MainPowerTrust

2020 Annual Report

DIRECTORY

TRUSTEES

SECRETARY

Kathy Hansell	Koller & Hassall Limited

TRUST OFFICE

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BANKER

Westpac New Zealand

SOLICITORS

Simpson Grierson, Christchurch

AUDITOR

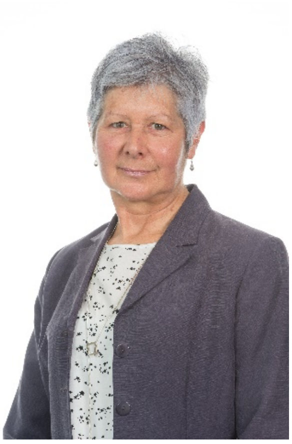
Deloitte, Christchurch

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.



Jo Ashby

Jo was elected to the MainPower Trust in 2013. Jo and her family run a dairy farm business they have owned for more than 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.

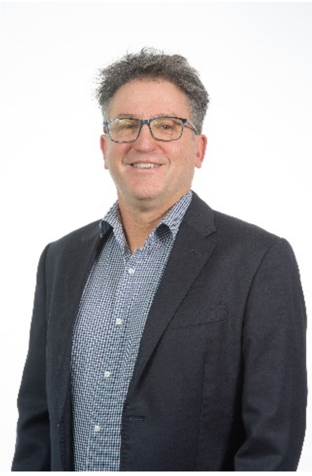
Quentin de Hamel

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.

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.



Andrew Thompson

Andrew is Deputy Chairman of the Woodend-Sefton Community Board, a member of the Northern Pegasus Bay Advisory Group and a trustee of Presbyterian Support Upper South Island. He is currently the General Manager of a horticultural export business and has previously held senior commercial roles with Fulton Hogan and Sealord. He is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. A development role with MainPower in the mid-2000's advancing the Mt Cass windfarm and energy efficiency programmes cemented his interest in the electricity industry.

Gary Walton

Gary is newly elected to the Trust in 2020. He is married to Julie, has five children and one grandchild. Together, they intensively farm a small block in Loburn, producing eggs at the gate, beef, lamb and a range of vegetables. Gary operates his own farm advisory business and is the Chairman of Loburn Irrigation Company.

CHAIRMAN'S REPORT

to the Annual General Meeting Thursday 20 August 2020

Welcome to the MainPower Trust Annual General Meeting. I am Kevin Brookfield, the Trust's current Chair.

This year, in addition to fellow Trustees Richard Allison, Jo Ashby, Quentin de Hamel and Allan Berge, I would like to introduce you to our new Trustees - both successful at the election earlier this year - Andrew Thompson and Gary Walton. Thank you to the other aspirants who contributed to a strong field of very capable candidates. Following the election, we of course said farewell to both Jim Abernethy and Hugh Lindo who had completed their tenure. Last year I thanked Jim for his long service to the Trust. Hugh's relationship continues with us in a professional capacity.

Since the end of the financial year, a further MainPower New Zealand Limited Board renewal process has been conducted. Both Tony King and Stephen Lewis retired by rotation, and both advised their wish to continue. Following the Trustees meeting individually with the Directors we were pleased to advise Tony and Stephen of their reappointment.

The Trust has maintained a number of work streams over the last 12 months. The Joint Working Group formed with the Board to review the continued appropriateness of the rebate provided to beneficiaries (in comparison to other possible options) has completed its function. The decision was made to retain the rebate but resulted in some amendments to the way the rebate is allocated amongst customers. (The annual accounts disclose this year's rebate return shared between over Beneficiaries totalled $10.546 million). Keeping our Trust Deed responsibilities lined up with the Company's formal Constitutional document requires ongoing work and this is currently under review.

The pricing review completed in February this year, strictly speaking, is entirely a Board responsibility, not ours. Nevertheless, the Trust has been kept fully informed of the necessary amendments and the reasons for them. We thank the Board and Executive team for that.

No doubt Tony in his address will have advised the meeting of the current Tiwai Point Smelter position and its impact on the Mt Cass windfarm project. This analysis will remain ongoing. We look forward to the Board's final recommendation on Mt Cass, which we understand will now be at least 6 months away. As it is a major transaction, the Trust's approval to proceed will be necessary.

