POSITIONED FOR OUR SUSTAINABLE FUTURE

Annual Report 2007

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Highlights

2007

Audited after tax operating surplus grew 20 per cent to **$97.4 million**

Earnings before interest, tax, depreciation and amortisation grew 6 per cent to **$196.4 million**

Committed to the development of an **88 MW wind farm** at Snowtown in South Australia, the Company's first major investment in Australia

Strategic Focus

2008

Complete construction of Tararua Stage III on time and under budget

Pursue successful resource consenting outcomes for the Wairau and Arnold hydro projects and the Lake Mahinerangi wind project

Actively contribute to favourable policy outcomes arising from the National Energy Strategy

Protect and grow TrustPower's premium retail brand

Development of Australian business strategy

Directors' Report

Harold Titter CMG, B Com, FCA
Chairman

The Directors of TrustPower are pleased to report the Company's results for the year ended 31 March 2007.

Financial Performance

TrustPower's consolidated operating surplus after tax was $97.4 million for the year ended 31 March 2007, representing a 20 per cent increase on the result for the 2006 financial year.

Earnings before interest, tax, depreciation and amortisation grew by 6 per cent to $196.4 million from $185.6 million in the previous year.

Operating revenue of $626.3 million decreased 7 per cent on the previous year as a result of lower energy prices charged to those customers paying spot market prices. Total volume sold was 4,575 GWh compared with 4,724 GWh in the year to 31 March 2006. Customer numbers reduced slightly to 219,000 at 2007 year end versus 220,000 a year ago.

The New Zealand electricity environment for the first half of the 2007 financial year was characterised by lake storage levels and inflows well below average leading to significantly higher spot electricity prices. This situation turned around in the second half of the year following high inflows across the country in November and December causing hydro storage to rise to above average levels with a consequent drop in spot electricity prices.

Generation production of 1,941 GWh for the year was up 8 per cent on the previous year but slightly down on long term average.

Operating expenses including energy and line costs decreased 12 per cent on the previous year, primarily driven by lower wholesale electricity spot prices and the increased use of the Group's own generation production.

Net profit after tax, return on average shareholders' funds, was 8.6 per cent (last year 9.2 per cent). This includes the impact of the revaluation of generation assets as at 31 March 2007, discussed further below, which has increased shareholders' funds at balance date.

Group operating cash flow was $135.5 million for the 2007 financial year versus $118.9 million in the previous year.

Financial Position

TrustPower's balance sheet as at 31 March 2007 remains strong. Shareholders' funds have increased to $1,371.8 million from $896.5 million. Generation assets have been independently revalued as at 31 March 2007 as required by Financial Reporting Standards. The revaluation has resulted in an uplift in the value of generation assets of $455.5 million and this is reflected in the asset revaluation reserve at balance date.

The revaluation was completed by Deloitte Corporate Finance on a discounted cash flow basis. The increase in generation asset values reflects the higher earning potential of TrustPower's renewable generation assets and the likely impact on future electricity prices of the projected higher gas input costs for gas fired generation following the run down of Maui gas reserves and the possible impact of carbon charges on thermal generators.

Included in accounts payable and accruals is an amount of $36.8 million relating to milestone payments due under the Tararua Stage III turbine supply contract. A similar amount was held in year end cash balances following settlement of foreign exchange hedge contracts matching the turbine supply contract obligations.

Debt (including subordinated bonds) to debt plus equity was 27.1 per cent at year end 2007 versus 28.7 per cent the previous year.

TrustPower continues to maintain high levels of committed credit facilities. Including subordinated bonds the Company has $710.9 million of committed debt funding in place. These debt facilities are being progressively

drawn to meet the payment obligations of the Company's committed generation development projects. Debt facilities drawn at year end totalled $515.0 million.

TrustPower will report for the first time under International Financial Reporting Standards for the quarter ending 30 June 2007. The major reporting issues for the Company, as previously advised, will be in relation to deferred tax liabilities and the reporting of financial and electricity derivatives on the Statement of Financial Position.

A detailed explanation of the likely impact on TrustPower's financial statements following the transition to NZIFRS reporting is included in the notes to the financial statements for the year ended 31 March 2007.

Capital Structure

An $86.2 million tranche of subordinated bonds issued under the Company's bond programme is due to mature in September 2007. While a final decision has not yet been made, it is likely that this tranche will be repaid and refinanced with bank debt in order to provide the Company with a better balance between these two funding sources. As outlined in the Notice of Annual Meeting, the Company is seeking shareholder approval to issue further tranches of subordinated bonds. At this stage, the approval is sought solely to give the Company flexibility to access this funding source if required and in particular for the relatively longer terms that can be achieved in the retail market for this type of funding. The Company's generation development programme is in a fluid state and should another major project reach a position where the Company commits to construction, it is important that there is a range of funding options readily available.

Generation Development

TrustPower's New Zealand generation development programme continues to progress well and following commissioning of the Waipori hydro enhancement project, scheduled to be completed during 2007, the Company will own 593 MW of renewable generation capacity producing on average around 2,320 GWh per annum.

Good progress is being made on the development of the 88 MW Snowtown wind farm in South Australia. Landowner arrangements and key project contracts have been finalised. Civil works will commence shortly. The level of community support for the construction of the wind farm is very pleasing. The project has, intentionally, a lower risk profile with a long term power purchase agreement for 100 per cent of the projected electricity output (including renewable energy credits) and a fixed price turn-key construction contract negotiated for the design supply and erection of wind turbines. The Board considers these arrangements to be appropriate for the Company's first committed generation project in Australia.

Expensed generation development costs for the year were $10.3 million compared with $15.0 million in 2006. This expenditure reflects a range of costs including preliminary design, environmental investigations and resource consent application costs over a number of hydro and wind development opportunities.

Environment

Environmental sustainability and performance are fundamental drivers for how TrustPower functions and operates.

TrustPower takes its environmental obligations very seriously and has detailed systems and focussed resource in place to help manage compliance with its ever increasing level of consent conditions.

Pleasingly, TrustPower continues to report only a very small number of minor non-compliance events and none of these events have resulted in any adverse environmental consequences or are the subject of any enforcement proceedings.

Community Relations

TrustPower continues to invest heavily in its Community Awards Programme. Twenty one regional awards have been held around the country this year culminating in the National Awards held in Taupo during March. TrustPower is very proud of the Community Awards Programme and we continue to be truly inspired by the outstanding community initiatives that are recognised through the Awards process.

In addition to the Community Awards Programme, TrustPower has an impressive portfolio of other sponsorship initiatives regionally targeted at assisting education, the arts and wider communities through support of school music festivals, youth orchestras, photographic competitions, the Bay of Plenty rescue helicopter in association with the Tauranga Energy Consumer Trust and significant regional events that are of benefit to the wider community.

Regulatory Issues

The Government is currently reviewing around 3,000 submissions with respect to its draft New Zealand Energy Strategy to 2050 ("NES"). TrustPower has made a combined submission on the NES and related Energy Policy documents.

TrustPower supports the vision of the NES to achieve a reliable and resilient system delivering sustainable, low emissions energy by providing a clear direction, maintaining security at competitive prices, maximising energy efficiency and adopting environmentally sustainable technologies.

TrustPower's hope is that clear policy direction will be provided to the energy industry following the submission review and consultation process on the draft NES and that the policy direction is supportive to achieving the vision for the energy sector articulated in the draft document.

The Commerce Commission is conducting an ongoing review into the market behaviour of generator/retailers which commenced in early 2006. No target completion date has been advised.

The Electricity Commission is also conducting a review of the effectiveness of how the current wholesale electricity market operates. The Commission has advised that this review will be completed by the end of 2007. These reviews create an environment of continuing uncertainty for the electricity sector.

Our People

TrustPower has the advantage of having a talented group of employees with impressive diversity and depth of skills across the key disciplines required by the Company for it to be successful. In the past twelve months significant resource has been allocated to improving the Company's training and development with the objective of lifting employee capability across the Company.

TrustPower has completed an Executive Leadership Development Programme for twenty nine management staff. The aim is to ensure that TrustPower's leadership capability is strongly aligned with the needs of a high performance organisation and culture. The programme is now being extended to a wider group of TrustPower managers.

The Directors enjoy a strong working relationship with the TrustPower management team and the strength of this relationship is an important contributor to the Company's success and future strategic direction.

The Directors would like to extend their thanks to Keith Tempest, Chief Executive and his management team for their leadership and operational success over the past year and to all TrustPower staff for their contribution to another excellent financial performance for the year to 31 March 2007.

Directors

Mr Simon Young resigned as a Director effective 17 January 2007. The Board is very appreciative of the contribution Mr Young has made during his tenure as a Director.

Mr Geoff Swier was appointed as a Director effective 25 January 2007. Mr Swier is a New Zealander who has been working in Australia as an economic consultant since 1993 with extensive practical experience of reform regulation and operation of the energy and water industries in Australasia and Asia. Currently Mr Swier is an associate of Farrier Swier Consulting Pty Ltd, a utility industry consulting firm based in Melbourne. He is a member of the Australian Energy Regulator and an associate commissioner of the Australian Competition and Consumer Commission (ACCC). The Board considers Mr Swier to be an Independent Director.

I will be retiring as Chairman at the close of the Annual General Meeting and will not be standing for re-election.

I have had a memorable association with TrustPower since it listed on the New Zealand Stock Exchange in 1994 and am proud to have been involved in the significant value that has been created for shareholders during the last 13 years. I leave the Board feeling very confident about the quality of the Company's business, its people and its approach to corporate governance.

In accordance with the Company's Constitution, Messrs GJC Swier, BJ Harker, and Sir Ron Carter will retire at the 2007 Annual Meeting and being eligible offer themselves for re-election.

Auditors

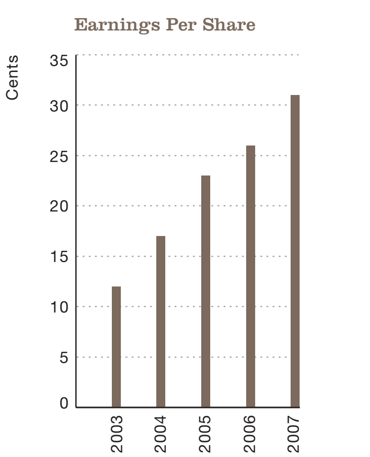
PricewaterhouseCoopers has indicated its willingness to continue in office.

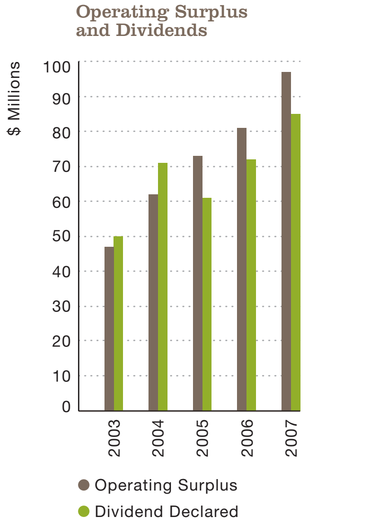
Shareholder Changes

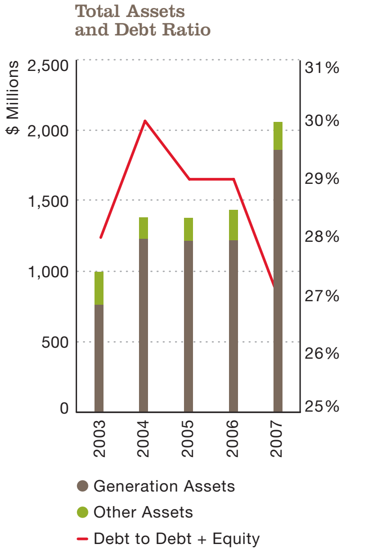
Following approval at a Special Meeting of Shareholders on 14 December 2006, Alliant Energy International Inc. ceased to be a shareholder in TrustPower when it sold its shares in Alliant Energy New Zealand Limited to Infratil Limited in late December 2006.

Shortly after this transaction was completed Infratil Limited sold 14 million TrustPower shares to TECT Holdings Limited and placed 12.35 million TrustPower shares with institutional investors.

The key outcomes of these transactions has been continuity of stability at Board level and strategic direction of the Company, an increased New Zealand ownership in TrustPower and increased liquidity in the Company's shares. The Board believes that this has been a favourable result for all shareholders.







Dividend

The Directors are pleased to announce a fully imputed final dividend of 14 cents per share payable 8 June 2007. This together with an interim dividend of 13 cents per share provides a total payout of 27 cents per share relating to the 2007 financial year. This represents growth in dividend payout of 17 per cent when compared with the 2006 financial year.

Outlook

By the time this report is published, TrustPower expects that it will have resource consent applications pending for over 318 MW of hydro and wind generation projects in New Zealand. While the Company is confident that it has the capacity to fund these projects it is less certain that the regulatory environment will provide a signal that is positive enough for the Company to invest in such significant renewable opportunities.

TrustPower is working extremely hard to ensure that it is in a position to complete these renewable projects should the Company conclude that shareholder value is likely to be created. However, should this conclusion not be able to be reached due to regulatory uncertainty or negative policy impacts, then the Company will aim to protect the value of its development rights as longer term options.

Forecast capital expenditure in the 2008 financial year for committed generation development projects is expected to be around $150.0 million.

Generation development costs to be expensed in the 2008 financial year are projected to be around $8.0 million.

While it is too early to make predictions about the 2008 financial year, it is worth noting that the Company is currently well positioned to meet its customers' needs this winter. TrustPower's hydro storage levels are around average for this time of year and, together with contracted electricity hedges, should enable the Company to meet its electricity sales obligations within comfortable spot market purchasing risk parameters.

HM Titter Chairman

Board of Directors

Harold Titter
CMG, B Com, FCA
Chairman

Bruce Harker
BE(Hons), PhD (Elec.Eng), MIPENZ
Deputy Chairman

Michael Cooney
LLB, AAMINZ
Director

Sir Ron Carter KNZM
BE(Hons), ME, DistFIPENZ, D.E (Hons)
Director

Geoff Swier
MCom (Econ), MAICD
Director

Lloyd Morrison
LLB (Hons)
Director

Management Team

Keith Tempest
BBS
Chief Executive

Mike Kedian
BSc(MechEng), MSc(Eng), MBA
Generation Manager

Karen Boyte
BBS, NZDBS, NZIM Dip. Mgnt., MHRINZ
Human Resource Manager

Robert Farron
BBS, CA, CFIP
Chief Financial Officer and Company Secretary

Therese Thorn
BE(Hons)
Trading and Risk Manager

Peter Calderwood
BE(Hons), ME, MIPENZ
Strategic Business Development Manager

Chris O'Hara
BAgrSc, Dip. Bus
Energy Sales Manager


Friends
Extra
The McIsaac family
of Tauranga, happy
Friends Extra
customers.

Chief Executive's Report

Keith Tempest BBS
Chief Executive

Even though the New Zealand electricity industry is currently dogged with regulatory and policy uncertainty, TrustPower has positioned itself well with numerous options and opportunities for future growth and prosperity.

Investors in much needed electricity infrastructure are faced with a Government deliberating over a new and possibly far reaching National Energy Strategy ("NES"). An integral part of the NES would require the Government to decide on how to deal with the impacts of climate change, having regard for their international Kyoto commitments. In addition the Electricity and Commerce Commissions' are separately reviewing the structure and operations of the New Zealand wholesale and retail electricity markets.

Investors in long term infrastructural assets require a reasonable degree of certainty over future revenue streams before committing large amounts of capital to new projects. While the Government and the industry regulators continue to seek direction on the basic industry fundamentals that may ultimately significantly impact or drive future revenue streams, TrustPower has worked hard to create a number of future options.

The lead time prior to actual construction of renewable electricity projects is generally three years or more. TrustPower continues to identify new generation opportunities and progress them through to a point where a commitment to construction can be quickly made when the current Government and regulatory uncertainties have been resolved. This involves identifying and monitoring of resources, acquiring access to land, consulting with interest groups and the public and then working through the resource consenting process.

Generation Options and Opportunities

The 72 MW Wairau hydro generation scheme in Marlborough has progressed through nearly six months of resource consent hearings ending in December 2006. A decision is expected shortly.

The Resource Consent hearings began in early May 2007 for a 200 MW wind farm near Waipori in Otago. It is expected that after three weeks of hearings a decision is likely in the third quarter this year. The Lake Mahinerangi wind farm is situated quite close to TrustPower's existing 84 MW Waipori hydro generation scheme and will benefit from partial connection into the local electricity supply network. Having a wind farm next to the large Lake Mahinerangi hydro storage would allow production flexibility between the two renewable fuel sources.

