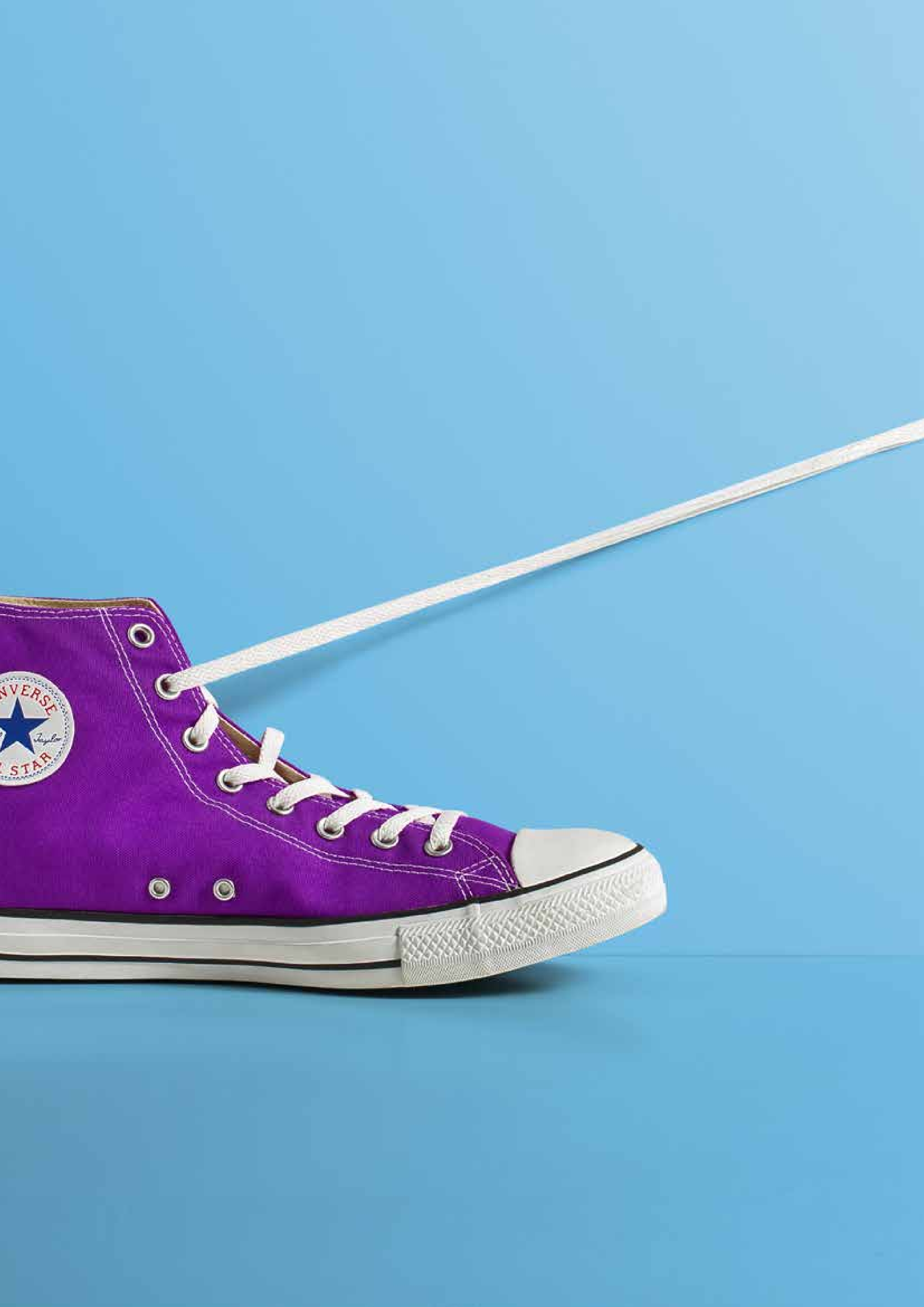

different because...

WE BELIEVE IN IMPROVING THE CLARITY OF OUR FINANCIAL REPORTING

TRUSTPOWER FINANCIAL STATEMENTS

Financial Statements Review

Trustpower is pleased to present a new structure for our audited financial statements. The new structure is designed to improve the clarity and usefulness of this report.

The first major change is the new sequence to the notes. They are now grouped into the broad categories the Directors consider the most relevant when evaluating the performance of Trustpower.

The sections are:

Retail	Notes 3 – 7
Generation	Notes 8 – 13
Debt	Notes 14 – 16
Equity	Notes 17 – 21
Tax, Related Parties & Other Notes	Notes 22 – 27

There is also an appendix, from notes A1 to A19, which contains additional detailed disclosure readers may wish to use to supplement the disclosures in the primary sections of notes listed above.

The second change has been to make additional disclosures. The most significant of these is the new profitability analysis notes 3 & 8 for the Retail and Generation segments. In some cases disclosures have been removed where they were considered to be duplicated, immaterial, or in the case of some accounting policies, merely a repeat of a mandatory accounting standard.

Note Index

Appendix Index

Accounting policies can be found throughout the notes to the financial statements and are denoted by the box surrounding them.

Key Metrics

	2015	2014	2013	2012	2011
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF) ($M)	331	277	295	300	274
Profit After Tax Attributable to the Shareholders of the Company ($M)	144	115	123	132	112
Underlying earnings after tax ($M)	123	108	127	135	116
Basic earnings per share (cents per share)	46	37	39	42	36
Underlying earnings per share (cents per share)	39	35	41	43	37
Dividends paid during the year (cents per share)	40	40	40	40	38
Gearing ratio	40%	43%	37%	33%	36%
Net tangible assets per share (dollars per share)	5.55	4.61	4.79	4.86	4.40
Customers, Sales and Service					
Electricity connections (000s)	242	224	206	209	221
Telecommunication connections (000s)	38	31	27	25	23
Gas connections (000s)	24	14	–	–	–
Total utility accounts	304	269	233	234	244
Customers with two or more utilities (000s)	52	38	22	19	17
Mass market sales – fixed price (GWh)	1,659	1,578	1,613	1,761	1,877
Time of use sales – fixed price (GWh)	810	601	710	754	739
Time of use sales – spot price (GWh)	1,465	1,333	1,360	1,446	1,416
Total customer sales (GWh)	3,934	3,512	3,683	3,961	4,032
Average spot price of electricity purchased ($/MWh)	77	73	86	78	59
Gas Sales (TJ)	903	593	–	–	–
Annualised customer churn rate	14%	14%	12%	16%	13%
Annualised customer churn rate – total market	19%	21%	19%	21%	18%
Generation Production and Procurement					
North Island hydro generation production (GWh)	532	571	725	922	780
South Island hydro generation production (GWh)	1,034	965	967	1,012	957
Total hydro generation production (GWh)	1,566	1,536	1,692	1,934	1,737
North Island wind generation production (GWh)	551	578	548	548	550
South Island wind generation production (GWh)	99	95	90	100	–
Total wind generation production (GWh)	650	673	638	648	550
Total New Zealand generation production (GWh)	2,216	2,209	2,330	2,582	2,287
Average spot price of electricity generated ($/MWh)	71	67	83	72	51
Net third party fixed price volume purchased (GWh)	750	561	629	976	1,182
Australian wind generation production (GWh)	1,187	536	386	376	386
Australian hydro generation production (GWh)	278	–	–	–	–
Total Australian generation production (GWh)	1,465	536	386	376	386
Other Information					
Resource consent non-compliance events	7	4	5	10	9
Staff numbers (full time equivalents)	628	572	481	458	424

DIRECTORS' RESPONSIBILITY STATEMENT

THE DIRECTORS ARE PLEASED TO PRESENT THE FINANCIAL STATEMENTS OF TRUSTPOWER LIMITED AND SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2015.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 31 March 2015 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of 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 position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

B.J. Harker

BRUCE HARKER
CHAIRMAN

G Swier

GEOFF SWIER
DIRECTOR

Company Registration Number HN604040

Dated: 15 May 2015

Independent Auditors' Report

to the shareholders of Trustpower Limited

Report on the Financial Statements

We have audited the Group financial statements of Trustpower Limited ("the Company") on pages 60 to 97, which comprise the statement of financial position as at 31 March 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of audit, tax advisory, other assurance services, and financial modelling services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the financial statements on pages 60 to 97 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland
15 May 2015

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

Income Statement

FOR THE YEAR ENDED 31 MARCH 2015	Note	2015 $000	2014 $000
Operating Revenue			
Electricity revenue	3, 8	915,362	752,444
Telecommunications revenue		34,544	28,783
Gas revenue		22,150	10,962
Other operating revenue		21,411	19,510
		993,467	811,699
Operating Expenses			
Line costs		279,210	232,103
Energy costs		160,782	126,058
Generation production costs		66,725	49,345
Employee benefits		49,049	40,959
Telecommunications cost of sales		26,942	23,261
Gas cost of sales		16,625	8,617
Other operating expenses	A5	63,403	53,950
		662,736	534,293
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF)		330,731	277,406
Impairment of assets		141	226
Discount on acquisition	12	(24,986)	-
Net fair value (gains) / losses on financial instruments	A9	14,219	(9,448)
Amortisation of intangible assets	4	12,958	10,619
Depreciation	9	85,167	61,394
Operating Profit		243,232	214,615
Interest paid	15	79,628	63,215
Interest received	15	(1,065)	(1,487)
Net finance costs		78,563	61,728
Profit Before Income Tax		164,669	152,887
Income tax expense	22	20,655	37,766
Profit After Tax Attributable to the Shareholders of the Company		144,014	115,121
Basic and diluted earnings per share (cents per share)	A3	46.0	36.7

The accompanying notes form part of these financial statements

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2015	Note	2015 $000	2014 $000
Profit after tax attributable to the shareholders of the Company		144,014	115,121
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Revaluation gains on generation assets	17	398,789	–
Asset impairments	17	–	(4,268)
Currency translation differences on revaluation reserve	17	(3,034)	(11,299)
Other currency translation differences	17	(4,931)	(6,796)
Fair value gains/(losses) on cash flow hedges	A10	5,735	14,562
Tax effect of the following:			
Revaluation gains on generation assets	17	(106,473)	–
Asset impairments	17	–	(92)
Disposal of revalued assets	17	–	74
Other currency translation differences	17	(11,250)	(7,625)
Fair value gains/(losses) on cash flow hedges	A10	(1,543)	(4,558)
Total Other Comprehensive Income		277,293	(20,002)
Total Comprehensive Income Attributable to Shareholders of the Company		421,307	95,119