Thank you to all of our Professional Advisors: To our Auditors, Deloitte for their input on Governance issues; to Hugh Lindo and his team at Simpson Grierson for keeping us on the legal straight and narrow; and again thanks to Kathy Hansell for her great Secretarial skills.

Once again, I would like to thank everyone at the coal face for keeping our progressive energy company heading in the right direction – the Board, Andy and his Executive team and absolutely everyone in the wider work force.

See you next year!

Kevin W Brookfield

Chairman

MAINPOWER TRUST

FINANCIAL REPORT 2020

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 2020.

Authorised for issue on 21 July 2020

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 2020

	Notes	Group 2020 $000	Group 2019 $000
Operating revenue	2	59,696	56,505
Other income	3	132	612
		59,828	57,117
Operating expenses	4	34,400	39,239
Depreciation and amortisation	5	16,487	12,968
Finance expenses	6	2,332	2,090
		53,219	54,298
Profit before income tax expense		**6,609**	**2,819**
Income tax expense	7	1,778	812
Profit and Other Comprehensive Income from Continuing Operations		**4,831**	**2,007**
Loss from Discontinued Operations, Net of Tax	8	-	(913)
Profit after Income Tax Expense		**4,831**	**1,094**
Gain on Revaluation, Net of Deferred Tax		5,786	380
Total Comprehensive Income		**10,617**	**1,474**

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

Deloitte. For Identification

MainPower Trust Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	Group 2020 $000	Group 2019 $000
Current assets			
Cash and Cash Equivalents	9	6,064	8,814
Trade and Other Receivables	10	7,212	6,960
Inventories	11	3,180	2,319
Current Tax Asset	7	-	464
Prepayments		1,332	752
Other Current Financial Assets	12	4,195	3,728
Total Current Assets		21,983	23,037
Non-current assets			
Other Financial Assets	13	7,823	8,388
Property, Plant and Equipment	14	286,983	276,587
Capital Works Under Construction	15	8,578	3,114
Right-of-Use Assets	17	17,257	-
Intangible Assets	18	2,963	2,028
Total Non-Current assets		323,604	290,117
Total Assets		**345,587**	**313,154**
Current liabilities			
Trade and Other Payables	19	8,868	6,209
Current Tax liabilities	7	1,053	-
Current Borrowings		-	22,000
Other Current Financial Liabilities	20	1,920	-
Total current liabilities		11,841	28,209
Non-current liabilities			
Other Financial Liabilities	21	15,524	6
Deferred Tax Liabilities	22	43,891	44,032
Interest Rate Swaps		3,206	2,689
Non-Current Borrowings	23	22,000	-
Non-Current Provisions	24	890	600
Total non-current liabilities		85,511	47,327
Trust Funds			
Retained Earnings		208,480	203,649
Asset Revaluation Reserve		39,755	33,969
Total equity attributable to members of the trust		248,235	237,618
Total liabilities and equity		**345,587**	**313,154**

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 2020

	Notes	Retained earnings $000	Asset Revaluation Reserve $000	Total equity $000
Group				
Balance at 1 April 2018		202,555	33,590	236,145
Profit for the Year from continuing operations		2,007	-	2,007
Loss for the Year from discontinued operations		(913)	-	(913)
Gain on revaluation, net of deferred tax		-	380	380
Balance at 31 March 2019		203,649	33,969	237,618
Profit for the Year from continuing operations		4,831	-	4,831
Gain on revaluation, net of deferred tax		-	5,786	5,786
Balance at 31 March 2020		208,480	39,755	248,235

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

Deloitte. For Identification

MainPower Trust Consolidated Cashflow Statement

For the year ended 31 March 2020

	Notes	Group 2020 $000's	Group 2019 $000's
Cash flows from operating activities			
Receipts from customers		58,490	56,297
Interest received		340	313
Dividends received		145	144
Payments to suppliers and employees		(32,046)	(40,771)
Interest and other finance costs paid		(1,417)	(2,137)
Income tax (paid)		(1,378)	(1,702)
Cash flows from discontinued operations		-	(255)
Net cash provided by operating activities		24,134	11,889
Cash flows from investing activities			
Proceeds from investment securities		400	340
Payment for investment securities		(189)	(177)
Payment for property, plant and equipment		(22,919)	(5,366)
Proceeds from sale of property, plant and equipment		195	86
Payment for intangible assets		(2,250)	(1,742)
Cash flows from discontinued operations		-	3,500
Net cash used in investing activities		(24,763)	(3,359)
Cash flows from financing activities			
Repayment of Lease Liabilities		(2,121)	-
Repayment of borrowing		-	(900)
Net cash used in financing activities		(2,121)	(900)
Net increase/(decrease) in cash and cash equivalents		(2,750)	7,630
Summary			
Cash and cash equivalents at beginning of year		8,814	1,184
Net increase/(decrease) in cash and cash equivalents		(2,750)	7,630
Cash and cash equivalents at end of year		6,064	8,814

