of impairment, provisions for impairment are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value is written off against this provision. Inter-group balances due from subsidiaries and associates are stated at cost less impairment losses.

(f) Inventories

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

(g) Income tax

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

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

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

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

Current tax and deferred tax is charged or credited to 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

The Group 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 non-financial 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.

1. Statement of accounting policies continued

(i) Impairment of non-financial assets continued

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

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

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

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

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

(j) Property, plant and equipment

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

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

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

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.

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 either a straight-line basis or a diminishing value 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.

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1. Statement of accounting policies continued

(k) Intangible assets

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

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

(l) Goodwill

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

(m) Payables

Trade payables and other accounts payable are recognised when the Group 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, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in 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 cross currency swaps. Further details of derivative financial instruments are disclosed in note 28.

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

The Group is in the business of providing electricity distribution and generation services.
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.
Electricity Line revenue
Electricity Line revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of Electricity distribution services, revenue is recognised over time based on an output method as the service is delivered to match the pattern of consumption.
Generation revenue
Generation revenue is recognised at the fair value of electricity generation services provided.
Customer contribution revenue
Customer contribution revenues are recognised at the fair value of the works completed.

1. Statement of accounting policies continued

(r) Revenue recognition continued

Contracting revenue
Contracting revenue is recognised at the fair value of the works completed or goods provided. For contracts with multiple performance obligations, revenue is recognised at a point in time when the performance obligation is satisfied.
Revenue from sale of assets
Revenue from sale of an asset is recognised when control of the asset is transferred.
Interest revenue
Interest revenue is recognised in profit or loss as it accrues, using the effective interest rate method.
Dividend revenue
Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

(s) Distinction between capital and revenue expenditure

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

(t) Borrowing costs

Borrowing costs are expensed using the effective interest rate method.

Adoption of new and revised Standards and Interpretation

In the current year the Group and Parent have adopted all new mandatory and amended standards and interpretations as issued by the External Reporting Board.

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 does not have a material impact on the financial statements or any required restatement or accounting treatment to the Financial Instruments of the group.

The impairment method used to determine the provision for doubtful debts now assesses collectability per customer, taking into account the type of debt (eg car v pole are less likely to be collected), historic payment patterns and known indicators of future credit losses per customer (eg financial difficulties.) The current year provision was not material, therefore based on the assessment the prior year was not restated.

There is no change in measurement of the Group's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL. Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of principal and payments on the principal amount outstanding.

IFRS 15 – Revenue from Contracts with Customers (effective on or after 1 January 2018)

In the current year, NZ IFRS 15 was adopted applying the cumulative retrospective approach. NZ IFRS 15 provides the principle 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 represents the fair value of the asset being constructed. These revenue streams relate to the revenues received from customers towards the costs of electricity supply to new subdivisions, constructing uneconomic lines and relocating existing lines. For contracts with multiple performance obligations revenue is recognised at a point in time when the performance obligation is satisfied (milestones).

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 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 (effective 1 January 2019). The treatment of leases previously recognised as operating leases will be similar to that of finance leases, whereby the right to use assets and the liability to make lease payments are recognised in the Consolidated Statement of Financial Position, with the interest on the lease liability and the depreciation expense on the right-of-use asset reflected in the Consolidated Statement of Comprehensive Income.

The current operating lease position can be seen in Note 4 Operating Expenses and Note 23 Commitments and Contingent Liabilities. The Group will adopt NZ IFRS 16 for the year ending 31 March 2020.

