Market Announcement

11 May 2012

TrustPower's consolidated profit after tax was $131.7 million for the year ended 31 March 2012. This represents an increase of 17% compared with $112.4 million for the same period last year. Impacting on the current year result was fair value losses on financial instruments of $7.5 million primarily resulting from a fall in long term interest rates over the period that negatively impacted the value of the Group's interest rate hedging portfolio.

Underlying earnings after tax excluding fair value movements on financial instruments and one-off impairment charges were $135.5 million compared with $116.5 million in the previous year, an increase of 16%.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF) were $300.1 million, compared with the $274.4 million achieved in the previous year representing an increase of 9%. This is the 10th consecutive year of earnings growth achieved by the Group on this measure.

Operating revenue increased 5% from $766.0 million in the previous year to $807.1 million. Operating expenses including energy and line costs increased 3%.

Total electricity volume sold by the Company in New Zealand was 3,960GWh, compared with 4,033GWh in the year to 31 March 2011. Customer numbers decreased from 221,000 as at 31 March 2011 to 209,000 as at 31 March 2012. While retail market remains highly competitive TrustPower continues to experience lower levels of customer churn than the market. Over the last four months of the financial year TrustPower refrained from actively acquiring customers to ensure a seamless transition for the replacement of its core customer billing and information system. During this period there were also good opportunities to place product with commercial customers and via the ASX in preference to mass market placement.

For the first half of the financial year wholesale electricity prices remained subdued due to above average levels of hydro storage. However, inflows into South Island hydro storage catchments have been below average in the second half which has caused national storage levels to fall below 80% of average. This has caused wholesale prices for electricity to rise above average during this period. TrustPower's hydro catchments fared better during this period and the Group was able to benefit from higher prices by selling surplus generation in the wholesale market.

The Group's New Zealand generation production of 2,582GWh was up 295GWh (13%) on the previous year and 7% above the expected long term average. Total hydro production was up 197GWh (11%) on the previous year and 14% above the expected long term average due to above average inflows over the course of the year into both North and South Island catchments. Wind production was flat on the previous year but down 9% on the expected long term average.

Wind production from the Snowtown Wind Farm in South Australia was 376GWh which was 48GWh (15%) higher than the previous year but 3% lower than the expected long term average.

Underlying return on average equity, adjusted for fair value movements on financial instruments impairment charges and excluding the impact of the revaluation of generation assets at balance date, was 9.6% (compared to 8.2 % in the previous year).

Group operating cash flow was strong at $268.3 million for the 2012 financial year versus $224.0 million in the prior year.

TrustPower's balance sheet as at 31 March 2012 remains solid, with shareholders' funds of $1.57 billion and total assets of close to $2.8 billion.

In accordance with International Financial Reporting Standards, TrustPower undertook an independent valuation of its generation assets as at 31 March 2012. The independent valuation was undertaken by Deloitte Corporate Finance and has resulted in an uplift in the value of generation assets of $193.4 million.

Debt (including subordinated bonds) to debt plus equity decreased to 33.3% from 36.3% at prior year end, as a result of reduced borrowing levels and the impact of the generation asset revaluation. TrustPower continues to maintain conservative levels of committed credit facilities. As at 31 March 2012 Group net debt was $762.4 million. TrustPower has recently accepted offers to refinance $125 million of bank facilities due to mature in July 2012. These facilities will be increased to $175 million and extended in two tranches to July 2015 and July 2016. Following this refinancing the Group will have NZD equivalent 1.25 billion of committed debt facilities and over NZD equivalent 450 million of undrawn facilities.

TrustPower has $108.5 million of subordinated bonds maturing in September of this year. Although a final decision has not been made, TrustPower expects that it will make an offer to existing holders to replace the bonds at maturity combined with a retail market offer. More detail will be provided in the coming months.

Purchases of TrustPower's shares have continued under the Company's Share Buyback Programme for which a three year extension was approved at the Annual Meeting in July 2011. The approval allows the Company to purchase up to 5 million shares over a three year period. 663,257 shares have been purchased at an average cost of $7.05 during the year to 31 March 2012. This represents 8% of total TrustPower shares traded over the period and the average purchase price per share compares to an average price of $7.19 for the total number of TrustPower shares traded during this period.

TrustPower has recognised for some time the opportunity for the Coleridge Hydro Scheme to play an important part in delivering reliable irrigation capacity along the Rakaia River plains in Canterbury. TrustPower is working with landowners, as well as central and local government, to develop solutions to increase irrigation reliability in the region.

The hearing to consider a proposed amendment to the Water Conservation Order for the Rakaia River is in its final stages and a decision is expected later this year.

As a result of growing demand from irrigators TrustPower will install a sixth pump at its Highbank Hydro Scheme later this year.

TrustPower expects that electricity prices will become more volatile over time and consequently generation capacity which is able to meet peak demand will become more valuable. Many of TrustPower's hydro generation assets have peaking capacity and a detailed review has been undertaken to identify potential enhancement opportunities that can increase peaking capacity in the short to medium term. As a result, the Group has set itself a target to identify generation enhancement opportunities within the existing portfolio that can create further shareholder value.

The 3.8MW Esk Hydro generation project is now under construction and is expected to be completed by June 2013 at a cost of around $13 million.

During the last year the Company has undertaken detailed geotechnical and civil design studies for the Arnold Hydro Scheme. Following this work it has been determined that the project will not, at this stage, be progressed further due to project economics not being sufficiently attractive. However, a watching brief will be maintained so that remaining feasibility work can be quickly completed should current status change. It is expected that a final investment decision on the smaller 2.6MW Arnold Residual Flow project will be made in the coming months once final construction costs have been confirmed.

TrustPower currently has consents for around 400MW of wind farm development and 120MW of hydro development in the South Island. However, the recent decision by the Electricity Authority, after many years of investigation and industry consultation, not to change the charging methodology for the High Voltage Direct Current ("HVDC") transmission line, does not assist the development of South Island generation investment. TrustPower has long argued that the current HVDC cost recovery methodology prevents a level playing field for generation investment across the country and is increasing energy prices disproportionately

for South Island consumers. We see the Electricity Authority's decision as a missed opportunity to address a longstanding industry anomaly.

In Australia, TrustPower has been making good progress in advancing the development of the Snowtown Stage 2 Wind Farm in South Australia.

As recently announced, TrustPower has negotiated conditional contracts with Siemens for turbine supply and with Origin Energy for long term off-take which aligns with the remaining period of the Australian Government's Large Renewable Energy Trading target. It is intended that the 270MW Stage 2 development will be split into two separately metered wind farms. TrustPower will retain ownership of 144MW and sell down the rights to develop the remaining 126MW to a co-investor. Identification of a suitable co-investor is well advanced and it is expected that further announcements will be made over the coming months once this process in completed.

TrustPower has also been very active in identifying further wind development opportunities across Australia. In the final quarter of the 2012 financial year, TrustPower has acquired an option from NewEn to develop the Dundonnell site in Victoria which has the potential for around 270MW. Options over two other wind farm sites have been purchased from another developer in New South Wales with potential for a further 700MW.

All of these sites have land owner access arrangements in place, good wind resource, uncomplicated transmission connection options and some are capable of development in stages and / or further expansion. TrustPower has to date spent around NZD equivalent 4.5 million to secure these development rights and this expenditure has been included within other operating expenditure in the financial statements.

Together with existing development options in South Australia, TrustPower now has over 1,200MW of wind development options across New South Wales, Victoria, and South Australia, in addition to Snowtown Stage 2, which positions the Group well to be involved in further wind development and contribute towards meeting Australia's renewable energy policy targets.

Following the successful implementation of the Group's core customer information and billing system, further system development is expected to be completed during the FY13 financial year to enhance customer experience and product choice as well as improving the Group's website.

The Directors are pleased to announce a final dividend of 20 cents per share, partially imputed to 18 cents per share, payable 8 June 2012 (record date of 25 May 2012). This, together with an interim dividend of 20 cents per share, provides a total payout of 40 cents per share for the 2012 financial year compared with 39 cents per share for the 2011 financial year representing 2.6% growth and 10 years of continuous dividend growth (excluding special dividends).

While New Zealand hydro storage remains below average levels for this time of year, TrustPower's hydro storage lakes are currently close to average.

The initiatives under taken by the Group over the past twelve months has ensured that the Group is well positioned to meet its customers' needs and to pursue further development of electricity generation assets when it is economically justifiable.

BJ Harker
CHAIRMAN

TRUSTPOWER LIMITED AND SUBSIDIARIES
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2012

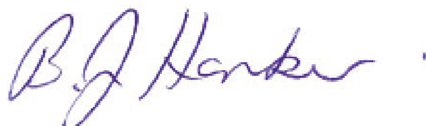
The Directors are pleased to present the financial statements of TrustPower Limited and subsidiaries for the year ended 31 March 2012.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2012 and their financial performance and cash flows for the year ended on that date.

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

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

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



Bruce Harker
Chairman

Geoff Swier
Director

Company Registration Number HN604040
Dated: 11 May 2012

TRUSTPOWER LIMITED AND SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
		$000	**$000**	**$000**	**$000**
Operating Revenue					
Electricity revenue	6	**763,570**	722,965	**727,147**	692,008
Carbon revenue		**5,181**	8,928	**5,181**	8,928
Meter rental revenue		**6,986**	6,051	**6,986**	6,051
Other customer fees and charges		**2,808**	3,391	**2,808**	3,391
Telecommunications sales		**23,427**	22,237	**23,427**	22,237
Other operating revenue		**5,088**	2,471	**5,197**	2,607
		807,060	766,043	**770,746**	735,222
Operating Expenses					
Energy costs		**137,225**	142,966	**137,225**	142,966
Generation production costs		**39,036**	33,579	**33,089**	27,774
Line costs		**225,495**	221,956	**225,495**	221,956
Market fees and costs		**11,594**	13,550	**11,563**	13,520
Meter rental costs		**4,713**	3,760	**4,713**	3,760
Other customer connection costs		**1,835**	1,983	**1,835**	1,983
Loss/(gain) on sale of property, plant and equipment		**(5)**	98	**(72)**	91
Employee benefits		**32,379**	30,111	**29,577**	27,784
Telecommunications cost of sales		**18,792**	17,572	**18,792**	17,572
Other operating expenses	7	**35,859**	26,055	**52,128**	46,820
		506,923	491,630	**514,345**	504,226
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)		**300,137**	274,413	**256,401**	230,996
Impairment of assets	8	**428**	-	**5,314**	1,430
Fair value (gains)/losses on financial instruments	9	**7,544**	(62)	**1,883**	590
Amortisation of intangible assets	23	**5,357**	5,547	**5,357**	5,547
Depreciation	21	**52,880**	49,324	**18,558**	14,977
Operating Profit		**233,928**	219,604	**225,289**	208,452
Interest paid	10	**63,889**	62,746	**48,788**	47,506
Interest received	10	**(904)**	(917)	**(4,883)**	(1,400)
Net finance costs		**62,985**	61,829	**43,905**	46,106
Profit Before Income Tax		**170,943**	157,775	**181,384**	162,346
Income tax expense	11	**39,291**	45,406	**47,831**	55,213
Profit After Tax Attributable to the Shareholders of the Company		**131,652**	112,369	**133,553**	107,133
Basic earnings per share (cents per share)	4	**41.9**	35.7	**42.5**	34.0
Diluted earnings per share (cents per share)	4	**41.8**	35.6	**42.5**	34.0

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Note	GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
		$000	**$000**	**$000**	**$000**
Profit after tax attributable to the shareholders of the Company		**131,652**	112,369	**133,553**	107,133
Other Comprehensive Income					
Fair value gains/(losses) on generation assets	14	**193,447**	-	**159,589**	-
Currency translation differences on revaluation reserve	14	**(6,231)**	1,806	**-**	**-**
Fair value gains/(losses) on cash flow hedges	16	**18,153**	(33,025)	**18,153**	(33,025)
Other currency translation differences	17	**(4,027)**	2,767	**-**	-
Movements in employee share option reserve	17	**(100)**	(90)	**(100)**	(90)
Tax effect of the following:					
Fair value gains on generation assets	14	**(41,057)**	-	**(34,074)**	-
Disposal of revalued assets	14	**14**	62	**6**	62
Fair value gains/(losses) on cash flow hedges	16	**(5,083)**	9,970	**(5,083)**	9,970
Other currency translation differences	17	**(3,584)**	2,692	**-**	-
Effect of the change in corporate tax rate on the following:					
Revaluation reserve		**-**	11,251	**-**	9,600
Cash flow hedge reserve		**-**	(223)	**-**	(223)
Foreign currency translation reserve		**-**	(530)	**-**	-
Total Other Comprehensive Income		**151,532**	(5,320)	**138,491**	(13,706)
Total Comprehensive Income		**283,184**	107,049	**272,044**	93,427