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

Notes to the financial statements

For the year ended 31 March 2020

1. Statement of accounting policies

Reporting Entity

MainPower Trust (the '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 and most recently amended 19th November 2019.

Statement of compliance

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 Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR') on the basis that it does not have public accountability and it is not a large for profit public sector entity.

Basis of financial statement preparation

The Consolidated Financial Statements have been prepared in accordance with NZ GAAP and NZ IFRS RDR.

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(m) and property, plant and equipment as outlined in Note 1(e) below. Cost is based on the fair value of the consideration given in exchange for assets.

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

Use of Estimates and Judgements

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. The Group regularly reviews these estimates and assumptions. Actual results may differ from these estimates.

Specific Accounting Policies

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

(a) 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.

i. *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.

ii. *Generation revenue*

Generation revenue is recognised at the fair value of electricity generation services provided.

iii. *Customer contribution revenue*

Customer contribution revenues are recognised at the fair value of the works completed at a point in time.

iv. *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.

Notes to the financial statements

For the year ended 31 March 2020

1. Statement of accounting policies continued

(a) Revenue recognition continued

v. *Revenue from sale of assets*

Revenue from sale of an asset is recognised when control of the asset is transferred.

vi. *Interest revenue*

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

vii. *Dividend revenue*

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

(b) Finance Expenses

Finance Expenses are expensed using the effective interest rate method to the Consolidated Statement of Comprehensive Income unless they directly relate to the construction of qualifying assets when they are capitalised.

(c) 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.

(d) Inventories

Inventories are valued at the lower of cost at weighted average cost price or net realisable value.

(e) Property, plant and equipment

All property, plant and equipment are initially recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads.

Land and buildings are valued at fair value as 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 Consolidated 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 as determined on the basis of a periodic independent valuation prepared by external valuers, based on a depreciated replacement cost methodology. The fair values are recognised in these Consolidated 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(h).

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.

Capital Works Programme

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 Asset Management Plan. Losses on contracts are taken to profit or loss in the period in which they are identified. Refer also to Note 14 Property, Plant and Equipment regarding revaluations.

1. Statement of accounting policies continued

(f) Depreciation

Depreciation is charged to the Statement of Comprehensive Income on a combination of straight line and diminishing value basis with the exception of land, at rates calculated to allocate the assets' fair value, less any residual value, over their useful lives.

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.

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	1 to 102
Buildings	1 to 100
Plant, Equipment, Vehicles, Furniture and Fittings	2 to 25
Generation Assets	1 to 50

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.

(g) Intangible assets

i. *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.

ii. *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.

(h) 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. 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 Consolidated 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.

Deloitte. For Identification

Notes to the financial statements continued

For the year ended 31 March 2020

1. Statement of accounting policies continued

(i) Leased assets

The Group leases certain motor vehicles, plant and equipment, sites, accessways and concessions. At contract inception all contracts are assessed as to whether they contain a lease. That is, if the contract conveys the right to control the use of the identified asset(s) for a period of time in exchange for consideration.

i. Right of Use Assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use.) Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets include the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

	Years
Sites, Accessways and Concessions	10 to 22
Plant, Equipment and Vehicles	5 to 7
Investment Charges	20 to 20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use asset is also subject to impairment in accordance with Note 1 (h).

ii. Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease period. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The Group has applied the "practical expedient" approach that allows non-lease components to be treated as a single lease component in relation to the service charge in some of its Motor Vehicle lease contracts.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Other Financial Liabilities and apportioned into Current and Non-Current terms.

iii. Short-term and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.) It also applies the lease of low-value assets recognition to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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1. Statement of accounting policies continued

(j) 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 Consolidated Statement of Cash Flows. The Trust is not registered for GST and therefore all Trust transactions are inclusive of GST.

(k) 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 are 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.

(l) 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.

(m) Financial Instruments

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

i. Cash and cash equivalents

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

ii. 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.