Deloitte. For Identification

	Group 2019 $000	Group 2018 $000 Restated
2. Operating revenue		
Line revenue	57,664	58,792
Rebates to customers	(9,677)	(9,833)
Net Lines Revenue	47,987	48,959
Contracting revenue	3,354	5,394
Generation revenue	445	377
Capital contributions	3,719	4,998
Interest revenue	348	261
Dividends	144	144
Gain on sale	85	587
Other	423	683
Operating revenue	56,505	61,403
3. Other income		
Fair value movement on investments	612	438
	612	438
4. Operating expenses		
Bad debts written off	77	74
Directors fees and expenses	366	459
Trustees fees and expenses	119	111
Cost of goods sold, excluding employee remuneration	4,885	4,695
Employee remuneration and benefits	6,670	5,169
Loss on disposal of property, plant and equipment	-	667
Operating lease costs	770	417
Network maintenance	5,526	4,316
Generation cost of production	146	119
Generation operations	5	18
Community relationships	1,002	1,136
Transmission expenses	14,712	15,452
Trust review expenses	-	134
Impairment on revaluation	557	-
Other	4,310	4,898
Operating expenses	39,145	37,665
5. Remuneration of auditors		
Audit of the financial statements of the Trust	6	6
Other audit fees for the audit of the financial statements of MainPower New Zealand Limited and Group	72	80
Other audit fees for other services	17	23
Remuneration of auditors	95	109

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

	Group 2019 $000	Group 2018 $000 Restated
6. Depreciation and Amortisation		
Depreciation of non-current assets	12,331	12,679
Amortisation of non-current assets	637	334
Depreciation and amortization	12,968	13,013
7. Finance expenses		
Interest expense on loans	1,258	1,500
Other finance expense	198	197
Interest rate swaps and foreign exchange contracts fair value movement	634	203
Finance expenses	2,090	1,900

8. Income taxes

Income tax expense recognised in profit
Tax expense comprises:

	Group 2019 $000	Group 2018 $000 Restated
Current tax expense	1,239	2,168
Adjustments recognised in current year in relation to the current tax of prior years	(6)	(145)
Deferred tax expense relating to the origination and reversal of temporary differences	(421)	467
Total income tax expense recognised in profit	812	2,490

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	Group 2019 $000	Group 2018 $000 Restated
Profit before tax	2,819	9,154
Prima facie income tax expense calculated at respective tax rates	812	2,595
Non-deductible expenses	61	114
Non-assessable income	(55)	(74)
	818	2,635
Over-provision of income tax in previous year	(6)	(145)
Total income tax expense recognised in profit	812	2,490

The tax rates used in the above reconciliation are the trustee tax rate of 33% payable by New Zealand trustees on taxable income, and the company tax rate of 28% payable by New Zealand companies on taxable profits under New Zealand tax law.

Losses Carried Forward
The Parent (MainPower Trust) has unrecognised tax losses to carry forward arising from unused imputation credits of $427,965 (2018: $269,979).

Current tax assets and liabilities

	Group 2019 $000	Group 2018 $000 Restated
Current Tax Asset	464	-
Current Tax Liability	-	283

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8. **Income taxes** continued

Consolidated Group for the year ended 31 March 2018

Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged to income $000	Charged to asset revaluation reserve $000	Closing balance $000
Deferred tax liabilities				
Property, plant & equipment	44,935	259	-	45,194
	44,935	259	-	45,194
Deferred tax assets				
Intangible assets	(16)	(10)	-	(26)
Provisions	(958)	218	-	(740)
Net deferred tax liability	43,961	467	-	44,428

Consolidated Group for the year ended 31 March 2019

Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged to income $000	Charged to asset revaluation reserve $000	Closing balance $000
Deferred tax liabilities				
Property, plant & equipment	45,194	(341)	25	44,878
Deferred tax assets				
Intangible assets	(26)	(9)	-	(35)
Provisions	(740)	(71)	-	(811)
Net deferred tax liability	44,428	(421)	25	44,032

9. **Discontinued Operations**

Vircom Energy Management Services Limited was a field services business focusing on core metering, solar, battery and electrical installation and maintenance services. On 28 September 2018 Vector Limited acquired the Business Assets including the company name of Vircom Energy Management Services Limited.

Vircom Energy Management Services Limited was renamed MPNZ Investments Limited and holds the proceeds from the sale of the business which closely approximates the investment recorded in the accounts of the parent MainPower New Zealand Limited.