Statement of Changes in Equity

	Note	Share Capital $000	Revaluation Reserve $000	Cash Flow Hedge Reserve $000	Foreign Currency Translation Reserve $000	Retained Earnings $000	Total Equity $000
Opening balance as at 1 April 2013		166,108	1,025,063	(9,390)	10,665	359,317	1,551,763
Total comprehensive income for the period		–	(15,585)	10,004	(14,421)	115,121	95,119
Disposal of revalued assets		–	(266)	–	–	266	–
Transactions with owners recorded directly in equity							
Purchase of treasury shares by Directors	27	298	–	–	–	–	298
Purchase of treasury shares by Management	27	51	–	–	–	–	51
Own shares repurchased	18	(7,423)	–	–	–	–	(7,423)
Dividends paid	19	–	–	–	–	(125,276)	(125,276)
Total transactions with owners recorded directly in equity		(7,074)	–	–	–	(125,276)	(132,350)
Closing balance as at 31 March 2014		159,034	1,009,212	614	(3,756)	349,428	1,514,532
Opening balance as at 1 April 2014		159,034	1,009,212	614	(3,756)	349,428	1,514,532
Total comprehensive income for the period		–	289,282	4,192	(16,181)	144,014	421,307
Disposal of revalued assets		–	–	–	–	–	–
Transactions with owners recorded directly in equity							
Purchase of treasury shares by Directors	27	293	–	–	–	–	293
Purchase of treasury shares by Management	27	–	–	–	–	–	–
Own shares repurchased	18	(741)	–	–	–	–	(741)
Dividends paid	19	–	–	–	–	(125,155)	(125,155)
Total transactions with owners recorded directly in equity		(448)	–	–	–	(125,155)	(125,603)
Closing balance as at 31 March 2015		158,586	1,298,494	4,806	(19,937)	368,287	1,810,236

The accompanying notes form part of these financial statements

Statement of Financial Position

AS AT 31 MARCH 2015	Note	2015 $000	2014 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	17	158,586	159,034
Revaluation reserve	17	1,298,494	1,009,212
Retained earnings	17	368,287	349,428
Cash flow hedge reserve	A10	4,806	614
Foreign currency translation reserve	17	(19,937)	(3,756)
Total Equity		1,810,236	1,514,532
Represented by:			
Current Assets			
Cash at bank		14,057	31,723
Other deposits		2,740	2,599
Accounts receivable and prepayments	A7	123,003	131,515
Derivative financial instruments	A11	3,525	5,132
Taxation receivable		5,145	9,913
		148,470	180,882
Non-Current Assets			
Accounts receivable and prepayments	A7	–	764
Property, plant and equipment	9	3,348,382	2,886,619
Derivative financial instruments	A11	10,648	4,507
Other investments		1,892	1,892
Intangible assets	4	72,207	72,239
		3,433,129	2,966,021
Total Assets		3,581,599	3,146,903
Current Liabilities			
Accounts payable and accruals	A8	96,271	122,429
Unsecured subordinated bonds	14	100,000	–
Unsecured senior bonds	14	–	75,000
Unsecured bank loans	14	31,675	193,508
Derivative financial instruments	A11	2,963	2,907
Taxation payable		4,821	5,222
		235,730	399,066
Non-Current Liabilities			
Unsecured bank loans	14	703,128	529,012
Unsecured subordinated bonds	14	138,671	238,211
Unsecured senior bonds	14	243,140	138,498
Derivative financial instruments	A11	25,962	13,966
Accounts payable and accruals	A8	3,648	3,856
Deferred tax liability	23	421,084	309,762
		1,535,633	1,233,305
Total Liabilities		1,771,363	1,632,371
Net Assets		1,810,236	1,514,532

The accompanying notes form part of these financial statements

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2015	Note	2015 $000	2014 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		998,971	839,741
		998,971	839,741
Cash was applied to:			
Payments to suppliers and employees		688,938	548,999
Taxation paid		40,229	33,979
		729,167	582,978
Net Cash from Operating Activities	A13	269,804	256,763
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		251	338
Return of bond deposits on trust		–	200
Return of electricity market security deposits		7,595	8,300
Interest received		1,068	1,490
Sale of investments		–	523
		8,914	10,851
Cash was applied to:			
Interest capitalised in construction of property, plant and equipment		2,087	15,146
Lodgement of electricity market security deposits		7,737	10,107
Purchase of property, plant and equipment		63,202	308,803
Purchase of other investments		3	–
Purchase of business	12	81,318	17,038
Purchase of intangible assets		12,926	16,493
		167,273	367,587
Net Cash used in Investing Activities		(158,359)	(356,736)
Cash Flows from Financing Activities			
Cash was provided from:			
Bank loan proceeds		209,835	406,550
Senior bond issue proceeds		77,982	–
Issue of shares		293	298
		288,110	406,848
Cash was applied to:			
Bond brokerage costs		1,136	–
Purchase of own shares		741	7,423
Repayment of bank loans		164,752	73,000
Repayment of subordinated bonds		–	54,713
Repayment of senior bonds		47,982	–
Interest paid		74,906	61,796
Dividends paid		125,155	125,275
		414,672	322,207
Net Cash (used in)/from Financing Activities		(126,562)	84,641
Net Decrease in Cash and Cash Equivalents		(15,117)	(15,332)
Cash and cash equivalents at beginning of the year		31,723	53,972
Exchange losses on cash and cash equivalents		(2,549)	(6,917)
Cash and Cash Equivalents at End of the Year		14,057	31,723

The accompanying notes form part of these financial statements

Note 1: Basis of Preparation

Reporting Entity

The reporting entity is the consolidated group comprising Trustpower Limited and its New Zealand and Australian subsidiaries together referred to as Trustpower. Trustpower Limited is a limited liability company incorporated and domiciled in New Zealand. The principal activities of Trustpower are the development, ownership and operation of electricity generation facilities from renewable energy sources and the retail sale of energy and telecommunications services to its customers.

Trustpower Limited is registered under the Companies Act 1993, is listed on the New Zealand Stock Exchange (NZX) and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The financial statements are presented for the year ended 31 March 2015.

Basis of preparation

The financial statements are prepared in accordance with:

- the Financial Markets Conduct Act 2013, and NZX equity listing rules.
- New Zealand Generally Accepted Accounting Practice (NZGAAP).
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

In preparing the financial statements we have:

- Recorded all transactions at the actual amount incurred (historical cost convention), except for generation assets and derivatives which we have revalued to their fair value.
- Reported in 'New Zealand Dollars' (NZD) rounded to the nearest thousand.

An index to all of the accounting policies is available in note A1. Changes to accounting policies and standards are shown in note A19.

Estimates and judgements made in preparing the financial statements are frequently evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Trustpower makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

Judgements and key assumptions

The areas involving a higher degree of judgement or complexity are disclosed below:

- Fair value of Trustpower's generation assets (Note 11)
- Useful lives of generation assets for depreciation (Note 11)
- Useful lives of intangible assets for amortisation (Note 4)
- Fair value of derivatives and other financial instruments (Note A17)
- Electricity gross margin relating to unread electricity meters (Note 5)
- Tax treatment of generation feasibility expenditure currently subject to court proceedings between Trustpower and Inland Revenue (Note 25)

Note 2: Segment Information

For internal reporting purposes, Trustpower is organised into three segments. The main activities of each segment are:

Retail	The retail sale of electricity, gas and telecommunication services to customers in New Zealand.
New Zealand Generation	The generation of renewable electricity by wind and hydro power schemes across New Zealand.
Australian Generation	The generation of renewable electricity in Australia by the Snowtown Wind Farm and the newly acquired Green State Power hydro and wind schemes.

The New Zealand Generation segment also includes the lease of legacy meters to the Retail segment and to other retailers, and the supply of water to Canterbury irrigators. There is also an Other segment that exists to include any unallocated revenues and expenses. This relates mostly to unallocated corporate functions.

The segment results for the year ended 31 March 2015 are as follows:

	Retail $000	Generation New Zealand $000	Generation Australia $000	Other $000	Total $000
Total segment revenue	815,143	232,498	129,434	2,409	1,179,484
Inter-segment revenue	–	(184,644)	–	(1,373)	(186,017)
Revenue from external customers	815,143	47,854	129,434	1,036	993,467
EBITDAF	54,535	182,559	97,603	(3,966)	330,731
Amortisation of intangible assets	4,305	–	–	8,653	12,958
Depreciation	–	45,610	36,150	3,407	85,167
Capital expenditure including business acquisitions	–	11,216	173,263	15,512	199,991
Asset impairment	–	141	–	–	141

The segment results for the year ended 31 March 2014 are as follows:

	Retail $000	Generation New Zealand $000	Generation Australia $000	Other $000	Total $000
Total segment revenue	714,313	242,015	51,404	2,277	1,010,009
Inter-segment revenue	–	(196,715)	–	(1,595)	(198,310)
Revenue from external customers	714,313	45,300	51,404	682	811,699
EBITDAF	50,274	196,817	32,336	(2,021)	277,406
Amortisation of intangible assets	3,995	–	–	6,624	10,619
Depreciation	–	41,798	16,674	2,922	61,394
Capital expenditure including business acquisitions	14,897	19,890	295,887	19,065	349,739
Asset impairment	–	226	–	–	226

Transactions between segments (inter-segment) are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. The most significant inter-segment transaction is the sale of electricity hedges by New Zealand Generation to New Zealand Retail. See the retail note 3 for more information.

Retail

This section details the retail operations of Trustpower.

Trustpower is a multi-product utility retailer. Trustpower supplies homes and businesses around the country with electricity, gas, broadband and telephone services. Trustpower provides electricity to 242,000 homes and businesses (2014: 224,000), supplies 24,000 customers with gas (2014: 14,000) and connects 38,000 (2014: 31,000) customers with telephone and broadband connections.

A retail profitability analysis is included in Note 3. This is a new disclosure that provides a detailed breakdown of the performance of Trustpower's retail operations.

This section includes the following notes:

Note 3: Retail Profitability Analysis

Note 4: Intangible Assets

Note 5: Retail Assumptions and Judgements

Note 6: Retail Financial Risk Management

Note 7: Retail Commitments

Note 3: Retail Profitability Analysis

Operating Revenue	2015 $000	2015 $000	2014 $000	2014 $000
Electricity revenue				
Mass market – fixed price	452,923		429,456	
Commercial & industrial – fixed price	125,160		97,490	
Commercial & industrial – spot price	177,089	755,172	144,682	671,628
Gas		22,150		10,962
Telco		34,544		28,783
Other operating revenue		3,277		2,940
		815,143		714,313
Operating Expenses				
Energy costs		341,250		320,442
Line costs		279,210		232,103
Telecommunications cost of sales		26,942		23,261
Employee benefits		25,868		20,736
Meter rental costs		18,579		16,296
Gas cost of sales		16,625		8,617
Market fees and costs		8,267		8,464
Marketing costs		15,750		7,300
Other customer connection costs		2,370		1,993
Bad debts		1,158		1,432
Other operating expenses*		24,589		23,395
		760,608		664,039
EBITDAF		54,535		50,274
The analysis above includes the following internal charges:				
Energy costs		180,468		194,384
Meter rental costs		10,876		10,725
Other operating expenses		2,520		2,520
		193,864		207,629

*Other operating expenses includes an allocation of computing and corporate costs.