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

GROUP	Note	Share capital $000	Revaluation reserve $000	Cash flow hedge reserve $000	Other reserves $000	Retained earnings $000	Total equity $000
Opening balance as at 1 April 2010		176,751	867,493	15,406	15,064	362,432	1,437,146
Total comprehensive income for the period		-	13,119	(23,278)	4,839	112,369	107,049
Disposal of revalued assets		-	(221)	-	-	221	-
Transactions with owners recorded directly in equity							
Purchase of treasury shares by directors		-	-	-	-	-	-
Own shares repurchased	13	(6,001)	-	-	-	-	(6,001)
Dividends paid	12	-	-	-	-	(119,703)	(119,703)
Total transactions with owners recorded directly in equity		(6,001)	-	-	-	(119,703)	(125,704)
Closing balance as at 31 March 2011		170,750	880,391	(7,872)	19,903	355,319	1,418,491
Opening balance as at 1 April 2011		**170,750**	**880,391**	**(7,872)**	**19,903**	**355,319**	**1,418,491**
Total comprehensive income for the period		**-**	**146,173**	**13,070**	**(7,711)**	**131,652**	**283,184**
Disposal of revalued assets		**-**	**(51)**	**-**	**-**	**51**	**-**
Transactions with owners recorded directly in equity							
Purchase of treasury shares by directors		**146**	-	-	-	-	**146**
Own shares repurchased	13	**(4,818)**	**-**	**-**	**-**	**-**	**(4,818)**
Dividends paid	12	**-**	**-**	**-**	**-**	**(125,672)**	**(125,672)**
Total transactions with owners recorded directly in equity		**(4,672)**	**-**	**-**	**-**	**(125,672)**	**(130,344)**
Closing balance as at 31 March 2012		**166,078**	**1,026,513**	**5,198**	**12,192**	**361,350**	**1,571,331**

PARENT	Note	Share capital $000	Revaluation reserve $000	Cash flow hedge reserve $000	Other reserves $000	Retained earnings $000	Total equity $000
Opening balance as at 1 April 2010		176,751	696,365	15,406	193	316,540	1,205,255
Total comprehensive income for the period		-	9,662	(23,278)	(90)	107,133	93,427
Disposal of revalued assets		-	(221)	-	-	221	-
Effect of amalgamation of subsidiaries							
Transactions with owners recorded directly in equity							
Purchase of treasury shares by directors		-	-	-	-	-	-
Own shares repurchased	13	(6,001)	-	-	-	-	(6,001)
Dividends paid	12	-	-	-	-	(119,703)	(119,703)
Total transactions with owners recorded directly in equity		(6,001)	-	-	-	(119,703)	(125,704)
Closing balance as at 31 March 2011		170,750	705,806	(7,872)	103	304,191	1,172,978
Opening balance as at 1 April 2011		**170,750**	**705,806**	**(7,872)**	**103**	**304,191**	**1,172,978**
Total comprehensive income for the period		**-**	**125,521**	**13,070**	**(100)**	**133,553**	**272,044**
Disposal of revalued assets		**-**	**(25)**	**-**	**-**	**25**	**-**
Transactions with owners recorded directly in equity							
Purchase of treasury shares by directors		**146**	**-**	**-**	**-**	**-**	**146**
Amalgamation adjustment	22	**-**	**30,252**	**-**	**-**	**45,304**	**75,556**
Own shares repurchased	13	**(4,818)**	**-**	**-**	**-**	**-**	**(4,818)**
Dividends paid	12	**-**	**-**	**-**	**-**	**(125,672)**	**(125,672)**
Total transactions with owners recorded directly in equity		**(4,672)**	**30,252**	**-**	**-**	**(80,368)**	**(54,788)**
Closing balance as at 31 March 2012		**166,078**	**861,554**	**5,198**	**3**	**357,401**	**1,390,234**

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2012

		GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
	Note	**$000**	**$000**	**$000**	**$000**
Equity					
Capital and reserves attributable to shareholders of the Company					
Share capital	13	**166,078**	170,750	**166,078**	170,750
Revaluation reserve	14	**1,026,513**	880,391	**861,554**	705,806
Retained earnings	15	**361,350**	355,319	**357,401**	304,191
Cash flow hedge reserve	16	**5,198**	(7,872)	**5,198**	(7,872)
Other reserves	17	**12,192**	19,903	**3**	103
Total Equity		**1,571,331**	1,418,491	**1,390,234**	1,172,978
Represented by:					
Current Assets					
Cash at bank	18	**20,488**	12,568	**9,695**	1,429
Bond deposits on trust		**1,791**	2,000	**1,791**	2,000
Electricity market security deposits		**-**	1,234	**-**	1,234
Accounts receivable and prepayments	19	**115,963**	102,473	**110,671**	95,601
Derivative financial instruments	20	**10,603**	2,949	**10,571**	2,949
Taxation receivable		**5,159**	3,925	**-**	-
		154,004	125,149	**132,728**	103,213
Non-Current Assets					
Property, plant and equipment	21	**2,584,985**	2,435,783	**1,954,993**	1,626,487
Derivative financial instruments	20	**5,665**	5,756	**5,665**	5,465
Investments in subsidiaries	22	**-**	-	**193,201**	305,233
Other investments		**5,085**	4,373	**1,892**	1,808
Intangible assets	23	**45,895**	34,411	**45,895**	34,411
		2,641,630	2,480,323	**2,201,646**	1,973,404
Total Assets		**2,795,634**	2,605,472	**2,334,374**	2,076,617
Current Liabilities					
Accounts payable and accruals	24	**109,812**	86,611	**101,850**	85,738
Unsecured subordinated bonds	26	**108,592**	-	**108,592**	-
Derivative financial instruments	20	**3,896**	5,201	**3,728**	5,201
Taxation payable		**5,702**	4,186	**5,432**	4,060
		228,002	95,998	**219,602**	94,999
Non-Current Liabilities					
Unsecured bank loans	25	**308,440**	336,327	**119,605**	132,700
Unsecured subordinated bonds	26	**153,685**	261,742	**153,685**	261,742
Unsecured senior bonds	27	**212,178**	211,518	**212,178**	211,518
Derivative financial instruments	20	**17,510**	19,599	**10,857**	18,107
Accounts payable and accruals	24	**4,273**	4,481	**4,273**	4,481
Deferred tax liability	28	**300,215**	257,316	**223,940**	180,092
		996,301	1,090,983	**724,538**	808,640
Total Liabilities		**1,224,303**	1,186,981	**944,140**	903,639
Net Assets		**1,571,331**	1,418,491	**1,390,234**	1,172,978
Net Tangible Assets Per Share	4	**$4.86**	$4.40	**$4.28**	$3.62

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

		GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
	Note	**$000**	**$000**	**$000**	**$000**
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from customers		**816,396**	814,813	**778,748**	784,475
		816,396	814,813	**778,748**	784,475
Cash was applied to:					
Payments to suppliers and employees		**501,742**	549,523	**488,731**	539,369
Taxation paid		**46,402**	41,252	**46,370**	41,219
		548,144	590,775	**535,101**	580,588
Net Cash from Operating Activities	29	**268,252**	224,038	**243,647**	203,887
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of property, plant and equipment		**21**	593	**21**	574
Return of bond deposits on trust		**200**	300	**200**	300
Return of electricity market security deposits		**5,700**	266	**5,700**	266
Return of advances from subsidiaries		**-**	-	**12,038**	1,916
Interest received		**904**	907	**4,883**	1,400
		6,825	2,066	**22,842**	4,456
Cash was applied to:					
Advances to subsidiaries		**-**	-	**10,572**	10,017
Interest capitalised in construction of property, plant and equipment		**27**	1,466	**27**	1,466
Lodgement of electricity market security deposits		**4,457**	1,500	**4,457**	1,500
Purchase of property, plant and equipment		**35,863**	89,488	**33,789**	82,328
Purchase of other investments		**711**	2,179	**84**	1,800
Purchase of intangible assets		**16,841**	4,384	**16,841**	4,384
		57,899	99,017	**65,770**	101,495
Net Cash used in Investing Activities		**(51,074)**	(96,951)	**(42,928)**	(97,039)
Cash Flows from Financing Activities					
Cash was provided from:					
Bank loan proceeds		**20,728**	118,639	**18,261**	115,890
Senior bond issue proceeds		**-**	75,000	**-**	75,000
Issue of shares		**146**	-	**146**	-
		20,874	193,639	**18,407**	190,890
Cash was applied to:					
Bond brokerage costs		**-**	1,516	**-**	1,516
Purchase of own shares		**4,818**	6,001	**4,818**	6,001
Loan establishment costs		**-**	2,250	**-**	2,250
Repayment of bank loans		**35,979**	126,976	**32,000**	124,261
Interest paid		**63,082**	61,712	**48,371**	46,446
Dividends paid		**125,671**	119,703	**125,671**	119,703
		229,550	318,158	**210,860**	300,177
Net Cash used in Financing Activities		**(208,676)**	(124,519)	**(192,453)**	(109,287)
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		**8,502**	2,568	**8,266**	(2,439)
Cash, cash equivalents and bank overdrafts at beginning of the year		**12,568**	9,492	**1,429**	3,868
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**(582)**	508	**-**	-
Cash, Cash Equivalents and Bank Overdrafts at End of the Year		**20,488**	12,568	**9,695**	1,429

The accompanying notes form part of these financial statements

NOTE 1: GENERAL INFORMATION

Reporting Entity
The principal activities of TrustPower Limited (the Company or Parent) and its subsidiaries (together the Group) are the development, ownership and operation of electricity generation facilities from renewable energy sources and the retail sale of electricity and telecommunications services to its customers. All significant operations take place within New Zealand and Australia.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Truman Lane, Te Maunga, Mount Maunganui. The Company is listed on the New Zealand Stock Exchange.

These financial statements relate to the year ended 31 March 2012 and have been approved for issue by the Board of Directors (the Board) on 11 May 2012.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these audited financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation
These audited financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with 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.

Entities reporting
The consolidated financial statements of the Group are for the economic entity comprising TrustPower Limited and its subsidiaries. The consolidated entity is designated as a profit-oriented entity for financial reporting purposes.

Statutory base
TrustPower Limited is registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of generation assets, derivative financial instruments, unsold emission rights and employee share options which are stated at fair value.

Estimates
The preparation of financial statements in conformity with NZ IFRS requires the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 36.

Functional and Presentation Currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'New Zealand Dollars' (NZD), which is the Company's functional and the Group's presentation currency.
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2.2 Principles of Consolidation
Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but are considered as an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2.4 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 the Group 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 the Group 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;
• The Group, 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.

2.5 Financial Assets
The Group classifies all of its investments as financial assets at fair value through the profit or loss, held to maturity financial assets or loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the profit or loss
Financial assets at fair value through the profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as non-current assets where the remaining maturity of the asset is greater than 12 months; they are classified as current assets when the remaining maturity of the asset is less than 12 months.

Held to maturity financial assets
Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, other than those that meet the definition of loans and receivables, that the Group's management has the positive intention and ability to hold until maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Advances to New Zealand based subsidiaries are interest free while advances to overseas based subsidiaries incur interest at a market rate.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Subsequent measurement
Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within fair value movements of financial instruments, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 2.4.

2.6 Property, Plant and Equipment
Generation assets are shown at fair value, based on at least three-yearly valuations by independent external valuers, less subsequent depreciation. This valuation is reviewed annually and if it is considered that there has been a material change then a new independent valuation is undertaken. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of assets constructed by the Group, including capital work in progress, includes the cost of all materials used in construction, direct labour specifically associated, resource management consent renewal costs, and an appropriate proportion of variable and fixed overheads. Financing costs on uncompleted capital work in progress are capitalised at the specific project finance interest rate, where these meet certain time and monetary materiality limits. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced item is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of generation assets are credited to the revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity. All other decreases are charged to the income statement.

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method at rates calculated to allocate each asset's cost over its estimated useful life. Depreciation is charged on a straight line basis as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within loss/(gain) on sale of property, plant and equipment, in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

2.7 Investment in Subsidiaries
Investments in, and advances to, subsidiaries are recorded at cost less any impairment writedowns.

2.8 Emission Rights
The Group receives tradable emission rights from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these emission rights is a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the statement of financial position.

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

2.9 Intangible Assets
Customer base assets
Costs incurred in acquiring customers from other electricity supply companies and telecommunications companies are recorded as a customer base intangible asset. The customer bases are amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 years for electricity customer bases and 5 years for telecommunication customer bases. These useful lives are reviewed annually with reference to historical levels of churn experienced in the relevant markets. The carrying value of the customer bases is reviewed annually by the Directors and adjusted where it is considered necessary. The carrying values are reviewed with reference to the expected future cash flows from these customers. The expected future cash flows are produced via internal forecasting.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over three years on a straight line basis except for major pieces of billing system software which are amortised over no more than seven years on a straight line basis.

Costs associated with developing or maintaining computer programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs for more than one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

All of the Group's intangible assets have finite lives.

2.10 Revenue Recognition
Revenue comprises the fair value of consideration received or receivable for the sale of electricity, telecommunications and related services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, rebates and discounts and after eliminating sales within the Group.

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

Customer consumption of telecommunications services is measured and billed according to monthly billing cycles. Accordingly revenues from telecommunications services provided include an estimated accrual for services provided but not billed at the end of the reporting period.

Meter rental revenue is charged and recognised on a per day basis.

Other customer fees and charges are recognised when the service is provided.

Operating lease revenue earned by Snowtown Wind Farm Pty Ltd is recognised when the services have been performed under the terms of the arrangement. Refer to note 6 for further details.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

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

Share-based compensation
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the granting of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

The Group operates cash-settled share based incentive schemes for key management personnel of the Parent.

The Group recognises an expense and a liability as the employees render services over the vesting period at the fair value of the liability. Until the liability is settled, the Group re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. The fair value of the liability is measured taking into account the terms and conditions of the scheme.

Bonus plans
The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.12 Foreign Currency Translation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in New Zealand dollars, which is the Parent's functional and presentation currency.