The proposed Dobson hydro generation scheme on the West Coast was initiated by TrustPower back in 1999. However, failure to acquire access to conservation land meant a scheme redesign. The now proposed Arnold hydro generation scheme would be 46 MW. A resource consent application was lodged late last year and the hearings are scheduled to begin this September. The West Coast is an ideal location for a medium sized hydro development due to high rainfall and limited transmission capacity in an environment where the region is experiencing significant electricity load growth particularly in the coal mining, dairying and tourism industries.

A wind farm site near Gore in Southland is currently being investigated with wind resource monitoring to date indicating a potential opportunity for up to 185 MW. It is expected that a resource consent application will be lodged for this site towards the end of 2007.

Recently TrustPower advertised in farming and other rural publications seeking landowners interested in having a wind farm built on their property. Over 200 expressions of interest were received. TrustPower is currently working with these landowners to identify wind farming potential, with more than ten sites so far looking promising enough to commence wind resource monitoring.

Retail Options and Opportunities

TrustPower continues to focus on being the top customer service provider in the electricity industry.

Recent independent research, including the Consumer's Institute research, confirms this top placing.

During the last year TrustPower has made a special offering to its residential customers (Friends Extra) and its small business customers (BusinessChoices) to allow them to secure an extra power price discount by committing to stay with TrustPower for a three or five year term. Nearly 70 per cent of those customers have taken up the offer, reflecting both their loyalty to and satisfaction with TrustPower.

Recently TrustPower purchased CallSouth, a South Island based telecommunications business. CallSouth has 16,000 customers receiving fixed line, tolls, internet and broadband services. TrustPower has several years history of providing telco services through ihug, but has decided to expand directly into the retail telco market under its own brand, called Kinect. Although this business is currently quite small, with the regulatory unbundling of Telecom and a strong electricity customer base, TrustPower believes it can offer a wide range of competitive telecommunication products across New Zealand.

Australian Options and Opportunities

After TrustPower decided nearly four years ago to explore opportunities in the Australian electricity market, the first stage of the South Australia Snowtown 88 MW wind farm is now under construction. The Snowtown Stage I project is situated on what is reputedly one of the best wind farm sites on mainland Australia, and has the potential for future stages totalling 250 MW. In addition the 40 MW Myponga wind farm site near Adelaide is permitted and is available for development in the future.

Since committing to the development of Snowtown Stage I further opportunities are being pursued in Australia.

Interestingly, the various State Governments in Australia are at different stages in their implementation of climate change and renewable energy development policies, which in turn are at a different stage to the New Zealand Government. By creating options in both countries TrustPower is more likely to be able to progress respective developments as beneficial policies emerge.

In both the generation development and retail markets TrustPower is positioning itself in readiness for further growth when Government policies are implemented and projects become commercially viable.

Work in Progress - Generation Development

TrustPower has three new generation projects in construction phase at present. The Tararua wind farm Stage III is well progressed with all the civil, electrical and transmission work completed and half of the 31 turbines now installed and commissioned. By the time of the TrustPower Annual Meeting of Shareholders this wind farm will be completely operational, adding 93 MW and about 350 GWh per year to TrustPower's renewable energy portfolio.

The Snowtown wind farm Stage I project is mentioned above.

Near TrustPower's Waipori hydro generation scheme is a new small 5 MW hydro generation development that uses the water that flows into Lake Mahinerangi. This $22 million development will generate about 23 GWh and is expected to be completed by December this year.

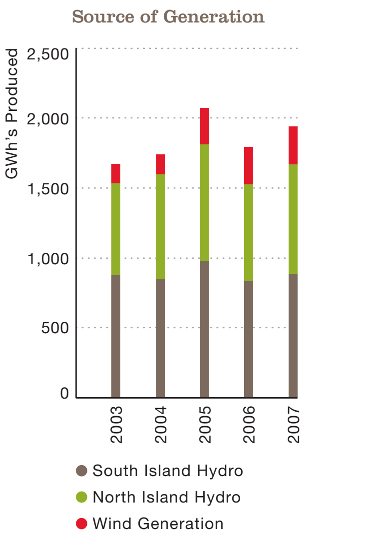
Government Strategy and Regulation

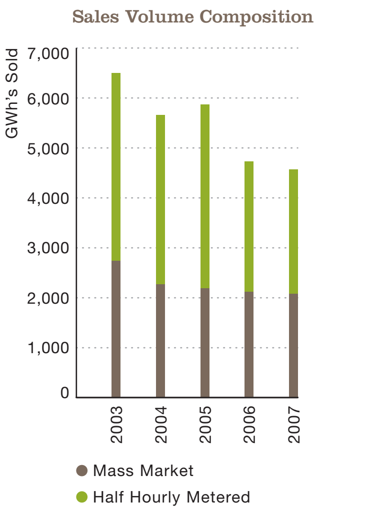
TrustPower generally supports the focus and direction contained in the draft National Energy Strategy, in particular, support for new electricity generation from renewable fuel sources and a greater emphasis on energy efficiency. However, it is not strategy that delivers outcomes, but the policy mechanisms and programmes that must follow.

One such mechanism that is critical to any future investment in renewable electricity generation is how carbon emissions will be valued. The policy direction on climate change currently appears to favour a carbon trading regime whereby carbon emitters are allocated a defined carbon emissions level. They can then sell carbon when emissions are below the defined level or will be required to buy carbon if the defined level is exceeded. This mechanism is called Cap and Trade. International experience with Cap and Trade would suggest this mechanism may become very complex and take a very long time to implement. Clearly the incentive is on the emitters to ensure the carbon emissions cap is set as high as possible and that the allocation process takes as long as possible, so as to defer any future carbon emissions liability. In the electricity market if carbon emission caps are set low enough for thermal generation those generators will need to buy carbon offsets. The cost of those carbon offsets should then reflect through to wholesale electricity prices which in turn will assist in encouraging renewable generation developments.

Currently New Zealand wholesale electricity prices are too low to make most renewable electricity generation commercially viable. For the NES to stimulate future renewable generation investment a carbon based incentive and / or an up-lift in wholesale electricity prices should occur. When implementing the NES, Government also needs to review historical practices, policies and mechanisms to ensure they do not contradict the new forward looking Strategy. One such anomaly is the current policy to apply High Voltage Direct Current ("HVDC") charges only to existing and new South Island generators. This will potentially mean no South Island renewable generation is built in the foreseeable future. Not only will this have a major impact on the ability of the Government to meet its renewable energy objectives, but also will impact on South Island security of supply to consumers especially during periods when inflows into the hydro lakes are low.

Electricity prices have already increased significantly over the last few years. The Commerce Commission commenced an investigation more than a year ago to see if it could identify any market power issues in the electricity retail and generation sectors. That investigation is apparently continuing, however, no timeframe has been disclosed for its completion. Likewise the Electricity





Commission has commenced a review into the retail and wholesale electricity markets. The review could be quite far reaching with the purpose of discovering whether those markets are operating efficiently in terms of meeting the Government Policy Statement objectives.

It is important that electricity consumers are provided with a reliable supply of electricity at the least cost, but consideration needs to be given to the fact that retail electricity prices need to be sufficient for investors to be confident that the sales of electricity from new generation projects will cover the costs of the development. TrustPower fully supports these reviews and investigations, however, they need to be concluded in a timely manner. Again, regulatory uncertainty results in key investment decisions being deferred, which in itself puts pressure on the available supply of electricity which then results in increases in wholesale and ultimately retail electricity prices.

TrustPower's People

The continuing improvement in profitability and the extensive range of future growth options outlined in this Annual Report are in themselves testimony to the high calibre of the people at TrustPower. I would like to thank and congratulate the Management Team, staff and Board of Directors, who have, as a cohesive team, produced another excellent result for shareholders.

However, like all other parts of the business, continuous improvement is critical to sustainable high performance.

Over the last couple of years a Leadership Training and Development programme coupled with Performance Management Systems have been implemented and fine tuned. Associated targeted recruitment and succession planning policies have been implemented leading to a sustainable culture that will ensure that employees are not only well trained and motivated but are coached and mentored to prepare themselves for a successful career.

Board Chairman, Harold Titter, Retires

After 13 years on the TrustPower Board, and five years as Chairman, Harold Titter has decided to retire. The excellent relationship Harold has built with the Management Team and many senior employees is reflective of his passion and commitment to the Company. When Harold joined the Board in 1994 TrustPower had a market value of about $82 million. Today TrustPower is one of the top 10 New Zealand listed companies, being named the top performing NZX company for the ten year period to 2006, with a market value of over $2.5 billion. During his time at the helm, shareholders have been paid regular and increasing dividends and the share price has grown from 97 cents in 1994 to the equivalent of over $16.00 per share today, taking into account the 2:1 share split in April 2004.

Personally, I would like to thank Harold for the tremendous support he has given me as Chief Executive and the extraordinary amount of wisdom and knowledge that he has shared over the years. He must be justifiably proud to be leaving TrustPower in such great shape, having played a leading role in creating one of New Zealand's top performing companies.

Keith Tempest Chief Executive

Focus On:
Tararua Stage III

This year saw the continued growth of TrustPower's successful wind generation asset base, with the commissioning of the first six wind turbines of the 31 turbine Stage III Tararua wind farm expansion. The turbines have been performing to expectation and look set to ensure Tararua maintains its position as the best performing wind farm in the world.

The construction phase of the project began in January 2006 with turbine erection beginning on 8th January 2007 in line with the original project schedule. The turbine chosen for this project was the Vestas V90 – 3MW machine, which is the largest turbine installed in the Southern Hemisphere, and incorporates the latest in turbine technology. The project was awarded 1,075,000 internationally tradable emissions units under the New Zealand Government's Projects to Reduce Emissions programme.

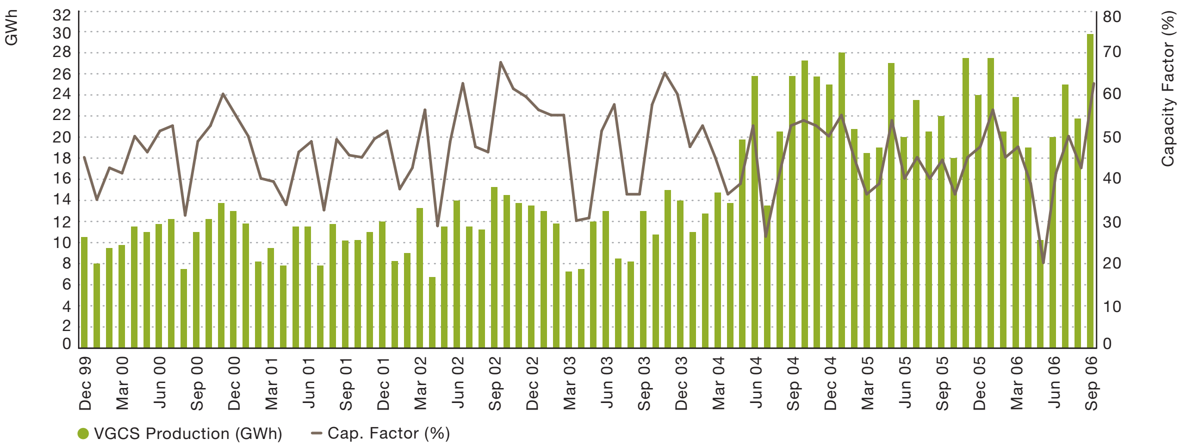
Turbine components have been delivered from the port of New Plymouth utilising specialist transport vehicles, to move the 45m long blades and 70-tonne nacelles to site. The erection of each turbine required 8 individual lifts using a 400-tonne tracked crane. Over 800 people have had an involvement on site throughout the project.

In spite of a very wet civil construction period and higher than expected winds during the initial erection phase, the project is progressing to schedule and under budget. When Stage III is completed, scheduled for July 2007, the total installed capacity at the Tararua wind farm will be 161MW, clearly cementing wind generation as a major component of TrustPower's generation mix.

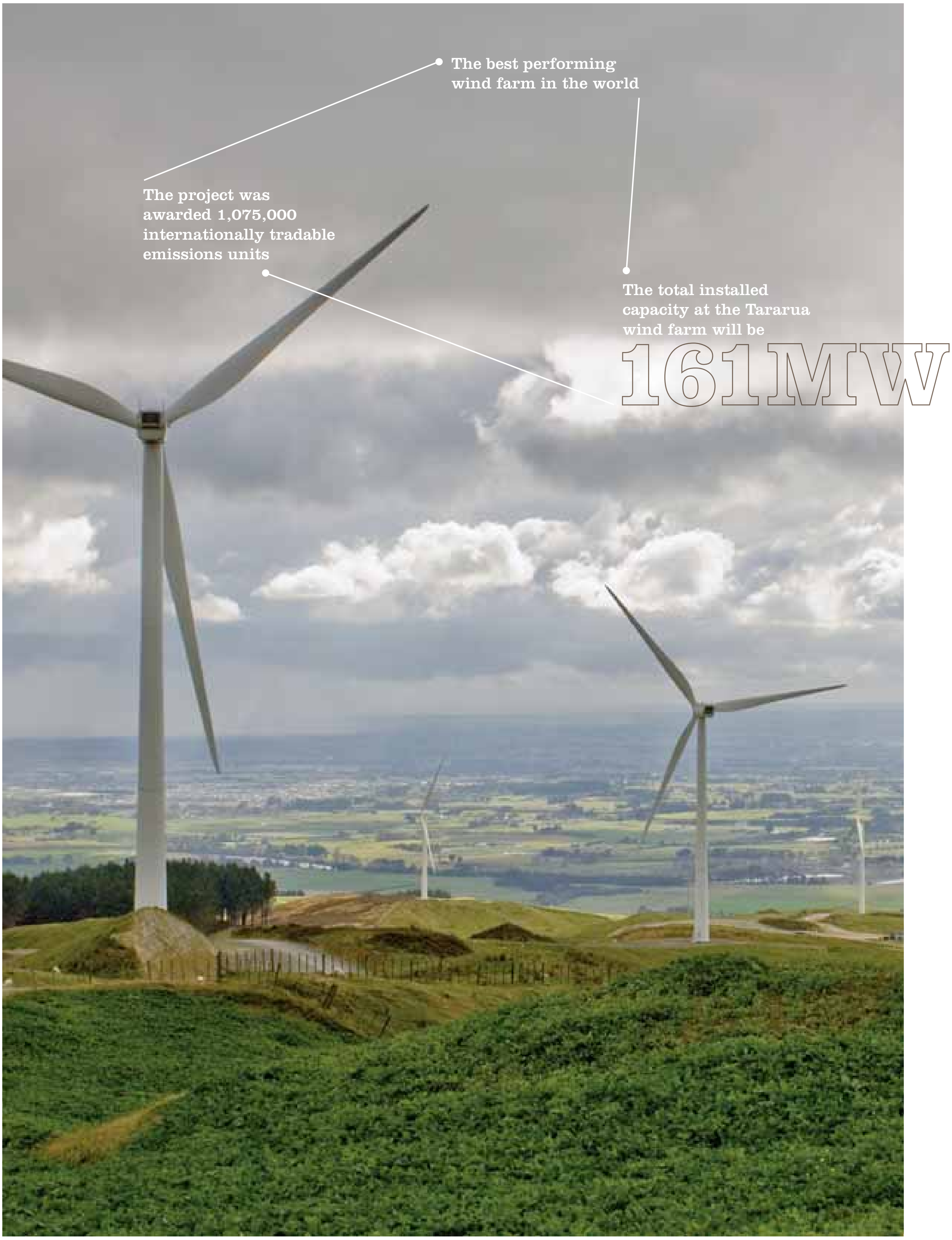
TrustPower is committed to developing further wind generation assets in New Zealand with two projects currently in resource consenting phase and a long list of other prospective sites throughout the country.

Above left to right: Tararua Stage III erection of wind turbines. Right: Vestas V90 3MW wind turbines.