Note 4: Intangible Assets

All the computer software assets of Trustpower are shown in the table below. Although not all software assets are used exclusively by the Retail segment, most are, and so for simplicity all computer software assets have been disclosed in this section of the report.

	Customer Base Assets $000	Computer Software $000	Indefinite Life Goodwill $000	Total $000
Opening balance as at 1 April 2013				
Cost	64,994	44,499	–	109,493
Accumulated amortisation	(47,415)	(14,780)	–	(62,195)
	17,579	29,719	–	47,298
Additions at cost	14,897	16,535	4,171	35,603
Amortisation	(3,995)	(6,624)	–	(10,619)
Disposals at net book value	–	(50)	–	(50)
Transfers	–	7	–	7
Closing balance as at 31 March 2014				
Cost	79,891	60,982	4,171	145,044
Accumulated amortisation	(51,410)	(21,395)	–	(72,805)
	28,481	39,587	4,171	72,239
Additions at cost	–	12,916	–	12,916
Amortisation	(4,305)	(8,653)	–	(12,958)
Disposals at net book value	–	–	–	–
Transfers	–	10	–	10
Closing balance as at 31 March 2015				
Cost	79,891	73,788	4,171	157,850
Accumulated amortisation	(55,715)	(29,928)	–	(85,643)
	24,176	43,860	4,171	72,207

There are no individually material intangible assets.

The customer base assets acquired (in the first column above) were acquired as part of a business combination.

Customer base assets

From time to time Trustpower acquires customer bases from other energy supply companies. These costs are recorded as customer base intangible assets. The costs of acquiring individual customers as part of our day to day business are expensed as they are incurred. The customer bases are reduced (amortised) evenly over a 12 to 20 year period. Each year we do an internal forecast to determine whether the number of years we are amortising over is reasonable and also to ensure the total amount of the cost remaining is not too high.

Computer software

Trustpower capitalises the cost when we buy a software licence or develop software ourselves which we expect to benefit us over a number of years. We also capitalise the costs of bringing the software into operation. These costs can include employee costs and some overheads.

We spread (amortise) these costs evenly over the number of years we expect the software to keep providing benefits. Generally this is three years but major billing software applications are spread over up to seven years.

Note 5: Retail Assumptions and Judgements

Unbilled Sales Estimate

One of the uncertainties that comes with selling electricity and gas is that meters are read on a progressive basis throughout the period. This means that at balance date, except for the large customers, nearly every customer will have used electricity or gas since their last meter reading but not have been billed for it. Trustpower therefore estimates the amount of unbilled electricity or gas.

This estimate is then used in the calculation of:

- Electricity and gas revenue
- Electricity and gas purchases
- Line costs paid to network companies for the use of their networks and the national grid

This estimate is based on units bought from the wholesale electricity and gas markets as well as historical factors. Trustpower considers the estimate to be accurate as it:

- is prepared on an individual customer by customer basis
- is used consistently across both revenue and costs so therefore only impacts on the gross margin
- uses a well-established process based on each individual customer's historical data where this is available

Even a large error in the estimate e.g. 10% only has a very small impact on operating profit (well under 1%). If the estimated unbilled units had been 10% higher/lower, operating profit for the year would have increased/(decreased) by $707,000/$(707,000) (2014: increased/(decreased) by $393,000/$(393,000)).

Note 6: Retail Financial Risk Management

Risk management is carried out under policies approved by the Board.

Energy Price Risk

In New Zealand there is a wholesale electricity market that sets the price of electricity every half hour. This market is very volatile and the prices can vary significantly. Price volatility also exists for wholesale gas purchases and transmission, however gas price risk is much less significant to Trustpower than electricity price risk.

Trustpower sells energy on the retail market in two ways; firstly to "spot" customers who are charged based on the wholesale price (electricity customers only) and secondly "fixed price" customers who are sold energy (electricity and gas) at an agreed fixed price.

There is no electricity price risk with the spot customers. However if Trustpower was required to purchase energy from the wholesale spot market to supply its fixed price customers there is a risk that the price paid for the energy could exceed the revenue received. Trustpower manages this risk by:

- Generating its own electricity
- Buying energy from other parties at a fixed price
- Entering hedge agreements which fix the price paid for energy on the wholesale market

Consequently these measures limit the amount of energy purchased which is exposed to spot pricing. Trustpower's Energy Trading Policy sets limits around the amount of fixed exposure permissible now and into the future.

Trustpower's electricity price risk is managed by Generation on behalf of Retail. Generation sells electricity to Retail at a fixed price under terms equivalent to those used by independent generators and retailers. The price paid is benchmarked against actual transactions with independent generators as well as prices quoted by the ASX electricity market.

Retail Credit Risk

Trustpower has no significant concentrations of credit risk in its Retail business (2014: none). It has policies in place to ensure that sales are only made to customers with an appropriate credit history. Where a potential customer does not have a suitable credit history a bond is required before the customer is accepted. Transactions to limit energy price risk noted above are generally only made with other large electricity market participants (all have a Standard & Poor's long-term credit rating of at least BBB). Where a potential counterparty does not meet these credit criteria the maximum level of credit exposure is set individually by the Board.

Trustpower has around 212,000 customers (2014: 196,000). The largest single customer accounts for 3 per cent (2014: 3 per cent) of Trustpower's total accounts receivable. Included in other accounts payable and accruals is $981,000 (2014: $826,000) of bonds collected from customers who do not meet credit criteria.

Debtors that are unlikely to pay the money they owe Trustpower are not included as an asset in the balance sheet. This provision for doubtful debts is $1,650,000 (2014: $1,600,000). See notes A7 and A17(c) for further detail.

Note 7: Retail Commitments

Electricity Purchase Commitments

Trustpower has contracts to purchase the future electricity output of a variety of generation stations. These physical supply commitments are not recognised as items on the balance sheet because their value is difficult to quantify. Their value is subject to variable inflows, shutdowns due to planned and unplanned maintenance, price reset mechanisms and location factor risk. If they were quantified, their fair value would not be material.

Counter Party	Type of generation
Eastland Networks Limited	Waihi Hydro station
Mighty River Power Limited	Rotokawa geothermal power station
Clearwater Hydro Limited	Hydropower stations
Amethyst Hydro Limited	Hydropower station
Ngawha Generation Limited	Geothermal power station

Gas Purchase Commitments

Trustpower has a contract with Origin Energy Resources NZ (Rimu) Limited to purchase output from its Rimu gas field. This commitment cannot be quantified with sufficient reliability for disclosure within these financial statements.

Generation

This section details the generation operations of Trustpower. Trustpower owns 634MW of hydro and wind generation assets throughout New Zealand as well as 477MW of hydro and wind generation in South Australia and New South Wales. The Generation segment also includes metering and irrigation assets as well as Trustpower's energy trading function. A generation profitability analysis is included in Note 8. This is a new disclosure that provides a detailed breakdown of the performance of Trustpower's generation operations.

This section includes the following notes:

Note 8: Generation Profitability Analysis

New Zealand

Operating Revenue	2015 $000	2014 $000
Electricity revenue	202,004	213,080
Meter rental revenue	19,299	19,200
Net other operating revenue	11,195	9,735
	232,498	242,015
Operating Expenses		
Generation production costs	43,192	38,766
Employee benefits	10,609	10,614
Generation development expenditure	1,477	3,326
Other operating expenses including electricity hedge settlements	(5,339)	(7,508)
	49,939	45,198
EBITDAF	182,559	196,817
The analysis above includes the following internal charges:		
Electricity revenue	171,248	183,668
Electricity hedge settlements	9,220	10,716
Meter rental revenue	10,876	10,725
Other operating revenue	2,520	2,520
	193,864	207,629

Australia

Operating Revenue	2015 $000	2014 $000
Electricity revenue	129,434	51,404
Operating Expenses		
Generation production costs	23,533	10,579
Employee benefits	1,862	932
Generation development expenditure	3,492	7,129
Other operating expenses	2,944	428
	31,831	19,068
EBITDAF	97,603	32,336

There are no internal transactions in the Australian Generation business.

Generation development

An ongoing part of Trustpower's business is the development of new generation assets. All costs incurred prior to our commitment to build a new asset are expensed, including exploration, evaluation and consenting costs. All costs from the point of commitment are capitalised if appropriate (see note A5 for further details).

Generation lease revenue

Over 90% of the electricity generated by Trustpower's Australian wind farms is sold via power purchase agreements to a significant Australian electricity retailer. These agreements have been deemed as operating leases of the wind farms under NZ IFRS and all revenue under the contracts are accounted for as lease revenue (2015: $111,118,000, 2014: $47,685,000).

Because of the contract terms, in particular that the volume of energy supplied is dependent on the actual generation of the wind farms, the future minimum payments under the terms of the contracts, that expire between 31 December 2018 and 31 December 2030, are not able to be quantified with sufficient reliability for disclosure in the financial statements.

Note 9: Property, Plant and Equipment

While not all property, plant and equipment relates to Generation, almost all does and, for simplicity, all property, plant and equipment for Trustpower are included in this note.

	Generation Assets $000	Other Land and Buildings $000	Metering Equipment $000	Other Plant and Equipment $000	Total $000
Opening balance as at 1 April 2013					
Fair Value	2,482,456	–	–	–	2,482,456
Cost	8,646	30,640	79,791	35,137	154,214
Capital work in progress	196,651	–	–	–	196,651
Accumulated depreciation	(49,440)	(3,961)	(47,684)	(15,648)	(116,733)
	2,638,313	26,679	32,107	19,489	2,716,588
Additions at cost	308,916	1,002	741	3,477	314,136
Depreciation	(52,146)	(287)	(5,707)	(3,254)	(61,394)
Disposals at net book value	(331)	(5)	–	(184)	(520)
Foreign exchange movements	(77,615)	–	–	(860)	(78,475)
Revaluations	–	–	–	–	–
Transfers/impairments	(3,513)	(7)	66	(262)	(3,716)
Closing balance as at 31 March 2014					
Fair value	2,436,085	–	–	–	2,436,085
Cost	255,297	31,632	80,532	36,797	404,258
Capital work in progress	220,825	–	–	–	220,825
Accumulated depreciation	(98,583)	(4,250)	(53,325)	(18,391)	(174,549)
	2,813,624	27,382	27,207	18,406	2,886,619
Additions at cost	181,287	1,341	490	3,957	187,075
Depreciation	(71,791)	(306)	(9,204)	(3,866)	(85,167)
Disposals at net book value	(9)	(32)	(38)	(85)	(164)
Foreign exchange movements	(36,694)	(1)	–	(857)	(37,552)
Revaluations	398,789	–	–	–	398,789
Transfers/impairments	1,572	(4)	(184)	(2,268)	(884)
Closing balance as at 31 March 2015					
Fair value	3,275,674	–	–	–	3,275,674
Cost	–	32,928	68,280	36,388	137,596
Capital work in progress	14,086	–	–	–	14,086
Accumulated depreciation	(3,316)	(4,548)	(50,009)	(21,101)	(78,974)
	3,286,444	28,380	18,271	15,287	3,348,382
Closing balance as at 31 March 2015 by Country					
New Zealand	2,201,223	28,345	18,271	9,244	2,257,083
Australia	1,085,221	35	–	6,043	1,091,299
	3,286,444	28,380	18,271	15,287	3,348,382

Generation assets include land and buildings which are not separately identifiable from other generation assets. Generation assets were independently revalued, using a discounted cash flow methodology, as at 31 March 2015, to their estimated market value as assessed by Deloitte Corporate Finance. See note 11 for a description of the inputs used. See note A15 for historical cost information.

