ALL IN A DAY'S WORK

ANNUAL REPORT 2016

WORKING SMARTER

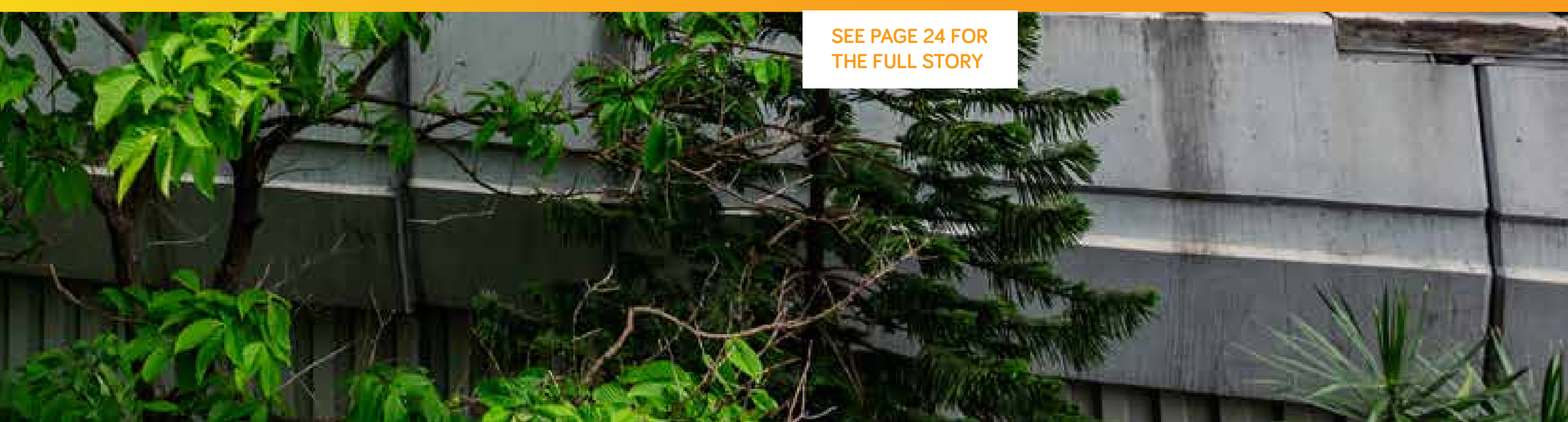
Our move into a brand new building in central Tauranga has already helped create better connections throughout the business. Flexible workspaces make it easier to work closely with people across projects and teams. The whole environment is more dynamic and collaborative.

SEE PAGE 22 FOR THE FULL STORY


WORKING
HARDER

Our resolve to put choice at the heart of everything we do has continued to shape our offer and the way we engage with our customers. The launch of our 'Captain Energy and Broadband Girl' campaign in early 2015 has paid off, attracting customers well beyond our targets.

SEE PAGE 24 FOR THE FULL STORY



WORKING SAFER

We're working hard to extend the life of our power stations, dams and other infrastructure to make them safer for employees and local communities. This year we've made major progress on the overhaul project currently underway at the Arnold River power scheme.

SEE PAGE 26 FOR THE FULL STORY

WORKING FASTER

The demand for clean energy is growing – a trend that's being led by consumers and supported by governments. We are already market leaders in wind energy and are looking to further increase our investment in New Zealand and Australia.

SEE PAGE 28 FOR THE FULL STORY

ALL IN A DAY'S WORK

At Trustpower, our constant effort to improve is what we call 'business as usual'. We're always striving to better serve our customers. We are growing our business sustainably, improving safety and efficiency as we go. We take the challenges in our stride.

CONTENTS

25,000 more customers with two or more services 2+

Acquisition of **65%** of King Country Energy, with 17,000 customers and 5 hydro generation schemes, for **$78 million**

Successful implementation of activity based working at our new Tauranga head office