Tararua Wind Farm - Monthly Production Data (VGCS) December 1999 - September 2006

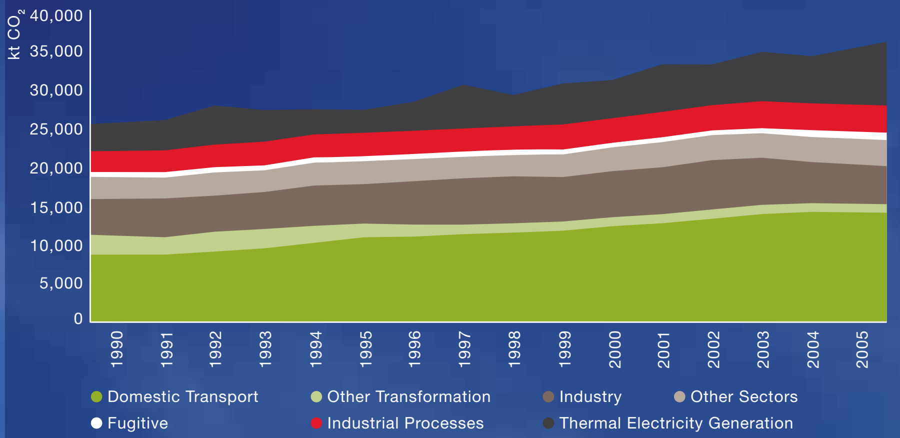


Focus On:
Tararua Stage III

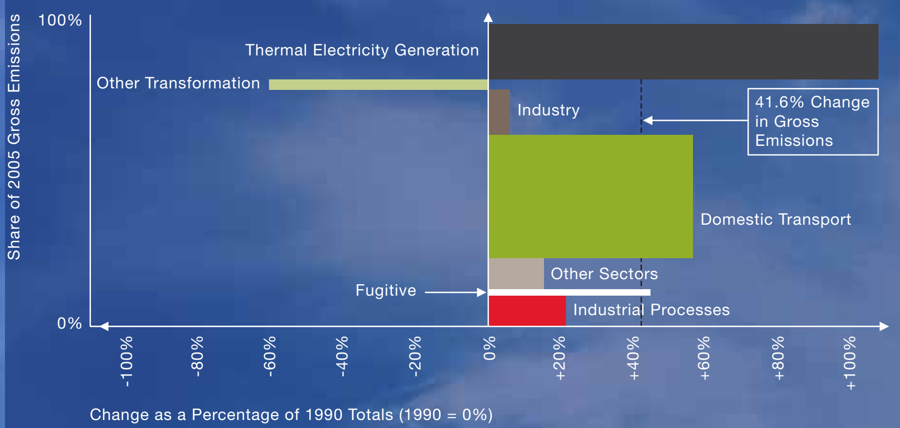


Focus On:
Carbon Usage and Regulation

Gross CO_2 Emissions by Sector 1990 - 2005



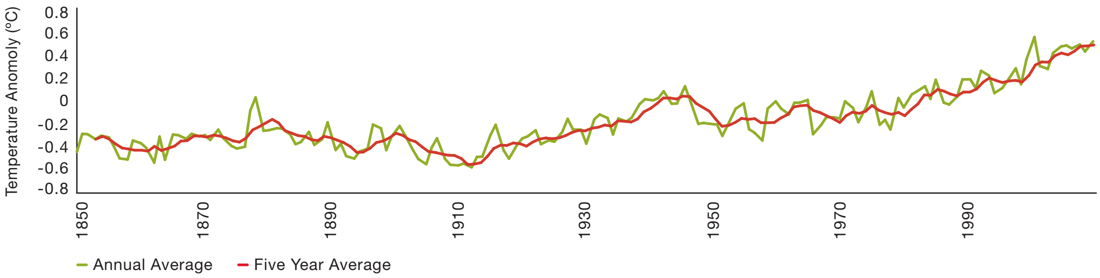
Change in CO_2 Emissions by Sector: 2005 Relative to 1990



Source: Revised Energy Gas Emissions 1990 - 2005 published by the MED, December 2006

Focus On:
Carbon Usage and Regulation

Global Temperatures



Source: Data compiled by the Climate Research Unit of the University of East Anglia and the Hadley Centre of the UK Meteorological Office.

The effect of greenhouse gas emissions on the world's climate has gained increased public and political awareness over the last 12 months. The Government is in the process of reviewing New Zealand's climate change policy along with a comprehensive long term National Energy Strategy.

TrustPower's focus on the development of fully renewable generation places the Company in an excellent position to take advantage of the opportunities that a carbon constrained economy will bring. To date TrustPower has been successful in the Government's Projects to Reduce Emissions ("PRE") Programme for a total of four projects, and for a project that was awarded a contract to reduce emissions prior to the PRE programme being introduced.

The projects vary from Stage III of the Tararua wind farm, which will displace 220,000 tonnes of carbon dioxide emissions a year, to the installation of new mini hydro generators in existing irrigation canals in Canterbury. In return for the construction of these projects the Government is contracted to allocate a share of the carbon credits generated by the displacement of thermal generation by the new renewable schemes. TrustPower is able to sell these carbon credits either in New Zealand or on the international market.

TrustPower continues to encourage the Government to support new renewable generation through the quick implementation of new initiatives to reward development of non greenhouse gas emitting electricity generation in place of carbon dioxide emitting gas and coal fired plant.

As part of its input into the Draft National Energy Strategy and Climate Change Policies, TrustPower has developed a proposal that would phase in fully carbon priced electricity over a period of time. TrustPower's proposal will ensure that new renewable electricity generation receives the benefit of greenhouse gas emissions reductions. The proposal employs a combined "carrot and stick" approach as an alternative to pure "carrot" approaches (such as the earlier PRE or the Australian/UK renewable obligation schemes), or pure "stick" approaches such as a carbon tax or full carbon trading arrangement. It will also provide valuable experience in carbon trading in a limited sector with a small number of participants.

TrustPower has developed skills in the international carbon markets. There are a number of different market structures. These include:

- The Kyoto Compliant market to enable trading between countries that have ratified the Kyoto Protocol for the period 2008-2012.
- Other mandatory markets such as the European Emissions Trading Scheme, which will have linkages to the Kyoto market during 2008-2012.
- The voluntary market trading in Verified Emission Reductions (VERs) primarily aimed at companies wishing to demonstrate carbon neutrality. VERs are generated by companies that can demonstrate to an independent auditor that actions taken by the company have reduced overall greenhouse gas emissions compared to business as usual.

TrustPower was the first electricity company in New Zealand to sell VER units to another New Zealand company, with its sale of VERs generated from the Tararua wind farm.

TrustPower is ready to take an active part in carbon markets as they develop in relation to its existing renewable generation portfolio, as well as renewable generation projects both under construction and at earlier stages of development.

Focus On:
Leadership Development as a Catalyst for Change



TrustPower has experienced significant growth and recognises the imperative to sustain that growth. Among a number of strategies identified was a programme to enhance leadership skills, involving all levels of leadership including the executive team, and providing a company wide succession plan and strong leadership culture.

The leadership development programme was initially introduced to senior managers; a total of twenty nine participants.

The formal programme comprised substantial pre-work, one-on-one executive coaching, and both large and small group workshops. As a consequence of this, best practice leadership tools and processes are now more consistently in regular use across the organisation. Participants have also benefited, and are continuing to benefit, from more regular contact with their peers.

A key differentiator of the TrustPower programme is the cascading by past participants to next level leaders (eleven) and current front line managers and potential managers (thirty). Members of the Management Team facilitate training sessions for these levels, demonstrating their strong commitment to ongoing leadership development at TrustPower.

Staff involved have been challenged to answer many questions including; "What value do I add to TrustPower as a leader?" Questions like this can be quite confronting, but they reinforce empowerment and help identify personal areas of strength as well as opportunities for improvement.

Self and manager assessment against TrustPower leadership competencies including 360° feedback has provided every individual with a road map for change. Non-aligned and inconsistent behaviours are now identified and addressed, and all participants now have a personal development plan to continue the focus on enhancing their leadership behaviours.

As improved leadership skills and knowledge result in more effective workplace behaviours and practices, TrustPower has identified a tangible return on its people development investments.

In addition to TrustPower's internal development focus, a number of potential leaders have been nominated to pursue external leadership opportunities. These have included the Berwick Outdoor Leadership programme and the Rotary Youth Leadership Awards (RYLA). Berwick involves extreme physical challenge, which stimulates among other things enhanced communication, team leadership, problem solving and self-awareness. The RYLA programme targets young people aged between 18 and 24 years and exposes them to an experiential learning environment. Participants also have the opportunity to meet with and learn from a number of respected business leaders.

Top performing organisations like TrustPower are employee-centred with a strong employee value proposition. They value talent, and their high performance culture demands that they strive to be number one in everything they do.

This page: Each year TrustPower identifies three future leaders and provides the opportunity for them to attend the Berwick Outdoor Experience. This year's recipients were (from left) Brian Lancaster, Milo Balkema and Graeme Prestidge.

Opposite page: Brian Lancaster, a generation plant operator at the Harper Dam and Coleridge abseils down the face of Waipori Dam as part of the challenges Berwick Outdoor Experience participants face.

Focus On:
Leadership Development as a Catalyst for Change

Harold Titter Profile

Harold Titter
Chairman

Retiring Board Chairman Harold Titter is proud to have seen an increase in value, to TrustPower shareholders, of over 30 times during his 13 year association with the Company (assuming dividends paid were reinvested in the Company's shares over this period).

A former Managing Director of Feltex New Zealand Limited, Chairman of the Northern Regional Health Authority and Secretary of Defence, Harold was invited to join TrustPower's board in 1994 when it listed on the NZX. He has been the Chairman since 2001 as well as Chairman of the Remuneration Committee and member of the Audit Committee.

The Government change in legislation and the subsequent privatisation of the electricity industry in 1993 meant that Harold joined TrustPower at a time of immense and exciting change.

In 1998, TrustPower chose to sell its lines business and was then tasked with purchasing both hydro generation assets and customers. Harold makes special mention of the Chairman at the time, Avon Carpenter and his team, who, he says, worked day and night with senior management to present projects for sale and purchase. These transactions provided the foundation of the business TrustPower is today.

Another milestone year of change was 2001 when profit was impacted by inadequate risk management processes. Following significant input from board members and the management team, new risk and stress management tools were introduced. Operational efficiencies were also addressed and the Company, he says, has gone from strength to strength since then.

The appointment of Keith Tempest as the Chief Executive in 2002 enabled the development of an exceptional management team and Harold says the quality and performance of this team has been very evident. From a governance viewpoint, they are outstanding, he says, and work extremely well operationally and with the Board.

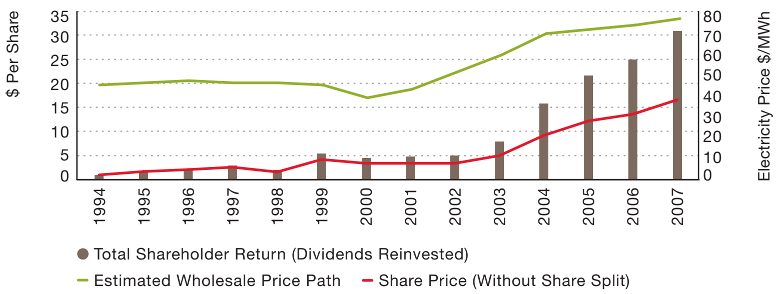
The recent changes to the shareholding in TrustPower have reinforced not only stability at both the board and management level, but also the continuity of the Company's Tauranga corporate base for the future.

Harold's personal highlights from his association with TrustPower include his involvement in the initial acquisition of hydro generation assets following industry deregulation; the Tararua wind farm developments and Snowtown wind farm in South Australia; overseeing the development of the strategic plan and the continual growth of the company.

Harold has retired from two commitments each year for the last four years and remains on the board of the Port of Tauranga. He will continue his involvement with private investments and his Rotary commitments. With his wife of 52 years, Margaret, he is looking forward to spending more time with his four children and their growing families.

Throughout his many years experience as Chairman of different companies, Harold says the TrustPower Board has been the best board that he has served on. While reluctant to be retiring, he is satisfied to be leaving an excellent board, an outstanding team of people and a company with huge prospects.

TrustPower Total Shareholder Return



Key Shareholder Profiles

Following the exit of Alliant Energy International Inc., TrustPower's two largest shareholders, Infratil and Tauranga Energy Consumer Trust (TECT) have increased their respective shareholdings as shown below. Infratil's placement to institutional shareholders in January 2007 has also increased the holdings of other shareholders.

Infratil Profile

Infratil Limited is a specialist investor in infrastructure and utility assets. The company owns electricity and waste to energy investments in New Zealand and Australia, airports in New Zealand and Europe and public transport assets in New Zealand. Infratil is a long term investor and is an active, added-value shareholder in assets or companies it invests in.

Infratil's portfolio of assets is depicted in the pie chart below.

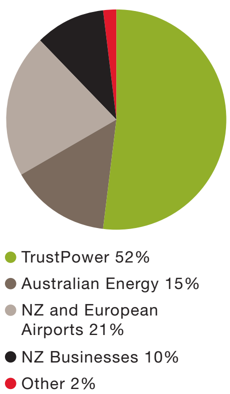
TECT Profile

TECT was formed in December 1993 and in March 1994 received over 44 million shares in TrustPower Limited.

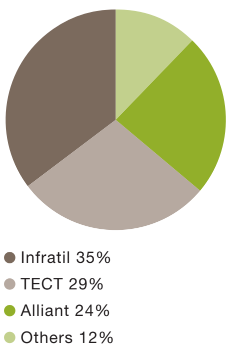
The purpose of TECT is to manage the assets of the Trust for the benefit of qualifying consumers. In the Trust Deed, consumers are TrustPower account holders situated in Tauranga city and the Western Bay of Plenty. TECT through its shareholding in TrustPower has become a major contributor to the economic well being and social development of the region.

Interestingly, TrustPower is the biggest investment in both Infratil and TECT's portfolios, and pleasingly, also one of the best performing over the long term.

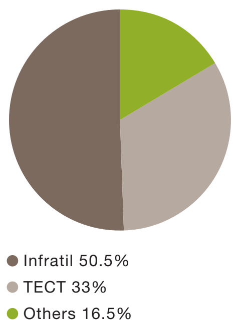
Infratil Subsidiaries and Investments 31 March 2007



TrustPower Shareholders Prior to Alliant Sale



TrustPower Shareholders Post Alliant Sale



Sustainability Reports:
Community Relations

TrustPower takes its job of keeping people connected seriously. That role however, involves more than just keeping the lights on. It involves the whole community.

Through sponsorships and community support activities, TrustPower stays connected with the communities in which it operates, building valuable relationships and supporting real people.

Over the last year TrustPower has extended this support online, with the development of TrustPower Community Connect, an online resource for New Zealand voluntary groups and organisations. The website offers a searchable database, articles of interest to the voluntary sector, updates on Community Award winners and a Community Calendar.

Since launching in March 2006 around 1,000 voluntary groups and organisations have registered on the website and more than 200 events have benefited from free promotion.

TrustPower Community Connect is an extension of TrustPower's Community Awards programme run in partnership with local Councils in 21 regions. The Supreme Winner from each region attends the annual TrustPower National Community Awards, along with representatives from the Community Awards held in Wellington and Waitakere City, sponsored by Wellington International Airport/The Community Trust of Wellington, and Infratil respectively.

The TrustPower Community Awards continue to be a cornerstone of TrustPower's community activities, attracting 840 nominations last year.

Through its Community Awards and Community Connect, TrustPower is successfully connecting with and positively impacting on people all over New Zealand. As one volunteer said, "I thank you sincerely for my journey with TrustPower this past year. It has been exceptional and shall remain in my lifetime memory as an incredibly humbling and positive experience."

As well as powering volunteers, TrustPower is also helping teach kids that they have the power to make a difference. TrustPower's support of a nationwide anti-bullying school roadshow, run by magician Greg Britt (Elgregoe), is proving to be an ideal way to teach youngsters core values such as respect, caring and cooperation.

TrustPower's strong commitment to its communities is also evident by its large portfolio of regional sponsorships, including regional photographic competitions, arts societies, local concerts and events such as the Arrowtown Autumn Festival, the Hokitika Wild Foods Festival and the Rotorua Lakeside Concert.

For TrustPower, community involvement is not just about attracting customers or being seen as a good corporate citizen. It is about making a real connection with its communities and forming mutually beneficial relationships, which allow TrustPower to better serve its communities, its customers and its shareholders.

Above left to right: Elgregoe teaches children they have the power to make a difference through the TrustPower sponsored anti-bullying roadshow.

Representatives from 22 voluntary groups and organisations attended the TrustPower National Community Awards in March 2007.

Dunedin's Special Rigs for Special Kids won the Supreme Award at the TrustPower National Community Awards.

Below: TrustPower Community Connect, an exciting new TrustPower initiative that keeps voluntary groups and organisations connected.

Sustainability Reports:
Employer Relations

One of TrustPower's greatest strengths is its ability to innovate and consistently improve every aspect of its business. The management of people related processes is no exception.

Over the past year TrustPower has introduced a number of technology based processes to streamline administration, minimise costs and provide employees at all levels with the management tools to perform more effectively.