Property, Plant and Equipment

Generation assets are revalued, by independent external valuers, every three years or more frequently if there is evidence of a significant change in value. All other property, plant and equipment is stated at its original cost less depreciation and impairment.

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method at the following rates:

Freehold buildings	*2%*	*Generation assets*	*0.5-8%*
Metering equipment	*5-15%*	*Plant and equipment*	*10-33%*

Note 10: Generation Critical Accounting Estimates and Judgements

Fair value of generation property, plant and equipment

The valuation of Trustpower's generation assets is sensitive to the inputs used in the discounted cash flow valuation model.
A sensitivity analysis around some key inputs is given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant.

Assumption	Low	High	Valuation Impact
New Zealand Assets			
Forward electricity price path	Decreasing in real terms from $83/MWh to $74/MWh by 2018 then increasing to $82/MWh by 2021. Thereafter held constant.	Decreasing in real terms from $83/MWh to $74/MWh by 2018 then increasing to $97/MWh by 2023. Thereafter held constant.	–/+ $147,000,000
Generation volume	2,165GWh	2,645GWh	–/+ $241,000,000
Operating costs	$32,300,000 p.a.	$39,500,000 p.a.	+/– $50,000,000
Weighted average cost of capital	7.42%	8.29%	+$189,000,000 / -$160,000,000
Australian Assets			AUD
Forward electricity price path (including renewable energy credits) Note: the valuation impact of changes in price path is reduced by the fixed price agreements in place.	(Stated in AUD) Increasing in real terms from $74/MWh to $92/MWh by 2035 then dropping to $59/MWh. Thereafter held constant.	(Stated in AUD) Increasing in real terms from $90/MWh to $112/MWh by 2035 then dropping to $70/MWh. Thereafter held constant.	–/+ $30,000,000
Generation volume	878GWh	1,080GWh	–/+ $111,000,000
Weighted average cost of capital	7.17%	7.96%	+$9,000,000 / -$8,000,000

The Australian asset sensitivity excludes GSP Energy Pty Ltd assets. See note 12 for more detail.

Some of these inputs are not based on inputs observable in the market, and so under IFRS they are classified within level 3 of the fair value hierarchy. See note A17 for more information of IFRS fair value hierarchies.

Depreciation expense

Management judgment is involved in determining the useful lives of Trustpower's generation assets based on engineering knowledge and expertise. The lives of longer lived assets are subject to a greater degree of judgement.

Sensitivity analysis

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by $7,749,000/$(9,471,000) (2014: $5,581,000/$(6,822,000)).

Note 11: Generation Financial Risk Management

Exchange Rate Risk

Trustpower typically contracts with local and international suppliers when building a new generation asset. Some of these suppliers may require payment to be made in a foreign currency. To manage the risk of a moving foreign exchange rate, Trustpower will fully hedge large transactions in accordance with Trustpower's treasury policy. Cash flow hedge accounting will apply to these instruments. The total notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2015 was nil (31 March 2014: $17,245,000).

Electricity Price Risk

Exposure to electricity price risk in New Zealand is largely mitigated by selling electricity to the retail segment. See note 6 for more detail. In Australia over 75% of output is contracted to a major Australian retailer which ensures Trustpower receives a fixed price for this portion of its generation. This risk management strategy assumes that the electricity wholesale markets in New Zealand and Australia, including the renewable energy credit market, that currently operate will continue to do so in the future. There is a possibility that future regulatory intervention may fundamentally alter the structure of these markets. The likelihood and potential impact of such a change is unquantifiable. However, such an occurrence would likely necessitate a change to Trustpower's electricity price risk management policies and require a review of assets and liabilities held at fair value where electricity price is a key assumption in their value.

Volume Risk

Over 99% of Trustpower's electricity generation is from renewable sources and, as such, varies due to weather. In New Zealand this risk is mitigated somewhat by operating in different regions of the country. In Australia, however, around 80% of generation comes from wind farms and, depending on wind conditions, could vary significantly from year to year. Trustpower accepts this risk will cause a degree of volatility to its earnings and does not attempt to mitigate it.

Credit Risk

A large proportion of Australian revenue comes from two counterparties, one of these is the Australian Electricity Market and the other is a major electricity retailer which holds an investment grade credit rating. As at 31 March 2015 $9,558,000 was owed to Trustpower by these two counterparties (31 March 2014: $6,077,000).

Damage to Generation Assets Risk

There is potential for Trustpower to sustain major losses through damage to its generation plant and the resulting loss of earnings. The major portion of this risk has been mitigated by taking out appropriate insurance policies with insurers of high creditworthiness. This insurance covers both the repair and or replacement of the plant as well as the lost earnings.

Note 12: Business Combinations

Effective 18 July 2014 the Group purchased the majority of the assets and liabilities of Green State Power Pty Ltd, an Australian electricity generator. As a result of this acquisition the Group now owns hydro and wind generation assets in New South Wales.

The following table sets out the consideration paid and the fair value of assets acquired and liabilities assumed at the acquisition date.

	$000
Cash consideration paid	81,318
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Accounts receivable and prepayments	465
Generation assets	124,734
Other property, plant and equipment	324
Accounts payable and accruals	(515)
Deferred tax liability	(18,704)
Total identifiable net assets	106,304
Discount on acquisition	(24,986)
Total	81,318

Acquisition costs of $486,000 have been charged to other operating expenses in the income statement for the period ended 31 March 2015.

The acquisition was made in Australian dollars and was funded by new Australian dollar debt facilities.

The fair value of the generation assets has been determined by the Board following an independent valuation. The basis of the valuation is a discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the valuation model that require management judgement include the forward price path of electricity, sales volume forecasts, projected operational and capital expenditure profiles, discount rates and life assumptions for each generation station. The following table outlines the key assumptions used by Deloitte Corporate Finance in preparing this valuation. In all cases there is an element of judgement required. The table shows the range of reasonably possible alternative assumption values considered. The valuation is based on a combination of values that are generally in the midpoint of the range.

Note 12: Business Combinations (Continued)

Assumption	Low	High	Valuation Impact (AUD)
Forward electricity price path (including renewable energy credits)	(Stated in AUD) Increasing in real terms from $81/MWh to $117/MWh by 2035 then dropping to $72/MWh. Thereafter held constant.	(Stated in AUD) Increasing in real terms from $99/MWh to $143/MWh by 2035 then dropping to $88/MWh. Thereafter held constant.	-/+ $18,000,000
Generation volume	243GWh	297GWh	-/+ $19,000,000
Weighted average cost of capital	7.47%	8.47%	+$11,000,000 / -$9,000,000

The price paths noted above differ to those in note 10 due to the fact that the assets are in different states of Australia as well as valuation date differences.

The difference between the acquisition price and the fair value may be due to the following characteristics of Trustpower which means that it is more suited to owning these assets than other potential buyers.

- Able to fund the purchase off its balance sheet
- Current Australian generator familiar with market dynamics
- A long history of owning and optimising small run-of-river hydro stations
- Experience in managing a remote workforce

The revenue included in the consolidated income statement since 18 July 2014 contributed by the acquired business was $14,214,000 and the profit before tax was $7,154,000. Had the business been consolidated from 1 April 2014, the consolidated income statement would show pro-forma revenue of $17,768,000 and profit of $7,249,000.

Note 13: Generation Commitments

	2015 $000	2014 $000
Capital Commitments	2,571	50,494

The capital commitments figure above is comprised of a number of capital projects across Trustpower's generation schemes. None of these projects is individually material.

Debt

This section details the borrowings of Trustpower.

Trustpower is debt funded by a combination of bank facilities in New Zealand and Australia, and by senior and subordinated bonds that are listed on the New Zealand Stock Exchange. This section should be read in conjunction with the Equity section.

This section includes the following notes:

Note 14: Borrowings

Note 15: Finance Income and Costs

Note 16: Debt Financial Risk Management

Note 14: Borrowings

Senior bonds rank equally with bank loans, while subordinated bonds are fully subordinated behind all other creditors.

Trustpower borrows under a negative pledge arrangement, which with limited exceptions does not permit Trustpower to grant any security interest over its assets. The negative pledge deed requires Trustpower 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. Throughout the period Trustpower has complied with all debt covenant requirements in these agreements.

	Unsecured bank loans				
As at 31 March 2015	New Zealand dollar facilities $000	Australian dollar facilities $000	Total bank facilities $000	Senior Bonds $000	Subordinated Bonds $000
Repayment terms:					
Less than one year	44,500	66,415	110,915	–	100,000
One to two years	–	76,632	76,632	65,000	–
Two to five years	–	284,050	284,050	75,000	140,000
Over five years	89,827	175,641	265,468	105,000	–
Facility establishment costs / bond issue costs	(2,262)	–	(2,262)	(1,860)	(1,329)
	132,065	602,738	734,803	243,140	238,671
Current portion	–	31,675	31,675	–	100,000
Non-current portion	132,065	571,063	703,128	243,140	138,671
	132,065	602,738	734,803	243,140	238,671
Undrawn facilities					
Less than one year	55,500	5,108	60,608	–	–
One to two years	75,000	–	75,000	–	–
Two to five years	–	68,458	68,458	–	–
Over five years	–	–	–	–	–
	130,500	73,566	204,066	–	–
Weighted average interest rate:					
Less than one year	4.8%	3.1%		–	8.4%
One to two years	–	3.1%		8.0%	–
Two to five years	–	3.3%		7.1%	6.8%
Over five years	4.5%	5.4%		5.6%	–
	4.6%	3.8%		6.7%	7.4%

Note 14: Borrowings (Continued)

As at 31 March 2014	Unsecured bank loans: New Zealand dollar facilities $000	Unsecured bank loans: Australian dollar facilities $000	Total bank facilities $000	Senior Bonds $000	Subordinated Bonds $000
Repayment terms:					
Less than one year	–	235,203	235,203	75,000	–
One to two years	–	–	–	–	100,000
Two to five years	43,800	172,126	215,926	140,000	–
Over five years	101,082	173,089	274,171	–	140,000
Facility establishment costs / Bond issue costs	(2,780)	–	(2,780)	(1,502)	(1,789)
	142,102	580,418	722,520	213,498	238,211
Current portion	–	193,508	193,508	75,000	–
Non-current portion	142,102	386,910	529,012	138,498	238,211
	142,102	580,418	722,520	213,498	238,211
Undrawn facilities					
Less than one year	–	–	–	–	–
One to two years	100,000	–	100,000	–	–
Two to five years	75,000	41,695	116,695	–	–
Over five years	–	–	–	–	–
	175,000	41,695	216,695	–	–
Weighted average interest:					
Less than one year	–	3.5%		7.6%	–
One to two years	–	–		–	8.4%
Two to five years	4.1%	3.7%		7.5%	–
Over five years	3.9%	5.2%		–	6.8%
	4.0%	4.1%		7.5%	7.4%

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

A loan that matures within a year will still be considered non-current if Trustpower has an unconditional right to refinance the loan through non-current undrawn facilities with the same lender.