Deloitte. For Identification

1. Statement of accounting policies continued

(m) Financial Instruments continued

iii. *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 include 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.

iv. *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(m)(viii)). 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.

v. *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.

vi. *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.

vii. *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.

viii. *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 31.

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.

Deloitte. For Identification

1. Statement of accounting policies continued

(n) Basis of consolidation

i. *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 Consolidated Statement of Financial Position.

(o) 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.

NZ IFRS 16 - Leases

In the current year, NZ IFRS 16 was adopted using the modified retrospective (full simplified) transition method.

The treatment of leases previously recognised as operating leases (except for short-term and low-value leases), are now measured at the present value of the lease obligation for the lease term with a corresponding right-to-use asset. Both the lease liability and the right-to-use asset are recognised in the Consolidated Statement of Financial Position, with the interest expense on the lease liability and the depreciation expense on the right-to-use asset reflected in the Consolidated Statement of Comprehensive Income. Further details are provided in Notes 16 and 17.

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.

	Group 2020 $000	Group 2019 $000
2. Operating revenue		
Line revenue	63,076	57,664
Rebates to customers	(10,546)	(9,677)
Net Lines Revenue	52,530	47,987
Contracting revenue	2,746	3,354
Generation revenue	413	445
Capital contributions	3,164	3,719
Interest revenue	395	348
Dividends	145	144
Gain on sale	143	85
Other	160	423
Operating revenue	59,696	56,505
Timing of Revenue Recognition		
Over Time	53,643	49,347
At a Point in Time	6,053	7,158
Operating revenue	59,696	56,505

3. Other income

	Group 2020 $000	Group 2019 $000
Fair value movement on investments	132	612
	132	612

4. Operating expenses

	Group 2020 $000	Group 2019 $000
Bad debts written off	82	77
Directors fees and expenses	385	366
Trustees fees and expenses	127	119
Network Operations	3,518	4,885
Employee remuneration and benefits	6,483	6,670
Loss on disposal of property, plant and equipment	733	-
Operating Lease Costs	53	770
Network Maintenance	5,429	5,526
Generation Production & Operations	234	151
Community Relationship Expenses	716	1,002
Transmission Rental Rebates	12,987	14,712
Audit of the Consolidated Financial Statements	73	78
Auditor's Other Assurance Services	22	17
Impairment on Revaluation	-	557
Other	3,558	4,309
Operating Expenses	34,400	39,239

Notes to the financial statements continued

For the year ended 31 March 2020

	Group 2020 $000	Group 2019 $000 Restated
5. Depreciation and Amortisation		
Depreciation Expense on Property, Plant & Equipment	13,269	12,331
Amortisation Expense on Intangible Assets	1,315	637
Amortisation Expense on Right-of-Use Assets	1,903	-
	16,487	12,968
6. Finance expenses		
Interest Expense on Loans	760	1,258
Interest Expense on Lease Liabilities	399	-
Interest Rate Swaps and Foreign Exchange Contracts Fair Value Movement	1,167	634
Sundry Finance Expenses	6	198
	2,332	2,090

7. Income taxes

Income tax expense recognised in profit

Tax expense comprises:

Current tax expense	2,742	1,239
Adjustments to Prior Years	(130)	(6)
Temporary Differences	(834)	(421)
Total income tax expense recognised in profit	1,778	812

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

Profit before tax	6,609	2,819
Prima facie income tax expense calculated at respective tax	1,845	812
Other permanent differences	63	6
	1,908	818
Over-provision of income tax in previous year	(130)	(6)
Total income tax expense recognised in profit	1,778	812

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 (2019: $269,979).

Current tax assets and liabilities

Current Tax Asset	-	464
Current Tax Liability	1,053	-

8. Discontinued Operations

Noted in last year's account was the sale of Vircom Energy Management Services Limited, which 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 ended 31 March 2019 were as follows:

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

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

9. Cash and Cash Equivalents

	Group 2020 $000	Group 2019 $000
Current Accounts	3,064	4,106
Short Term Bank Deposits	3,000	4,708
	6,064	8,814

10. Trade and other receivables

	Group 2020 $000	Group 2019 $000
Trade receivables and Other Accruals	7,292	6,297
Provision for Doubtful Debts	(135)	(78)
Work under construction	-	650
Interest receivable	55	91
	7,212	6,960