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rate on the date of the transaction. Monetary assets and liabilities arising from foreign currency transactions are translated at closing rates at the end of the reporting period. Gains or losses from currency translation on these items are included in the income statement.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period
- income and expenses for each income statement are translated at average exchange rates
- all resulting exchange rate differences are recognised as a separate component of equity.

On consolidation, foreign exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve. When a foreign operation is partially disposed of or sold, such foreign exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

2.14 Borrowings
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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Insurance
The Group has property, plant and equipment which is predominately concentrated at power station locations that has the potential to sustain major losses through damage to plant with resultant consequential costs.

To minimise the financial impact of such exposures, the major portion of the risk is insured by taking out appropriate insurance policies with appropriate counterparties. Any uninsured loss is recognised in the income statement at the time the loss is incurred.

2.16 Impairment of Non-Financial Assets
Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.17 Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.18 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
• 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.

2.19 Goods and Services Tax (GST)
The income statement and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated exclusive of GST, with the exception of billed receivables and payables which include GST invoiced.

2.20 Income Tax
The income tax expense comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax liability (asset) is settled (realised).

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.21 Derivative Financial Instruments and Hedging Activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are periodically remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as one of the following:

• hedges of the fair value of recognised assets, liabilities or a firm commitment (fair value hedge)
• hedges of highly probable forecast transactions (cash flow hedges)
• hedges of net investments in foreign operations.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 20. Movements on the cash flow hedge reserve in equity are shown in the statement of comprehensive income. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months.

Fair Value Hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in accordance with the above policy when the transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net Investment Hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting
Certain derivatives do not qualify for hedge accounting. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2.22 Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's equity share capital (treasury stock), the consideration paid is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

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

2.24 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.25 Dividend Distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Board.

2.26 Other Investments
Other investments include investments in non-group companies as well as insurance investments. Insurance investments include government stock and money market deposits.

2.27 Common Control Transactions
Business combinations in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination are recognised as common control transactions.

In common control transactions by way of short form amalgamation, the Company incorporates the assets and liabilities at the amounts recorded in the financial statements of the acquired company. The gain or loss arising on the acquisition is recognised in the statement of changes in equity. The results of the acquired company are recognised in the income statement of the Company from the date of the amalgamation.

2.28 Comparative Information
Where necessary cetain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

2.29 Adoption Status of Relevant New Financial Reporting Standards and Interpretations

The following new standards are mandatory for the first time for the financial year beginning 1 April 2011.

NZ IAS 24 *Related Parties Revised*
Further clarifies the definition of a related party which may result in other related parties being identified. The Group has reviewed the proposed clarification and this has not resulted in further related parties being identified for the Group. The adoption of this standard has not had a material impact on the financial statements.

NZ IAS 1 (Revised) *Presentation of financial statements*
The required presentation of the statements of changes in equity has been revised to reconcile movements in classes of equity on the face of this statement. This has not affected the measurement of any of the items recognised in the statements of financial position or statements of comprehensive income in the current year.

No other amendments or revisions to NZ IFRS have had a material impact on these financial statements.

The following new standards and amendments to standards have been issued but are not yet effective;

NZ IAS 1 *Amendments Presentation of Items of Other Comprehensive Income*
The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 April 2012.

NZ IFRS 9 *Financial Instruments*
This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than no later than 1 April 2015.

NZ IFRS 10 *Consolidated Financial Statements,*
NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 *Consolidated and Separate Financial Statements,* and NZ SIC 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules. The Group intends to adopt NZ IFRS 10 no later than1 April 2013.

NZ IFRS 12 *Disclosures of interests in other entities*
NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments. The Group intends to adopt NZ IFRS 12 no later than 1 April 2013.

NZ IFRS 13 *Fair Value Measurement*
NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2014.

FRS 44 *New Zealand Additional Disclosures and Harmonisation Amendments*
FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by NZ IFRS. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Group's current disclosures.

The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards. The significant amendments include:
- deletion of the requirement for an independent valuer to conduct the valuation of investment property and property, plant and equipment;
- inclusion of the option to account for investment property using either cost or fair value model;
- introduction of the option to use the indirect method of reporting cash flows that is not currently in NZ IAS 7.

In addition, various disclosure requirements have been deleted.
The Group intends to adopt FRS 44 and the Harmonisation Amendments from 1 April 2012.

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

NOTE 3: UNDERLYING EARNINGS AFTER TAX

	Note	GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
		$000	**$000**	**$000**	**$000**
Profit After Tax Attributable to the Shareholders of the Company		**131,652**	112,369	**133,553**	107,133
Fair value losses / (gains) on financial instruments	9	**7,544**	(62)	**1,883**	590
One-off impairment of generation asset	8	**566**	-	**566**	-
Adjustments before income tax		**8,110**	(62)	**2,449**	590
Change in income tax expense in relation to adjustments		**(2,271)**	19	**(686)**	(177)
Tax credit for prior year adjustment		**-**	(1,849)	**-**	(1,849)
Change in corporate tax rules	11	**(2,031)**	5,981	**(2,182)**	6,892
Adjustments after income tax		**3,808**	4,089	**(419)**	5,456
Underlying Earnings After Tax		**135,460**	116,458	**133,134**	112,589

Underlying earnings after tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing the non-cash fair value movements in financial instruments, the effect of the change in corporate tax rules as well as other items that the Group considers to be one off in nature.

NOTE 4: EARNINGS AND TANGIBLE ASSETS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares on issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive ordinary shares.

	Note	GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
Profit attributable to the shareholders of the Company ($000)		**131,652**	112,369	**133,553**	107,133
Weighted average number of ordinary shares in issue (thousands)		**314,347**	314,957	**314,347**	314,957
Basic earnings per share (cents per share)		**41.9**	35.7	**42.5**	34.0
Profit attributable to the shareholders of the Company ($000)		**131,652**	112,369	**133,553**	107,133
Weighted average number of ordinary shares in issue plus share options outstanding (thousands)		**314,587**	315,237	**314,587**	315,237
Diluted earnings per share (cents per share)		**41.8**	35.6	**42.5**	34.0
Underlying earnings after tax ($000)	3	**135,460**	116,458	**133,134**	112,589
Weighted average number of ordinary shares in issue (thousands)		**314,347**	314,957	**314,347**	314,957
Underlying earnings per share (cents per share)		**43.1**	37.0	**42.4**	35.7
Underlying earnings after tax ($000)	3	**135,460**	116,458	**133,134**	112,589
Weighted average number of ordinary shares in issue plus share options outstanding (thousands)		**314,587**	315,237	**314,587**	315,237
Diluted underlying earnings per share (cents per share)		**43.1**	36.9	**42.3**	35.7

The share options outstanding referred to in the diluted earnings per share calculation relate to share options issued to certain employees.

	Note	GROUP 2012	GROUP 2011	PARENT 2012	PARENT 2011
Total net assets ($000)		**1,571,331**	1,418,491	**1,390,234**	1,172,978
Less intangible assets ($000)		**(45,895)**	(34,411)	**(45,895)**	(34,411)
Net tangible assets ($000)		**1,525,436**	1,384,080	**1,344,339**	1,138,567
Number of ordinary shares in issue (thousands)	13	**314,016**	314,679	**314,016**	314,679
Net tangible assets per share (dollars per share)		**4.86**	4.40	**4.28**	3.62

NOTE 5: SEGMENT INFORMATION

As at 31 March 2012, the Group is organised into two main business segments:
• development, ownership and operation of electricity generation facilities from renewable energy sources including the trading of energy with Retail and external parties ("Generation")
• purchase of energy from Generation and retail sale of electricity to customers ("Retail")

The remaining activities of the Group are included in Other. This primarily relates to property services and some unallocated head office functions.

The Board has further segregated Generation into New Zealand and Australian operations. Generation New Zealand includes the metering business which does not meet the criteria to be disclosed as a separate operating segment. Retail operates only in New Zealand and includes telecommunications operations which do not meet the criteria to be disclosed as a separate operating segment.

The segment results for the year ended 31 March 2012 are as follows:

	Generation New Zealand $000	Generation Australia $000	Retail $000	Other $000	Total $000
Total segment revenue	**254,531**	**36,407**	**732,939**	**2,460**	**1,026,337**
Inter-segment revenue	**(217,116)**	**-**	**-**	**(2,161)**	**(219,277)**
Revenue from external customers	**37,415**	**36,407**	**732,939**	**299**	**807,060**
Adjusted EBITDAF	**212,594**	**22,886**	**68,730**	**(1,468)**	**302,742**
Amortisation of intangible assets	**-**	**-**	**3,808**	**1,549**	**5,357**
Depreciation	**37,463**	**13,756**	**-**	**1,661**	**52,880**
Capital expenditure	**24,119**	**5,138**	**-**	**19,216**	**48,473**
Asset impairment	**428**	**-**	**-**	**-**	**428**

The segment results for the year ended 31 March 2011 are as follows:

	Generation New Zealand $000	Generation Australia $000	Retail $000	Other $000	Total $000
Total segment revenue	213,208	30,937	701,096	2,261	947,502
Inter-segment revenue	(179,474)	-	-	(1,985)	(181,459)
Revenue from external customers	33,734	30,937	701,096	276	766,043
Adjusted EBITDAF	183,778	22,244	70,672	(1,935)	274,759
Amortisation of intangible assets	-	-	3,808	1,739	5,547
Depreciation	33,855	13,676	-	1,793	49,324
Capital expenditure	101,992	602	-	5,881	108,475
Asset impairment	-	-	-	-	-

Inter-segment transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. The Board does not distinguish between revenue from internal or external customers when measuring the performance of segments. All revenue is reported to the Board on a basis consistent with that used in the income statement.

The Board assesses the performance of segments based on a measure of adjusted EBITDAF. This measure excludes the effects of non-operational expenditure or gains such as loss/gain on disposal or impairments of property, plant and equipment, fair value changes in foreign currency financial assets/liabilities and costs of major business acquisitions.

Interest income and expenditure and taxation costs are not allocated to segments as these activities are managed at a Group level by a central treasury function.

The Board does not segregate assets and liabilities in assessing Group performance.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

A reconciliation of adjusted EBITDAF to profit before income tax is as follows:

	GROUP	
	2012 $000	2011 $000
Adjusted EBITDAF	**302,742**	274,759
Depreciation	**(52,880)**	(49,324)
Amortisation	**(5,357)**	(5,547)
Fair value gains/(losses) on financial instruments	**(7,544)**	62
Foreign exchange gains/(losses)	**(2,610)**	(248)
Loss on sale of property, plant and equipment	**5**	(98)
Impairment of assets	**(428)**	-
Interest received	**904**	917
Interest paid	**(63,889)**	(62,746)
Profit before income tax	**170,943**	157,775

NOTE 6: ELECTRICITY REVENUE

	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Electricity sales	**729,997**	694,459	**727,147**	692,008
Electricity lease revenue	**33,573**	28,506	**-**	-
	763,570	722,965	**727,147**	692,008

Electricity lease revenue is revenue recognised in connection with Snowtown Wind Farm Pty Ltd's (a subsidiary of the Company) Power Purchase Agreement to sell 90% of all energy generated by the Snowtown Wind Farm to a significant Australian electricity retailer. This agreement has been deemed as an operating lease of the wind farm under NZ IFRS and all revenue under the contract accounted for as lease revenue. Because of the contract terms, in particular that the volume of energy supplied is variable dependent on the actual generation of the Snowtown Wind Farm, the future minimum payments under the term of the contract, that expires on 31 December 2018, are contingent in nature and therefore not able to be quantified.

NOTE 7: OTHER OPERATING EXPENSES

		GROUP		PARENT	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Audit fees and expenses		**289**	211	**254**	176
Fees paid for other audit related services provided by the auditors*		**109**	78	**109**	78
Fees paid for taxation advice, compliance and planning services provided by the auditors		**325**	205	**325**	205
Bad debts written off	37	**1,515**	1,708	**1,515**	1,708
Directors' fees	34	**580**	613	**580**	613
Donations		**683**	851	**645**	830
Loss/(gain) on foreign exchange		**2,596**	240	**2,467**	284
Generation development expenditure		**13,751**	7,239	**7,858**	5,806
Marketing expenditure		**2,568**	2,117	**2,568**	2,117
Computer maintenance and support costs		**3,679**	3,115	**3,679**	3,115
Other administration costs		**9,530**	9,427	**11,358**	10,996
Rental and operating lease costs		**234**	251	**20,770**	20,892
		35,859	26,055	**52,128**	46,820

* Other audit related services provided by the auditors include reviews of unaudited interim financial statements, carbon assurance services and assistance with cost of capital determination.

The Parent entity reimburses subsidiaries for the use of generation assets and records these as rental and operating lease costs. The future minimum payments are contingent in nature and therefore not able to be quantified.