The results of the discontinued operations which have been included in the profit for the year were as follows:

	Group 2019 $000	Group 2018 $000
Revenue	6,689	17,105
Expenses	(7,153)	(17,685)
(Loss)/Profit before income tax expense	(464)	(580)
Income tax benefit / (expense)	264	181
(Loss)/Profit after income tax expense	(200)	(399)
Goodwill write off on sale of business	(713)	-
(Loss) from discontinued operations	(913)	(399)

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9. Discontinued Operations continued

The post-tax gain on disposal of discontinued operations was determined as follows:

	Group 2019 $000
Cash consideration received	3,500
Net assets disposed (other than cash):	
Property Plant & Equipment	472
Work in Progress	15
Inventories	34
Other financial assets	10
Intangibles	2,847
	3,378
Gain on sale	122
Related tax expense	(34)
Gain on sale of discontinued operation	88

10. Trade and other receivables

	Group 2019 $000	Group 2018 $000
Trade receivables and Other Accruals	6,297	8,317
Provision for Doubtful Debts	(78)	-
Work under construction	650	557
Interest receivable	91	56
	6,960	8,930

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

Interest is charged on overdue trade receivables where applicable.

11. Inventories

Distribution System	2,319	2,367

Deloitte. For Identification

12. Group entities

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/19	31/3/18
MainPower New Zealand Limited	Provision of electricity infrastructure services	New Zealand	100%	100%
MPNZ Investment Services Limited (formerly VirCom Energy Management Services Limited (Vircom).	Provision of loan funding to parent company	New Zealand	100%	100%

On 28 September 2018, MainPower sold the net assets of the Vircom business (including the company name). The subsidiary company was renamed MPNZ Investments Limited.

13. Associates

13.1 *Details of material associates*

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

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31/3/19	31/3/18
Hurunui Water Project Limited	Irrigation	New Zealand	0.00%	17.18%

The deed of financing was repaid on 28 March 2019 and the share in the subsidiary was surrendered. The carrying value of this investment is $Nil (2018:Nil).

14. Other financial assets

	Current		Non-Current	
	Group 2019 $000	Group 2018 $000	Group 2019 $000	Group 2018 $000
At amortised cost				
Self Insurance Fund Investment	3,000	-	-	3,000
Loan to Associate Company	-	300	-	-
Funds held in escrow	20	-	-	-
	3,020	300	-	-
At fair value				
Forsyth Barr Portfolio	708	1,224	8,387	7,074
Other investments	-	-	1	348
	708	1,224	8,388	7,422
Total	**3,728**	**1,524**	**8,388**	**10,422**

Equities and bonds held by the Trust to provide cash flow to support Trust activities are measured at fair value, represented by the quoted price in an active market. Movements in fair value of these investments are recognised in profit or loss. Cash and on call deposits held within the Forsyth Barr portfolio, as well as those bonds maturing within twelve months of balance date, are categorised as current.

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15. Property, plant and equipment

	Freehold land at fair value $000	Buildings at fair value $000	Electricity distribution network at fair value $000	Plant, equipment, vehicles, furniture & fittings $000	Total $000
Consolidated Group					
Gross carrying amount					
Balance at 1 April 2017	3,879	17,358	262,017	37,799	321,053
Additions	-	387	8,391	315	9,093
Disposals/ Adjustments	-	-	(692)	(6,051)	(6,743)
Balance at 31 March 2018	3,879	17,745	269,716	32,063	323,403
Additions	-	-	4,708	658	5,366
Disposals/ Adjustments	-	(349)	(183)	(2,512)	(3,044)
Balance at 31 March 2019	3,879	17,396	274,241	30,209	325,725
Accumulated depreciation and amortization					
Balance at 1 April 2017	-	1,589	10,486	18,839	30,914
Disposals/Adjustments	-	-	(32)	(4,128)	(4,160)
Depreciation expense	-	429	11,060	1,321	12,810
Balance at 31 March 2018	-	2,018	21,514	16,032	39,564
Disposals/Adjustments	-	(265)	(299)	(2,346)	(2,910)
Depreciation expense	-	389	11,167	776	12,332
Balance at 31 March 2019	-	2,142	32,382	14,462	48,986
Revaluation/ (Impairment)	316	(469)	-	-	(153)
Net book value at 31 March 2018	3,879	15,727	248,202	16,031	283,839
Net book value at 31 March 2019	4,195	14,785	241,860	15,747	276,587