11. Inventories

Network Distribution System Inventory on Hand	3,180	2,319

12. Other Current Financial Assets

	Group 2020 $000	Group 2019 $000
Self-Insurance Fund Investment	3,012	3,000
Funds Held in Escrow	-	20
Forsyth Barr Portfolio	1,183	708
	4,195	3,728

13. Other Non-Current Financial Assets

	Group 2020 $000	Group 2019 $000
Forsyth Barr Portfolio	7,823	8,387
Other Investments	-	1
	7,823	8,388

14. Property, plant and equipment

	Freehold land $000	Buildings $000	Electricity distribution network $000	Plant, equipment, vehicles, furniture & fittings $000	Generation Assets $000	Total $000
Consolidated Group						
Gross carrying amount						
Balance at 1 April 2018	3,879	17,745	269,716	16,546	15,516	323,403
Additions	-	-	7,988	358	300	8,646
Disposals/ Adjustments	-	(349)	(183)	(2,436)	(76)	(3,044)
Revaluations	316	-	-	-	-	316
Other Adjustments	-	-	(3,280)	-	-	(3,280)
Balance at 31 March 2019	4,195	17,396	274,241	14,469	15,740	326,041
Additions	-	494	16,365	596	-	17,455
Disposals/ Adjustments	-	-	(628)	(1,253)	-	(1,881)
Revaluations	-	-	6,760	-	-	6,760
Balance at 31 March 2020	4,195	17,890	296,738	13,812	15,740	348,376
Accumulated depreciation and amortization						
Balance at 1 April 2018	-	2,018	21,514	12,869	3,163	39,564
Disposals/Adjustments	-	(265)	(299)	(2,286)	(60)	(2,910)
Depreciation expense	-	389	11,167	478	298	12,332
Revaluations	-	469	-	-	-	469
Balance at 31 March 2019	-	2,611	32,382	11,061	3,401	49,454
Disposals/Adjustments	-	-	(414)	(917)	-	(1,331)
Depreciation expense	-	965	11,463	578	263	13,269
Balance at 31 March 2020	-	3,576	43,430	10,722	3,665	61,393
Net book value at 31 March 2019	4,195	14,785	241,860	3,408	12,339	276,587
Net book value at 31 March 2020	4,195	14,314	253,308	3,090	12,076	286,983

Revaluations and impairment review

The Group's Electricity Network Distribution Assets were revalued to fair value of $253m at 31 March 2020 in accordance with NZ IFRS 13 Fair Value Measurement undertaken by Ernst & Young. The valuation was undertaken on a discounted cashflow (DCF) basis and a number of external assumptions were assumed in the calculation of the DCF.

The major assumptions within the valuation included:

- Weighted average cost of capital 4.1% to 4.3%;
- Forecast cashflow, including network pricing, operating costs and capital expenditure;
- Regulatory Asset Base multiples; and
- Regulatory cost of capital

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14. Property, plant and equipment continued

Revaluations and impairment review continued

The Group's Mt Cass and Cleardale generation assets were reviewed for impairment at 31 March 2020. The review concluded that neither asset is impaired.

The major assumptions within the impairment review included:
- Weighted average cost of capital 5.63% to 6.38%;
- Risk Free rate based on the 10-year Government Stock yield of 1.18%;
- Forecast cashflow, including operating costs and capital expenditure;

During the Network Asset Revaluation and Generation Assets impairment Reviews the impact of COVID-19 was considered. It did not result in any change to the results.

The Group's land and buildings were revalued to fair value of $18,98m as at 31 March 2019 in accordance with the independent valuation conducted by FordBaker Limited.

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.

15. Capital Works under construction

	Group 2020 $000	Group 2019 $000
Network Distribution System	6,438	3,114
Property, Plant & Equipment	154	-
Generation Assets	1,986	-
Capital works under construction	**8,578**	**3,114**

16. Leases

Transition
NZ IFRS 16 Leases introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. NZ IFRS 16 superseded the previous lease guidance including NZ IAS 17 Leases and the related interpretations when it became effective on 1 January 2019.

NZ IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and is replaced by a model where a right of use assets and a corresponding liability are recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right of use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others. Furthermore, the classification of cash flows is also affected as operating lease payments under NZIAS 17 were presented as operating cash flows; whereas under the NZ IFRS model, the lease payments are split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The Group applied NZ IFRS 16 on 1 April 2019 using the modified retrospective (full simplified) transition method. At transition, lease liabilities were measured at present value of the remaining lease payments discounted at the incremental borrowing rate (IBR) as at 1 April 2019. Right of use assets are measured equal to lease liabilities. Comparative periods presented were not restated.