NOTE 8: IMPAIRMENT OF ASSETS

		GROUP		PARENT	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Impairment of property, plant and equipment		**566**	-	**566**	-
Reversal of impairment of property, plant and equipment		**(138)**	-	**(28)**	-
Impairment of advances to subsidiaries	22	**-**	-	**4,776**	1,430
		428	-	**5,314**	1,430

NOTE 9: 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 2012 are summarised below:

Recognised in the income statement	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Interest rate derivatives	**(9,485)**	1,193	**(3,824)**	541
Electricity price derivatives	**1,941**	(1,131)	**1,941**	(1,131)
Exchange rate derivatives	**-**	-	**-**	-
	(7,544)	62	**(1,883)**	(590)

Recognised in the cash flow hedge reserve	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Interest rate derivatives	**(403)**	(921)	**(403)**	(921)
Electricity price derivatives	**18,949**	(32,008)	**18,949**	(32,008)
Exchange rate derivatives	**(118)**	170	**(118)**	170
	18,428	(32,759)	**18,428**	(32,759)

NOTE 10: FINANCE INCOME AND COSTS

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Amortisation of debt issue costs	**1,841**	1,428	**1,841**	1,428
Interest paid on unsecured bank loans	**16,117**	20,139	**4,777**	5,104
Interest paid on unsecured subordinated bonds	**22,342**	22,281	**22,342**	22,281
Interest paid on unsecured senior bonds	**16,225**	13,423	**16,225**	13,423
Other interest costs and fees	**7,391**	6,941	**3,630**	6,736
Interest capitalised in construction of property, plant and equipment	**(27)**	(1,466)	**(27)**	(1,466)
Total Interest Paid	**63,889**	62,746	**48,788**	47,506
Interest received on cash at bank	**904**	917	**384**	514
Interest received on intercompany advances	**-**	-	**4,499**	886
Total Interest Received	**904**	917	**4,883**	1,400

The capitalisation rate ranged from 7.9% to 8.4% in the year to 31 March 2012 (2011: 8.0% to 8.8%)

NOTE 11: INCOME TAX EXPENSE

		GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
	Note	**$000**	**$000**	**$000**	**$000**
Profit before income tax		**170,943**	157,775	**181,384**	162,346
Tax on profit @ 28% (2011:30%)		**47,864**	47,333	**50,788**	48,704
Foreign tax rate adjustment		**(254)**	-	**-**	-
Tax effect of non-assessable revenue		**(4,114)**	(4,309)	**973**	648
Income tax over provided in prior year		**(2,174)**	(3,599)	**(1,748)**	(1,031)
Removal of tax depreciation on buildings		-	11,079	-	9,691
Adjustment to tax depreciation on buildings		**(2,031)**	-	**(2,182)**	-
Change in corporate income tax rate		**-**	(5,098)	**-**	(2,799)
		39,291	45,406	**47,831**	55,213
Represented by:					
Current tax		**46,298**	32,758	**50,980**	44,431
Deferred tax	28	**(7,007)**	12,648	**(3,149)**	10,782
		39,291	45,406	**47,831**	55,213

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.

The 2010 Budget contained two provisions which had a material effect on the Group's 2011 tax expense:

A decrease in the corporate income tax rate from 30 per cent to 28 per cent, effective from the income tax year ending 31 March 2012. As a result of this change, deferred tax was restated to 28 per cent in 2011, as deferred tax is required to be recorded at the tax rate that will apply when the future tax liability is expected to crystallise. See note 14 for impact on revaluation reserve.

The removal of tax depreciation on buildings with estimated useful lives of 50 years or more. TrustPower will no longer be able to claim tax depreciation on buildings from its income tax year ending 31 March 2012. This resulted in an increased deferred tax liability in respect of buildings completed before May 2010. This estimate was revised in the current year.

NOTE 12: DIVIDENDS ON ORDINARY SHARES

	GROUP & PARENT		GROUP & PARENT	
	2012	**2011**	**2012**	**2011**
	Cents Per Share		**$000**	**$000**
Dividends (forfeited)/reinstated	**-**	-	**(99)**	(117)
Final dividend prior year	**20.0**	19.0	**62,930**	59,948
Interim dividend paid current year	**20.0**	19.0	**62,841**	59,872
Special dividend paid current year	**-**	-	**-**	-
Supplementary dividend paid	**-**	-	**141**	131
Foreign investor tax credit	**-**	-	**(141)**	(131)
	40.0	38.0	**125,672**	119,703
Final partially imputed dividend declared subsequent to the end of the reporting period payable 8 June 2012 to all shareholders on the register at 25 May 2012.	**20.0**	20.0	**62,803**	62,936

NOTE 13: SHARE CAPITAL

	Note	Group & PARENT		Group & PARENT	
		2012	2011	2012	2011
		000's of Shares		$000	$000
Authorised and issued ordinary shares at beginning of year		**314,679**	315,516	**170,750**	176,751
Own shares repurchased		**(683)**	(837)	**(4,818)**	(6,001)
Transfer from employee share option reserve	17	**-**	-	**-**	-
Purchase of treasury shares by Directors		**20**	-	**146**	-
Issue of shares pursuant to the employee share option scheme		**-**	-	**-**	-
		314,016	314,679	**166,078**	170,750

All shares rank equally with one vote attached to each 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. As at 31 March 2012, since the start of the buyback programme, 1,756,000 shares had been purchased at a total cost of $12,452,000. All shares repurchased were purchased through the NZX stock exchange at market price (2011: 1,073,000 shares at a total cost of $7,633,000). As at 31 March 2012 20,000 of these shares had been reissued or cancelled (2011: nil).

NOTE 14: REVALUATION RESERVE

	Note	GROUP		PARENT	
		2012	2011	2012	2011
		$000	$000	$000	$000
Balance at beginning of year		**880,391**	867,493	**705,806**	696,365
Revaluation of generation assets	21	**193,447**	-	**159,589**	-
Transfer (to)/from deferred tax liability	28	**(41,043)**	62	**(34,068)**	62
Transfer (to)/from retained earnings	15	**(51)**	(221)	**(25)**	(221)
Foreign exchange movements		**(6,231)**	1,806	**-**	-
Effect of amalgamation of subsidiaries	22	**-**	-	**30,252**	-
Tax effect of change in corporate tax rate		**-**	11,251	**-**	9,600
		1,026,513	880,391	**861,554**	705,806

There are no restrictions on the distribution of this reserve to the equity holders of the Company.

NOTE 15: RETAINED EARNINGS

	Note	GROUP		PARENT	
		2012	2011	2012	2011
		$000	$000	$000	$000
Balance at beginning of year		**355,319**	362,432	**304,191**	316,540
Profit for the year		**131,652**	112,369	**133,553**	107,133
Transfer (to)/from revaluation reserve	14	**51**	221	**25**	221
Effect of amalgamation of subsidiaries	22	**-**	-	**45,304**	-
Dividends on ordinary shares	12	**(125,672)**	(119,703)	**(125,672)**	(119,703)
		361,350	355,319	**357,401**	304,191

NOTE 16: CASH FLOW HEDGE RESERVE

	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Balance at beginning of year	**(7,872)**	15,406	**(7,872)**	15,406
Fair value gains/(losses)	**12,226**	(51,042)	**12,226**	(51,042)
Transfers to energy cost expense	**4,680**	17,849	**4,680**	17,849
Transfers to property, plant and equipment	**(107)**	(1,064)	**(107)**	(1,064)
Transfers to carbon revenue	**1,629**	1,238	**1,629**	1,238
Transfers to interest paid	**(275)**	(6)	**(275)**	(6)
	18,153	(33,025)	**18,153**	(33,025)
Tax on fair value (gains)/losses	**(3,424)**	15,375	**(3,424)**	15,375
Tax on transfers to energy cost expense	**(1,310)**	(5,355)	**(1,310)**	(5,355)
Tax on transfers to property, plant and equipment	**30**	319	**30**	319
Tax on transfers to carbon revenue	**(456)**	(371)	**(456)**	(371)
Tax on transfers to interest paid	**77**	2	**77**	2
	(5,083)	9,970	**(5,083)**	9,970
Effect of change in corporate tax rate	**-**	(223)	**-**	(223)
	5,198	(7,872)	**5,198**	(7,872)

NOTE 17: OTHER RESERVES

	Note	GROUP		PARENT	
		2012 $000	2011 $000	2012 $000	2011 $000
Foreign Currency Translation Reserve					
Balance at beginning of year		**19,800**	14,871	**-**	-
Transfer to deferred tax		**(3,584)**	2,692	**-**	-
Currency translation differences		**(4,027)**	2,767	**-**	-
Effect of change in corporate tax rate		**-**	(530)	**-**	-
		12,189	19,800	**-**	-
Employee Share Option Reserve					
Balance at beginning of year		**103**	193	**103**	193
Transfer to share capital	13	**-**	-	**-**	-
Fair value movements charged to the income statement		**(100)**	(90)	**(100)**	(90)
		3	103	**3**	103
Total Other Reserves		**12,192**	19,903	**3**	103

NOTE 18: CASH, CASH EQUIVALENTS AND BANK OVERDRAFT

	GROUP		PARENT	
	2012 $000	2011 $000	2012 $000	2011 $000
Cash at bank	**20,488**	12,568	**9,695**	1,429
	20,488	12,568	**9,695**	1,429

NOTE 19: ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Note	GROUP		PARENT	
		2012 $000	2011 $000	2012 $000	2011 $000
Billed debtors and unbilled sales		**73,452**	63,821	**73,452**	63,821
Provision for doubtful debts	37	**(1,800)**	(1,800)	**(1,800)**	(1,800)
Electricity market receivables		**26,894**	18,880	**26,122**	18,106
Other receivables		**14,581**	18,746	**10,872**	13,857
Prepayments		**2,836**	2,826	**2,025**	1,617
		115,963	102,473	**110,671**	95,601

NOTE 20: DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT	
Current	2012 $000	2011 $000	2012 $000	2011 $000
Interest rate derivative assets	**181**	-	**149**	-
Electricity price derivative assets	**8,313**	1,599	**8,313**	1,599
Exchange rate derivative assets	**2,109**	1,350	**2,109**	1,350
	10,603	2,949	**10,571**	2,949
Interest rate derivative liabilities	**168**	-	**-**	-
Electricity price derivative liabilities	**3,728**	5,201	**3,728**	5,201
Exchange rate derivative liabilities	**-**	-	**-**	-
	3,896	5,201	**3,728**	5,201
Non-current				
Interest rate derivative assets	**4,540**	3,635	**4,540**	3,344
Electricity price derivative assets	**44**	164	**44**	164
Exchange rate derivative assets	**1,081**	1,957	**1,081**	1,957
	5,665	5,756	**5,665**	5,465
Interest rate derivative liabilities	**17,031**	6,297	**10,378**	4,805
Electricity price derivative liabilities	**479**	13,302	**479**	13,302
Exchange rate derivative liabilities	**-**	-	**-**	-
	17,510	19,599	**10,857**	18,107

See notes 36 and 37 for details on fair value estimation and details of the hedge relationships.

NOTE 21: PROPERTY, PLANT AND EQUIPMENT	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Generation Assets				
Balance at beginning of year				
Fair value	**2,342,802**	2,326,464	**1,486,036**	1,487,035
Cost	**15,776**	5,387	**13,303**	5,334
Capital work in progress	**98,609**	13,150	**91,144**	10,598
Accumulated depreciation	**(90,138)**	(44,625)	**(19,602)**	(9,728)
	2,367,049	2,300,376	**1,570,881**	1,493,239
Additions at cost	**19,631**	95,263	**17,757**	88,516
Depreciation	**(47,770)**	(44,303)	**(13,546)**	(10,040)
Disposals at net book value	**(244)**	(1,047)	**(178)**	(986)
Foreign exchange movements	**(22,016)**	15,958	**-**	-
Revaluations/transfers	**191,136**	802	**157,218**	152
Effect of amalgamation of subsidiaries	**-**	-	**163,589**	-
Balance at end of year				
Fair value	**2,488,312**	2,342,802	**1,881,000**	1,486,036
Cost	**-**	15,776	**-**	13,303
Capital work in progress	**19,474**	98,609	**14,721**	91,144
Accumulated depreciation	**-**	(90,138)	**-**	(19,602)
	2,507,786	2,367,049	**1,895,721**	1,570,881
Metering Equipment				
Balance at beginning of year				
Cost	**72,743**	68,481	**72,743**	68,481
Accumulated depreciation	**(39,054)**	(36,082)	**(39,054)**	(36,082)
	33,689	32,399	**33,689**	32,399
Additions at cost	**3,876**	4,270	**3,876**	4,270
Depreciation	**(3,177)**	(2,981)	**(3,177)**	(2,981)
Disposals at net book value	**-**	-	**-**	-
Transfers	**28**	1	**28**	1
Balance at end of year				
Cost	**76,642**	72,743	**76,642**	72,743
Accumulated depreciation	**(42,226)**	(39,054)	**(42,226)**	(39,054)
	34,416	33,689	**34,416**	33,689
Other Freehold Buildings				
Balance at beginning of year				
Cost	**13,428**	13,510	**10,762**	10,719
Accumulated depreciation	**(3,461)**	(3,286)	**(3,346)**	(3,158)
	9,967	10,224	**7,416**	7,561
Additions at cost	**583**	124	**564**	109
Depreciation	**(234)**	(234)	**(205)**	(205)
Disposals at net book value	**-**	(48)	**-**	(48)
Transfers	**(3)**	(99)	**(2)**	(1)
Balance at end of year				
Cost	**14,011**	13,428	**11,326**	10,762
Accumulated depreciation	**(3,698)**	(3,461)	**(3,553)**	(3,346)
	10,313	9,967	**7,773**	7,416
Other Freehold Land				
Balance at beginning of year				
Cost	**16,632**	14,663	**7,482**	6,270
Additions at cost	**82**	2,159	**74**	1,400
Disposals at cost	**-**	(183)	**-**	(183)
Foreign exchange movements	**(3)**	2	**-**	-
Transfers	**(1)**	(9)	**(1)**	(5)
Balance at end of year				
Cost	**16,710**	16,632	**7,555**	7,482