ACHIEVEMENTS 2016

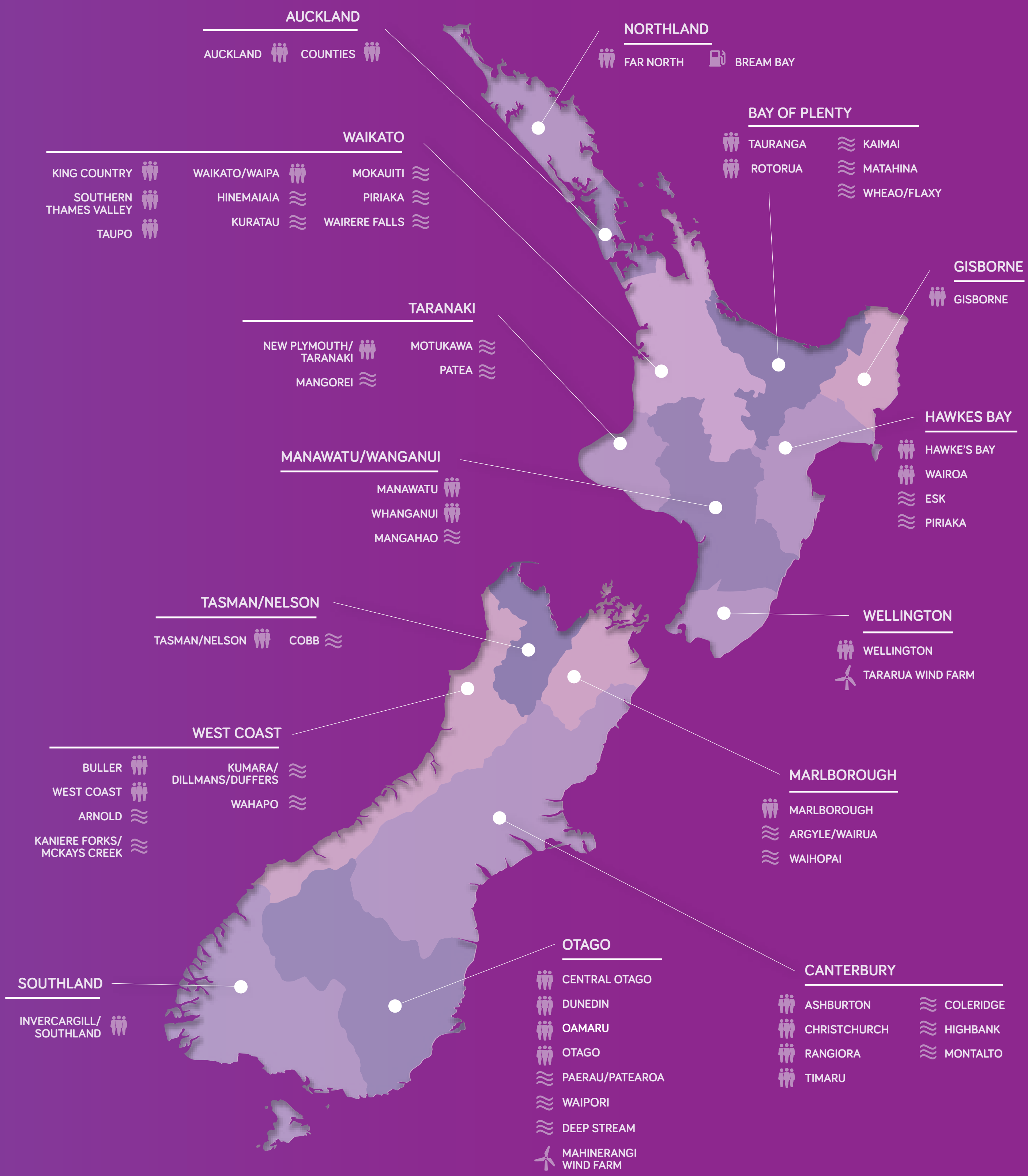
Successfully implement the proposed demerger if shareholder approval is granted

Continue multi-product retail strategy focusing both on acquiring new customers and providing additional services and value to existing customers

Progress development approval applications for new wind investment in Victoria, New South Wales and South Australia

STRATEGIC FOCUS 2017

WHERE WE WORK



Trustpower generates electricity at 41 sites across New Zealand and Australia. More than 99% of our power is generated sustainably, through wind and hydroelectric generation. Our retail customers throughout New Zealand now number 247,000, many of them purchasing multiple products across our suite of electricity, gas, broadband and phone services.

OUR TEAM

From left to right –

CHRIS O'HARA General Manager Commercial Operations, **PETER LILLEY** Acting General Manager Generation, **ROBERT FARRON** NewCo Designate Chief Executive, **DEION CAMPBELL** NewCo Designate General Manager Generation and Trading, **VINCE HAWKSWORTH** Chief Executive, **ALAN BICKERS** Director, **PAUL RIDLEY-SMITH** Chairman, **MARKO BOGOIEVSKI** Director, **MELANIE DYER** General Manager People and Culture, **SAM KNOWLES** Director, **KEVIN PALMER** Acting Chief Financial Officer and Company Secretary, **RICHARD AITKEN** Director, **SUSAN PETERSON** Director, **GEOFF SWIER** Director, **PETER CALDERWOOD** General Manager Strategy and Growth, **CRAIG NEUSTROSKI** General Manager Trading, **SIMON CLARKE** General Manager Business Solutions and Technology

WORKING TOGETHER

REPORT FROM OUR CHAIRMAN AND CHIEF EXECUTIVE

PAUL RIDLEY-SMITH
Chairman

VINCE HAWKSWORTH
Chief Executive

JOINT REPORT

The 2016 financial year was a pivotal year in Trustpower's history. The successful execution of the multi-product strategy and creation of a significant pipeline of renewable generation developments has created a unique opportunity for growth in both the New Zealand retail and Australian renewable energy markets. During the year the Company determined that the optimal way to maximise this opportunity for shareholders is through a demerger.