16. Leases continued

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from the lease commencement date may have been more than twelve months.
- Instead of reassessing all contracts to identify leases using new NZ IFRS 16 guidance on transition date, all existing contracts that were previously identified as leases using the suspended NZ IAS 17 and NZ IFRIC 4 determinations are treated as leases under NZ IFRS 16.
- Any contracts that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were assessed as at 1 April 2019 under the guidance of NZ IFRS 16 and were recognised as leases if required.

Most of the Group's non-cancellable operating lease commitments met the definition of a lease under NZ IFRS 16, and hence the Group recognised a right of use asset and a corresponding liability in respect of all these leases unless they qualified for low value or short-term leases upon the application of NZ IFRS 16. The expense that would previously be recorded in relation to operating leases moved from being included in operating expenses (and within EBITDA), to depreciation and finance expense for the period 1 April 2019 onwards.

The impact on net earnings before income tax of an individual lease over its term remains the same, however, the new standard results in a higher interest expense in early years, and lower in later years of a lease, compared with the current straight-line expense profile of an operating lease.

IBR is the rate of interest that a lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The IBR was determined based on the interest rate on the external borrowing facilities available to the Group (since those rates incorporate a risk-free rate for the primary economic environment the Group operates in and the credit spread specific to the Group), adjusted for the weighted average lease term by reference to the interest rate swaps published by Westpac, adjusted for the asset type and estimated impact of COVID-19.

The IBR applied to lease liabilities on 1 April 2019 was:

Asset Type	**Lease Term**	**Rate**
Sites, Accessways and Concessions	10 – 22 Years	1.755%
Plant, Equipment and Vehicles	5 – 7 Years	2.179%
Electricity Distribution Equipment	20 Years	2.315%

The aggregate lease liability and right-of-use asset recognised in the Consolidated Statement of Financial Position at 1 April 2019 and the Group's operating lease commitment at 31 March 2019 can be reconciled as follows:

	Group 2020 $000
Lease Liability recognised on transition	
Future minimum lease payments under non-cancellable operating leases at 31 March 2019	3,811
Contract payments newly recognised as leases under NZ IFRS 16 as at 1 April 2019	18,288
Future lease payments on short-term and low value leases	(74)
Effect of discounting	(3,883)
Restated Lease Liability as at 1 April 2019	**18,142**

	Group 2020 $000
Right-of-Use Assets recognised on transition	
Sites, Accessways, Concessions	236
Trucks, Light Fleet, Excavators	4,312
Electricity Distribution Equipment	13,594
Restated Right-of-Use Assets as at 1 April 2019	**18,142**

17. Right-of-Use Assets

New accounting policy from 1 April 2019

The Group has lease contracts for motor vehicles, plant and equipment, sites, accessways, and concessions used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group applies the practical expedient and recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systemic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Right-of-use assets are depreciated over the shorter period of either the lease term or the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Th right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies NZ IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired, and accounts for any identified impairment loss under this standard.

At Present Value	**Sites, Accessways and Concessions**	**Plant, Equipment and Vehicles**	**Electricity Distribution Equipment**	**Total**
	$000	**$000**	**$000**	**$000**
Balance at 1 April 2019	236	4,312	13,594	18,142
Additions	-	1,018	-	1,018
Disposals	-	-	-	-
Depreciation Expense	(52)	(886)	(965)	(1,903)
Balance at 31 March 2020	184	4,444	12,629	17,257

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18. Intangible Assets

	Computer Software $000	Goodwill $000	Total $000
Gross carrying amount			
Balance at 1 April 2018	3,529	713	4,242
Additions	1,742	-	1,742
Disposals / Adjustments	(273)	(713)	(986)
Balance at 31 March 2019	4,998	-	4,998
Additions	2,249	-	2,249
Balance at 31 March 2020	7,247	-	7,247
Accumulated amortisation and Impairment			
Balance at 1 April 2018	2,456	-	2,456
Amortisation expense	637	-	637
Disposals / Adjustments	(123)	-	(123)
Balance at 31 March 2019	2,970	-	2,970
Amortisation expense	1,315	-	1,315
Balance at 31 March 2020	4,284	-	4,284
Net book value at 31 March 2019	2,028	-	2,028
Net book value at 31 March 2020	**2,963**	**-**	**2,963**