Other Plant and Equipment	GROUP 2012 $000	GROUP 2011 $000	PARENT 2012 $000	PARENT 2011 $000
Balance at beginning of year				
Cost	**21,150**	19,730	**19,420**	18,168
Accumulated depreciation	**(12,704)**	(11,140)	**(12,401)**	(11,038)
	8,446	8,590	**7,019**	7,130
Additions at cost	**7,460**	2,275	**2,370**	1,921
Depreciation	**(1,699)**	(1,806)	**(1,630)**	(1,751)
Disposals at net book value	**(148)**	(133)	**(148)**	(133)
Foreign exchange movements	**(180)**	56	**-**	-
Transfers	**1,881**	(536)	**1,833**	(148)
Effect of amalgamation of subsidiaries	**-**	-	**84**	-
Balance at end of year				
Cost	**29,828**	21,150	**23,236**	19,420
Accumulated depreciation	**(14,068)**	(12,704)	**(13,708)**	(12,401)
	15,760	8,446	**9,528**	7,019

Total	GROUP 2012 $000	GROUP 2011 $000	PARENT 2012 $000	PARENT 2011 $000
Balance at beginning of year				
Fair value	**2,342,802**	2,326,464	**1,486,036**	1,487,035
Cost	**139,729**	121,771	**123,710**	108,972
Capital work in progress	**98,609**	13,150	**91,144**	10,598
Accumulated depreciation	**(145,357)**	(95,133)	**(74,403)**	(60,006)
	2,435,783	2,366,252	**1,626,487**	1,546,599
Additions at cost	**31,632**	104,091	**24,641**	96,216
Depreciation	**(52,880)**	(49,324)	**(18,558)**	(14,977)
Disposals at net book value	**(392)**	(1,411)	**(326)**	(1,350)
Foreign exchange movements	**(22,199)**	16,014	**-**	-
Revaluations/transfers	**193,041**	159	**159,076**	(1)
Effect of amalgamation of subsidiaries	**-**	**-**	**163,673**	**-**
Balance at end of year				
Fair value	**2,488,312**	2,342,802	**1,881,000**	1,486,036
Cost	**137,191**	139,729	**118,759**	123,710
Capital work in progress - generation assets	**19,474**	98,609	**14,721**	91,144
Accumulated depreciation	**(59,992)**	(145,357)	**(59,487)**	(74,403)
	2,584,985	2,435,783	**1,954,993**	1,626,487

If generation assets were stated on an historical cost basis, the amounts would be as follows	GROUP 2012 $000	GROUP 2011 $000	PARENT 2012 $000	PARENT 2011 $000
Generation assets (at cost)	**1,505,243**	1,393,236	**985,240**	748,504
Generation assets under construction (at cost)	**19,474**	98,609	**14,721**	91,144
Generation assets accumulated depreciation	**(309,926)**	(261,470)	**(151,303)**	(128,043)
	1,214,791	1,230,375	**848,658**	711,605

Generation assets include freehold 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 2012 to their estimated market value as assessed by Deloitte Corporate Finance. See note 36 for significant assumptions.

Included in the capital work in progress as at 31 March 2012 are capitalised borrowing costs of $27,000 (2011: $1,466,000).

NOTE 22: INVESTMENTS IN SUBSIDIARIES

	Note	GROUP 2012 $000	GROUP 2011 $000	PARENT 2012 $000	PARENT 2011 $000
Shares at cost		**-**	-	**49,277**	64,987
Net advances to subsidiaries		**-**	-	**165,024**	257,785
Impairment of advances to subsidiaries	36	**-**	-	**(21,100)**	(17,539)
		-	-	**193,201**	305,233

Significant subsidiaries (31 March balance dates)	*Country of incorporation*	*% owned*	*Principal activity*
Sellicks Hill Wind Farm Pty Ltd	Australia	100	Generation development
Snowtown Wind Farm Pty Ltd	Australia	100	Electricity generation
Tararua Wind Power Limited	New Zealand	100	Asset holding
TrustPower Australia Holdings Pty Ltd	Australia	100	Generation development
TrustPower Australia (New Zealand) Limited	New Zealand	100	Asset holding
TrustPower Insurance Limited	New Zealand	100	Captive insurance
TrustPower Australia Financing Partnership	Australia	100	Financing
The following subsidiaries were amalgamated into the Parent on 31 March 2012:			
Cobb Power Limited	New Zealand		Asset holding
TrustPower Oamaru Limited	New Zealand		Call services operator
Esk Hydro Power Limited	New Zealand		Generation development
Taheke Geothermal Limited	New Zealand		Generation development
Waikaremoana Power Limited	New Zealand		Generation development
Paehinahina Mourea Geothermal Limited	New Zealand		Generation development

Under the amalgation the Parent took control of all the assets of these subsidiaries and assumed responsibility for their liabilities. These subsidiaries have been removed from the New Zealand register of companies. The table below shows a summary of the effect of amalgamation on the financial statements.

		GROUP		PARENT	
		2012	2011	2012	2011
Assets and liabilities amalgamated:		$000	$000	$000	$000
Property, plant and equipment	21	**-**	-	**163,673**	-
Revaluation Reserve	14			**(30,252)**	-
Investments in subsidiaries		**-**	-	**(80,271)**	-
Deferred tax liability	28	**-**	-	**(7,846)**	-
Transferred to retained earnings	15	**-**	-	**45,304**	-

NOTE 23: INTANGIBLE ASSETS

		GROUP		PARENT	
		2012	2011	2012	2011
		$000	$000	$000	$000
Customer Base Assets					
Balance at beginning of year					
Cost		**64,994**	64,994	**64,994**	64,994
Accumulated amortisation		**(40,544)**	(36,736)	**(40,544)**	(36,736)
		24,450	28,258	**24,450**	28,258
Additions at cost		**-**	-	**-**	-
Amortisation		**(3,808)**	(3,808)	**(3,808)**	(3,808)
Disposals at net book value		**-**	-	**-**	-
Balance at end of year					
Cost		**64,994**	64,994	**64,994**	64,994
Accumulated amortisation		**(44,352)**	(40,544)	**(44,352)**	(40,544)
		20,642	24,450	**20,642**	24,450
Computer Software					
Balance at beginning of year					
Cost		**27,236**	22,861	**27,236**	22,861
Accumulated amortisation		**(17,275)**	(15,536)	**(17,275)**	(15,536)
		9,961	7,325	**9,961**	7,325
Additions at cost		**16,841**	4,384	**16,841**	4,384
Amortisation		**(1,549)**	(1,739)	**(1,549)**	(1,739)
Impairment		**-**	-	**-**	-
Disposals at net book value		**-**	(8)	**-**	(8)
Transfers		**-**	(1)	**-**	(1)
Balance at end of year					
Cost		**35,305**	27,236	**35,305**	27,236
Accumulated amortisation		**(10,052)**	(17,275)	**(10,052)**	(17,275)
		25,253	9,961	**25,253**	9,961

		GROUP		PARENT	
		2012	2011	2012	2011
Total		$000	$000	$000	$000
Balance at beginning of year					
Cost		**92,230**	87,855	**92,230**	87,855
Accumulated amortisation		**(57,819)**	(52,272)	**(57,819)**	(52,272)
		34,411	35,583	**34,411**	35,583
Additions at cost		**16,841**	4,384	**16,841**	4,384
Amortisation		**(5,357)**	(5,547)	**(5,357)**	(5,547)
Impairment	8	**-**	-	**-**	-
Disposals at net book value		**-**	(8)	**-**	(8)
Transfers		**-**	(1)	**-**	(1)
Balance at end of year					
Cost		**100,299**	92,230	**100,299**	92,230
Accumulated amortisation		**(54,404)**	(57,819)	**(54,404)**	(57,819)
		45,895	34,411	**45,895**	34,411

There are no individually material intangible assets included within the above. There are no material internally generated intangible assets or additions as a result of business combinations.

NOTE 24: ACCOUNTS PAYABLE AND ACCRUALS

	GROUP		PARENT	
	2012	2011	2012	2011
Current Portion	$000	$000	$000	$000
Capital expenditure accruals	**7,015**	11,728	**2,199**	11,728
Customer bond deposits	**1,349**	1,862	**1,349**	1,862
Electricity market payables	**34,548**	25,695	**34,548**	25,695
Line cost accrual	**1,605**	1,035	**1,605**	1,035
Employee entitlements	**6,041**	5,492	**5,979**	5,426
Interest accruals	**3,461**	4,285	**3,042**	4,192
Net GST payable	**3,491**	3,608	**3,514**	3,397
Other accounts payable and accruals	**18,444**	7,394	**15,769**	6,904
Trade accounts payable	**33,858**	25,512	**33,845**	25,499
	109,812	86,611	**101,850**	85,738
Non-current Portion				
Other accounts payable and accruals	**4,273**	4,481	**4,273**	4,481
	4,273	4,481	**4,273**	4,481

NOTE 25: UNSECURED BANK LOANS

	GROUP		PARENT	
	2012	2011	2012	2011
New Zealand dollar facilities	$000	$000	$000	$000
Repayment terms:				
One to two years	**-**	31,900	**-**	31,900
Two to five years	**-**	-	**-**	-
Over five years	**123,593**	105,432	**123,593**	105,432
Facility establishment costs	**(3,988)**	(4,632)	**(3,988)**	(4,632)
	119,605	132,700	**119,605**	132,700
Weighted average interest:				
One to two years	**-**	3.1%	**-**	3.1%
Two to five years	**-**	-	**-**	-
Over five years	**3.5%**	3.5%	**3.5%**	3.5%
	3.5%	3.4%	**3.5%**	3.4%
Australian dollar facilities				
Repayment terms:				
Less than one year	**-**	-	**-**	-
One to two years	**188,835**	-	**-**	-
Two to five years	**-**	203,627	**-**	-
Over five years	**-**	-	**-**	-
Facility establishment costs	**-**	-	**-**	-
	188,835	203,627	**-**	-
Weighted average interest:				
Less than one year	**-**	-	**-**	-
One to two years	**5.6%**	-	**-**	-
Two to five years	**-**	6.1%	**-**	-
Over five years	**-**	-	**-**	-
	5.6%	6.1%	**-**	-
Total bank loans	**308,440**	336,327	**119,605**	132,700
Current portion	**-**	-	**-**	-
Non-current portion	**308,440**	336,327	**119,605**	132,700
	308,440	336,327	**119,605**	132,700

Interest rates paid during the year ranged from 2.7% to 6.3%.

The Group has the following loan facilities with interest priced at between call and 180 day rates:
(i) $125,000,000 revolving loan expiring in under one year
(ii) $250,000,000 revolving loan expiring in two to five years
(iii) $75,260,000 table loan maturing in nine years
(iv) $48,333,000 table loan maturing in fourteen years
(v) AUD 180,000,000 revolving loan expiring in one to two years

Where drawn facilities mature within one year and the Group has an unconditional right to refinance the loans through undrawn facilities with the same lenders with maturity dates of greater than one year from the end of the reporting period, the loan is considered non-current.

All of the Group's borrowings are unsecured. The Group borrows under a negative pledge arrangement with its bank loan providers, which with limited exceptions does not permit the Group to grant any security interest over its assets. The negative pledge deed requires the Group to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The banking arrangements may also create restrictions over the sale or disposal of certain assets unless the bank loans are repaid or renegotiated, specifically:
- Facilities (i), (ii) and (v) require a continuation of the existing business operations. There are no costs to cancel the facilities.
- Facility (iii) requires continued ownership by the Group of at least 30% in relation to Tararua Stage III wind generation assets with a book value of $158,080,000. There are no costs to cancel the facility.

Throughout the period the Group has complied with all debt covenant requirements as imposed by lenders (see above for requirements).

Subsequent to balance date the Group has accepted offers to refinance the facility expiring in under one year and extend it by $50,000,000 to $175,000,000. This facility is currently being documented and will mature in two to five years.

NOTE 26: UNSECURED SUBORDINATED BONDS

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Repayment terms and interest:				
Maturing in September 2012, 8.5% p.a. fixed coupon rate	**108,592**	108,592	**108,592**	108,592
Maturing in March 2014, 8.5% p.a. fixed coupon rate	**54,713**	54,713	**54,713**	54,713
Maturing in December 2015, 8.4% p.a. fixed coupon rate	**100,000**	100,000	**100,000**	100,000
Bond issue costs	**(1,028)**	(1,563)	**(1,028)**	(1,563)
	262,277	261,742	**262,277**	261,742
Current portion	**108,592**	-	**108,592**	-
Non-current portion	**153,685**	261,742	**153,685**	261,742
	262,277	261,742	**262,277**	261,742

At maturity the bonds can be converted at the option of the Company to ordinary shares based on the market price of ordinary shares at the time. The bonds are fully subordinated behind all other creditors.

At 31 March 2012 the subordinated bonds had a fair value of $273,213,000 (31 March 2011: $274,822,000).

NOTE 27: UNSECURED SENIOR BONDS

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Repayment terms and interest:				
Maturing in December 2014, 7.6% p.a. fixed coupon rate	**75,000**	75,000	**75,000**	75,000
Maturing in December 2016, 8.0% p.a. fixed coupon rate	**65,000**	65,000	**65,000**	65,000
Maturing in December 2017, 7.1% p.a. fixed coupon rate	**75,000**	75,000	**75,000**	75,000
Bond issue costs	**(2,822)**	(3,482)	**(2,822)**	(3,482)
	212,178	211,518	**212,178**	211,518

The Group has entered a Master Trust Deed dated 30 October 2009 (the Trust Deed) with respect to its senior bonds, which with limited exceptions does not permit the Group to grant any security interest over its assets. The Trust Deed requires the Group to operate within defined performance and debt gearing ratios. The arrangements under the Trust Deed may also create restrictions over the sale or disposal of certain assets unless the senior bonds are repaid or renegotiated.