The first of these was the implementation of an e-recruitment package, enabling prospective employees to apply online for existing vacancies or to complete a registration of their interest in working for TrustPower. Since September over three hundred and fifty prospective employees have registered their details using this process, providing a comprehensive pool of potential talent from which to fill vacant positions. As a consequence, time to hire has been minimised and advertising and recruitment costs have been significantly reduced.

The implementation of a comprehensive competency structure has enabled managers to more clearly define the skills and attributes required for high performance. Through this process managers can identify the most relevant psychometric testing, interviewing questions and reference checking tools to ensure that candidates have the right skills and attitude for the position they seek.

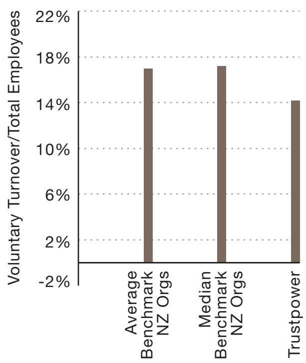
This has been accompanied by a focus on talent management, ensuring the identification of key talented individuals at all levels and the development of clear retention and succession / replacement plans to mitigate potential risk to the business.

Leadership pipelines identifying up and coming talent have been introduced, with the development of employees in these pipelines managed by a pipeline management team. This ensures that potential barriers to growth opportunities can be removed, and projects assigned across the entire organisation.

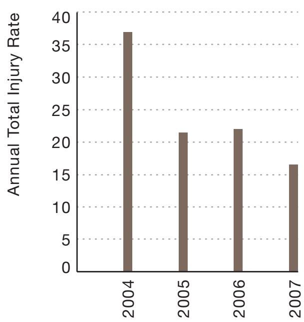
These initiatives are significant contributors to TrustPower's employee value proposition and effectiveness as an Employer of Choice.

The staff committee are elected to represent all staff and provide ideas and implement improvements for staff. The committee have implemented an employee assistance programme, arranged a nationwide legal service for staff at reduced cost and supported a number of wellness initiatives. The 2007 committee is (from left to right) David, Mike, Paul, Bronwyn, Karen, Ngaere, Karen, Steve and Patrick.

Voluntary Turnover as a Percent of Total Employees Benchmarked against NZ Private Sector Organisations



Total Reduction in Injury Incident Rate (per 200,000 hrs worked)



Sustainability Reports:
Environmental Excellence

Environmental sustainability and performance are fundamental drivers for TrustPower. This is evidenced by the Company's leadership in this field and its continued strong performance.

TrustPower's accomplishments for the year ended 31 March 2007 have been:

Avoiding Non-Compliance Events

TrustPower's goal is to have zero non-compliance events - a goal recently made more difficult due to the imposition of additional consent conditions on the Company's existing hydro generation schemes. Add to this the conditions imposed from the newly consented Waipori hydro generation enhancement and for Tararua wind farm Stage III , both of which are currently being constructed, and it is obvious that TrustPower's compliance burden has significantly increased.

Given the nominal increase in non-compliance events experienced in the 2006 financial year, a systematic review of TrustPower's non-compliance record and monitoring system was undertaken in June and August of 2006. The objective of this review was to implement measures to reduce the number of non-compliance events experienced. Pleasingly, TrustPower experienced only 15 non-compliance events in the 2007 financial year, a decrease in the number of events recorded in the preceding two financial years.

No enforcement proceedings were commenced and only 1 very minor 'abatement notice' was issued against TrustPower in the 2007 financial year.

Managing Contaminant Releases

The term 'contaminant release' refers to the uncontrolled or accidental release of a hazardous substance. Two minor contaminant releases occurred in the 2007 financial year. Neither of these events resulted in any adverse environmental consequences and in both cases TrustPower were commended for proactively notifying the consent authority of these events.

Compliance Training

Training and education is a key means of maintaining and improving environmental awareness and performance. A comprehensive environmental training program was undertaken for all generation staff in the 2007 financial year. The training was well received with all staff now showing an enhanced awareness of the resource consent conditions that are applicable to their work place. Further training is to be undertaken in the forthcoming financial year, with TrustPower's objective being the development and maintenance of a strong culture of continuous improvement.

New Development Projects

In the year ended 31 March 2007 there has been a significant focus on new generation projects. In particular, a resource consent application for the Wairau Valley hydro generation scheme, a project which commenced in 2002, was heard by the Marlborough District Council. The hearing extended over 6 months from June through to December 2006. TrustPower alone called in excess of 25 witnesses, from experts in social impacts and recreation to experts in aquatic invertebrates. The Council Hearing for the Project is thought to be the longest (and most costly) of any held since the introduction of The Resource Management Act 1991. A decision is expected in June 2007.

Planning Processes

With 18 hydro generation schemes and 1 wind farm throughout both islands, TrustPower maintains an involvement in most of New Zealand's regional and district planning processes.

During 2006 and 2007 there have been several notable planning documents released that could affect TrustPower's interests. Consequently the work load is substantially higher than TrustPower has ever experienced. Pleasingly, TrustPower continues to perform well in this area and has recently achieved a number of very satisfactory results. Achieving a 'controlled' activity status for the reconsenting of the Matahina hydro generation scheme is perhaps the most notable achievement of the 2007 financial year, as it means that any

Sustainability Reports:
Environmental Excellence

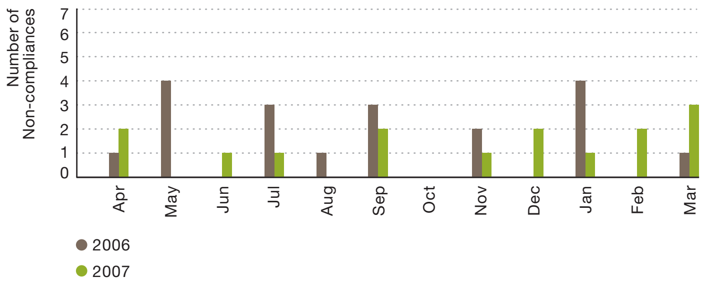
resource consent applications lodged to maintain the status quo at Matahina cannot be declined.

On a national level central government has sought to progress a number of initiatives such as National Environmental Standards, National Policy Statements, and strategies in regard to Energy and Water Allocation. All of these documents have the potential to significantly impact upon TrustPower's existing and future generation activities. Consequently, they will be a key area of focus for TrustPower's Environment Team in the 2008 financial year.

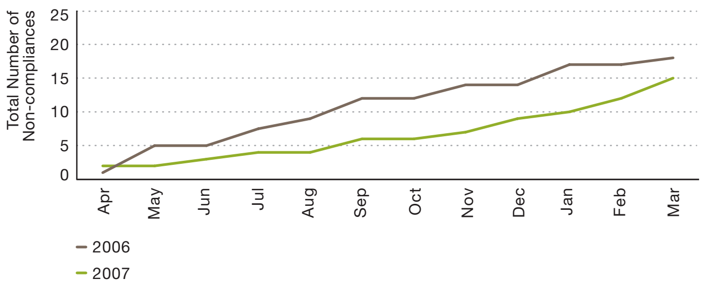
Reconsenting

Resource consents to operate and maintain four of TrustPower's hydro generation schemes, Patea, Matahina, Wahapo, and McKays / Kaniere Forks, are due to expire. To enable the continued operation and maintenance of each of these schemes, applications for replacement resource consents need to be lodged with the appropriate regional and district authorities. Assessments, investigations, and initial consultation processes commenced in the 2006 financial year. Applications for resource consents for the Patea Scheme will be lodged in November 2007, with those for the remaining schemes to be lodged in August 2008 (Wahapo), April 2009 (Matahina) and October 2010 (Kainere / McKays) respectively.

Non-compliance During the 2006 and 2007 Financial Years



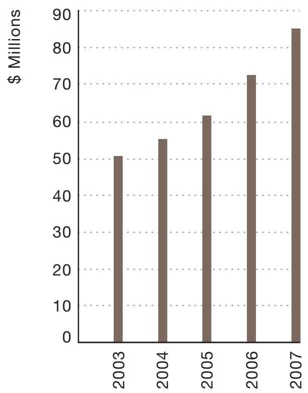
Cumulative Non-compliances During the 2006 and 2007 Financial Years



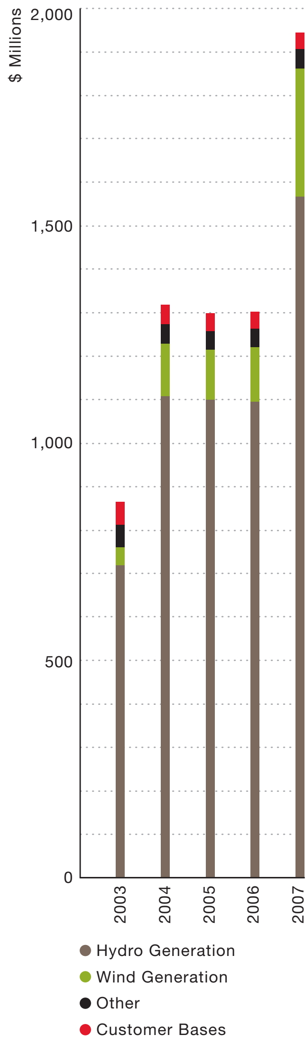
Facing page and above: The Wairau Valley in Marlborough.

Sustainability Reports:
Economic Performance

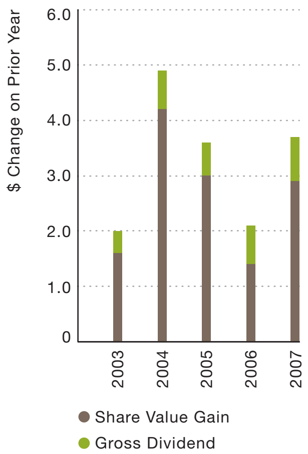
Dividends Declared
(excluding special)



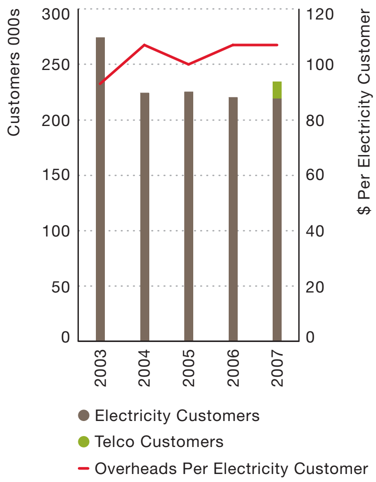
Composition of
Non Current Assets



Annualised Gain and
Gross Dividend Return



Overhead Costs and
Customer Numbers



Understanding TrustPower's Shareholders and Returns

In January 2007 Alliant Energy sold its 24 per cent stake in TrustPower. Following this sale, Infratil Limited and the Tauranga Energy Consumer Trust (TECT) both increased their holdings in TrustPower. TrustPower now has two large shareholders, over 13,200 smaller shareholders and around 8,700 bond holders. Both Infratil Limited and TECT were cornerstone shareholders in TrustPower on its establishment in 1994. The remaining shareholders are a mixture of institutional and private investors including many of the original shareholders granted shares in 1994.

Dividend growth has been a feature of ownership of TrustPower shares as the Company has sought to provide an increasing level of cash returns to shareholders. Alongside this, the Company's share price has experienced a prolonged period of strong growth. One dollar invested in 1994 has grown more than 30 times over the period to 31 March 2007 (assuming dividends were reinvested in TrustPower shares).

Understanding TrustPower's Assets

TrustPower is a generator and retailer of electricity. The generation of electricity is an asset intensive activity and, as shown below, the Company has invested heavily in hydro and wind generation assets. TrustPower revalues these generation assets to estimated market value on a three yearly cycle with the last revaluation occurring as at 31 March 2007. This revaluation resulted in an uplift of value of around $456 million.

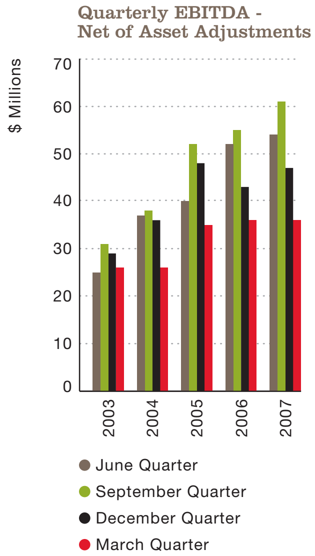
Electricity retailing relies on a reliable source of electricity and the infrastructure and systems to administer large quantities of data and contracts. TrustPower's electricity customer base values are disclosed in the financial statements at historic cost and amortised over a period of up to 20 years. The Bay of Plenty customers that TrustPower has served historically and any subsequent customers acquired by marketing efforts are not reflected in the amortised customer base values. In March 2007 TrustPower purchased a telecommunications customer base in line with its ambition to offer telecommunication products to its electricity customers.

Sustainability Reports:
Economic Performance

Understanding TrustPower's Earnings

TrustPower's operating revenue predominately comes from the sale of electricity to customers. TrustPower sells more electricity than it generates with the balance coming from other generation suppliers and competitors. Operating performance can vary year to year and within reporting periods due to a number of factors both within the control and outside of the control of the Company. Key drivers to individual period profitability include weather patterns (affecting market prices and generation levels) and the Company's trading and risk position (the degree to which it is affected by exposure to spot electricity prices).

The adjacent graph shows an Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) measure by quarter over the last five years. While on a quarter by quarter basis EBITDA can move significantly the Company aims to produce sustainable EBITDA growth year after year.



Five Year Economic Summary	Mar 03	Mar 04	Mar 05	Mar 06	Mar 07
Electricity customer numbers (000's)	274	224	225	220	**219**
Telecommunication customer numbers (000's)	-	-	-	-	**16**
Customer sales (GWh)	6,495	5,656	5,873	4,724	**4,575**
Weighted average spot price of electricity purchased ($/MWh)	59	71	43	94	**63**
Hydro generation production (GWh)	1,532	1,598	1,811	1,523	**1,667**
Wind generation production (GWh)	141	140	260	268	**274**
Weighted average spot price of electricity generated ($/MWh)	54	70	39	91	**62**
	$M	**$M**	**$M**	**$M**	**$M**
Operating Revenue	663	632	612	677	**626**
EBITDA	110	140	173	186	**196**
Amortisation and Depreciation	(22)	(23)	(28)	(28)	**(28)**
Net Interest Paid	(15)	(29)	(33)	(29)	**(27)**
Tax Expense	(26)	(26)	(39)	(48)	**(44)**
Operating Surplus	47	62	73	81	**97**
Shareholders' Equity	604	866	883	896	**1,372**
Current and Other Assets	131	63	78	133	**117**
Fixed Assets	812	1,273	1,257	1,263	**1,905**
Intangible Customer Base Assets	52	45	42	39	**38**
Total Assets	995	1,381	1,377	1,435	**2,060**
Current and Other Liabilities	117	95	88	131	**121**
Deferred Tax Liability	35	40	46	48	**58**
Debt	239	380	360	360	**509**
Total Liabilities	391	515	494	539	**688**
Net Assets	604	866	883	896	**1,372**
Earnings Per Share (cents)[1]	12	17	23	26	**31**
Dividends Per Share (cents)[1]	13	20 [2]	20	23	**27**
Return on Average Shareholders' Funds	8.1%	8.4%	8.3%	9.1%	**8.6%**

[1] Adjusted for a 2:1 share split on 2 April 2004

[2] Includes a 5 cent per share special dividend

Corporate Governance Statement

Role of the Board of Directors

The Directors are elected by the shareholders and are responsible to the shareholders for the performance of the Group. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Group.

The Board had developed a charter that outlines responsibilities that encompass the following:

- Set the strategic direction of TrustPower and monitor management's implementation of that strategy.
- Select and appoint (and, if appropriate, remove from office) the Chief Executive, determine his/her conditions of service and monitor his/her performance against established objectives.
- Ratify the appointment (and, if appropriate, remove from office) the Chief Financial Officer and Company Secretary.
- Ratify the remuneration of senior management consistent with their employment agreements;
- Monitor financial outcomes and the integrity of reporting, and, in particular, approve annual budgets and longer-term strategic and business plans.
- Set specific limits of authority for management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval.
- Ensure that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Group operating beyond legal requirements or beyond acceptable risk parameters.
- Monitor compliance with regulatory requirements (including continuous disclosure) and set ethical standards and then monitor compliance with those standards.
- Review, on a regular basis, senior management succession planning and development.
- Ensure effective and timely reporting to shareholders.

The Board has 12 scheduled one day meetings, an extended strategic planning meeting at least once a year, at least four Audit Committee meetings and several unscheduled meetings to consider and / or review substantial projects and any other special circumstances that may arise from time to time.