19. Trade and other payables

	Group 2020 $000	Group 2019 $000
Trade payables	5,808	4,162
Other Accruals	777	721
Employee Entitlements	2,114	1,047
GST Payable	169	279
	8,868	6,209

20. Other Current Financial Liabilities

	Group 2020 $000	Group 2019 $000
Lease Liabilities (refer Note 25)	1,920	-

Notes to the financial statements continued

For the year ended 31 March 2020

21. Other Non-Current Financial Liabilities

	Group 2020 $000	Group 2019 $000
Redeemable Preference (Rebate) Shares at Cost	6	6
Lease Liabilities (refer Note 25)	15,518	-
	15,524	6

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 Limited. 351 redeemable preference shares at 10 cents each were redeemed during the year (2019: 1,156).

22. Deferred Tax Liabilities

	Group 2020 $000	Group 2019 $000
Opening Balance	44,032	44,428
Charged to Profit and Loss:		
- Property, Plant & Equipment	(1,037)	(268)
- Intangible Assets	(6)	(9)
- Provisions	(73)	(144)
	(1,116)	(421)
Charged to Statement of Comprehensive Income:		
- Property Plant and Equipment	975	25
	975	25
Represented as:		
Deferred Tax on Property, Plant and Equipment	44,465	44,878
Deferred Tax on Intangible Assets	41	(35)
Deferred Tax on Provisions	(615)	(811)
	43,891	44,032

23. Non-Current Borrowings

Westpac Term Loan	22,000	-

The Group has a multi option credit facility with Westpac New Zealand Limited of $45m of which $30m will expire on 31 December 2022 and $15m on 31 December 2021. At 31 March 2020 the Group had drawn down $22m which is unsecured, but subject to a negative pledge arrangement (2019: $22m).

During the year no interest was capitalised to the Group's Generation or Electricity Distribution Network Assets (2019: Nil).

24. Non-current provisions

Employee benefits	890	600

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%)

25. Lease Liabilities at Present Value

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the Group uses its incremental borrowing rate (IBR). Lease payments included in the measurement of the lease comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- where applicable, non-lease components embedded in some of its Motor Vehicle lease contracts

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in the expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods represented.

	Group 2020 $000	Group 2019 $000
Balance at 1 April 2019	18,142	-
Additions	1,018	-
Accretion of Interest	399	-
Payments	(2,121)	-
Balance as at 31 March 2020	17,438	-
Represented as:		
Current (refer Note 20)	1,920	-
Non-Current (refer Note 21)	15,518	-
	17,438	-

	Group 2020 $000	Group 2019 $000
The following amounts are represented in the Statement of Comprehensive Income:		
Amortisation Expense on Right-to-Use Assets	1,903	-
Interest Expense on Lease Liabilities	399	-
Expenses relating to Short-Term Leases	-	-
Expenses relating to Low-Value Leases	53	-
	2,355	-

26. Subsidiaries

Details of the Group's material subsidiaries for the year ended 31 March 2020 are as follows:

Name of subsidiary	Principal activity	Place of Operation	Ownership Interest and Voting Power 31/3/20	31/3/20
MainPower New Zealand Limited	Provision of electricity infrastructure services	New Zealand	100%	100%
MPNZ Investments Limited	Provision of loan funding to MainPower New Zealand Limited	New Zealand	100%	100%
GreenPower New Zealand Limited	Non-Trading 100% Owner of Mt Cass Wind Farm Limited	New Zealand	100%	100%
Mt Cass Wind Farm Limited	Construction and operation of Wind Turbine Farm	New Zealand	100% (as 100% owner of GreenPower New Zealand Limited)	100% (as 100% owner of GreenPower New Zealand Limited)

27. Commitments

	Group 2020 $000	Group 2019 $000
Capital Expenditure	-	-
Operating Leases		
Within one year	33	920
1 – 2 years	16	881
2 – 5 years	25	2,010
Guarantees to Third Parties	-	200
	74	4,011

28. Related-party transactions

Group structure

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

	Group 2020 $000	Group 2019 $000
Transactions during the year		
Interest paid to subsidiaries of MainPower New Zealand Limited	127	-
Outstanding balances as at 31 March		
Loans to subsidiaries of MainPower New Zealand Limited	168	-
Loan from Subsidiary	4,640	3,897
Accounts receivable from subsidiaries of MainPower New Zealand Limited	194	-
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.