Throughout the period the Group has complied with all debt covenance requirements as imposed by the Bond Trustee (see above for requirements).

The unsecured senior bonds rank equally with bank loans (note 25).

At 31 March 2012 the senior bonds had a fair value of $224,738,000 (31 March 2011: $223,270,000).

NOTE 28: DEFERRED INCOME TAX

		GROUP		PARENT	
		2012	**2011**	**2012**	**2011**
	Note	**$000**	**$000**	**$000**	**$000**
Balance at beginning of year		**257,316**	266,523	**180,092**	188,719
Current year changes in temporary differences affecting tax expense	11	**(4,714)**	2,503	**144**	2,192
Current year changes in temporary differences affecting reserves		**52,050**	(12,724)	**39,151**	(10,032)
Reclassification of prior year temporary differences	11	**(262)**	4,164	**(1,111)**	1,698
Exchange rate movements on foreign denominated deferred tax		**(2,144)**	1,367	**-**	-
Effect of amalgamation of subsidiaries		**-**	-	**7,846**	-
Effect of announced change in corporate tax rate on:					
Income tax expense	11	**-**	(5,098)	**-**	(2,799)
Revaluation reserve		**-**	(11,251)	**-**	(9,600)
Cash flow hedge reserve		**-**	223	**-**	223
Foreign currency translation reserve		**-**	530	**-**	-
Effect of removal of tax depreciation on buildings on income tax expense	11	**(2,031)**	11,079	**(2,182)**	9,691
		300,215	257,316	**223,940**	180,092
Comprising:					
Deferred tax liabilities		**300,215**	257,316	**223,940**	180,092
		300,215	257,316	**223,940**	180,092

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

Group **For the year ended 31 March 2012 ($000)**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	**185,010**	**-**	**42,334**	**227,344**
Other property, plant and equipment movements	**75,691**	**(648)**	**(1,095)**	**73,948**
Employee benefits	**(1,329)**	**(93)**	**-**	**(1,422)**
Provision for impairment	**(504)**	**-**	**-**	**(504)**
Carbon revenue recognition	**3,292**	**(2,230)**	**-**	**1,062**
Customer base assets	**6,846**	**(1,067)**	**-**	**5,779**
Financial instruments	**(4,214)**	**(2,969)**	**5,083**	**(2,100)**
Unrealised losses on Australian dollar loan	**(7,413)**	**-**	**3,584**	**(3,829)**
Other	**(63)**	**-**	**-**	**(63)**
	257,316	**(7,007)**	**49,906**	**300,215**

Group **For the year ended 31 March 2011 ($000)**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	196,323	-	(11,313)	185,010
Other property, plant and equipment movements	61,565	14,126	-	75,691
Employee benefits	(1,283)	(46)	-	(1,329)
Provision for impairment	(600)	96	-	(504)
Carbon revenue recognition	2,853	439	-	3,292
Customer base assets	8,477	(1,631)	-	6,846
Financial instruments	4,508	1,025	(9,747)	(4,214)
Unrealised losses on Australian dollar loan	(5,251)	-	(2,162)	(7,413)
Other	(69)	6	-	(63)
	266,523	14,015	(23,222)	257,316

PARENT **For the year ended 31 March 2012 ($000)**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	**134,489**	**-**	**36,557**	**171,046**
Other property, plant and equipment movements	**41,215**	**1,533**	**5,357**	**48,105**
Employee benefits	**(1,329)**	**(93)**	**-**	**(1,422)**
Provision for impairment	**(504)**	**-**	**-**	**(504)**
Carbon revenue recognition	**3,292**	**(2,230)**	**-**	**1,062**
Customer base assets	**6,846**	**(1,067)**	**-**	**5,779**
Financial instruments	**(3,854)**	**(1,292)**	**5,083**	**(63)**
Other	**(63)**	**-**	**-**	**(63)**
	180,092	**(3,149)**	**46,997**	**223,940**

PARENT **For the year ended 31 March 2011 ($000)**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	144,151	-	(9,662)	134,489
Other property, plant and equipment movements	30,207	11,008	-	41,215
Employee benefits	(1,283)	(46)	-	(1,329)
Provision for impairment	(600)	96	-	(504)
Carbon revenue recognition	2,853	439	-	3,292
Customer base assets	8,477	(1,631)	-	6,846
Financial instruments	4,983	910	(9,747)	(3,854)
Other	(69)	6	-	(63)
	188,719	10,782	(19,409)	180,092

***NOTE 29: RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX* ATTRIBUTABLE TO THE SHAREHOLDERS**	**GROUP**		**PARENT**	
	2012 $000	**2011 $000**	**2012 $000**	**2011 $000**
Profit after tax attributable to the shareholders of the Company	**131,652**	112,369	**133,553**	107,133
Items classified as investing/financing				
Interest paid	**63,082**	61,712	**48,371**	46,446
Interest received	**(904)**	(907)	**(4,883)**	(1,400)
	62,178	60,805	**43,488**	45,046
Non-cash items:				
Amortisation of debt issue costs	**1,841**	1,428	**1,841**	1,428
Non-cash transfer from cash flow hedge reserve to interest expense	**(275)**	(265)	**(275)**	(265)
Amortisation of intangible assets	**5,357**	5,547	**5,357**	5,547
Depreciation	**52,880**	49,324	**18,558**	14,977
Loss/(gain) on sale of property, plant and equipment	**(5)**	98	**(72)**	91
Impairment of assets	**428**	-	**5,314**	1,430
Share option provision transfer	**(100)**	(90)	**(100)**	(90)
Movement in derivative financial instruments taken to the income statement	**7,544**	(62)	**1,883**	590
Intercompany charges	**-**	-	**25,519**	27,846
Increase/(decrease) in deferred tax liability excluding transfers to reserves	**(7,164)**	13,031	**(3,149)**	10,781
	60,506	69,011	**54,876**	62,335
Decrease/(increase) in working capital:				
Accounts receivable and prepayments	**(15,197)**	14,277	**(16,318)**	14,978
Taxation payable/receivable	**52**	(8,877)	**1,372**	(2,379)
Accounts payable and accruals excluding capital expenditure accruals	**29,061**	(23,547)	**26,676**	(23,226)
	13,916	(18,147)	**11,730**	(10,627)
Net cash from operating activities	**268,252**	224,038	**243,647**	203,887

NOTE 30: IMPUTATION CREDIT ACCOUNT	**GROUP**		**PARENT**	
	2012 $000	**2011 $000**	**2012 $000**	**2011 $000**
Balance at beginning of year	**6,389**	463	**6,389**	463
Tax paid	**46,157**	41,000	**46,157**	41,000
Allocated to dividends	**(38,987)**	(35,135)	**(38,987)**	(35,135)
Other movements	**-**	61	**-**	61
Balance at end of year	**13,559**	6,389	**13,559**	6,389

NOTE 31: EMISSION RIGHTS

Kyoto Carbon Credits
The Group has received 1,476,000 (2011:1,476,000) tonnes of carbon emission rights from the New Zealand Government issued pursuant to the Kyoto protocol in relation to completed generation facilities. This represents the maximum rights based upon specified levels of generation output from the new facilities for the period 1 January 2008 to 31 December 2012 and is reliant on the ongoing support of the Kyoto protocol and emission rights within the international community. The Group believes that it will be able to utilise 1,310,000 tonnes of these carbon emission rights. This potential revenue source is taken into consideration in the evaluation of generation development projects and in the valuation of the generation assets.

A contract has been signed with Electrabel, a European energy company, for the sale of 228,000 tonnes of carbon emission rights over five years from 2008-2012. This sale is dependent on the Group's Tararua Stage II wind farm producing a minimum level of output. A contract has been signed with The Kansai Electric Power Company, a Japanese energy company, for the sale of 300,000 tonnes of carbon emission rights over five years from 2008-2012. Further contracts have been signed covering emission rights generated over the same period. These sales are dependent on the Group's Tararua Stage III wind farm producing a minimum level of output.

	GROUP		**PARENT**	
	2012	**2011**	**2012**	**2011**
Kyoto Carbon Credits (Tonnes CO_2-e)				
Balance at beginning of year	**157,000**	98,000	**157,000**	98,000
Rights earned during the year	**222,000**	227,000	**222,000**	227,000
Rights sold during the year	**(192,000)**	(168,000)	**(192,000)**	(168,000)
Rights unsold at end of year	**187,000**	157,000	**187,000**	157,000

Included in other receivables (note 19) is $7,360,000 relating to Kyoto Carbon Credits generated and pre-sold (2011: $11,226,000). In addition $1,178,000 is included relating to Kyoto Carbon Credits generated but unsold at the end of the reporting period (2011: $3,844,000).

The Group also earns Renewable Energy Credits (RECs) from renewable electricity generation in South Australia. Included in other receivables (note 19) is $1,438,000 relating to RECs generated and pre-sold (2011: $1,862,000). In addition $1,734,000 is included relating to RECs generated but unsold at the end of the reporting period (2011: $1,884,000).

NOTE 32: COMMITMENTS

	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Capital Commitments	**8,041**	750	**8,041**	750

The capital commitments include construction contracts relating to the construction of the Esk Valley Hydro scheme in Hawke's Bay as well as existing scheme enhancements.

Electricity Purchase Commitments
The Parent has a long term contract with Mighty River Power Limited to purchase the output from the Rotokawa geothermal power station until 31 March 2013. This commitment cannot be quantified.

The Parent has a contract with Pioneer Generation Limited to purchase all of the output from its various generation sites. This commitment cannot be quantified.

NOTE 33: CONTINGENT LIABILITIES, OPERATING LEASES, AND SUBSEQUENT EVENTS

Inland Revenue is currently disputing the tax treatment adopted by the Group in relation to feasibility expenditure in the 2006, 2007 and 2008 financial years. Inland Revenue has now issued assessments for the 2006, 2007 and 2008 financial years. These assessments are based on the adjudication report previously issued by Inland Revenue and now allow a deduction for certain categories of expenditure which were previously disputed by Inland Revenue but contend that the costs of obtaining resource consents should have been capitalised. The assessments are based on Inland Revenue's determination of what should be considered resource consent costs. The Group does not agree with the basis of the assessments. It continues to believe the tax treatment it has adopted is correct and continues to defend its position.

Should Inland Revenue be completely successful in its claim for all three years, the resulting liability would give rise to an additional tax payment of $5,924,000 and interest expense of $2,756,000. Based on the principle of the assessments, the Group would need to revise its policy for capitalising the costs of resource consents for tax purposes in the 2009 and future years. This would give rise to a further estimated tax payment of $4,117,000 and interest expense of $787,000 in respect of the 2009, 2010, 2011 and 2012 years. This 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 $3,300,000 for all years up to 2012.

The Group has provided a guarantee to Rangitata Diversion Race Management Limited (RDR) to allow RDR to borrow funds to purchase land. The maximum amount the Group could be liable to pay is $756,000 (2011: $756,000). This maximum liability would only be payable if RDR was unable to service its debt and was unable to sell the land.

The Group is not aware of any other material contingent liabilities at balance date (2011: nil).

Other than disclosed in note 6 the Group is not party to any material operating leases at balance date (2011: nil).

On 2nd May 2012 the Group announced that it had negotiated conditional contracts with Siemens for turbine supply and with Origin Energy for long term off take in relation to the construction of the 270MW Stage 2 of its Snowtown wind farm in South Australia. The Group proposes to retain ownership of 144MW and to sell down the rights to develop the remaining 126 MW to a co-investor. These contracts are primarily conditional on the Group identifying a suitable co-investor.

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

NOTE 34: RELATED PARTY TRANSACTIONS

Key management personnel

The key management personnel compensation (including Directors' fees) is as follows:	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Salaries and other short-term employee benefits	**4,048**	3,627	**4,048**	3,627
Share based payments	**21**	28	**21**	28
	4,069	3,655	**4,069**	3,655

$703,000 of this amount was unpaid at 31 March 2012 (2011: $464,000).

All key management personnel participate in a cash settled, share based incentive scheme. This scheme was introduced in 2007 and replaces the employee share option scheme (refer to note 35).

Subsidiaries

Advances have been made to/from subsidiaries (refer to note 22) and are payable on demand. These advances are not expected to be repaid in the coming year. Advances to New Zealand based subsidiaries are interest free while interest is charged to overseas based subsidiaries at a market rate. The net advances as disclosed in note 22 include the balances due to/from subsidiaries in respect of the following transactions.

The Parent has a lease contract with its subsidiary Tararua Wind Power Limited for the use of the subsidiary companies' generation assets. The Parent had a similar lease contract with its former subsidiary Cobb Power Limited until Cobb Power Limited was amalgamated into the Parent on 31 March 2012 (see note 22). These commitments cannot be quantified.

The Parent has an insurance contract with its subsidiary TrustPower Insurance Limited which is renewed annually.

The impact of transactions with subsidiaries on the profit of the Parent and Group is shown below.

	GROUP		PARENT	
	2012	2011	2012	2011
	$000	$000	$000	$000
Operating lease costs	**-**	-	**(20,536)**	(20,641)
Insurance costs	**-**	-	**(2,187)**	(2,072)
Interest revenue	**-**	-	**4,499**	886
Impact on profit before income tax	**-**	-	**(18,224)**	(21,827)

The Group is controlled by Infratil Limited (incorporated in New Zealand) which owns 50.7% of the Company's voting shares. The Tauranga Energy Consumer Trust owns 33.1% and the residual balance of 16.2% is widely held.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and M Bogoievski, a Director of TrustPower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited. Infratil Limited is the parent of TrustPower Limited and $56,000 (2011: $40,000) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services. As at 31 March 2012 all of this amount was outstanding (2011: nil).