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15. Property, plant and equipment continued

Revaluations and impairment review

Ernst & Young Transaction Advisory Services Limited were commissioned to undertake an independent valuation of the electricity network as at 31 March 2016 in accordance with NZ IAS 16 - Property, Plant & Equipment and NZ IFRS 13 – Fair Value Measurement. Ernst & Young's valuation was undertaken on a discounted cashflow (DCF) basis and a number of external assumptions were assumed in the calculation of the DCF. The valuation determined that the carrying value of the network assets as at 31 March 2016 approximated fair value. The major assumptions included:

- Weighted average cost of capital 5.2% to 5.8%;
- Forecast cashflow, including network pricing, operating costs and capital expenditure;
- Leverage 26% to 55%; and
- Regulatory Asset Base multiples and Regulatory cost of capital

Therefore MainPower elected to assume the Ernst & Young valuation which does not have an impact on the carrying value of the Network Assets.

In reviewing the current financial year the Group have recognised additional capital expenditure on the electricity distribution network of $7.99m.

Ernst & Young have in March 2019 reviewed the assumptions used for the March 2016 valuation and have concluded that they have not identified any reason to believe that the current value of MainPower's electricity distribution network is materially different to its valuation at March 2016.

The Group's Regulatory Asset Base which is inclusive of the electricity distribution network and substation land and buildings but exclusive of assets funded from customer's contributions was valued at March 2019 at $221.67 million. The book value of electricity distribution network assets funded from customer contributions at March 2019 amounted to $40.6m (2018: $39.2m).

Within the asset class Plant, Equipment, Vehicles, Furniture & Fittings is $12.340 million (2018: $12.354 million) of generation assets. Peter Seed Limited at March 2019 has undertaken an impairment review of the Mt Cass and Cleardale generation assets and has concluded that neither asset is impaired. The major assumptions within the impairment review included:

- Weighted average cost of capital 6.33% to 6.97% (2018: 5.96% to 7.96%);
- Risk Free rate based on the 10 year Government Stock yield of 2.09% (2018: 2.92%);
- Forecast cashflow, including operating costs and capital expenditure;
- Leverage 45% (2018: 45%).

The Group's land and buildings were revalued to fair value of $18,980,000 as at 31 March 2019 by independent registered valuer Williams and Associates Limited. Williams and Associates Limited has extensive experience in the property valuation field. The major assumptions within the valuation included:

- Discount rate of 8% based upon sales evidence;
- Rental growth rate model using CPI rates of 0% - 2.0% over a 10 year term; and
- Capitalisation at terminal yield of 7%

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

16. Capital Works under construction

	Group 2019 $000	Group 2018 $000
Capital works under construction	3,114	3,230

17. Goodwill

Consolidated Group

Net book value at 31 March 2018	713
Movement	(713)
Net book value at 31 March 2019	-

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18. Computer Software

Gross carrying amount	
Balance at 1 April 2017	3,642
Additions	867
Disposals / Adjustments	(980)
Balance at 31 March 2018	3,529
Additions	1,742
Disposals / Adjustments	(273)
Balance at 31 March 2019	4,998
Accumulated amortisation and Impairment	
Balance at 1 April 2017	2,943
Amortisation expense	410
Disposals / Adjustments	(897)
Balance at 31 March 2018	2,456
Amortisation expense	637
Disposals / Adjustments	(123)
Balance at 31 March 2019	2,970
Net book value at 31 March 2018	1,073
Net book value at 31 March 2019	2,028

19. Trade and other payables

	Group 2019 $000	Group 2018 $000
Trade payables	4,162	4,178
Accruals	721	1,788
Employee entitlements	1,047	1,201
GST Payable	279	510
	6,209	7,677