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution which is required to comply with the NZSX Listing Rules. The Constitution provides for a minimum of three Directors and a maximum of six. The Board has determined that, given the growing scale and complexity of the Group's activities, the membership of the Board should be increased from six Directors to seven Directors, all of whom will be non-executive Directors.

The Constitution and NZSX Listing Rules also require that while there are a total of six or seven Directors, two must be independent Directors. The Board has determined TrustPower's independent Directors. As at 31 March 2007, the independent Directors of TrustPower are HM Titter, RP Carter and GJC Swier and the non-independent Directors of TrustPower are MJ Cooney, BJ Harker, and HRL Morrison.

The Board has established two Subcommittees being; the Audit Committee and the Remuneration Committee.

Audit Committee

The Board has constituted a standing Audit Committee consisting of three Board members. The Committee meets at least four times a year. Members of the Committee are: BJ Harker (Chairman), HM Titter, and RP Carter.

The role of the Audit Committee is formally recorded in a charter document approved by the Board of Directors. The primary objective of the Committee, as set out in the charter, is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Group. In particular, the Committee's main responsibilities are to:

- Review and report to the Board on the annual report, the quarterly financial reports and all other financial information published by the Group or released to the market.
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment.

- Determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, including co-ordination with external auditors.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.
- Review and approve, within established procedures, and before commencement, the nature and scope of non-audit services being provided by the external auditors. These procedures include quantitative and qualitative thresholds for the review, and include all relatively significant projects.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the internal and external auditors. It also meets with the internal and external auditors at least three times a year – more frequently if necessary. The internal and external auditors have a clear line of direct communication at any time to either the Chairperson of the Audit Committee or the Chairperson of the Board.

The Remuneration Committee

The Board has established a Remuneration Committee which has three Directors as members, HM Titter, BJ Harker and GJC Swier. The role of the Remuneration Committee is formally recorded in a charter document approved by the Board of Directors.

The primary objectives of the Remuneration Committee are to:

- Help enable the Company to attract, retain and motivate executives and Directors who will create value for shareholders.
- Fairly and reasonably reward executives having regard to the performance of the Company, the performance of the executives and the general pay environment.
- Help the Company comply with the provisions of the Employment Relations Act 2000, the Companies Act 1993, the NZSX Listing Rules and any other relevant legal requirements.

The responsibilities of the Committee include:

- Review and recommend to the Board for approval the remuneration policy for Directors and senior executives and ensure that the structure of the policy allows the Company to attract and retain Directors and senior executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations.
- Annually review and recommend to the Board for approval the remuneration packages of all Directors and senior executives of the Company.
- With reference to the Board, manage the employment or deployment of the Chief Executive and negotiate employment terms.
- Participate in the process of employment of the Chief Financial Officer and recommend to the Board their confidence in any appointment.
- Establish appropriate performance criteria, from time to time, for the Executive Share Option Plan and make recommendations to the Board.

Review of Board Performance

An annual review of the performance of the Board and individual Directors is undertaken by the Chairman. The Institute of Directors on-line survey is currently utilised as a mechanism for undertaking this review. Given the recent appointment of a new Director and further changes shortly following the retirement of the Chairman as well as the possible addition of a seventh Director, the Board has determined that the next performance review will be undertaken at the end of March 2008.

Compliance with NZSX Corporate Governance Best Practice Code and Other Guidelines

As a listed issuer TrustPower is required to disclose in its Annual Report whether, and to what extent, its corporate governance principles materially differ from the NZSX Corporate Governance Best Practice Code.

TrustPower believes that it complies in all material respects with the Code. However, it should be noted that the TrustPower Board has chosen not to constitute a Nominations Committee as recommended by the Code. The Board has decided that Director nominations are able to be handled more effectively by the full Board.

Code of Ethics

A Code of Ethics has been developed and approved by the Board. TrustPower is committed to maintaining the highest standards of honesty, integrity and ethical conduct and has adopted a Code of Ethics to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- Full, fair, accurate, timely and understandable disclosure in reports and documents filed by the Company and in other public communications made by the Company.
- Compliance with applicable laws, rules and regulations.
- Internal reporting to the Board of Directors of violations of this Code of Ethics.
- Accountability for adherence to the Code of Ethics.

The Code of Ethics is not an exhaustive list of acceptable or non-acceptable behaviour, rather it is intended to guide decisions so they are consistent with TrustPower's values, business goals and legal and policy obligations.

Failure to follow the Code of Ethics may lead to disciplinary action being taken, which may include dismissal. The Code of Ethics applies to the Board of Directors and the Company's employees.

Internal Control

The Group has adopted a system of internal control. The system is based upon written procedures, policies, guidelines, and organisational structures that provide an appropriate division of responsibility, sound risk management, a programme of internal audit, and the careful selection and training of qualified personnel.

While the Board acknowledges that it is responsible for the overall control framework of the Group, it recognises that no cost effective internal control system will preclude all errors and irregularities.

Risk Management

The Group has developed a comprehensive, enterprise-wide risk management framework.

Management actively participate in the identification, assessment, and monitoring of new and existing risks. Particular attention is given to the market risks that could impact on the Group. Management undertake regular reporting to appraise the Audit Committee and the Board of the Company's risks and the treatment of those risks.

The Audit Committee reviews and if considered satisfactory, recommends for approval by the Board annually, the Company's insurance programme.

Wholesale Electricity Trading Policy

The Group has adopted a Wholesale Electricity Trading Policy to manage the risk relating to the purchasing of electricity from the wholesale electricity market. Derivative instruments can be used to set the price of electricity at a future nominated time. The Wholesale Electricity Trading Policy allows wholesale electricity trading to occur within risk limits set by the Board.

Treasury Policy

The Group has a Treasury Policy to manage finance, interest rate, foreign exchange and foreign investment risks. The Policy approves the use of certain instruments for risk management purposes, and it prohibits any activity that is purely speculative in nature. It also sets out exposure limits, delegated authorities and internal controls.

Delegated Authorities Policy

The Group has a Delegated Authorities Policy in place that has been approved by the Board. The Policy provides limited authority to certain Group executives to purchase goods and services, enter into sales contracts and approve credit, sign deeds, indemnities and guarantees, and sign other contracts and documents. The Policy is reviewed annually.

Environmental Policy

The Group recognises the importance of environmental issues and is committed to the highest levels of performance. To help meet this objective the Group has developed and is proactively implementing both environmental policies and a comprehensive environmental management system. These have been established to facilitate the systematic identification of environmental issues and to ensure that they are managed in a structured manner. These measures allow the Group to:

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental issues.
- Use energy and other resources efficiently.
- Encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.
- Ensure procedures are in place to appropriately deal with any adverse environmental event that may occur.

Group Information Policy

The following is the Group's policy regarding the disclosure of Group information:

No Director of the Group may disclose information which that Director has received in his or her capacity as a Director or employee of the Group, being information that would not otherwise be available to the Director, to

(a) a person whose interests that Director represents; or

(b) a person in accordance with whose directions or instructions the Director may be required, or is accustomed to act in relation to the Director's powers and duties,

without the prior consent of a Subcommittee of the Board established to authorise the disclosure.

Conflicts of Interest

Where any TrustPower Director has a conflict of interest or is otherwise interested in any transaction, that Director is required to disclose his or her conflict of interest, and thereafter neither participate in the discussion nor vote in relation to the relevant matter. The Company maintains a register of disclosed interests.

Insider Trading

In order to protect TrustPower's reputation and safeguard employees who may want to buy or sell TrustPower securities, the Insider Trading Policy requires an approved procedure to be followed by all staff and Directors. Certain employees of the Company are required to make additional disclosures under the Securities Markets Act 1988.

Whistleblowing Policy

TrustPower has established a Whistleblowing Policy in order to facilitate the disclosure and impartial investigation of any serious wrongdoing. This policy advises employees of their right to disclose serious wrongdoing, and sets out TrustPower's internal procedures for receiving and dealing with such disclosures. The policy is consistent with, and facilitates, the Protected Disclosures Act 2000.

Other Corporate Policies

The Group has a number of other policies covering but not limited to human resource activities, health and safety, buildings and security, and disaster recovery planning. These policies are regularly reviewed and approved by senior management and where appropriate the Board.

Internal Audit

The Group has established an outsourced internal audit function that is responsible for monitoring the Group's system of internal financial control and the integrity of the financial information reported to the Board. Internal audit operates independently from the Board and reports its findings directly to the Audit Committee. Internal audit liaises closely with the external auditors, who review the internal audit work undertaken to the extent necessary to support their audit opinion.

The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the annual, half yearly and quarterly reports, and various announcements to NZSX. The Board encourages full participation of shareholders at the annual meeting to ensure a high level of accountability and identification with the Group's strategies and goals.

Financial Statements 2007

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial positions of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

The Directors are pleased to present the financial statements of TrustPower Limited for the year ended 31 March 2007.

Harold Titter Chairman

Bruce Harker Deputy Chairman

Company Registration Number HN604040
Dated: 10 May 2007

Auditors' Report to the Shareholders of TrustPower Limited

PRICEWATERHOUSECOOPERS

PriceWaterhouseCoopers
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Auckland, New Zealand
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We have audited the financial statements on pages 31 to 44. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 34 and 35.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

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

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors, tax advisers and providers of financial advisory services.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
(b) the financial statements on pages 31 to 44:
  (i) comply with generally accepted accounting practice in New Zealand; and
  (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 10 May 2007 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

Statements of Financial Performance

For the year ended 31 March 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Operating Revenue					
Electricity sales		**617,707**	667,249	**617,707**	667,249
Meter rental revenue		**3,523**	3,105	**3,523**	3,105
Other customer fees and charges		**3,891**	3,824	**3,891**	3,824
Other operating revenue		**521**	538	**521**	538
Sundry product sales		**675**	1,328	**675**	1,328
		626,317	676,044	**626,317**	676,044
Operating Expenses					
Energy costs		**160,391**	225,314	**160,391**	225,314
Generation production costs		**20,787**	17,415	**20,787**	17,415
Line costs		**186,552**	181,202	**186,552**	181,202
Market fees and costs		**14,282**	15,144	**14,282**	15,144
Meter rental costs		**2,408**	2,421	**2,408**	2,421
Other customer connection costs		**1,075**	1,036	**1,075**	1,036
Other fixed and investment asset charges/(credits)	2	**872**	418	**(5,266)**	9,299
Other operating expenses	3	**22,102**	27,074	**28,367**	25,352
Salary and wage costs		**20,819**	19,209	**20,819**	19,209
Sundry product costs		**598**	1,251	**598**	1,251
		429,886	490,484	**430,013**	497,643
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		**196,431**	185,560	**196,304**	178,401
Amortisation of intangible customer base assets		**3,063**	3,063	**3,063**	3,063
Depreciation	11	**24,990**	25,134	**18,430**	18,585
Interest paid	4	**28,940**	29,864	**33,619**	30,187
Interest received	4	**(1,584)**	(992)	**(6,454)**	(1,701)
Operating Surplus Before Income Tax		**141,022**	128,491	**147,646**	128,267
Income tax expense	5	**43,652**	47,061	**44,904**	47,245
Operating Surplus Attributable to the Shareholders		**97,370**	81,430	**102,742**	81,022
Earnings per share (cents per share)		**30.9**	25.9	**32.6**	25.7

Statements of Movements in Equity

For the year ended 31 March 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Operating surplus attributable to the shareholders		**97,370**	81,430	**102,742**	81,022
Revaluation of generation assets	8	**455,514**	-	**402,396**	-
Total Recognised Revenues and Expenses		**552,884**	81,430	**505,138**	81,022
Dividends on ordinary shares	6	**(78,719)**	(67,754)	**(78,719)**	(67,754)
Issue of shares	7	**1,154**	-	**1,154**	-
Movements in Equity for the Year		**475,319**	13,676	**427,573**	13,268
Equity at Beginning of Year		**896,468**	882,792	**830,315**	817,047
Equity at End of Year		**1,371,787**	896,468	**1,257,888**	830,315

The accompanying notes form part of these financial statements

Statements of Financial Position

As at 31 March 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Shareholders' Equity					
Share capital	7	**174,658**	173,504	**174,658**	173,504
Revaluation reserve	8	**930,950**	475,541	**814,918**	412,626
Retained earnings	9	**266,179**	247,423	**268,312**	244,185
		1,371,787	896,468	**1,257,888**	830,315
Represented by:					
Current Assets					
Cash and short term deposits		**44,256**	3,805	**44,003**	3,754
Bond deposits on trust		**3,100**	3,000	**3,100**	3,000
Electricity market security deposits		**3,000**	16,000	**3,000**	16,000
Accounts receivable and prepayments	10	**62,577**	110,697	**62,569**	110,697
Taxation receivable		**3,314**	-	**3,314**	-
		116,247	133,502	**115,986**	133,451
Non Current Assets					
Fixed assets	11	**1,905,363**	1,262,910	**1,415,396**	1,006,494
Investments in subsidiaries	12	**-**	-	**349,969**	170,797
Investments in other companies		**-**	30	**-**	30
Intangible customer base assets	13	**38,453**	39,022	**38,453**	39,022
		1,943,816	1,301,962	**1,803,818**	1,216,343
Total Assets		**2,060,063**	1,435,464	**1,919,804**	1,349,794
Current Liabilities					
Accounts payable and accruals	14	**120,773**	127,271	**114,311**	120,748
Unsecured subordinated bonds	16	**86,182**	-	**86,182**	-
Taxation payable		**-**	3,469	**-**	3,469
		206,955	130,740	**200,493**	124,217
Non Current Liabilities					
Unsecured bank loans	15	**211,612**	63,233	**211,612**	63,233
Unsecured subordinated bonds	16	**211,357**	296,743	**211,357**	296,743
Deferred tax liability	17	**58,352**	48,280	**38,454**	35,286
		481,321	408,256	**461,423**	395,262
Total Liabilities		**688,276**	538,996	**661,916**	519,479
Net Assets		**1,371,787**	896,468	**1,257,888**	830,315

The accompanying notes form part of these financial statements

Statements of Cash Flows

For the year ended 31 March 2007	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from customers		**674,437**	631,538	**674,446**	631,538
Interest received		**1,584**	992	**1,584**	992
		676,021	632,530	**676,030**	632,530
Cash was applied to:					
Payments to suppliers and employees		**472,915**	442,031	**472,556**	437,301
Interest paid		**27,221**	29,766	**31,901**	29,766
Taxation paid		**40,363**	41,802	**40,363**	41,802
		540,499	513,599	**544,820**	508,869
Net Cash Flow from Operating Activities	18	**135,522**	118,931	**131,210**	123,661
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of fixed assets		**194**	104	**194**	104
Sale of investments		**360**	-	**360**	-
		554	104	**554**	104
Cash was applied to:					
Advances to subsidiaries		**-**	-	**150,964**	19,631
Interest capitalised in construction of fixed assets		**5,274**	491	**595**	491
Net movement in bond deposits on trust		**100**	(31)	**100**	(31)
Net movement in electricity market security deposits		**(13,000)**	16,000	**(13,000)**	16,000
Purchase of fixed assets		**171,258**	30,637	**21,053**	15,648
Purchase of intangible customer base assets		**2,495**	-	**2,495**	-
		166,127	47,097	**162,017**	51,739
Net Cash Flow from Investing Activities		**(165,573)**	(46,993)	**(161,463)**	(51,635)
Cash Flows from Financing Activities					
Cash was provided from:					
Bank loan proceeds		**186,300**	100,800	**186,300**	100,800
Issue of shares		**1,021**	-	**1,021**	-
		187,321	100,800	**187,321**	100,800
Cash was applied to:					
Bank loan facility establishment costs		**-**	3,584	**-**	3,584
Bank loan repayments		**38,100**	97,983	**38,100**	97,983
Dividends paid		**78,719**	67,754	**78,719**	67,754
		116,819	169,321	**116,819**	169,321
Net Cash Flow from Financing Activities		**70,502**	(68,521)	**70,502**	(68,521)
Net Increase in Cash Held		**40,451**	3,417	**40,249**	3,505
Cash at Beginning of Year		**3,805**	388	**3,754**	249
Cash at End of Year		**44,256**	3,805	**44,003**	3,754

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2007

Note 1:

Statement Of Accounting Policies

Reporting Entity

TrustPower Limited (the Company or Parent) is a New Zealand company registered under the Companies Act 1993. The Company is an issuer in terms of the Financial Reporting Act 1993 and is listed on the New Zealand Stock Exchange (NZSX). The consolidated financial statements of the Group comprise the Company and any subsidiary or associate companies (together referred to as the Group or TrustPower).