When Trustpower's subordinated bonds have reached maturity in December 2015, they can be converted to ordinary shares, at Trustpower's option, based on the market price at the time.

The fair value of Trustpower's bank loans and bonds is not materially different to the carrying values above. At 31 March 2015 the subordinated bonds had a fair value of $251,991,000 (31 March 2014: $247,545,000) and the senior bonds had a fair value of $256,820,000 (31 March 2014: $225,134,000).
The bonds have been classified as level 1 in the fair value hierarchy, see note A17 for a definition of the levels.

Subsequent to balance date Trustpower has accepted offers to refinance and increase the facilities that are expiring in less than one year. These facilities will be replaced with a NZD100,000,000 facility and an AUD100,000,000 facility both maturing in two to five years. These facilities are currently being documented.

Note 15: Finance Income and Costs

	2015 $000	2014 $000
Amortisation of debt issue costs	1,757	1,784
Interest paid on unsecured bank loans	34,278	25,185
Interest paid on unsecured subordinated bonds	17,871	22,276
Interest paid on unsecured senior bonds	16,401	16,225
Other interest costs and fees	11,408	12,891
Interest capitalised in construction of property, plant and equipment	(2,087)	(15,146)
Total Interest Expense	79,628	63,215
Interest received on cash at bank	1,065	1,487
Total Interest Income	1,065	1,487

The capitalised interest rate ranged from 4.1% to 4.2% in the year to 31 March 2015 (2014: 5.6% to 8.3%).

Note 16: Debt Financial Risk Management

Interest Rate Risk

All of Trustpower's bank facilities are on floating interest rates. Trustpower then uses Interest Rate Swaps (IRS) to fix most of the interest costs of the Group. This stabilises Trustpower's debt servicing costs. However for every dollar of debt protected against a potential rise in market interest rates, that same dollar is unable to take advantage of a potential fall in market interest rates. Payments made or received by IRS are recognised as a part of "Interest paid on unsecured bank loans", except for an immaterial number of these IRS which are instead hedge accounted.

The amount of interest rate risk taken in the current and future years is managed in accordance with a Board approved Treasury Policy. The policy is independently reviewed every three years.

Liquidity Risk

The Group's ability to readily attract cost effective funding is largely driven by its credit standing.
Prudent liquidity risk management requires maintaining sufficient cash, marketable securities or unutilised committed credit facilities to provide cover for reasonably conceivable adverse conditions. The Group operates under a Board approved treasury policy which dictates the level of available committed facilities to be maintained. This is measured by forecasting debt levels under various adverse scenarios and comparing this to committed facility levels.

Exchange Rate Risk

Approximately half of Trustpower's debt is denominated in Australian dollars. This acts as a natural hedge for Trustpower's Australian assets, reducing, but not eliminating, Trustpower's exposure to changes in the Australian dollar relative to the New Zealand Dollar.

Refinancing Risk

From time to time Trustpower's debt facilities mature and need to be refinanced. There is a risk that this could occur during adverse market conditions resulting in increased interest rates or in extreme events an inability to refinance at all. The Treasury Policy requires a spread of debt maturities to minimise the impact of this risk should it occur. This is measured by the proportion of debt maturing in various time bands.

Credit Risk

Trustpower's New Zealand and Australian dollar facilities are with institutions that all have a Standard & Poor's long-term credit rating of A+ or higher.

Equity

This section details the equity of Trustpower.

Trustpower is listed on the New Zealand Stock Exchange under the code TPW. Trustpower has over 12,000 shareholders, the two largest shareholders are Infratil Limited (51.1%) and the Tauranga Energy Consumer Trust (33.1%). On 23 April 2015 the Tauranga Energy Consumer Trust reduced its shareholding to 26.8%.

This section includes the following notes:

Note 17: Equity

Note 18: Share Capital

Note 19: Dividends on Ordinary Shares

Note 20: Imputation Credit Account

Note 21: Equity Financial Risk Management

Note 17: Equity

	Share capital	Revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total equity
Opening balance as at 1 April 2013	166,108	1,025,063	(9,390)	10,665	359,317	1,551,763
Profit after tax attributable to the shareholders of the Company	–	–	–	–	115,121	115,121
Disposal of revalued assets	–	(266)	–	–	266	–
Other comprehensive income – items that may be reclassified to the profit or loss						
Revaluation gains on generation assets	–	–	–	–	–	–
Asset impairments	–	(4,268)	–	–	–	(4,268)
Currency translation differences on revaluation reserve	–	(11,299)	–	–	–	(11,299)
Other currency translation differences	–	–	–	(6,796)	–	(6,796)
Fair value gains/(losses) on cash flow hedges						
Realised	–	–	36,910	–	–	36,910
Unrealised	–	–	(22,348)	–	–	(22,348)
Tax effect of the following:						
Revaluation gains on generation assets	–	–	–	–	–	–
Asset impairments	–	(92)	–	–	–	(92)
Disposal of revalued assets	–	74	–	–	–	74
Other currency translation differences	–	–	–	(7,625)	–	(7,625)
Fair value gains/(losses) on cash flow hedges	–	–	(4,558)	–	–	(4,558)
Total other comprehensive income	–	(15,585)	10,004	(14,421)	–	(20,002)
Transactions with owners recorded directly in equity						
Purchase of treasury shares by Directors	298	–	–	–	–	298
Purchase of treasury shares by Management	51	–	–	–	–	51
Own shares repurchased	(7,423)	–	–	–	–	(7,423)
Dividends paid	–	–	–	–	(125,276)	(125,276)
Total transactions with owners recorded directly in equity	(7,074)	–	–	–	(125,276)	(132,350)
Closing balance as at 31 March 2014	159,034	1,009,212	614	(3,756)	349,428	1,514,532

Note 17: Equity (Continued)

	Share capital	Revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total equity
Opening balance as at 1 April 2014	159,034	1,009,212	614	(3,756)	349,428	1,514,532
Profit after tax attributable to the shareholders of the Company	–	–	–	–	144,014	144,014
Disposal of revalued assets	–	–	–	–	–	–
Other comprehensive income – items that may be reclassified to the profit or loss						
Revaluation gains on generation assets	–	398,789	–	–	–	398,789
Asset impairments	–	–	–	–	–	–
Currency translation differences on revaluation reserve	–	(3,034)	–	–	–	(3,034)
Other currency translation differences	–	–	–	(4,931)	–	(4,931)
Fair value gains/(losses) on cash flow hedges						
Realised	–	–	7,256	–	–	7,256
Unrealised	–	–	(1,521)	–	–	(1,521)
Tax effect of the following:						
Revaluation gains on generation assets	–	(106,473)	–	–	–	(106,473)
Asset impairments	–	–	–	–	–	–
Disposal of revalued assets	–	–	–	–	–	–
Other currency translation differences	–	–	–	(11,250)	–	(11,250)
Fair value gains/(losses) on cash flow hedges	–	–	(1,543)	–	–	(1,543)
Total other comprehensive income	–	289,282	4,192	(16,181)	–	277,293
Transactions with owners recorded directly in equity						
Purchase of treasury shares by Directors	293	–	–	–	–	293
Purchase of treasury shares by Management	–	–	–	–	–	–
Own shares repurchased	(741)	–	–	–	–	(741)
Dividends paid	–	–	–	–	(125,155)	(125,155)
Total transactions with owners recorded directly in equity	(448)	–	–	–	(125,155)	(125,603)
Closing balance as at 31 March 2015	158,586	1,298,494	4,806	(19,937)	368,287	1,810,236

There are no restrictions on the distribution of any reserves to the equity holders of the Company.

The amount of share capital is increased or decreased by the amount paid or received when Trustpower buys or sells its own shares.

Note 18: Share Capital

	2015	2014 000's of Shares	2015 $000	2014 $000
Authorised and issued ordinary shares at beginning of year	312,987	314,015	159,034	166,108
Own shares repurchased	(114)	(1,078)	(741)	(7,423)
Issue of shares to Management	–	7	–	51
Purchase of treasury shares by Directors	40	43	293	298
	312,913	312,987	158,586	159,034

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

On 15 May 2008, the Company announced a resolution allowing it to buy back up to 5,000,000 of its own shares. Shareholders approved an extension to the share buyback programme in July 2011 and July 2014. As at 31 March 2015, since the start of the buyback programme, 2,985,000 shares had been purchased at a total cost of $20,876,000 (2014: 2,871,000 shares at a total cost of $20,135,000). All shares repurchased were purchased through the NZX stock exchange at market price. As at 31 March 2015 145,000 of these shares had been reissued or cancelled (2014: 105,000).

Note 19: Dividends on Ordinary Shares

	2015	2014 Cents Per Share	2015 $000	2014 $000
Dividends (forfeited)/reinstated	–	–	–	(165)
Final dividend prior year	20.0	20.0	62,576	62,800
Interim dividend paid current year	20.0	20.0	62,579	62,641
Supplementary dividend paid	–	–	88	127
Foreign investor tax credit	–	–	(88)	(127)
	40.0	40.0	125,155	125,276
Final partially imputed dividend declared subsequent to the end of the reporting period payable 12 June 2015 to all shareholders on the register at 29 May 2015.	21.0	20.0	65,712	62,597

Dividend Distribution

Dividends payable to Trustpower's shareholders are recognised as a liability in the financial statements in the period in which the dividend is approved by the Board.