	Group 2020 $000	Group 2019 $000
Key Management Personnel Compensation		
The compensation of the executives, being the key management personnel of the entity is set out below:		
Employee Remuneration and Benefits	2,291	2,832

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.

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28. Related-party transactions continued

Other transactions involving related parties
The Group paid directors' and trustees' fees totaling $358,500 and $120,150 respectively (2019: $336,250 and $110,461).

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 (2019: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2019: 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. Mr. H Lindo is a Partner of Simpson Grierson and a Trustee of MainPower Trust from April 2018 to March 2020. During the year MainPower Trust paid Simpson Grierson for trustee fees and legal services totaling $97,129 (2019 $97,188). Amounts outstanding at balance date were $9,059 (2019 $3,881).

29. Contingent Assets and Liabilities

The Group had no significant contingent assets or liabilities as at 31 March 2020 (2019: nil).

30. Significant events after balance date

On the 9th of July, after balance date, Rio Tinto announced its intention to close the Tiwai Point aluminium smelter by August 2021. Although this event is external to the activities of the Trust, there is a potential impact on the Mt Cass windfarm project, which is recorded in the financial statements as an asset of $11.7m based on assumptions which include future electricity prices. While the Trust and MainPower New Zealand Limited currently believe that there is no immediate impairment to the value of the project, due to the immediacy of the announcement it is not possible to quantify whether any such impairment would exist.

MainPower Trust is not aware of any other significant events between the preparation and authorization of these Consolidated Financial Statements 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.

31. Financial instruments

The Group has exposure to the following risks in the normal course of the Group's business:

- Liquidity risk
- Interest Rate risk
- Credit risk

The Trustees have overall responsibility for the establishment and oversight of the Trust's risk management framework; while the Board of Directors of MainPower New Zealand Limited have overall responsibility for the establishment and oversight of the risk management framework for the remainder of the Group. The significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed In Note 1.

Liquidity Risk Management
Liquidity risk represents the risk that the group may not be able to meet its contractual obligations.

The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its contractual obligations and it has sufficient funding arrangements in place to cover potential shortfalls.

Unsecured multi option credit facility with Westpac New Zealand Limited as at 31 March 2020 mature as follows:
$30m on 31 December 2022
$15m on 30 June 2021

	Group 2020 $000	Group 2019 $000
Amount used at Reporting Date	22,000	22,000
Amount unused at Reporting Date	23,000	23,000
	45,000	45,000

31. Financial instruments continued

Interest rate risk management
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.

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 Consolidated Statement of Comprehensive Income.

The following table details outstanding interest rate swaps as at the reporting date.

Swap maturity dates	Average contracted fixed interest rates %	Notional principal swap amounts 2020 $000	2019 $000	Carrying value asset/ (Liability) 2020 $000	2019 $000
31 March 2022	4.98	5,000	5,000	438	484
29 September 2022	4.50	5,000	5,000	485	475
30 June 2023	4.72	5,000	5,000	658	605
31 March 2024	4.76	5,000	5,000	808	701
31 March 2026	3.91	7,000	7,000	817	424
		27,000	**27,000**	**3,206**	**2,689**

Disclosed as:

	2020	2019
Non-Current Liabilities	3,206	2,689

Credit Risk Management
Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

The Group manages its exposure to credit risk by:
- Placing cash, short term investments and derivative instruments with registered New Zealand banks with a minimum Standard & Poor's rating in line with the MainPower New Zealand Limited treasury policy
- Performing credit evaluations on customers requiring credit wherever practical and monitoring credit exposures to individual customers.

	Group 2020 $000	Group 2019 $000
Cash and Cash Equivalents (refer Note 9)	6,064	8,814
Trade and Other Receivables (refer Note 10)	7,212	6,960
Other Current Financial Assets (refer Note 12)	3,012	3,020
Trade and Other Payables (refer Note 19)	8,868	6,209

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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 27, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, 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, the provision of a fraud awareness workshop and the other assurance engagement in relation to the Commerce Commission disclosure audit, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company 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.

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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
21 July 2019

This audit report relates to the consolidated financial statements of MainPower Trust for the year ended 31 March 2020 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 21 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 2020 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 2020. As a result there were no Trust decisions subject to review and no associated costs.