Consultancy fees of $11,000 (2011: $24,000) were paid to Lumo Energy Pty Ltd which is a subsidiary of the Group's ultimate parent. As at 31 March 2012 none of this amount was outstanding (2011: nil).

Mr MJ Cooney, a Director of TrustPower Limited, is a partner in the law firm Cooney Lees Morgan. Nothing was paid to Cooney Lees Morgan for legal services in the year to 31 March 2012 (2011: $18,000). As at 31 March 2012 none of this amount was unpaid (2011: nil).

All Directors participate in a share purchase plan where the Directors' purchase shares in the Company to the value of half of their annual Directors' fees. In November 2011 all Directors purchased their shares directly from the Company at the average market price for the preceding 20 business days from the treasury stock that the Company was holding. A total of 20,000 shares (2011: nil) were purchased for $146,000 (see note 13).

Mr RH Aitken, a Director of TrustPower Limited, is the Executive Chairman of the engineering firm Beca. $374,000 was paid to Beca for engineering services in the year to 31 March 2012 (2011: $562,000). As at 31 March 2012 $32,000 of this amount was unpaid (2011: $126,000).

Mr RWH Farron, Chief Financial Officer and Company Secretary of TrustPower Limited, was appointed a director of the engineering supplies firm BGH Group Limited and its New Zealand based subsidiaries on 2 August 2011. Since that time $11,000 has been charged by a subsidiary, Bay Engineers Supplies Limited. As at 31 March 2012 none of this amount was unpaid.

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. During the year the Group advanced RDR $84,000 (2011: $74,000) and the total balance of the advance at 31 March 2012 was $1,884,000 (31 March 2011: $1,800,000). This balance is included in other investments on the statement of financial position.

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year. Except as noted above there are no amounts outstanding at 31 March 2012 (2011: nil).

NOTE 35: EMPLOYEE SHARE BASED COMPENSATION

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

	NUMBER		EXERCISE PRICE $	
	2012	2011	2012	2011
Tranche D issued May 2006, expiring June 2012	**240,000**	280,000	**8.62**	8.33
	240,000	280,000		
Options Exercised to Date:				
Tranche D	**-**	-	**-**	-
	-	-		
Options Lapsed to Date:				
Tranche D	**220,000**	180,000	**8.62**	8.33
	220,000	180,000		

Members of the Parent's executive management team and certain other employees (together defined as key management personnel) are eligible to receive payment under two cash settled share based payments schemes. The schemes are defined as follows:

Scheme one:
An incentive scheme for key management personnel of the Parent was implemented on 15 November 2008. This is a cash-settled share-based payment scheme covering the three-year period to 15 November 2011.

Scheme two
An incentive scheme for key management personnel of the Parent 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.

Calculation of payment

Scheme one
Key management personnel are eligible to receive an annual bonus payment during the 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 the Parent 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 bonus is received by the participants. The total return is calculated for a one year period commencing on the 15th of November with reference to the share price at the date of the scheme closing.

Scheme two
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 the Parent 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 2012 has been determined by reference to the Parent'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 2012 the total expense recognised in the income statement was $(43,000) (2011: $40,000) and the liability recognised in the statement of financial position as at 31 March 2012 is $10,000 (2011: $54,000).

NOTE 36: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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. The Group 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 discussed below.

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. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group 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.

Electricity gross margin
Three key estimates are made when determining electricity gross margin. The accrual for all three factors is based on an estimate of unbilled units.

• *Revenue recognition*
An accrual is estimated for units sold but not billed at the end of the reporting period for non-half hourly metered customers. This estimate is based on units bought from the wholesale electricity market as well as historical factors. Significant judgement is required in making this determination.

• *Line cost recognition*
Some electricity lines companies bill the Group based on the units and days that the Group has billed its customers while the remaining electricity lines companies bill the Group based on estimated total units and days. For the companies that base their bill on the Group's customer billing, an accrual, similar to the revenue recognition accrual, is estimated for line charges incurred but not billed at the end of the reporting period.

• *Energy cost recognition*
An accrual is estimated for units that the Group believes it has consumed but has not yet been billed for by Energy Clearing House Limited. Significant judgement is required in making this determination.

Sensitivity analysis
If the estimated unbilled units had been 10% higher/lower, operating profit for the year would have increased/(decreased) by $695,000/$(695,000) (2011: increased/(decreased) by $411,000/$(411,000)).

Generation property, plant and equipment
The Group's generation property, plant and equipment is stated at fair value as established by an independent valuation undertaken at least every three years. This valuation is reviewed annually and if it is considered that there has been a material change then a new independent valuation is undertaken. 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 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 the most recent valuation as at 31 March 2012. 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.

Assumption	Low	High	Valuation Impact
New Zealand Assets			
Forward electricity price path	Decreasing in real terms from $98/MWh to $85/MWh by 2015 then constant.	Decreasing in real terms from $98/MWh to $85/MWh by 2015 then increasing to $95/MWh by 2020. Thereafter held constant.	-/+ $98,000,000
Generation volume	2,167 GWh	2,649 GWh	-/+ $245,000,000
Operating costs	$29,600,000 p.a.	$32,600,000 p.a.	+/- $38,000,000
Weighted average cost of capital	7.84%	8.34%	+$82,000,000 / -$75,000,000
Australian Assets			**AUD**
Forward electricity price path	(Stated in AUD) Until 2018 constant at $82 in real terms. After 2018 increasing to $105 by 2030 in real terms.	(Stated in AUD) Until 2018 constant at $82 in real terms. After 2018 increasing to $115 with gradual increases to $125 by 2030	-$11,000,000/ +$33,000,000
Generation volume	350 GWh	428 GWh	-/+ $30,000,000
Weighted average cost of capital	7.74%	8.24%	+$6,000,000 / -$5,000,000

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.

Depreciation expense
A significant amount of management judgement is used when determining the useful lives of the Group's generation assets for depreciation purposes. This is especially so for the Group's longer lived assets.

Sensitivity analysis
If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by $4,804,000/$(5,872,000) (2011: $4,484,000/$(5,480,000)).

Amortisation expense
Management judgement is used when determining the useful lives of the Group's intangible assets for amortisation purposes.

Sensitivity analysis
If the estimated useful lives of intangible assets were 10% higher/lower, operating profit for the year would have increased/decreased by $478,000/$(584,000) (2011: $504,000/$(616,000)).

Income tax expense
The Group is subject to income taxes in New Zealand and Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Provision against advances to subsidiaries
For subsidiaries involved in generation development, the Parent fully provides for advances made until such time as a viable project is identified and construction commences. This provision is the result of significant uncertainty that economic projects will be completed and that the advances will be recoverable.

Changes to accounting estimates
There have been no changes to accounting estimates in the year.

NOTE 37: FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives
TrustPower's activities expose it to a variety of financial risks: electricity price risk, interest rate risk, exchange rate risk, liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out under policies approved by the Board.

(a) Electricity Price Risk
The Group typically sells more electricity at fixed prices than it generates. As a result the Group is required to purchase a percentage of its electricity sold off the electricity spot market. This leaves the Group exposed to fluctuations in the spot price of electricity where it sells electricity at a fixed price. The Group operates under an energy trading policy which limits the exposure the Group may have in any future period. Future exposure is estimated based on expected fixed price sales and generation output. The Group has entered into a number of electricity hedge contracts to reduce the commodity price risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased. Any resulting differential to be paid or received is recognised as a component of energy costs through the term of the contract. The Group 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 2012 was 639 GWh (31 March 2011: 900 GWh).

The hedged anticipated electricity purchase transactions are expected to occur continuously throughout the next five years from the end of the reporting period consistent with the Group'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 2012 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 the Group'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.

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Increase/(decrease) to profit of a 10% increase in electricity forward price	**(3,706)**	(609)	**(3,706)**	(609)
Increase/(decrease) to profit of a 10% decrease in electricity forward price	**3,706**	609	**3,706**	609
Increase/(decrease) to equity of a 10% increase in electricity forward price	**5,062**	5,369	**5,062**	5,369
Increase/(decrease) to equity of a 10% decrease in electricity forward price	**(5,062)**	(5,369)	**(5,062)**	(5,369)

(b) Interest Rate Risk
The Group's bank borrowings are all on floating interest rates exposing it to the risk that rising interest rates will increase the Group's interest expense and, hence, reduce its profitability. The Group operates under a treasury policy which prescribes the proportion of fixed interest rate cover the Group must hold in relation to its future borrowings. This proportion is calculated based on the actual fixed rate cover held and the forecast debt levels of the Group. The Group has various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognised as a component of interest paid. The Group has elected to hedge account only a limited number of these instruments.

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2012 was $489,459,000 (31 March 2011: $440,415,000).

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

Effective interest rates for the Parent and the Group are disclosed in note 25.

Sensitivity analysis
At 31 March 2012, 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.

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	$000	**$000**	**$000**	**$000**
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	**(10,752)**	(8,994)	**(6,587)**	(3,774)
Increase/(decrease) to profit of a 100 basis point increase in interest rates	**10,336**	8,713	**6,195**	3,647
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	**(11,235)**	(9,601)	**(7,070)**	(4,381)
Increase/(decrease) to equity of a 100 basis point increase in interest rates	**10,800**	9,361	**6,659**	4,295

(c) Exchange Rate Risk
During the course of business the Group may enter into contracts for the construction of generation assets and the sale of carbon credits to be settled in a foreign currency in the future. This exposes the Group to movements in foreign exchange rates. The Group operates under a treasury policy which requires all foreign currency transactions over certain limits to be 100% hedged. Compliance with this policy is measured by forecasting future foreign currency transactions and ensuring that the exchange rate has been fixed. The Group enters into forward exchange contracts to reduce the risk from price fluctuations of foreign currency costs associated with the construction of property, plant and equipment or income associated with the sale of carbon credits. Any resulting differential to be paid or received is recognised as a component of the cost of the project for the construction of generation assets and as a part of revenue for the sale of carbon credits. The Group has elected to apply cash flow hedge accounting to these instruments.

The aggregate notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2012 was $11,076,000 (31 March 2011: $20,689,000).

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month and 2 years from the end of the reporting period. Gains and losses recognised in the cash flow hedge reserve in equity on forward foreign exchange contracts as at 31 March 2012 will be recycled to revenue from the sale of carbon credits when the credits are sold.

Sensitivity analysis
At 31 March 2012, if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk with all other variables held constant, post-tax profit for the year would not have been materially different.

Other components of equity would have been $(768,000)/$768,000 (lower)/higher (31 March 2011: $(1,387,000)/$1,458,000 (lower)/higher), arising from foreign exchange gains/losses on revaluation of foreign exchange contracts in a cash flow hedge relationship.

(d) Credit Risk
The Group has no significant concentrations of credit risk (2011: none). It has policies in place to ensure that sales are 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. Derivative counterparties and cash transactions are limited to high credit quality financial institutions with a minimum Standard & Poor's long-term credit rating of A+ and 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. The Group has policies that limit the amount of credit exposure to any counterparty.

The carrying amounts of financial assets recognised in the statement of financial position best represents the Group's maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained. As shown in note 19, the reported accounts receivable balance includes a provision for doubtful debts of $1,800,000 (2011: $1,800,000).

The Group has around 209,000 customers (2011: 221,000), only four (2011: four) of which make up more than one per cent of the Group's total accounts receivable balance. The largest of these customers accounts for 4 per cent (2011: 4 per cent) of the Group's total accounts receivable.

As of 31 March 2012, trade receivables relating to the Group and the Parent of $4,652,000 (2011: $3,859,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	GROUP		PARENT	
	2012 $000	2011 $000	2012 $000	2011 $000
Up to 3 months	**4,652**	3,589	**4,652**	3,589
	4,652	3,589	**4,652**	3,589

As of 31 March 2012, trade receivables relating to the Group and the Parent of $1,800,000 (2011: $1,800,000) were past due and impaired. The ageing analysis of these trade receivables is as follows:

	Group		PARENT	
	2012 $000	2011 $000	2012 $000	2011 $000
Up to 3 months	**493**	96	**493**	96
3 to 6 months	**455**	873	**455**	873
6 to 12 months	**756**	453	**756**	453
Over 12 months	**96**	378	**96**	378
	1,800	1,800	**1,800**	1,800

For details of the receivables considered impaired refer to note 2.4.

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

		GROUP		PARENT	
	Note	2012 $000	2011 $000	2012 $000	2011 $000
Opening balance		**1,800**	2,000	**1,800**	2,000
Provision for receivables impairment	7	**1,515**	1,708	**1,515**	1,708
Bad debts written off		**(1,515)**	(1,908)	**(1,515)**	(1,908)
Closing balance	19	**1,800**	1,800	**1,800**	1,800

(e) Liquidity Risk
The Group's ability to readily attract cost effective funding is largely driven by its credit standing.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities. The Group operates under a treasury policy which dictates the level of available committed facility to be maintained to provide cover for reasonably conceivable adverse conditions. This is measured by forecasting debt levels under various adverse scenarios and comparing this to committed facility levels. The treasury policy also requires a spread of debt maturities which is measured by the proportion of debt maturing in various time bands.

The tables below analyse the Group's and the Parent'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.