Note 20: Imputation Credit Account

	2015 $000	2014 $000
Imputation credits available for use in subsequent reporting periods	15,818	11,891

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of taxation payable. The consolidated amounts include imputation credits that would be available to the parent if subsidiaries paid dividends.

Note 21: Equity Financial Risk Management

Capital Risk Management Objectives

When managing capital, Trustpower's objectives are to ensure sufficient funds are available to pay liabilities when they fall due and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Trustpower has discretion to adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Trustpower monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by net debt plus equity.

The gearing ratio is calculated below:

	Note	2015 $000	2014 $000
Net debt			
Unsecured bank debt	14	734,803	722,520
Unsecured subordinated bonds	14	238,671	238,211
Unsecured senior bonds	14	243,140	213,498
Cash and cash equivalents		(14,057)	(31,723)
		1,202,557	1,142,506
Equity			
Total equity	17	1,810,236	1,514,532
Remove net effect of fair value of financial instruments after tax	17	(4,806)	(614)
		1,805,430	1,513,918
Total capital funding		3,007,987	2,656,424
Gearing ratio		40%	43%

Trustpower has a target of maintaining its gearing ratio between 25% and 50%.

Tax, Related Party and Other Notes

This section details tax disclosures, contingent liabilities, operating lease commitments and related party transactions.

This section includes the following notes:

Note 22: Income Tax Expense

	2015 $000	2014 $000
Profit before income tax	164,669	152,887
Tax on profit @ 28%	46,107	42,808
Australian operations tax rate adjustment	565	31
Tax effect of non-assessable revenue	(21,089)	(2,934)
Prior year tax losses not previously recognised	–	(3,017)
Income tax under provided in prior year	1,543	878
Change in treatment of depreciation of powerhouses	(6,471)	-
	20,655	37,766
Represented by:		
Current tax	44,081	32,017
Deferred tax	(23,426)	5,749
	20,655	37,766

The 28% tax rate used above is the corporate tax rate payable by New Zealand corporate entities on taxable profit under New Zealand tax law. 30% is the corporate tax rate payable by Australian corporate entities.

The 2010 Budget removed tax depreciation on buildings with estimated useful lives of 50 years or more. As a result of that announcement Trustpower recognised an increased deferred tax liability in respect of all its buildings. Consistent with Inland Revenue advice at the time, this included powerhouses at hydro generation schemes. During the current year Inland Revenue has reviewed its position and has recently issued a policy statement that recognises powerhouses at hydro generation schemes are actually part of the dam structure and not buildings in their own right. This has allowed Trustpower to reverse the deferred tax liability that was recognised in respect of these powerhouses.

Note 23: Deferred Income Tax

	Note	2015 $000	2014 $000
Balance at beginning of year		309,762	292,123
Current year changes in temporary differences affecting tax expense	22	(7,437)	5,267
Current year changes in temporary differences affecting reserves		119,265	12,201
Reclassification of prior year temporary differences	22	(9,518)	482
Acquired as part of business combination		18,704	4,171
Exchange rate movements on foreign denominated deferred tax		(3,221)	(4,482)
Change in treatment of depreciation of powerhouses	22	(6,471)	–
Total deferred tax liabilities		421,084	309,762
Comprising:			
Deferred tax liabilities to be recovered after more than 12 months		421,565	307,420
Deferred tax liabilities to be recovered within 12 months		(481)	2,342
		421,084	309,762

The tables below show the break down of the temporary differences that make up the deferred tax liabilities and their movement for the year.

For the year ended 31 March 2015 ($000)	Opening Balance	Acquired with Business Combination	Charged to Income Statement	Charged Directly to Equity	Closing Balance
Revaluations	221,578	–	–	110,752	332,330
Other property, plant and equipment movements	79,312	18,704	(16,923)	(7,720)	73,373
Employee benefits	(1,784)	–	(399)	5	(2,178)
Provision for impairment	(448)	–	(14)	–	(462)
Customer base assets	7,974	–	(1,205)	–	6,769
Financial instruments	(1,355)	–	(5,147)	1,757	(4,745)
Unrealised losses on Australian dollar loan	4,289	–	–	11,250	15,539
Other	196	–	262	–	458
	309,762	18,704	(23,426)	116,044	421,084

For the year ended 31 March 2014 ($000)	Opening Balance	Acquired with Business Combination	Charged to Income Statement	Charged Directly to Equity	Closing Balance
Revaluations	226,689	–	–	(5,111)	221,578
Other property, plant and equipment movements	74,790	–	3,603	919	79,312
Employee benefits	(1,656)	–	(130)	2	(1,784)
Provision for impairment	(476)	–	28	–	(448)
Customer base assets	4,921	4,171	(1,118)	–	7,974
Financial instruments	(9,003)	–	3,364	4,284	(1,355)
Unrealised losses on Australian dollar loan	(3,336)	–	–	7,625	4,289
Other	194	–	2	–	196
	292,123	4,171	5,749	7,719	309,762

Note 24: Income Tax Estimates and Judgements

Income tax expense

Tax returns for Trustpower and the detailed calculations that are required for filing tax returns are not prepared until after the financial statements are prepared. Estimates of these calculations are made for the purpose of calculating income tax expense, current tax and deferred tax balances. As well as this, an assessment of the result of tax audit issues is also made. Any difference between the final tax outcomes and the estimations made in previous years will affect current year balances.

Note 25: Contingent Liabilities and Subsequent Events

Trustpower was successful in its High Court case against Inland Revenue. The Court ruled that Trustpower's existing tax treatment of feasibility expenditure incurred in the 2006 to 2008 financial years was appropriate and disagreed with Inland Revenue's view that the resource consents acquired were capital assets.

Inland Revenue has appealed this decision. The appeal was heard by the Court of Appeal in March 2015 but to date no judgment has been received. Inland Revenue has reassessed the 2009 and 2010 years and has made further claims. Trustpower has disputed this assessment. This dispute has been lodged with the High Court but is on hold pending an outcome in the initial 2006 to 2008 dispute. It is likely Inland Revenue will take the same approach in assessing the 2011 and future tax years.

Should Inland Revenue be completely successful in its claim it would give rise to the following outcomes:

	2006 to 2008 $000	2009 to 2010 $000	2011 to 2015 $000	Total $000
Additional amount owed to Inland Revenue				
Tax payment	5,924	2,632	2,018	10,574
Interest expense	2,989	1,309	483	4,781

The tax payable would primarily result in a balance sheet adjustment in the financial statements as most resource consents are depreciable intangible property. The impact of these adjustments on the tax expense in the income statement is difficult to estimate but is unlikely to exceed $2,500,000 for all years up to March 2015. The interest cost would be an income statement expense.

Trustpower has been awarded $1,177,000 of costs in relation to the High Court case. These costs have been paid by Inland Revenue however the awarding of costs has also been appealed and is therefore contingent on the outcome of the Court of Appeal case noted above.

The Group is not aware of any other material contingent liabilities at balance date (2014: nil).

Other than disclosed in note 26 the Group is not party to any material operating leases at balance date (2014: nil).

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

Note 26: Other Commitments

	2015 $000	2014 $000
Operating Leases		
Not later than 1 year	483	199
Later than 1 year and not later than 5 years	13,208	7,649
Later than 5 years	26,000	29,627
Total operating lease commitments	39,691	37,475

The operating leases relate to the rental of ten office buildings throughout New Zealand as well as Trustpower's head office which is currently under construction.

Note 27: Related Party Transactions

Key management personnel

The key management personnel compensation (including Directors' fees) is as follows:

	Note	2015 $000	2013 $000
Salaries and other short-term employee benefits		4,991	4,549
Cash settled, share based incentives	A14	311	(99)
Post-employment benefits		69	68
		5,371	4,518

$1,009,000 of this amount was unpaid at 31 March 2015 (2014: $870,000).

All key managers participate in a cash settled, share based incentive scheme. (refer to note A14).

Shareholders

Trustpower is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.1% of Trustpower Limited's voting shares. The Tauranga Energy Consumer Trust owns 33.2% and the residual balance of 15.7% is widely held. On 23 April 2015 the Tauranga Energy Consumer Trust reduced its shareholding to 26.8%.

H.R.L. Morrison & Co Limited manages Infratil Limited and Mr M Bogoievski, a Director of Trustpower Limited, is its Chief Executive. Dr B Harker, Chairman of Trustpower Limited, is a senior executive of H.R.L Morrison & Co Limited. $9,200 (2014: $14,000) was paid to H.R.L Morrison & Co Limited and related entities during the year for consultancy results. As at 31 March 2015 no balance was outstanding (2014: nil).

Consultancy fees of $8,000 (2014: $11,000) were paid to Lumo Energy Pty Ltd which was a subsidiary of Infratil Limited during part of the year to 31 March 2015. As at 31 March 2015 no balance was outstanding (2014: nil).

Directors

All Directors participate in a share purchase plan where half of their Directors' fee is used to purchase Trustpower shares. All Directors purchased their shares directly from Trustpower treasury stock at a price set by the market price over the 20 business days prior to issue. A total of 40,000 shares (2014: 43,000) were purchased for $293,000 (2014: $298,000) (see note A18).

Mr RH Aitken, a Director of Trustpower Limited, is the Executive Chairman of the engineering firm Beca Limited. $326,000 was charged by Beca Limited for engineering services (2014: $165,000). As at 31 March 2015 $84,000 of this amount was unpaid (2014: $3,000).

Mr RWH Farron, Chief Financial Officer and Company Secretary of Trustpower Limited, is a director of the engineering supplies firm BGH Group Limited and its New Zealand based subsidiaries. $5,000 has been charged by subsidiaries, Bay Engineers Supplies Limited and Hose Supplies New Zealand Limited (2014: $18,000). As at 31 March 2015 none of this amount was unpaid (2014: nil).

Other

Trustpower Limited owns 20.0% of the ordinary shares of Rangitata Diversion Race Management Limited (RDR) which owns and operates an irrigation canal in Canterbury. RDR's operating and capital expenditure is funded by advances from its shareholders. In 2015 Trustpower made no additional advances to RDR (2014: nil) and the total balance of the advance at 31 March 2015 was $1,884,000 (2014: $1,884,000). This balance is included in other investments in the statement of financial position.

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties took place on an arm's length basis. No related party debts were forgiven or written off during the year (2014: nil). Except as noted above there are no amounts outstanding at 31 March 2015 (2014: nil).

Appendix

Note A1: Significant Accounting Policies Index

Apart from note A19, accounting policies are denoted by the box surrounding them.