19A. Interest rate swaps

Non – Current Liabilities	2,689	2,055
Interest rate swaps	2,689	2,055

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	Group 2019 $000	Group 2018 $000

20. Borrowings

	Group 2019 $000	Group 2018 $000
Current	22,000	-
Term	-	22,900
	22,000	22,900

MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $27,000,000 will expire on 31 December 2019 and $18,000,000 on 31 December 2020. At 31 March 2019 MainPower had drawn down $22,000,000 which is unsecured, but subject to a negative pledge arrangement (2018: $22,900,000).

During the year Nil interest was capitalised to MainPower's generation and building relocation projects (2018: Nil).

21. Other financial liabilities

At cost:

	Group 2019 $000	Group 2018 $000
Redeemable preference shares	6	4

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

1,156 redeemable preference shares at 10 cents each were redeemed during the year (2018: 5,744).

22. Non-current provisions

	Group 2019 $000	Group 2018 $000
Employee benefits	600	643

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

Key assumptions in the calculation of the provision include:

- salary inflation 3.00 % (2018: 3.00%)
- discount rate 1.72% - 4.16% (2018: 1.79% - 3.91%)

23. Commitments and contingent liabilities

There are no significant contracted capital commitments or contingent liabilities as at 31 March 2019. (2018: Nil).

Operating lease commitments

The minimum value of lease commitments are:

	Group 2019 $000	Group 2018 $000
Within one year	920	858
1 – 2 years	881	829
2 – 5 years	2,010	1,964

Prudential commitments

At 31 March 2019 the Group had guarantees (performance bonds) to third parties amounting to $200,000 (2018: $200,000).

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24. Related-party transactions

Group structure

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

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

	Group 2019 $000	Group 2018 $000
Transactions during the year		
Purchases from subsidiaries of MainPower New Zealand Limited	-	38
Revenues from subsidiaries of MainPower New Zealand Limited	-	39
Dividends from subsidiaries of MainPower New Zealand Limited	-	-
Outstanding balances as at 31 March		
Accounts payable to subsidiaries of MainPower New Zealand Limited	-	5
Loan from Subsidiary	3,897	-
Accounts receivable from subsidiaries of MainPower New Zealand Limited	-	21
Taxation owing to subsidiaries of MainPower New Zealand Limited	246	-

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

Other transactions involving related parties

The Group paid directors' and trustees' fees totaling $336,250 and $110,461 respectively (2018: $377,633 and $103,321).

Key management personnel of the Group purchased sundry goods and services from Group companies during the period which in total did not exceed $1,000 for any individual (2018: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2018: nil). All transactions were conducted on standard commercial terms.

The group may transact on an arms length basis with companies in which directors or trustees have a disclosed interest. During the year MainPower New Zealand Ltd undertook work for the Hanmer Springs Thermal reserve. Mr. G Abbot is the General Manager of Hanmer Springs Thermal Reserve. Mr H Lindo is a Partner of Simpson Grierson and a Trustee of MainPower Trust since April 2018. During the year MainPower Trust paid Simpson Grierson for trustee fees and legal services totaling $97,188 (2018 $126,571). Amounts outstanding at balance date were $3,881 (2018 $937).

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	Group 2019 $000	Group 2018 $000

25. Key management personnel

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

	Group 2019 $000	Group 2018 $000
Employee Remuneration and Benefits	2,832	2,925

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

26. Significant events after balance date

MainPower Trust is not aware of any significant events subsequent to balance date that would have or may have a material effect on the operation of MainPower Trust, the results of MainPower Trust's operations or the state of affairs of MainPower Trust.

27. Financial instruments

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

Borrowings
MainPower has a multi option credit facility with Westpac New Zealand Limited of $45,000,000 of which $27,000,000 will expire on 31 December 2019 and $18,000,000 on 31 December 2020. At 31 March 2018, MainPower had drawn down $22,000,000 which is unsecured, but subject to a negative pledge arrangement (2018: $22,900,000).