Group

At 31 March 2012	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	**463**	**3,675**	**2,878**	**4,319**
Net settled interest rate derivatives	**347**	**2,232**	**2,407**	**16,288**
Accounts payable and accruals	**106,160**	**87**	**104**	**4,273**
Unsecured subordinated bonds	**-**	**119,824**	**6,472**	**182,492**
Unsecured senior bonds	**-**	**8,170**	**8,170**	**270,575**
Unsecured bank loans	**-**	**10,073**	**5,628**	**301,172**
Financial guarantee contracts	**756**	**-**	**-**	**-**
Total	**107,726**	**144,061**	**25,659**	**779,119**

At 31 March 2011	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	2,151	7,522	5,802	4,103
Net settled interest rate derivatives	30	979	1,008	6,628
Accounts payable and accruals	82,135	87	104	4,481
Unsecured subordinated bonds	-	11,232	11,110	308,788
Unsecured senior bonds	-	8,179	8,090	270,228
Unsecured bank loans	35	3,994	-	340,959
Financial guarantee contracts	756	-	-	-
Total	85,107	31,993	26,114	935,187

PARENT

At 31 March 2012	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	**463**	**3,675**	**2,878**	**4,319**
Net settled interest rate derivatives	**217**	**975**	**1,192**	**10,967**
Accounts payable and accruals	**98,617**	**87**	**104**	**4,273**
Unsecured subordinated bonds	**-**	**119,824**	**6,472**	**182,492**
Unsecured senior bonds	**-**	**8,170**	**8,170**	**270,575**
Unsecured bank loans	**-**	**7,786**	**5,628**	**125,432**
Financial guarantee contracts	**756**	**-**	**-**	**-**
Total	**100,053**	**140,517**	**24,444**	**598,058**

At 31 March 2011	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	2,151	7,522	5,802	4,103
Net settled interest rate derivatives	30	471	501	5,461
Accounts payable and accruals	81,355	87	104	4,481
Unsecured subordinated bonds	-	11,232	11,110	308,788
Unsecured senior bonds	-	8,179	8,090	270,228
Unsecured bank loans	35	1,707	-	137,332
Financial guarantee contracts	756	-	-	-
Total	84,327	29,198	25,607	730,393

The tables below analyse the Group's and the Parent'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 tables are the contractual undiscounted cash flows.

Group

At 31 March 2012	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	**3,784**	**-**	**3,409**	**3,882**
(Outflows)	**(2,685)**	**-**	**(2,316)**	**(2,685)**

At 31 March 2011	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	3,720	2,553	3,340	11,076
(Outflows)	(3,063)	(2,599)	(2,642)	(8,768)

PARENT

At 31 March 2012	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	**3,784**	**-**	**3,409**	**3,882**
(Outflows)	**(2,685)**	**-**	**(2,316)**	**(2,685)**

At 31 March 2011	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	3,720	2,553	3,340	11,076
(Outflows)	(3,063)	(2,599)	(2,642)	(8,768)

Fair Values

Except for subordinated bonds and senior bonds (see notes 26 and 27), the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

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 management's best estimate based on its 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.
Discount rate for valuing forward foreign exchange contracts	Published market interest rates as applicable to the remaining life of the instrument.
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 4.0% to 4.3%

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 7 requires that financial instruments are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

• 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).

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

Group

31 March 2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets per the statement of financial position				
Interest rate derivative assets	**-**	**4,721**	**-**	**4,721**
Electricity price derivative assets	**-**	**-**	**8,357**	**8,357**
Exchange rate derivative assets	**-**	**3,190**	**-**	**3,190**
	-	**7,911**	**8,357**	**16,268**
Liabilities per the statement of financial position				
Interest rate derivative liabilities	**-**	**17,199**	**-**	**17,199**
Electricity price derivative liabilities	**-**	**-**	**4,207**	**4,207**
Exchange rate derivative liabilities	**-**	**-**	**-**	**-**
	-	**17,199**	**4,207**	**21,406**

31 March 2011	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets per the statement of financial position				
Interest rate derivative assets	-	3,635	-	3,635
Electricity price derivative assets	-	-	1,763	1,763
Exchange rate derivative assets	-	3,307	-	3,307
	-	6,942	1,763	8,705
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	6,297	-	6,297
Electricity price derivative liabilities	-	-	18,503	18,503
Exchange rate derivative liabilities	-	-	-	-
	-	6,297	18,503	24,800

PARENT

31 March 2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets per the statement of financial position				
Interest rate derivative assets	**-**	**4,689**	**-**	**4,689**
Electricity price derivative assets	**-**	**-**	**8,357**	**8,357**
Exchange rate derivative assets	**-**	**3,190**	**-**	**3,190**
	-	**7,879**	**8,357**	**16,236**
Liabilities per the statement of financial position				
Interest rate derivative liabilities	**-**	**10,378**	**-**	**10,378**
Electricity price derivative liabilities	**-**	**-**	**4,207**	**4,207**
Exchange rate derivative liabilities	**-**	**-**	**-**	**-**
	-	**10,378**	**4,207**	**14,585**

31 March 2011	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets per the statement of financial position				
Interest rate derivative assets	-	3,344	-	3,344
Electricity price derivative assets	-	-	1,763	1,763
Exchange rate derivative assets	-	3,307	-	3,307
	-	6,651	1,763	8,414
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	4,805	-	4,805
Electricity price derivative liabilities	-	-	18,503	18,503
Exchange rate derivative liabilities	-	-	-	-
	-	4,805	18,503	23,308

The following tables present the changes during the year of the level 3 instruments.

Group

31 March 2012	Electricity price derivatives $000	Total $000
Assets per the statement of financial position		
Opening balance	**1,763**	**1,763**
Gains and (losses) recognised in profit or loss	**(1,986)**	**(1,986)**
Gains and (losses) recognised in other comprehensive income	**8,580**	**8,580**
Closing balance	**8,357**	**8,357**
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	**4,316**	**4,316**
Liabilities per the statement of financial position		
Opening balance	**18,503**	**18,503**
(Gains) and losses recognised in profit or loss	**(22,876)**	**(22,876)**
(Gains) and losses recognised in other comprehensive income	**8,580**	**8,580**
Closing balance	**4,207**	**4,207**
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**6,036**	**6,036**
Settlements during the year	**10,110**	**10,110**

31 March 2011	Electricity price derivatives $000	Total $000
Assets per the statement of financial position		
Opening balance	18,466	18,466
Gains and (losses) recognised in profit or loss	(255)	(255)
Gains and (losses) recognised in other comprehensive income	(16,448)	(16,448)
Closing balance	1,763	1,763
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	1,483	1,483
Liabilities per the statement of financial position		
Opening balance	2,066	2,066
(Gains) and losses recognised in profit or loss	877	877
(Gains) and losses recognised in other comprehensive income	15,560	15,560
Closing balance	18,503	18,503
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	1,938	1,938
Settlements during the year	26,426	26,426

PARENT

31 March 2012	Electricity price derivatives $000	Total $000
Assets per the statement of financial position		
Opening balance	**1,763**	**1,763**
Gains and (losses) recognised in profit or loss	**(1,986)**	**(1,986)**
Gains and (losses) recognised in other comprehensive income	**8,580**	**8,580**
Closing balance	**8,357**	**8,357**
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	**4,316**	**4,316**
Liabilities per the statement of financial position		
Opening balance	**18,503**	**18,503**
(Gains) and losses recognised in profit or loss	**(22,876)**	**(22,876)**
(Gains) and losses recognised in other comprehensive income	**8,580**	**8,580**
Closing balance	**4,207**	**4,207**
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**6,036**	**6,036**
Settlements during the year	**10,110**	**10,110**

31 March 2011	Electricity price derivatives $000	Total $000
Assets per the statement of financial position		
Opening balance	18,466	18,466
Gains and (losses) recognised in profit or loss	(255)	(255)
Gains and (losses) recognised in other comprehensive income	(16,448)	(16,448)
Closing balance	1,763	1,763
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	1,483	1,483
Liabilities per the statement of financial position		
Opening balance	2,066	2,066
(Gains) and losses recognised in profit or loss	877	877
(Gains) and losses recognised in other comprehensive income	15,560	15,560
Closing balance	18,503	18,503
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	1,938	1,938
Settlements during the year	26,426	26,426

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 (a) of this note.

Capital Risk Management Objectives
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may 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, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

• Net debt is calculated as total borrowings less short term deposits. Total borrowings are calculated using a value of unsecured bank loans plus unsecured subordinated and senior bonds.
• Total capital funding is calculated as total equity as shown in the statement of financial position, adjusted for the fair value of financial instruments, plus net debt.

The gearing ratio is calculated below:

		GROUP		PARENT	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Net debt					
Unsecured bank debt	25	**308,440**	336,327	**119,605**	132,700
Unsecured subordinated bonds	26	**262,277**	261,742	**262,277**	261,742
Unsecured senior bonds	27	**212,178**	211,518	**212,178**	211,518
Cash at bank / bank overdraft	18	**(20,488)**	(12,568)	**(9,695)**	(1,429)
		762,407	797,019	**584,365**	604,531
Equity					
Total equity		**1,571,331**	1,418,491	**1,390,234**	1,172,978
Remove net effect of fair value of financial instruments after tax	16	**(5,198)**	7,872	**(5,198)**	7,872
		1,566,133	1,426,363	**1,385,036**	1,180,850
Total capital funding		**2,328,540**	2,223,382	**1,969,401**	1,785,381
Gearing ratio		**33%**	36%	**30%**	34%

NOTE 38: FINANCIAL INSTRUMENTS BY CATEGORY

Group **31 March 2012** **Assets per the statement of financial position**	**Loans and receivables** **$000**	**Assets at fair value through profit or loss** **$000**	**Derivatives used for hedging** **$000**	**Assets held to maturity** **$000**
Derivative financial instruments	**-**	**9,129**	**7,139**	-
Trade and other receivables excluding prepayments	**113,127**	**-**	**-**	-
Cash and cash equivalents	**20,488**	**-**	**-**	-
Bond deposits on trust	**1,791**	**-**	**-**	-
Term receivables	**-**	**-**	**-**	-
Other investments	**-**	**-**	**-**	**5,085**
	135,406	**9,129**	**7,139**	**5,085**
31 March 2011				
Assets per the statement of financial position				
Derivative financial instruments	-	5,398	3,307	-
Trade and other receivables excluding prepayments	99,647	-	-	-
Cash and cash equivalents	12,568	-	-	-
Bond deposits on trust	2,000	-	-	-
Term receivables	-	-	-	-
Other investments	-	-	-	4,373
	114,215	5,398	3,307	4,373

31 March 2012 **Liabilities per the statement of financial position**	**Liabilities at fair value through profit or loss** **$000**	**Derivatives used for hedging** **$000**	**Other financial liabilities at amortised cost** **$000**
Unsecured bank loans including bank overdrafts	**-**	**-**	**308,440**
Unsecured subordinated bonds	**-**	**-**	**262,277**
Unsecured senior bonds	**-**	**-**	**212,178**
Derivative financial instruments	**20,133**	**1,273**	**-**
Trade and other payables	**-**	**-**	**114,085**
	20,133	**1,273**	**896,980**

31 March 2011 Liabilities per the statement of financial position	Liabilities at fair value through profit or loss $000	Derivatives used for hedging $000	Other financial liabilities at amortised cost $000
Unsecured bank loans including bank overdrafts	-	-	336,327
Unsecured subordinated bonds	-	-	261,742
Unsecured senior bonds	-	-	211,518
Derivative financial instruments	8,931	15,869	-
Trade and other payables	-	-	91,092
	8,931	15,869	900,679

PARENT

31 March 2012 Assets per the statement of financial position	Loans and receivables $000	Assets at fair value through profit or loss $000	Derivatives used for hedging $000	Assets held to maturity $000
Derivative financial instruments	**-**	**9,098**	**7,139**	-
Trade and other receivables excluding prepayments	**108,646**	**-**	**-**	-
Cash and cash equivalents	**9,695**	**-**	**-**	-
Bond deposits on trust	**1,791**	**-**	**-**	-
Term receivables	**-**	**-**	**-**	-
Other investments	**-**	**-**	**-**	**1,892**
	120,132	**9,098**	**7,139**	**1,892**

31 March 2011 Assets per the statement of financial position				
Derivative financial instruments	-	5,107	3,307	-
Trade and other receivables excluding prepayments	93,984	-	-	-
Cash and cash equivalents	1,429	-	-	-
Bond deposits on trust	2,000	-	-	-
Term receivables	-	-	-	-
Other investments	-	-	-	1,808
	97,413	5,107	3,307	1,808

31 March 2012 Liabilities per the statement of financial position	Liabilities at fair value through profit or loss $000	Derivatives used for hedging $000	Other financial liabilities at amortised cost $000
Unsecured bank loans including bank overdrafts	**-**	**-**	**119,605**
Unsecured subordinated bonds	**-**	**-**	**262,277**
Unsecured senior bonds	**-**	**-**	**212,178**
Derivative financial instruments	**13,312**	**1,273**	**-**
Trade and other payables	**-**	**-**	**106,123**
	13,312	**1,273**	**700,183**

31 March 2011 Liabilities per the statement of financial position			
Unsecured bank loans including bank overdrafts	-	-	132,700
Unsecured subordinated bonds	-	-	261,742
Unsecured senior bonds	-	-	211,518
Derivative financial instruments	7,439	15,869	-
Trade and other payables	-	-	90,219
	7,439	15,869	696,179