Note A2: Underlying Earnings after Tax

	Note	2015 $000	2014 $000
Profit After Tax Attributable to the Shareholders of the Company		144,014	115,121
Fair value losses / (gains) on financial instruments	A9	14,219	(9,448)
Discount on acquisition	12	(24,986)	–
Asset impairments		141	226
Adjustments before income tax		(10,626)	(9,222)
Change in income tax expense in relation to adjustments		(4,021)	2,582
Change in treatment of depreciation of powerhouses	22	(6,471)	–
Adjustments after income tax		(21,118)	(6,640)
Underlying Earnings After Tax		122,896	108,481

Underlying Earnings is a non GAAP (Generally Accepted Accounting Principles) financial measure. Trustpower believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or gain/impairment of generation assets.

Note A3: Earnings Per Share

	2015	2014
Profit after tax attributable to the shareholders of the Company ($000)	144,014	115,121
Weighted average number of ordinary shares in issue (thousands)	312,949	313,500
Basic and diluted earnings per share (cents per share)	46.0	36.7
Underlying earnings after tax ($000)	122,896	108,481
Weighted average number of ordinary shares in issue (thousands)	312,949	313,500
Underlying earnings per share (cents per share)	39.3	34.6

Note A4: Net Tangible Assets Per Share

	Note	2015	2014
Total net assets ($000)		1,810,236	1,514,532
Less intangible assets ($000)		(72,207)	(72,239)
Net tangible assets ($000)		1,738,029	1,442,293
Number of ordinary shares in issue (thousands)	18	312,913	312,987
Net tangible assets per share (dollars per share)		5.55	4.61

Note A5: Other Operating Expenses

	Note	2015 $000	2014 $000
Remuneration of auditors	A6	776	548
Bad debts written off	A16	1,158	1,432
Directors' fees		621	628
Donations		842	721
Loss/(gain) on foreign exchange		(54)	(1,721)
Generation development expenditure		4,968	10,455
Market fees and costs		8,267	8,464
Meter rental costs		7,703	5,571
Other customer connection costs		2,370	1,993
Net (gain)/loss on sale of property, plant and equipment		(183)	137
Marketing expenditure		15,750	7,300
Computer maintenance and support costs		6,390	5,635
Other administration costs		14,107	12,160
Rental and operating lease costs		688	627
		63,403	53,950

Note A6: Remuneration of Auditors

During the year the following fees were payable to the auditors of Trustpower, PricewaterhouseCoopers:

	Note	2015 $000	2014 $000
Audit and other assurance services			
Audit and review of financial statements		399	290
Other assurance services			
Audit of regulatory returns		24	45
Review of half year financial statements		38	32
		461	367
Taxation services			
Tax compliance services		46	30
Support for dispute with Inland Revenue	25	33	119
Tax compliance advice		177	5
		256	154
Other services			
Benchmarking services		15	-
Financial modelling review services		37	23
Other consulting services		7	4
		59	27
Total remuneration of PricewaterhouseCoopers		776	548

Note A7: Accounts Receivable and Prepayments

	2015 $000	2014 $000
Current Portion:		
Billed debtors and unbilled sales	89,631	78,076
Provision for doubtful debts	(1,650)	(1,600)
Electricity market receivables	2,851	34,581
Other receivables	27,559	14,267
GST receivable	–	1,449
Prepayments	4,612	4,742
	123,003	131,515
Non-current Portion:		
Prepayments	–	764
	–	764

From March 2015, New Zealand electricity market invoices are partially net settled. This has had the effect of reducing both the electricity market receivables above and the electricity market payables (note A8).

Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that Trustpower will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement. The criteria that Trustpower uses to determine that there is objective evidence of an impairment loss include:

- *Significant financial difficulty of the issuer or obligor;*
- *A breach of contract, such as a default or delinquency in interest or principal payments;*
- *Trustpower, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; and*
- *It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.*

Note A8: Accounts Payable and Accruals

	Note	2015 $000	2014 $000
Current Portion			
Customer bond deposits		981	826
Electricity market payables	A7	16,529	44,712
Line cost accrual		160	1,207
Employee entitlements		9,481	7,734
Interest accruals		6,747	3,752
GST payable		3,192	2,558
Other accounts payable and accruals		17,107	20,685
Trade accounts payable		42,074	40,955
		96,271	122,429
Non-current Portion			
Other accounts payable and accruals		3,648	3,856
		3,648	3,856

Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Note A9: Fair Value Gains/(Losses) on Financial Instruments

The changes in the fair value of financial instruments recognised in the income statement and the cash flow hedge reserve for the year to 31 March 2015 are summarised below:

Recognised in the income statement	2015 $000	2014 $000
Interest rate derivatives	(16,888)	10,873
Electricity price derivatives	2,669	(1,425)
	(14,219)	9,448

Recognised in the cash flow hedge reserve	2015 $000	2014 $000
Interest rate derivatives	170	479
Electricity price derivatives	8,631	11,178
Exchange rate derivatives	(2,791)	3,180
	6,010	14,837

Note A10: Cash Flow Hedge Reserve

	2015 $000	2014 $000
Balance at beginning of year	614	(9,390)
Fair value gains/(losses)	2,447	(22,348)
Transfers to energy cost expense	5,380	6,976
Transfers to property, plant and equipment	(1,984)	28,542
Transfers to other operating revenue	–	1,322
Transfers to interest paid	(108)	70
	5,735	14,562
Tax on fair value (gains)/losses	(662)	6,348
Tax on transfers to energy cost expense	(1,506)	(1,953)
Tax on transfers to property, plant and equipment	595	(8,563)
Tax on transfers to other operating revenue	–	(370)
Tax on transfers to interest paid	30	(20)
	(1,543)	(4,558)
	4,806	614

Note A11: Derivative Financial Instruments

	2015 $000	2014 $000
Current		
Interest rate derivative assets	704	135
Electricity price derivative assets	2,821	2,216
Exchange rate derivative assets	–	2,781
	3,525	5,132
Interest rate derivative liabilities	1,208	614
Electricity price derivative liabilities	1,755	2,293
	2,963	2,907
Non-current		
Interest rate derivative assets	1,955	4,136
Electricity price derivative assets	8,693	371
	10,648	4,507
Interest rate derivative liabilities	23,378	8,701
Electricity price derivative liabilities	2,584	5,265
	25,962	13,966

Note A12: Investments in Subsidiaries

Parent and Group	Country of incorporation and place of business	% owned by Trustpower	Nature of business
Significant subsidiaries (31 March balance dates)			
Church Lane Wind Farm Pty Ltd	Australia	100	Generation development
Dundonnell Wind Farm Pty Ltd	Australia	100	Generation development
Energy Direct NZ Limited	New Zealand	100	Electricity and gas retailing
GSP Energy Pty Ltd (formerly Sellicks Hill Wind Farm Pty Ltd)	Australia	100	Electricity generation
Rye Park Renewable Energy Pty Ltd	Australia	100	Generation development
Salt Creek Wind Farm Pty Ltd	Australia	100	Generation development
Snowtown South Wind Farm Pty Ltd	Australia	100	Electricity generation
Snowtown Wind Farm Pty Ltd	Australia	100	Electricity generation
Snowtown Wind Farm Stage 2 Pty Ltd	Australia	100	Electricity generation
Tararua Wind Power Limited	New Zealand	100	Asset holding
Trustpower Australia (New Zealand) Limited	New Zealand	100	Asset holding
Trustpower Australia Financing Partnership	Australia	100	Financing
Trustpower Australia Holdings Pty Ltd	Australia	100	Generation development
Trustpower Insurance Limited	New Zealand	100	Captive insurance
Trustpower Market Services Pty Ltd	Australia	100	Financial services
Wingeel Wind Farm Pty Ltd	Australia	100	Generation development

Note A13: Reconciliation of Net Cash from Operating Activities with Profit after Tax Attributable to the Shareholders

	2015 $000	2014 $000
Profit after tax attributable to the shareholders of the Company	144,014	115,121
Items classified as investing/financing		
Interest paid	74,906	61,796
Interest received	(1,068)	(1,490)
	73,838	60,306
Non-cash items:		
Amortisation of debt issue costs	1,757	1,784
Non-cash transfer from cash flow hedge reserve to interest expense	(275)	(275)
Amortisation of other investments	3	3
Amortisation of intangible assets	12,958	10,619
Depreciation	85,167	61,394
Net (gain)/loss on sale of property, plant and equipment	(183)	137
Other fixed and investment asset charges/(credits)	592	226
Fair value increase of GSP generation assets	(43,690)	-
Share based staff remuneration	–	51
Movement in derivative financial instruments taken to the income statement	14,219	(9,448)
Increase/(decrease) in deferred tax liability excluding transfers to reserves	(5,029)	10,113
	65,519	74,604
Decrease/(increase) in working capital:		
Accounts receivable and prepayments	(10,308)	3,041
Taxation payable/receivable	4,310	(6,326)
Accounts payable and accruals excluding capital expenditure accruals	(7,569)	10,017
	(13,567)	6,732
Net cash from operating activities	269,804	256,763

Note A14: Employee Share Based Compensation

Members of Trustpower's executive management team and certain other employees (together defined as key management personnel) are eligible to receive payment under a cash settled share based payment scheme. The scheme is defined as follows:

An incentive scheme for key management personnel was implemented on 15 May 2009. This is a cash-settled share-based payment scheme covering a three-year period. Subsequently, each year on the 15th of May, a new tranche of the scheme has been issued and covers a period of three years from the issue date.

Key management personnel are eligible to receive a bonus payment at the end of the three year period of the scheme, the sum of which is determined by the total return on a notional number of allocated shares. The return is calculated as the sum of dividends paid by Trustpower plus the increase in share price over the period. Payment is only made if a minimum return, set by the Board, is met. Additionally the scheme has a set maximum return above which no increase in the bonus is received by the participants. The total return is calculated for a three year period commencing on the 15th of May with reference to the average share price over the ten days prior to the scheme closing.

The fair value of the liability at 31 March 2015 has been determined by reference to Trustpower Limited's current share price and expected dividends and share price movements with comparison to the share price at the start of the relevant period and adjusted to reflect the present value of these future expected cash flows.

For the year ended 31 March 2015 the total expense recognised in the income statement was $311,000 (2014: $(99,000)) and the liability recognised in the statement of financial position as at 31 March 2015 was $311,000 (2014: nil).

Note A15: Property, Plant and Equipment at Historical Cost

If generation assets were stated on an historical cost basis, the amounts would be as follows

	2015 $000	2014 $000
Generation assets (at cost)	2,114,215	1,726,168
Generation assets under construction (at cost)	14,086	220,825
Generation assets accumulated depreciation	(481,682)	(409,891)
	1,646,619	1,537,123

Note A16: Financial Risk Management

(a) Liquidity Risk

The tables below analyse Trustpower's financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the period end date. The amounts in the tables are contractual undiscounted cash flows.