Segment Reporting

TrustPower's focus is on the development, ownership and operation of electricity generation facilities from renewable energy sources and the retail sale of electricity to its customers. All significant operations take place within New Zealand.

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice which together with other guidance constitute New Zealand Generally Accepted Accounting Practice (NZGAAP). The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

Basis of Preparation

The functional and reporting currency used in the preparation of the financial statements is New Zealand dollars, rounded to the nearest thousand. The financial statements have been prepared on the historical cost basis with the exception of certain items for which specific accounting policies are identified.

Principles of Consolidation

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method, and include the results of associates using the equity method. All intercompany transactions, balances and unrealised profits and losses on transactions between Group members have been eliminated.

Receivables

Receivables are stated at their estimated realisable value after adequate provision for doubtful debts. Bad debts are written off in the year in which they are identified.

Investments

All investments are recorded at the lower of cost or estimated net realisable value.

Fixed Assets

All fixed assets are initially recorded at cost less accumulated depreciation where applicable. Generation assets were revalued to their estimated market value as at 31 March 2007 as assessed by independent qualified valuers. Assets in this class will be revalued on a systematic basis every three years.

Depreciation

Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to allocate each asset's cost over its estimated useful life. Depreciation is charged on a straight line basis as follows:

Freehold buildings	2%	Generation assets	1% - 5%
Metering equipment	5%	Plant and equipment	10% - 33%

Gains and losses on disposal of fixed assets are taken into account in determining the operating surplus for the year.

Emission Rights

The Group receives tradable emission rights from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these emission rights is a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the statements of financial position. Proceeds received on the sale of emission rights are recorded as deferred income in the statements of financial position until the committed energy production levels pertaining to the emission right sold has been generated.

Emission rights produced are recognised in the statements of financial position if the right has been verified, it is probable that expected future economic benefits will flow to the Group, and the rights can be measured reliably. Emission rights are initially measured at cost. After initial recognition, the emission rights are carried at fair value. Fair value is determined by reference to an active market. If the emission rights cannot be revalued because there is no active market, the emission rights are carried at cost less any subsequent accumulated impairment losses.

Intangible Customer Base Assets

Costs incurred in acquiring customers from other electricity supply companies and telecommunication companies are recorded as a customer base intangible asset. The customer bases are amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 years for electricity customer bases and 5 years for telecommunication customer bases. The carrying value of the customer bases is reviewed annually by the Directors and adjusted where it is considered necessary.

Revenue Recognition

Customer consumption of electricity is measured and billed by calendar month for half hourly metered customers and in line with meter reading schedules for non half hourly metered customers. Accordingly revenues from electricity sales include an estimated accrual for units sold but not billed at balance date for non half hourly metered customers.

Employee Entitlements

Employee entitlements to salaries and wages, non monetary benefits, annual leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date.

Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rate on the date of the transaction, except where forward currency contracts are taken out to cover the commitment in which case the transaction is translated at the rate contained in the contract. Monetary assets and liabilities arising from foreign currency transactions are translated at closing rates. Gains or losses from currency translation on these items are included in the statements of financial performance.

Generation Development

The Group incurs costs in the exploration, evaluation, consenting and construction of generation assets. Costs incurred are expensed in the statements of financial performance unless such costs are highly likely to be recouped through successful development of and generation of electricity from a particular project. Where costs meet this criteria and are capitalised they will ultimately be amortised over the estimated useful life of a project once it is completed. The Directors review the status of capitalised development expenditure on a regular basis and in the event that a project is abandoned, or if the Directors consider the expenditure to be impaired, a write off or provision is made in the year in which that assessment is made.

Goods and Services Tax (GST)

The statements of financial performance and statements of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statements of financial position are stated exclusive of GST, with the exception of billed receivables and payables which include GST invoiced.

Income Tax

The income tax expense charged to the statements of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method. Tax effect accounting has been applied on a comprehensive basis to all timing differences with the exception of certain potential differences on revalued fixed assets.

Earnings Per Share

Earnings per share is calculated by dividing the operating surplus attributable to the shareholders by the weighted average number of ordinary shares on issue during the year.

Financial Instruments

Electricity Price Risk

The Group has entered into a number of electricity hedge contracts to reduce the risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased. Any resulting differential to be paid or received is recognised as a component of energy costs through the term of the contract. Where the underlying transaction for which the electricity hedge contract is taken out no longer exists and is not expected to recur in the foreseeable future, then the derivative contracts are marked to market and any gain or loss arising is reflected in the statements of financial performance.

Interest Rate Risk

The Group has various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognised as a component of interest paid. Where the underlying transaction for which the interest rate financial instrument is taken out no longer exists and is not expected to recur in the foreseeable future, then the instruments are marked to market and any gain or loss arising is reflected in the statements of financial performance.

Exchange Rate Risk

The Group has entered into a number of forward exchange contracts to reduce the risk from price fluctuations of foreign currency costs associated with the construction of generation assets. Any resulting differential to be paid or received is recognised as a component of the cost of the project. Where the underlying transaction for which the forward exchange contract is taken out no longer exists and is not expected to recur in the foreseeable future, then the derivative contracts are marked to market and any gain or loss arising is reflected in the statements of financial performance.

Comparative Information

Where necessary, comparative information has been reclassified in order to provide a more appropriate basis for comparison.

Changes in Accounting Policies

There have been no significant changes to the accounting policies.

Note 2:

Other Fixed and Investment Asset Charges/(Credits)

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Gain on sale of investments in other companies	(360)	-	(360)	-
Loss on sale of fixed assets	1,232	418	1,228	418
Provision against advances to subsidiaries	-	-	(6,134)	8,881
	872	418	(5,266)	9,299

Note 3:

Other Operating Expenses

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Audit fees and expenses	162	125	162	125
Fees paid for other services provided by the auditors	179	125	179	125
Bad debts written off	900	850	900	850
Directors' fees	429	414	429	414
Donations	619	602	619	602
(Gain)/loss on foreign exchange	(23)	(432)	96	(432)
Generation development expenditure	10,297	14,977	9,570	6,483
Other administration costs	9,329	10,270	9,642	10,494
Rental and operating lease costs	210	143	6,770	6,691
	22,102	27,074	28,367	25,352

Note 4:

Interest Paid and Interest Received

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Amortisation of debt issue costs	976	815	976	815
Interest paid on unsecured bank loans	6,999	3,990	6,999	3,990
Interest paid on unsecured subordinated bonds	25,226	25,226	25,226	25,226
Other interest costs and fees	1,013	324	1,013	324
Interest capitalised in construction of fixed assets	(5,274)	(491)	(595)	(168)
Total interest paid	28,940	29,864	33,619	30,187
Interest received on cash and bank balances	1,584	992	1,584	992
Interest received on intercompany advances	-	-	4,870	709
Total interest received	1,584	992	6,454	1,701

Note 5:

Income Tax Expense

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Operating surplus before income tax	141,022	128,491	147,646	128,267
Tax on operating surplus @ 33%	46,537	42,402	48,723	42,328
Tax effect of permanent differences	(853)	4,910	(1,787)	5,007
Income tax over provided in prior year	(2,032)	(251)	(2,032)	(90)
	43,652	47,061	44,904	47,245
Represented by:				
Current tax	33,580	44,868	41,736	43,507
Deferred tax	10,072	2,193	3,168	3,738
	43,652	47,061	44,904	47,245

Note 6:

Dividends On Ordinary Shares

	Group and Parent			
	2007	2006	2007	2006
	Cents Per Share		$000	$000
Dividends (forfeited)/reinstated	-	-	(11)	82
Final dividend prior year	12.0	10.5	37,770	33,049
Interim dividend paid current year	13.0	11.0	40,960	34,623
Supplementary dividend paid	-	-	3,879	4,862
Foreign investor tax credit	-	-	(3,879)	(4,862)
	25.0	21.5	78,719	67,754
Final fully imputed dividend declared subsequent to balance date payable 8 June 2007 to all shareholders on the register at 25 May 2007:	14.0	12.0	44,110	37,770

Note 7:

Share Capital

	Group and Parent			
	2007	2006	2007	2006
	000's of Shares		$000	$000
Authorised and issued ordinary shares at beginning of year	314,752	314,752	173,504	173,504
Issue of shares pursuant to the employee share option scheme	323	-	1,154	-
	315,075	314,752	174,658	173,504

All shares rank equally with one vote attached to each share, have no par value and are fully paid.

Note 8:

Revaluation Reserve

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Balance at beginning of year	475,541	474,615	412,626	411,700
Revaluation of generation assets	455,514	-	402,396	-
Transfer (to)/from retained earnings	(105)	926	(104)	926
	930,950	475,541	814,918	412,626

Note 9:

Retained Earnings

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Balance at beginning of year	247,423	234,673	244,185	231,843
Operating surplus attributable to the shareholders	97,370	81,430	102,742	81,022
Transfer to/(from) revaluation reserve	105	(926)	104	(926)
Dividends on ordinary shares	(78,719)	(67,754)	(78,719)	(67,754)
	266,179	247,423	268,312	244,185

Note 10:

Accounts Receivable and Prepayments

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Billed debtors and unbilled sales	49,652	65,432	49,652	65,432
Provision for doubtful debts	(1,800)	(1,800)	(1,800)	(1,800)
Electricity market receivables	11,695	43,551	11,695	43,551
Other receivables	1,923	811	1,915	811
Prepayments	1,107	2,703	1,107	2,703
	62,577	110,697	62,569	110,697

Note 11:

Fixed Assets

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Balance at Beginning of Year				
Generation assets (at valuation)	**1,174,100**	1,174,100	**975,900**	975,900
Generation assets (at cost)	**66,971**	61,365	**10,241**	5,108
Generation assets under construction (at cost)	**18,367**	-	**3,850**	-
Generation assets accumulated depreciation	**(39,646)**	(19,744)	**(26,614)**	(13,260)
	1,219,792	1,215,721	**963,377**	967,748
Metering equipment (at cost)	**53,850**	51,150	**53,850**	51,150
Metering equipment accumulated depreciation	**(25,999)**	(23,756)	**(25,999)**	(23,756)
	27,851	27,394	**27,851**	27,394
Other freehold buildings (at cost)	**9,711**	8,584	**9,711**	8,584
Other freehold buildings accumulated depreciation	**(2,317)**	(1,898)	**(2,317)**	(1,898)
	7,394	6,686	**7,394**	6,686
Other freehold land (at cost)	**1,070**	1,122	**1,070**	1,122
	1,070	1,122	**1,070**	1,122
Other plant and equipment (at cost)	**26,633**	25,490	**23,087**	22,282
Other plant and equipment accumulated depreciation	**(19,830)**	(18,975)	**(16,285)**	(15,619)
	6,803	6,515	**6,802**	6,663
	1,262,910	1,257,438	**1,006,494**	1,009,613
Additions at Cost				
Generation assets	**199,428**	24,415	**14,296**	9,424
Metering equipment	**3,159**	2,700	**3,159**	2,700
Other freehold buildings	**870**	890	**274**	890
Other freehold land	**5,592**	-	**4,426**	-
Other plant and equipment	**4,572**	3,174	**4,571**	3,025
	213,621	31,179	**26,726**	16,039
Depreciation				
Depreciation on generation assets	**20,042**	19,909	**13,482**	13,360
Depreciation on metering equipment	**2,247**	2,243	**2,247**	2,243
Depreciation on other freehold buildings	**190**	182	**190**	182
Depreciation on other plant and equipment	**2,511**	2,800	**2,511**	2,800
	24,990	25,134	**18,430**	18,585
Disposals at Net Book Value				
Generation assets	**1,247**	435	**1,244**	435
Metering equipment	**-**	-	**-**	-
Other freehold buildings	**-**	-	**-**	-
Other freehold land	**-**	52	**-**	52
Other plant and equipment	**475**	86	**179**	86
	1,722	573	**1,423**	573
Revaluations/Transfers				
Generation assets	**456,214**	-	**403,095**	-
Metering equipment	**-**	-	**-**	-
Other freehold buildings	**-**	-	**-**	-
Other freehold land	**185**	-	**95**	-
Other plant and equipment	**(855)**	-	**(1,161)**	-
	455,544	-	**402,029**	-
Balance at End of Year				
Generation assets (at valuation)	**1,641,000**	1,174,100	**1,352,000**	975,900
Generation assets (at cost)	**-**	66,971	**-**	10,241
Generation assets under construction (at cost)	**213,145**	18,367	**14,042**	3,850
Generation assets accumulated depreciation	**-**	(39,646)	**-**	(26,614)
	1,854,145	1,219,792	**1,366,042**	963,377
Metering equipment (at cost)	**57,009**	53,850	**57,009**	53,850
Metering equipment accumulated depreciation	**(28,246)**	(25,999)	**(28,246)**	(25,999)
	28,763	27,851	**28,763**	27,851
Other freehold buildings (at cost)	**10,581**	9,711	**9,985**	9,711
Other freehold buildings accumulated depreciation	**(2,507)**	(2,317)	**(2,507)**	(2,317)
	8,074	7,394	**7,478**	7,394
Other freehold land (at cost)	**6,847**	1,070	**5,591**	1,070
	6,847	1,070	**5,591**	1,070
Other plant and equipment (at cost)	**29,028**	26,633	**25,926**	23,087
Other plant and equipment accumulated depreciation	**(21,494)**	(19,830)	**(18,404)**	(16,285)
	7,534	6,803	**7,522**	6,802
	1,905,363	1,262,910	**1,415,396**	1,006,494

Generation assets include freehold land and buildings which are not separately identifiable from other generation assets. Generation assets were revalued as at 31 March 2007 to their estimated market value as determined by Deloitte Corporate Finance.

Note 12:

Investments in Subsidiaries

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Shares at cost	-	-	65,577	65,577
Net advances to subsidiaries	-	-	294,385	121,347
Provision against advances to subsidiaries	-	-	(9,993)	(16,127)
	-	-	349,969	170,797

Significant Subsidiaries (31 March balance dates)	Country of Incorporation	% Owned	Principal Activity
Cobb Power Limited	New Zealand	100	Asset holding
Pulse Business Solutions Limited	New Zealand	100	Call services operator
Sellicks Hill Wind Farm Pty Ltd	Australia	100	Generation development
Snowtown Wind Farm Pty Ltd	Australia	100	Generation development
Tararua Wind Power Limited	New Zealand	100	Asset holding
TrustPower Australia Holdings Pty Ltd	Australia	100	Generation development
TrustPower Australia (New Zealand) Limited	New Zealand	100	Holding company

Note 13:

Intangible Customer Base Assets

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Intangible customer base assets (at cost)	63,765	61,270	63,765	61,270
Intangible customer base assets accumulated amortisation	(25,312)	(22,248)	(25,312)	(22,248)
	38,453	39,022	38,453	39,022

On 30 March 2007 the Company purchased a telecommunication service provider and call centre operator, for a cash consideration of $3,747,000. There were no material operating results for this acquisition affecting the statements of financial performance for the year. The assets and liabilities of the acquisition at the purchase date were as follows:

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Consideration:				
Cash	3,747	-	3,747	-
Assets and Liabilities Acquired:				
Accounts receivable and prepayments	1,141	-	1,141	-
Fixed assets	255	-	255	-
Intangible customer base assets	2,495	-	2,495	-
Accounts payable and accruals	(144)	-	(144)	
	3,747	-	3,747	-

Note 14:

Accounts Payable and Accruals

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Capital expenditure accruals	36,793	-	36,793	-
Customer bond deposits	2,960	3,091	2,960	3,091
Electricity market payables	27,349	75,011	27,349	75,011
Employee entitlements	3,873	3,694	3,873	3,694
Interest accruals	3,194	2,451	3,194	2,451
Net GST payable	1,616	715	1,564	715
Other accounts payable and accruals	12,818	9,706	6,408	3,183
Trade accounts payable	32,170	32,603	32,170	32,603
	120,773	127,271	114,311	120,748

Note 15:

Unsecured Bank Loans

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Repayment terms:				
Zero to one year	**100,000**	63,900	**100,000**	63,900
Two to five years	**76,700**	-	**76,700**	-
Over five years	**38,317**	2,917	**38,317**	2,917
Facility establishment costs	**(3,405)**	(3,584)	**(3,405)**	(3,584)
	211,612	63,233	**211,612**	63,233
Weighted average interest:				
Zero to one years	**7.8%**	7.6%	**7.8%**	7.6%
Two to five years	**7.8%**	-	**7.8%**	-
Over five years	**8.1%**	7.7%	**8.1%**	7.7%
	7.8%	7.6%	**7.8%**	7.6%

The Group has revolving bank loan facilities of $300,000,000 (2006: $300,000,000) available, $176,700,000 (2006: $63,900,000) of this facility has been drawn down at balance date. The facility interest is priced at between call and 180 day rates and $200,000,000 (2006: $300,000,000) of the facility is available for a period of greater than one year.