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

Derivative financial instruments
Interest rate swaps are used to manage the Group's interest rate exposure on long term floating rate borrowings. The Group has entered into interest rate swaps with Westpac Bank and annually undertakes a valuation to establish the fair value of those swaps. Any fair value gain or loss is recognized through the statement of comprehensive income (2019: Loss $0.634 million; 2018: Loss $0.203 million).

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27. Financial instruments (continued)

Categories of financial instruments	Notes	Loans and Receivables $000	Other amortised cost $000	Fair value through profit & loss $000	Total carrying amount $000
Consolidated Group as at 31 March 2019					
Current assets					
Cash and cash equivalents		8,814	-	-	8,814
Trade and other receivables	10	6,310	-	-	6,310
Other financial assets	14	-	3,020	708	3,728
		15,124	3,020	708	18,852
Non-current assets					
Other financial assets	14	-	-	8,388	8,388
		-	-	8,388	8,388
Total financial assets		15,124	3,020	9,096	27,240
Current liabilities					
Trade and other payables	19	-	4,883	-	4,883
Interest rate swaps	19A	-	-	-	-
Other financial liabilities	20,21	22,000	6	-	22,006
		22,000	4,889	-	26,889
Non-current liabilities					
Interest rate swaps	19A	-	-	2,689	2,689
		-	-	2,689	2,689
Total financial liabilities		22,000	4,889	2,689	29,578
Consolidated Group as at 31 March 2018					
Current assets					
Cash and cash equivalents		1,184	-	-	1,184
Trade and other receivables	10	8,373	-	-	8,373
Other financial assets	14	-	300	1,224	1,524
		9,557	300	1,224	11,081
Non-current assets					
Other financial assets	14	-	3,000	7,422	10,422
		-	3,000	7,422	10,422
Total financial assets		9,557	3,300	8,646	21,503
Current liabilities					
Trade and other payables	19	-	5,966	-	5,966
Other Financial Liabilities	20	-	-	-	-
			5,966	-	8,021
Non-current liabilities					
Other financial liabilities	20,21	22,900	4	-	22,904
Interest rate swaps	19A	-	-	2,055	2,055
		22,900	4	2,055	24,959
Total financial liabilities		22,900	5,970	2,055	32,980

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Independent Auditor's Report

To the Trustees of MainPower Trust

Opinion

We have audited the financial statements of MainPower Trust and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cashflow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 24, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the Commerce Commission disclosure audit, we have no relationship with or interests in the Trust or any of its subsidiaries, except that partners and employees of our firm deal with the Trust and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Trust and its subsidiaries.

Other information

The Trustees are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Trustees' responsibilities for the consolidated financial statements

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Trustees, as a body, in accordance with the Trust Deed. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Mike Hoshek, Partner
For Deloitte Limited
Christchurch, New Zealand
5 July 2019

This audit report relates to the consolidated financial statements of MainPower Trust for the year ended 31 March 2019 included on the Trustee's website. The Trustees are responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trusts' website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 5 July 2019 to confirm the information included in the audited consolidated financial statements presented on this website.

Requests for Information by Beneficiaries

MainPower Trust is a signatory to the ETNZ Guidelines for Access to Information by the Beneficiaries of Electricity Community and Consumer Trusts (the Guidelines). As such, the Trust is required to provide details of requests for information by beneficiaries during the previous year (excluding items referred to in Clause 6.2 of the Guidelines). The Trust is required to provide details of the number of requests received and the cost of processing those requests. It is also required to report on the number of Trust decisions not to supply such information which have been subject to review and the cost and outcomes of such reviews.

There were no requests received in the twelve months to 31 March 2019 for information by beneficiaries other than for items included in Clause 6.2 of the Guidelines. There was therefore no additional cost to the Trust in processing any requests.

There were no instances where information was not disclosed to qualifying customers during the year to 31 March 2019. As a result there were no Trust decisions subject to review and no associated costs.