	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
As at 31 March 2015				
Net settled electricity price derivatives	1	272	2,419	1,961
Net settled interest rate derivatives	50	4,016	3,999	20,472
Accounts payable and accruals	89,333	87	104	3,648
Unsecured subordinated bonds	–	8,925	106,825	173,075
Unsecured senior bonds	–	8,218	8,218	292,210
Unsecured bank loans	333	23,121	9,869	713,241
Total	89,717	44,639	131,434	1,204,607

	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
As at 31 March 2014				
Net settled electricity price derivatives	247	1,353	7,712	5,992
Net settled interest rate derivatives	470	846	1,315	7,407
Accounts payable and accruals	118,486	87	104	3,856
Unsecured subordinated bonds	–	8,998	8,852	288,918
Unsecured senior bonds	–	8,170	80,320	162,895
Unsecured bank loans	–	13,542	5,628	714,044
Total	119,203	32,996	103,931	1,183,112

The table below analyses Trustpower's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the period end date. The amounts disclosed in the table are the contractual undiscounted cash flows. There were no gross settled instruments in place at 31 March 2015.

	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
As at 31 March 2014				
Foreign currency forward contracts				
Inflows	–	18,762	–	–
(Outflows)	–	(16,130)	–	–

Note A16: Financial Risk Management (Continued)

(b) Interest Rate Risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2015 were $924,473,000 (31 March 2014: $745,062,000).

Interest payment transactions are expected to occur at various dates between one month and eight years from the end of the reporting period consistent with Trustpower's forecast total borrowings.

Weighted average interest rates for Trustpower are disclosed in note 14.

Sensitivity analysis

At 31 March 2015, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

	2015 $000	2014 $000
Decrease to profit of a 100 basis point decrease in interest rates	(19,207)	(15,055)
Increase to profit of a 100 basis point increase in interest rates	18,075	15,151
Decrease to equity of a 100 basis point decrease in interest rates	(19,207)	(15,151)
Increase to equity of a 100 basis point increase in interest rates	18,075	15,244

(c) Credit Risk

As of 31 March 2015, trade receivables of $4,722,000 (2014: $4,156,000) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

	2015 $000	2014 $000
Up to 3 months	4,722	4,156
3 to 6 months	–	–
	4,722	4,156

As of 31 March 2015, trade receivables of $1,650,000 (2014: $1,600,000) were past due and impaired.

The ageing analysis of these trade receivables is as follows:

	2015 $000	2014 $000
Up to 3 months	562	279
Over 3 months	1,088	1,321
	1,650	1,600

For details of the receivables considered impaired refer to note A7.

Movements on the provision for impairment of trade receivables are as follows:

	2015 $000	2014 $000
Opening balance	1,600	1,700
Provision for receivables impairment	1,158	1,432
Bad debts written off	(1,108)	(1,532)
Closing balance	1,650	1,600

Note A16: Financial Risk Management (Continued)

(d) Electricity Price Risk

Trustpower has elected to apply cash flow hedge accounting to those instruments it deems material and which qualify as cash flow hedges while immaterial contracts are not hedge accounted.

The aggregate notional volume of the outstanding electricity derivatives at 31 March 2015 was 1,590GWh (31 March 2014: 836GWh).

The hedged anticipated electricity purchase transactions are expected to occur continuously throughout the next three years from the end of the reporting period consistent with Trustpower's forecast electricity generation and retail electricity sales. Gains and losses recognised in the cash flow hedge reserve on electricity derivatives as of 31 March 2015 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the income statement.

Sensitivity analysis

The following tables summarise the impact of increases/decreases of the relevant forward electricity prices on Trustpower's post-tax profit for the year and on other components of equity. The sensitivity analysis is based on the assumption that the relevant forward electricity prices had increased/decreased with all other variables held constant as a result of the fair value change in electricity price derivatives.

	2015 $000	2014 $000
Increase to profit of a 10% increase in electricity forward price	1,096	1,499
Decrease to profit of a 10% decrease in electricity forward price	(1,096)	(1,499)
Increase to equity of a 10% increase in electricity forward price	10,377	6,998
Decrease to equity of a 10% decrease in electricity forward price	(10,377)	(6,998)

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, electricity price hedges) is determined by using valuation techniques. Trustpower uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Trustpower has used discounted cash flow analysis for various electricity price hedges that are not traded in an active market. The forward curve is derived from a combination of market quoted prices and management's best estimates. The discount rate is assumed as the counterparty's cost of funds for the period of the instrument. See parts (b) and (d) of this note for sensitivity analysis.

Fair Values

Except for subordinated bonds and senior bonds (see note 14), the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Note A17: Fair Value Measurement

Estimation of Fair Values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities are calculated using discounted cash flow analysis based on market-quoted rates.
- The fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:

- forward price curve (as described below); and
- discount rates.

Valuation Input	*Source*
Interest rate forward price curve	Published market swap rates
Foreign exchange forward prices	Published spot foreign exchange rates and interest rate differentials
Electricity forward price curve	Market quoted prices where available and the Directors' best estimate based on their view of the long run marginal cost of new generation where no market quoted prices are available
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities
Discount rate for valuing forward foreign exchange contracts	Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 4.1% to 5.2%

Note A17: Fair Value Measurement (Continued)

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques. See earlier in this note for sensitivity analysis.

NZ IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy which represents the level of judgement and estimation applied in valuing the instrument:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2014: none).

The following tables present Trustpower's financial assets and liabilities that are measured at fair value.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
31 March 2015				
Assets per the statement of financial position				
Interest rate derivative assets	–	2,659	–	2,659
Electricity price derivative assets	–	–	11,514	11,514
Exchange rate derivative assets	–	–	–	–
	–	2,659	11,514	14,173
Liabilities per the statement of financial position				
Interest rate derivative liabilities	–	24,586	–	24,586
Electricity price derivative liabilities	–	–	4,339	4,339
Exchange rate derivative liabilities	–	–	–	–
	–	24,586	4,339	28,925

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
31 March 2014				
Assets per the statement of financial position				
Interest rate derivative assets	–	4,271	–	4,271
Electricity price derivative assets	–	–	2,587	2,587
Exchange rate derivative assets	–	2,781	–	2,781
	–	7,052	2,587	9,639
Liabilities per the statement of financial position				
Interest rate derivative liabilities	–	9,315	–	9,315
Electricity price derivative liabilities	–	–	7,558	7,558
Exchange rate derivative liabilities	–	–	–	–
	–	9,315	7,558	16,873

Note A17: Fair Value Measurement (Continued)

The following tables present the changes during the year of the level 3 instruments being electricity price derivatives.

	2015 $000	2014 $000
Assets per the statement of financial position		
Opening balance	2,587	1,488
Gains and (losses) recognised in profit or loss		
Realised in energy cost expense	4,599	4,275
Unrealised	(2,795)	(3,176)
Gains and (losses) recognised in other comprehensive income		
Realised in energy cost expense	194	–
Unrealised	6,929	–
Closing balance	11,514	2,587
Total gains for the period included in profit or loss for assets held at the end of the reporting period	4,391	1,679
Liabilities per the statement of financial position		
Opening balance	7,558	14,862
(Gains) and losses recognised in profit or loss		
Realised in energy cost expense	(14,160)	(2,068)
Unrealised	12,449	5,942
(Gains) and losses recognised in other comprehensive income		
Realised in energy cost expense	(5,573)	(7,219)
Unrealised	4,065	(3,959)
Closing balance	4,339	7,558
Total losses for the period included in profit or loss for liabilities held at the end of the reporting period	3,364	4,407
Settlements during the year	(14,940)	(3,959)

Electricity price derivatives are classified as Level 3 because the assumed location factors which are used to adjust the forward price path are unobservable.

A sensitivity analysis showing the effect on the value of the electricity price derivatives of reasonably possible alternative price path assumptions is shown in section (d) of note A16.

Note A18: Financial Instruments by Category

	Loans and receivables $000	Assets at fair value through profit or loss $000	Derivatives used for hedging $000	Assets held to maturity $000
31 March 2015				
Assets per the statement of financial position				
Derivative financial instruments	–	7,051	7,123	–
Trade and other receivables excluding prepayments	118,391	–	–	–
Cash and cash equivalents	14,057	–	–	–
Bond deposits on trust	2,740	–	–	–
Other investments	–	–	–	1,892
	135,188	7,051	7,123	1,892
31 March 2014				
Assets per the statement of financial position				
Derivative financial instruments	–	6,858	2,781	–
Trade and other receivables excluding prepayments	126,773	–	–	–
Cash and cash equivalents	31,723	–	–	–
Bond deposits on trust	800	–	–	–
Term receivables	764	–	–	–
Other investments	–	–	–	1,892
	160,060	6,858	2,781	1,892

Note A18: Financial Instruments by Category (Continued)

	Liabilities at fair value through profit or loss $000	Derivatives used for hedging $000	Other financial liabilities at amortised cost $000
31 March 2015			
Liabilities per the statement of financial position			
Unsecured bank loans including bank overdrafts	–	–	734,803
Unsecured subordinated bonds	–	–	238,671
Unsecured senior bonds	–	–	243,140
Derivative financial instruments	27,950	975	–
Trade and other payables	–	–	99,919
	27,950	975	1,316,533
31 March 2014			
Liabilities per the statement of financial position			
Unsecured bank loans including bank overdrafts	–	–	722,520
Unsecured subordinated bonds	–	–	238,211
Unsecured senior bonds	–	–	213,498
Derivative financial instruments	14,219	2,654	–
Trade and other payables	–	–	126,285
	14,219	2,654	1,300,514

See notes A16 and A17 for details on fair value estimation and details of the hedge relationships.

Note A19: Supplementary Accounting Policies

A19.1 Cash Flow Statement

The following are the definitions used in the cash flow statement:

- cash is considered to be cash on hand and deposits held at call with banks, net of bank overdrafts
- operating activities include all activities that are not investing or financing activities
- investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments in subsidiaries
- financing activities are those activities, which result in changes in the size and composition of the capital structure of the Group

This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

A19.2 Adoption Status of Relevant New Financial Reporting Standards and Interpretations

The following new standards and amendments to standards were applied during the period:

NZ IAS 32 *Financial instruments: Presentation*

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.
The amendment did not have a significant effect on Trustpower's financial statements.

NZ IAS 36 *Impairment of assets*

This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in NZ IAS 36 by the issue of NZ IFRS 13.

NZ IAS 39 *Financial instruments: Recognition and measurement*

This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under NZ IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. Trustpower has applied the amendment and there has been no significant impact on Trustpower's financial statements as a result.

NZ IFRIC 21 *Levies*

The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. Trustpower is not currently subjected to significant levies so the impact on Trustpower is not material.

Trustpower has adopted these new standards and amendments from 1 April 2014.

The following new standard has been issued but is not yet effective:

NZ IFRS 9 *Financial instruments*

The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Trustpower intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15 *Revenue from contracts with customers*

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on Trustpower.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on Trustpower.