The Group has a table bank loan facility of $110,909,000 (2006: $110,909,000) available, $38,317,000 (2006: $2,917,000) of this facility has been drawn down at balance date. The facility interest is priced at between 30 and 180 day rates and matures in fourteen years.

All of the Group borrowings are unsecured. The Group borrows under a negative pledge arrangement with its bank loan providers which, with limited exceptions, does not permit the Group to grant any security interest over its assets. The negative pledge deed requires the Group to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The banking arrangements may also create restrictions over the sale or disposal of certain assets unless the bank loans are repaid or renegotiated, specifically:

- The revolving bank loan facilities require a continuation of the existing business operations. There are no costs to cancel the facilities.
- The table bank loan facility requires continued ownership of at least 30% in relation to generation assets under construction with a book value of $162,737,000 (2006: $14,517,000). There are no costs to cancel the facility.

A subsidiary company has entered into a fully defeased cross border lease in relation to generation assets with a book value of $65,500,000 (2006: $61,348,000). The lease liability is not recognised in these financial statements as all obligations have been prepaid to the respective lessors. This creates restrictions on the disposal of the asset unless the subsidiary company holding the assets is part of the disposal. The lease expires in January 2018 and is subject to a potential termination payment in the event that the subsidiary wishes to terminate the lease up to a maximum value of $5,415,000 (2006: $5,591,000).

Note 16:

Unsecured Subordinated Bonds

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Repayment terms and interest:				
Maturing in September 2007, 8.3% p.a. fixed coupon rate	**86,182**	86,182	**86,182**	86,182
Maturing in December 2008, 8.3% p.a. fixed coupon rate	**50,511**	50,511	**50,511**	50,511
Maturing in September 2012, 8.5% p.a. fixed coupon rate	**108,592**	108,592	**108,592**	108,592
Maturing in March 2014, 8.5% p.a. fixed coupon rate	**54,713**	54,713	**54,713**	54,713
Bond issue costs	**(2,459)**	(3,255)	**(2,459)**	(3,255)
	297,539	296,743	**297,539**	296,743
Current portion	**86,182**	-	**86,182**	-
Non current portion	**211,357**	296,743	**211,357**	296,743
	297,539	296,743	**297,539**	296,743

At maturity the bonds can be converted at the option of the Company to ordinary shares based on the market price of ordinary shares at the time.

Note 17:

Deferred Tax Liability

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Balance at beginning of year	**48,280**	46,087	**35,286**	31,548
Current year timing differences	**10,072**	2,193	**3,168**	3,738
	58,352	48,280	**38,454**	35,286
Consisting of:				
Depreciation differences	**60,366**	50,225	**40,468**	37,232
Employee benefits	**(1,272)**	(1,243)	**(1,272)**	(1,243)
Provisions	**(727)**	(716)	**(727)**	(716)
Other	**(15)**	14	**(15)**	13
	58,352	48,280	**38,454**	35,286
The tax effect of timing differences relating to revalued fixed assets has not been recognised in the financial statements where it is not expected to reverse in the foreseeable future. The unprovided liability that would crystallise only in the event where all revalued fixed assets were disposed of for consideration equivalent to or exceeding their revalued amounts is:	**49,440**	43,520	**36,934**	33,092
The deferred tax asset relating to timing differences and tax losses in Australia not recognised in the financial statements due to lack of certainty over the recoverability of the asset is:	**(4,375)**	(4,827)	**-**	-

Note 18:

Reconciliation of Net Cash Flow from Operating Activities with Operating Surplus Attributable to the Shareholders

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Operating surplus attributable to the shareholders	**97,370**	81,430	**102,742**	81,022
Non cash items:				
Amortisation of debt issue costs	**976**	815	**976**	815
Amortisation of intangible customer base assets	**3,063**	3,063	**3,063**	3,063
Depreciation	**24,990**	25,134	**18,430**	18,585
Other fixed and investment asset charges/(credits)	**872**	418	**(5,266)**	9,299
Share option provision transfer	**133**	-	**133**	-
Intercompany charges	**-**	-	**9,849**	6,315
Increase in deferred tax liability	**10,072**	2,193	**3,168**	3,738
	40,106	31,623	**30,353**	41,815
Movement in working capital items:				
Accounts receivable and prepayments	**48,120**	(36,248)	**48,128**	(36,278)
Taxation payable/receivable	**(6,783)**	3,066	**(6,783)**	4,387
Accounts payable and accruals (excluding capital expenditure accruals)	**(43,291)**	39,060	**(43,230)**	32,715
	(1,954)	5,878	**(1,885)**	824
Net cash flow from operating activities	**135,522**	118,931	**131,210**	123,661

Note 19:

Financial Instruments

An explanation of the Group's policies regarding the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities is detailed in Note 1. The Directors estimate that the carrying amounts of all financial instruments are equal to their fair values except where disclosed below.

Credit Risk
The Group minimises its credit risk by limiting transactions to counterparties with high credit ratings and limiting the amount of funds placed with any party at one time. The Group does not require collateral or other security to support financial instruments incorporating credit risk with the exception of bond deposits on trust held for customers not meeting credit policy requirements. While the Group may be subject to credit losses up to the notional principal or contract amounts in the event of non-performance by its counterparties, it does not expect such losses to occur. At balance date the Company had a concentration of credit risk to four groups of companies which represented 23% (2006: 38%) of billed debtors and unbilled sales. Management monitors this exposure on a monthly basis within established guidelines.

Electricity Price Risk
The Group has entered into a number of electricity hedge contracts in order to reduce the risk from price fluctuations on the electricity spot market. The total contracted at balance date was 1,209 GWh of electricity (2006: 2,143 GWh) at a contract value of $79,463,000 (2006: $128,226,000). The contract expiry dates range from one to three years. The fair value of the contracts can vary day to day as the spot market for electricity varies. The secondary market for the contracts is not sufficiently active in order to obtain a reliable market based measure of their fair value.

Interest Rate Risk
The Group has entered into a number of interest rate derivative products to reduce the impact of changes in interest rates on its floating rate unsecured bank loans. The total underlying value of debt subject to these agreements at balance date amounted to $95,000,000 (2006: $70,000,000). The agreement expiry dates range from one to three years with a weighted average interest rate of 6.6% (2006: 6.6%). The unrecognised fair value of these agreements is a gain of $1,783,000 (2006: loss of $243,000).

The Group has issued unsecured subordinated bonds with fixed coupon and maturity dates. The bonds are recorded at face value. Applying the market value of the bonds at balance date would result in an increase in the total bond liability of $2,250,000 (2006: increase of $7,713,000).

Exchange Rate Risk
The Group has entered into a number of forward exchange contracts to reduce the impact of changes in exchange rates on its capital commitments for the construction of generation assets. The total contracted face value at balance date was $113,738,000 (2006: $114,811,000). The contract expiry dates range from one to two years. The unrecognised fair value of these agreements is a loss of $2,871,000 (2006: gain of $16,804,000).

Note 20:

Imputation Credit Account	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Balance at beginning of year	**9,207**	816	**9,207**	816
Tax paid	**36,401**	36,900	**36,401**	36,900
Allocated to dividends	**(34,899)**	(28,468)	**(34,899)**	(28,468)
Other movements	**(5)**	(41)	**(5)**	(41)
Balance at end of year	**10,704**	9,207	**10,704**	9,207

Note 21:

Emission Rights	Group 2007	Group 2006	Parent 2007	Parent 2006
Verified Voluntary Emission Reductions (Tonnes $CO_{2\text{-}e}$)				
Rights verified during the year	**223,000**	-	**223,000**	-
Rights sold during the year	**(10,000)**	-	**(10,000)**	-
Rights unsold at end of year	**213,000**	-	**213,000**	-

The Verified Voluntary Emission Reductions above relate to completed generation production for the period 1 January 2004 to 31 December 2006.

Kyoto Carbon Credits
The Group has received 1,476,000 (2006:1,476,000) tonnes of carbon emission rights from the New Zealand Government in relation to completed or under construction generation facilities. This represents the maximum rights based upon specified levels of generation output from the new facilities for the period 1 January 2008 to 31 December 2012 and is reliant on the ongoing support of the Kyoto protocol and emission rights within the international community. This potential revenue source is taken into consideration in the evaluation of generation development projects and in the valuation of the generation assets.

Note 22:

Contingent Liabilities, Operating Leases, Subsequent Events and Capital Commitments

The Group is not aware of any material contingent liabilities at balance date (2006: nil).

The Group is not party to any material operating leases at balance date (2006: nil).

The Group is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

The Group has announced that it is expanding the Tararua wind farm, progressing with the Waipori hydro enhancement and constructing a wind farm near Snowtown in South Australia. Contractual agreements for the supply of the significant components of these developments have been entered into and the total cost of the projects is expected to be $417,590,000 (2006: $180,410,000). At balance date, $213,145,000 (2006: $14,517,000) has been spent on the developments. The Group is not aware of any other material capital commitments.

Note 23:

Related Party Transactions

No material transactions took place with related parties during the year except for transactions with H.R.L. Morrison & Co Limited and related entities and Finlaysons. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and Mr HRL Morrison, a Director of TrustPower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited and a Director of Infratil Limited. Infratil Limited is a significant shareholder in TrustPower Limited and $94,000 (2006: $80,000) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services.

Mr JG Schultz is a Director of the TrustPower Australian subsidiary companies and is a Partner in the Adelaide based law firm of Finlaysons. $138,000 (2006: $198,000) was paid to Finlaysons during the year for legal services.

Note 24:

Employee Share Option Scheme

The Company has issued share options to certain employees. Each option issued under the Scheme converts to one ordinary share on exercise when employees are required to pay a non-refundable amount for the issue of the ordinary share (the exercise price). The options may be exercised any time after three years from issue date up until expiry, are non-transferable and conditional on the individual employee's continued employment through this period. The exercise price is adjusted by an equity rate of return, dividends paid and capital structure changes from issue date up until the point at which the employee exercises the option.

	Group and Parent			
	Number		Exercise Price $	
	2007	2006	**2007**	2006
Options Outstanding:				
Tranche A issued November 2003, expiring February 2009	**197,000**	520,000	**3.12**	3.03
Tranche B issued May 2004, expiring August 2010	**60,000**	60,000	**4.62**	4.47
Tranche C issued November 2004, expiring February 2010	**440,000**	480,000	**5.59**	5.40
Tranche D issued May 2006, expiring June 2012	**420,000**	-	**6.98**	-
	1,117,000	1,060,000		
Options Exercised:				
Tranche A	**323,000**	-	**3.16**	-
Tranche B	**-**	-	**-**	-
Tranche C	**-**	-	**-**	-
Tranche D	**-**	-	**-**	-
	323,000	-		
Options Lapsed:				
Tranche A	**-**	60,000		
Tranche B	**-**	-		
Tranche C	**40,000**	40,000		
Tranche D	**40,000**	-		
	80,000	100,000		

The Company is required to fair value options at the point of issue and to expense this value over the period from issue date to first exercise date. The fair value of the 460,000 options issued in the current year was determined to be 72 cents. $197,000 (2006: $121,000) has been recognised as an expense in the statements of financial performance resulting from the allocation of the determined cost of all tranches of options for the year.

Note 25:

Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZIFRS)

The Group will commence financial reporting under NZIFRS from 1 April 2007. To comply with NZIFRS for the first time, TrustPower will restate the comparative financial statements previously issued under New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice (NZGAAP) to NZIFRS. TrustPower is well advanced in its program of reviewing the impact of NZIFRS on its financial statements. The final impact will not be determined until the reporting period commencing 1 April 2007 occurs as NZIFRS are still subject to change and some of the more technical differences continue to be worked through by the Group.

In order to assist with interpretation, the tables below provide a summary of the more significant items affecting the statements of financial performance and financial position, however the actual impact of adopting NZIFRS may materially vary from the information presented below:

	Current Reporting	Adjustments	To Be Reported
Consolidated Statement of Financial Performance for the Year Ended 31 March 2007	NZGAAP $000	NZIFRS* $000	NZIFRS* $000
EBITDA	196,431	-	196,431
Amortisation of intangible customer base assets	3,063	-	3,063
Depreciation	24,990	-	24,990
Net interest paid	27,356	(2,026)	25,330
Operating Surplus Before Income Tax	141,022	2,026	143,048
Income tax expense	43,652	(890)	42,762
Operating Surplus Attributable to the Shareholders	97,370	2,916	100,286
Consolidated Statement of Financial Position as at 31 March 2007			
Assets:			
- Interest rate swap agreements (A)	-	1,783	1,783
- Intangible customer base assets	38,453	1,229	39,682
- Other assets	2,021,610	-	2,021,610
TOTAL ASSETS	2,060,063	3,012	2,063,075
Liabilities:			
- Deferred tax liability (B)	58,352	152,058	210,410
- Foreign exchange contracts (A)	-	2,871	2,871
- Other liabilities	629,924	-	629,924
TOTAL LIABILITIES	688,276	154,929	843,205
SHAREHOLDERS' EQUITY(C)	1,371,787	(151,917)	1,219,870

*The fair value of electricity hedge contracts is not included as it has not been finalised. Adjustments to deferred tax liability and operating surplus resulting from the individual asset allocations of the revaluation of assets in the current year is not included as it has not been determined.

(A) Financial Instruments

TrustPower is party to a number of financial instrument contracts. Under NZIFRS these contracts will need to be valued and recognised "on balance sheet" as cash flow hedges. Resulting movements in the fair value of the financial instruments will be reported in the statements of financial performance each reporting period unless the Group can prove that a financial instrument qualifies for hedge accounting where it will be recorded as a movement in equity. NZGAAP allows for note disclosure of quantities and values of financial instruments rather than recognition on the face of the primary financial statements.

As the financial instrument contracts of the Group are transacted to protect the Group's risk position and not for speculative purposes, the majority of instruments will qualify for hedge accounting. NZIFRS details specific requirements for hedge accounting and the Group intends meeting these requirements for material transactions. Valuation methodology development for the electricity hedge contracts is not expected to be completed until the first interim financial statements are issued following adoption of NZIFRS on 1 April 2007.

(B) Deferred Tax Liability

Under NZIFRS TrustPower is required to recognise a deferred tax liability in respect of all differences between the Group book values and the taxation authority book values with the exception of differences in relation to non depreciating assets. This "balance sheet" approach effectively creates an additional deferred tax liability on the revaluation amounts and other historic base differences of the generation assets. NZGAAP uses a "profit and loss account" approach to deferred tax recognition where a partial recognition of these differences is made through assessing historic timing differences that have occurred. Deferred tax on the fair value adjustment of electricity hedge contracts and the current year revaluation of any depreciating assets has not been determined.

(C) Revaluation of Generation Assets

The final allocation of revaluations to individual assets required by NZIFRS has not been completed and will only be determined prior to the issue of the first interim financial statements following adoption of NZIFRS on 1 April 2007. This allocation will determine the valuation of depreciable assets separately from non depreciable assets which has a direct impact on the deferred tax liability above. Any individual assets where the net revaluation results in a debit to the revaluation reserve will be transferred to retained earnings where this relates to prior years and through the statements of financial performance where this relates to the current year. The impact of these adjustments has not been determined.

Statutory Information

Interests Register

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

The matters set out below were recorded in the Interests Register of the Company during the financial year.

General Notice of Interests by Directors

The Directors of the Company have declared interests in the following identified entities.

Director	Interest	Entity
Harold Mervyn Titter	Director	Port of Tauranga Limited
	Director	Guilford Investments Limited
	Director	Tararua Wind Power Limited
	Director	Cobb Power Limited
Michael James Cooney	Trustee	Tauranga Energy Consumer Trust
	Director	TECT Holdings Limited
	Partner	Cooney Lees & Morgan
Ronald Powell Carter	Director	Rugby New Zealand 2011 Limited
	Director	Rural Equities Limited
	Director	Rural Equities Trust Management Limited
	Director	Cabletalk Limited
	Chairman	Committee for Auckland
Bruce James Harker	Director	TrustPower Metering Limited
	Director	Te Maunga Power Limited
	Director	Morrison Capital Limited
	Director	Energy Developments Limited
	Director	Victoria Electricity Pty Ltd
	Director	Infratil Energy Australia Pty Ltd
Hugh Richmond Lloyd Morrison	Director	Wellington International Airport Limited
	Director	Infratil Limited
	Director	Infratil Energy Australia Pty Ltd
	Director	Morrison Capital Limited
	Director	nzxsports.com Limited
	Director	Hettinger Nominees Limited
	Director	Morse Media Limited
	Chairman	H.R.L Morrison & Co (Australia) Pty Ltd
	Chairman	H.R.L. Morrison & Co Limited
	Chairman	Morrison & Co. Infrastructure Management Limited
	Chairman	HRL Morrison & Co Group Limited
	Chairman	Infratil Airports Europe Limited
Geoffrey Jon Campbell Swier	Associate	Farrier Swier Consulting Pty Ltd
	Member	Australian Energy Regulator
	Associate Member	Australian Competition and Consumer Commission

Information Used by Directors

During the financial year there were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors which would not otherwise have been available to them.

Directors Holding Office and their Remuneration

The Directors holding office as at 31 March 2007 and during the year to 31 March 2007 are listed below. The total amount of the remuneration and other benefits received by each Director, and each former Director during the financial year, and responsibility held, is listed next to their names.

Director	Remuneration	Responsibility Held
Harold Mervyn Titter	$112,000	Chairman of Board Member of Audit Committee Member of Remuneration Committee Independent Director Director of Cobb Power Limited Director of Tararua Wind Power Limited
Bruce James Harker	$84,000	Deputy Chairman Non-executive Director Chairman of Audit Committee Member of Remuneration Committee Director of TrustPower Metering Limited
Ronald Powell Carter	$66,000	Independent Director Member of Audit Committee
Hugh Richmond Lloyd Morrison	$56,000	Non-executive Director
Michael James Cooney	$56,000	Non-executive Director
Simon Venn Young[1]	$42,000	Non-executive Director
Geoffrey Swier[2]	$13,000	Independent Director Member of Remuneration Committee

[1] Simon Young resigned as a Director on 17 January 2007

[2] Geoffrey Swier was appointed as a Director on 25 January 2007

Indemnification and Insurance of Directors and Executives

During the financial year the Company paid insurance premiums in respect of Directors' and certain executive employees' liability insurance, as permitted by the Company's Constitution and the Companies Act 1993. The policies do not specify the premium for individuals. This insurance extends to Directors and certain executive employees acting in the capacity of a director or on behalf of a subsidiary or related company.

The Directors' and executive employees' liability insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their capacity as Director or executive employee unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

The Company has entered into deeds of indemnity in respect of each Director, the Chief Executive, Chief Financial Officer and Company Secretary, Strategic Business Development Manager, Generation Manager, Energy Sales Manager and Trading and Risk Manager whereby each such Director and executive employee is indemnified against the types of liability and costs described above, as permitted by the Company's Constitution and the Companies Act 1993.

Subsidiary Company Directors

Set out below are details of the Directors of TrustPower's subsidiaries as at 31 March 2007. No person ceased to hold office as Director of a subsidiary during the financial year.

Director as at 31 March 2007	TrustPower Group Company
Keith Neville Tempest	Tararua Wind Power Limited
	Cobb Power Limited
	TrustPower Metering Limited
	TrustPower Australia (New Zealand) Limited
	Bay Energy Limited
	Pulse Business Solutions Limited (formerly Kaimai Wind Power Limited)
	Paehinahina Mourea Geothermal Limited
	Taheke Geothermal Limited
	Waikaremoana Power Limited
	TrustPower Australia Holdings Pty Ltd
	Snowtown Wind Farm Pty Ltd
	Sellicks Hill Wind Farm Pty Ltd
	Sellicks Hill / Myponga Wind Farm Pty Ltd
Harold Mervyn Titter	Tararua Wind Power Limited
	Cobb Power Limited
Bruce James Harker	TrustPower Metering Limited
Jeremy Graeme Schultz	TrustPower Australia Holdings Pty Ltd
	Snowtown Wind Farm Pty Ltd
	Sellicks Hill Wind Farm Pty Ltd
	Sellicks Hill / Myponga Wind Farm Pty Ltd
Rangi Tumoana Manuel	Waikaremoana Power Limited
Tamaroa Raymond Nikora	Waikaremoana Power Limited

No Directors' fees or other benefits were paid in relation to these Directorships during the financial year. The remuneration and other benefits received by employees acting as Directors of subsidiaries during the financial year is disclosed in the relevant bandings for employee remuneration.

Mr JG Schultz is a Partner in the Adelaide based law firm of Finlaysons. Finlaysons has acted for the Australian based subsidiaries in certain legal related matters and received $138,000 during the year to 31 March 2007 for legal services provided.

General Notice of Interests by Directors of Subsidiary Companies

Director	Interest	Entity
Keith Neville Tempest	Chief Executive	TrustPower Limited
	Director	GAP Business Solutions Limited
	Director	New Zealand Bus Limited
	Director	New Zealand Bus Finance Limited
Harold Mervyn Titter*		
Bruce James Harker*		
Jeremy Graham Schultz	Partner	Finlaysons Adelaide

* Refer General Notice of Interests by Directors

Information Used by Directors of Subsidiaries

During the financial year there were no notices from Directors of subsidiary companies requesting to disclose or use subsidiary company information received in their capacity as Directors which would not otherwise have been available to them.

Employee Remuneration

During the financial year the number of employees or former employees (including employees holding office as Directors of subsidiaries) who received remuneration and other benefits in their capacity as employees of the Company, the value of which was or exceeded $100,000 per annum was as follows:

Remuneration Ranges	Number of Employees
$100,000 – 109,999	6
$110,000 – 119,999	5
$120,000 – 129,999	1
$130,000 – 139,999	1
$140,000 – 149,999	3
$150,000 – 159,999	3
$160,000 – 169,999	5
$170,000 – 179,999	1
$180,000 – 189,999	3
$240,000 – 249,999	1
$270,000 – 279,999	1
$310,000 – 319,999	1
$330,000 – 339,999	1
$410,000 – 419,999	1
$440,000 – 449,000	1
$460,000 – 469,000	1
$860,000 – 869,000	1

Directors' Transactions and Relevant Interests in Securities of the Company

The relevant interests of Directors in securities of the Company as at 31 March 2007 are listed below together with transactions by Directors in securities of the Company during the financial year.

Director	Number Acquired/ (Disposed)	$ Amount Paid/ (Received)	Date	Class of Security	Number Held at 31 March 2007	Number Held at 31 March 2006
RP Carter Family Trust	-	-	-	Bonds	200,000	200,000
BJ Harker	-	-	-	Bonds	50,000	50,000
Guilford Investments Limited	-	-	-	Shares	20,000	20,000
				Bonds	50,000	50,000
MJ Cooney (beneficial)	-	-	-	Shares	1,000	1,000
MJ Cooney (non beneficial)	-	-	-	Bonds	150,000	150,000
MJ Cooney (non beneficial)	14,000,000	82,600,000	3 January 2007	Shares	103,878,838	89,878,838
HRL Morrison (non beneficial)	74,820,446	444,939,661	29 December 2006	Shares	159,215,388	110,744,942
	(14,000,000)	(82,600,000)	3 January 2007	Shares		
	(12,350,000)	(86,450,000)	3 January 2007	Shares		

The non beneficial shares recorded for MJ Cooney are held in his capacity as a Director of TECT Holdings Limited. These were previously held by MJ Cooney in his capacity as Trustee of the Tauranga Energy Consumer Trust.

The non beneficial bonds recorded for MJ Cooney are held in his capacity as Trustee for an estate and a private trust.

The non beneficial shares recorded for HRL Morrison are held in his capacity as a Director of Infratil Limited.

Infratil Energy Limited entered into an agreement for the sale and purchase of all the ordinary shares in Alliant Energy New Zealand Limited ("AENZ") from Alliant Energy International, Inc on 31 October 2006, which was completed 29 December 2006. AENZ held 74,820,446 ordinary shares in the Company.

Infratil subsequently completed on 3 January 2007 a market placement of 12,350,000 ordinary shares in the Company at a price of $7.00 per share, and the transfer of 14,000,000 ordinary shares to TECT Holdings Limited at a price of $5.90 per share.

Guilford Investments Limited is a company owned by HM Titter and ME Titter.

The Company was not advised of any other security transactions by any Director during the year.

Security Holder Information

Substantial Security Holders

The Company's register of substantial security holders, prepared in accordance with Section 26 of the Securities Markets Act 1988 recorded the following information at 1 May 2007.

Security Holder	Class of Security	Number
Infratil Limited	Shares	159,215,388
TECT Holdings Limited	Shares	103,878,838

As at 1 May 2007, TrustPower Limited had 315,074,872 ordinary shares on issue.

Spread of Holders (as at 1 May 2007)

Shares	Holders	%	Shares	%
1 to 999	862	6.51%	376,891	0.12%
1,000 to 1,999	1,593	12.03%	1,899,095	0.60%
2,000 to 4,999	9,690	73.18%	22,262,907	7.07%
5,000 to 9,999	718	5.42%	4,580,573	1.45%
10,000 to 49,999	328	2.48%	5,166,361	1.64%
50,000 to 99,999	15	0.11%	1,028,657	0.33%
100,000 to 499,999	25	0.19%	5,903,797	1.87%
500,000 to 999,999	4	0.03%	2,591,313	0.82%
1,000,000 plus	7	0.05%	271,265,278	86.10%
	13,242	100.00%	315,074,872	100.00%

Bonds	Holders	%	Bonds	%
1 to 999	-	0.00%	-	0.00%
1,000 to 1,999	1	0.01%	1,000	0.00%
2,000 to 4,999	6	0.08%	20,000	0.01%
5,000 to 9,999	1,038	14.06%	5,827,000	1.94%
10,000 to 49,999	4,924	66.69%	99,849,000	33.28%
50,000 to 99,999	989	13.39%	57,897,000	19.30%
100,000 to 499,999	381	5.16%	55,746,000	18.58%
500,000 to 999,999	22	0.30%	12,445,000	4.15%
1,000,000 plus	23	0.31%	68,213,000	22.74%
	7,384	100.00%	299,998,000	100.00%

Domicile of Holders (as at 1 May 2007)

Shares	Holders	%	Shares	%
New Zealand	13,042	98.49%	314,649,502	99.86%
Australia	139	1.05%	292,266	0.09%
United Kingdom	18	0.14%	31,983	0.01%
United States of America	14	0.10%	49,674	0.02%
Other	29	0.22%	51,447	0.02%
	13,242	100.00%	315,074,872	100.00%

Bonds	Holders	%	Bonds	%
New Zealand	7,318	99.11%	297,772,000	99.26%
Australia	26	0.35%	557,000	0.19%
United States of America	10	0.14%	550,000	0.18%
United Kingdom	7	0.09%	268,000	0.09%
Other	23	0.31%	851,000	0.28%
	7,384	100.00%	299,998,000	100.00%

Voting Rights

Every shareholder present in person, by proxy or by representative, on a vote by voices or a show of hands has one vote, and on a poll has one vote for each fully paid share held.

Stock Exchange Listing

The Company's shares and bonds are listed on the NZSX and NZDX, respectively.

Current Credit Rating Status

TrustPower does not currently have an external credit rating.

Current NZX Waivers

NZX has granted a waiver dated 23 March 2006 from NZSX Listing Rule 8.1.7 (change of option exercise price or number of underlying securities) to enable the Company to issue options under the Company's Executive Share Option Plan dated 28 February 2006 (as amended on 12 May 2006) in accordance with the exercise price formula contained in the Rules of the Plan. That exercise price formula permits the exercise price to be recalculated on a daily basis which may not be permitted by Listing Rule 8.1.7. The waiver has been granted on the condition that options outstanding issued under the Plan do not exceed 1% of the total shares of the Company. This waiver was varied on 6 July 2006 to permit TrustPower to vary the exercise price of options issued on 29 May 2006 by amending the formula to permit the dividend with a record date of 26 May 2006 to be included in the calculation of the exercise price, notwithstanding that the record date of such dividends was prior to the issue date of the options.

NZX has granted a waiver dated 25 May 2006 from NZSX Listing Rule 7.3.1(a) (prohibition on issue) to enable the Company to obtain approval from shareholders at its annual meeting in July 2006 to issue further series of bonds under its Bond Programme within specified key terms and conditions, notwithstanding that the precise terms and conditions of the Bonds as required by Listing Rule 7.3.1(a) could not be provided.

NZX Disciplinary Action

There has been no action taken by NZX in relation to the Company under Listing Rule 5.4.2.

Largest Security Holders (as at 1 May 2007)

Rank	Holder Name	Shares	%
1	Infratil Limited	159,215,388	50.53
2	TECT Holdings Limited	103,878,838	32.97
3	Citibank Nominees (New Zealand) Limited*	1,963,773	0.62
4	Custodial Services Limited A/C 3	1,794,921	0.57
5	HSBC Nominees (New Zealand) Limited*	1,680,629	0.53
6	National Nominees New Zealand Limited*	1,566,759	0.50
7	ANZ Nominees Limited*	1,510,742	0.48
8	AMP Investments Strategic Equity Growth Fund*	732,910	0.23
9	Custodial Services Limited A/C 2	689,619	0.22
10	NZ Superannuation Fund Nominees Limited*	644,819	0.21
11	AMP Life Limited*	523,965	0.17
12	TEA Custodians Limited*	451,720	0.14
13	HSBC Nominees (NZ) Limited*	441,295	0.14
14	Asteron Life Limited*	375,971	0.12
15	NZGT Nominees Limited - AIF Equity Fund*	373,114	0.12
16	ASB Nominees Limited - 100652 MI A/C	345,938	0.11
17	Custodial Services Limited A/C 1	301,625	0.10
18	Custody and Investment Nominees Limited*	295,136	0.09
19	New Plymouth District Council*	293,446	0.09
20	FNZ Custodians Limited	270,262	0.09
		277,350,870	88.03

* These names are registered in the name of New Zealand Central Securities Depository Limited.

Rank	Holder Name	Bonds	%
1	Custodial Services Limited A/C 3	12,618,000	4.21
2	Investment Custodial Services Limited	6,103,000	2.04
3	Custodial Services Limited A/C 2	5,391,000	1.80
4	FNZ Custodians Limited	5,042,000	1.68
5	Sterling Holdings Limited	4,922,000	1.64
6	Private Nominees Limited	4,841,000	1.61
7	TEA Custodians Limited*	3,764,000	1.26%
8	TSB Bank Limited	3,000,000	1.00
9	Forsyth Barr Custodians Limited	2,732,000	0.91
10	Eastern Central Community Trust Inc	2,250,000	0.75
11	Citibank Nominees (New Zealand) Limited*	2,040,000	0.68
12	Custodial Services Limited A/C 1	2,018,000	0.67
13	Presbyterian Savings & Development Society of New Zealand Incorporated	1,700,000	0.57
14	Brycharl Corporation Limited	1,500,000	0.50
15	Forsyth Barr Custodians Limited	1,448,000	0.48
16	NZ Guardian Trust Investment Nominees Limited*	1,343,000	0.45
17	Custodial Services Limited A/C 4	1,290,000	0.43
18	ASB Nominees Limited	1,211,000	0.40
19	Carter Holt Harvey Retirement Plan	1,000,000	0.33
20	Fidelity Life Assurance Company Limited	1,000,000	0.33
		65,213,000	21.74

* These names are registered in the name of New Zealand Central Securities Depository Limited.

Financial Calendar

Annual General Meeting
26 July 2007

First quarter interim announcement
26 July 2007

Payment September bond interest
14 September 2007

Second quarter interim announcement
25 October 2007

Record date interim dividend
30 November 2007

Payment December bond interest
14 December 2007

Payment interim dividend
14 December 2007

Third quarter interim announcement
31 January 2008

Payment of March bond interest
14 March 2008

Full year announcement
8 May 2008

Record date of final dividend
23 May 2008

Payment of final dividend
6 June 2008

Payment of June bond interest
13 June 2008

Annual report due
30 June 2008

Directory

Board of Directors

Harold M Titter – Chairman
Sir Ronald P Carter
Michael J Cooney
Bruce J Harker – Deputy Chairman
HR Lloyd Morrison
Geoffrey JC Swier

Registered Office

TrustPower Building
Truman Road
Te Maunga
Mount Maunganui

Website

www.trustpower.co.nz

Email Address

trustpower@trustpower.co.nz

Postal Address

Private Bag 12023
Tauranga
Telephone: 07 574 4800
Facsimile: 07 574 4825

Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland

Share Registrar

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland
Telephone: 09 488 8700
Facsimile: 09 488 8787

Shareholders with enquiries about transactions, change of address or dividend payments should contact the Share Registrar.

Stock Exchange Listing

New Zealand Exchange Limited
Level 2 NZX Centre
11 Cable Street
Wellington

TrustPower

Annual Report 2007