The demerger creates two new independent and focused companies – Trustpower and NewCo. Trustpower will focus on maximising value in its hydro generation business in New Zealand and Australia and growing a profitable multi-product retail business. This company will retain the Trustpower name.

NewCo will own the existing wind generation assets in New Zealand and Australia and focus on growing the Australian portfolio by developing the significant pipeline of wind and solar projects created by Trustpower in response to the positive review of the Australian Renewable Energy Target. NewCo will shortly be renamed appropriately for its business focus.

Shareholders will separately receive a scheme booklet that provides all the information necessary to consider the demerger proposal. The demerger requires a 75% vote of shareholders to become effective. The required shareholders meeting is expected to be held in late July or early August 2016.

STRATEGY

During the year Trustpower pursued two key strategies, multi-product retail in New Zealand and renewable generation growth in Australia.

Trustpower made good progress in the implementation of its multi-product retail strategy. Growth has occurred across all product groups. The Company has maintained multi-product sales momentum with approximately 80% of new customers buying an energy and telecommunications package. It is particularly pleasing that Trustpower now has 16,500 fibre connections and 77,000 customers are taking two or more services, up 48% from last year. Trustpower already experiences lower-than-market customer churn levels and the higher penetration of bundled services is expected to reduce churn and enhance margins further in the future. Over the course of the year, Trustpower also upgraded the core customer information system, invested in increasing internet service provider (ISP) infrastructure capacity to support customer growth and moved the IT and business applications environment into the "hybrid cloud".

OPERATING PERFORMANCE

The New Zealand and Australian hydro generation operations, which are expected to be carried on by Trustpower, have an installed capacity of 424MW in New Zealand and 92MW in Australia. While New Zealand generation production was 5 per cent above prior period, it was 3 per cent below the long term average. Hydro generation was below long term average, although wind production was higher than average.

In New Zealand wholesale electricity prices were soft, particularly during winter. During the period May to October 2015 the rolling weekly price seldom rose above $60/MWh. Overall the average price received for generation of $60/MWh was the lowest level since the year ended March 2011.

Australian hydro production of 254GWh from the Green State Power assets acquired in July 2014 was below the prior period but in line with long run average. Spot prices for black energy in NSW have been slightly firmer than average.

> **"During the year Trustpower pursued two key strategies, multi-product retail in New Zealand and renewable generation growth in Australia."**

Supporting this growth strategy, Trustpower acquired a controlling stake in King Country Energy Limited in December 2015, with this increasing to 65% by February 2016. The total cost for this acquisition was $78 million. The operations of King Country Energy since December 2015 have been consolidated into the Group financial results. Trustpower considers this acquisition to be a very good strategic fit with its existing business and is looking forward to working with the management and other shareholders to create future value.

Trustpower continues to progress wind and solar development options in Australia with the aim of developing further projects to help meet the Australian Mandatory Large-scale Renewable Energy Target over the course of the next five years. The Company is actively pursuing development approval applications in Victoria, New South Wales and South Australia for more than 900MW of wind projects. The Palmer project in South Australia has received development approval from the local authority, however this decision is now subject to appeal. A decision on planning approval for the Dundonnell project in Victoria is expected in the coming months. During the year Trustpower also acquired the approved Waddi Wind Farm in Western Australia and an option to develop solar generation on the same site. As noted earlier, it is expected that these activities will be carried on by NewCo.

The New Zealand and Australian wind generation operations, which are expected to be carried on by NewCo, have an installed capacity of 197MW in New Zealand and 386MW in Australia. The most recent addition to that capacity is the Snowtown Stage 2 Wind Farm in South Australia which was completed in July 2014 and fully operational for the current financial year. Below average wind conditions over the period contributed to production being below the expected long term average, noting that the expected long term average for Snowtown Stage 2 was revised downwards in December 2015.

The performance of Trustpower's generation assets has been pleasing. During the year the hydro machines were started 22,616 times with a start failure rate of 0.19%, compared with a long term target of 0.25%. On average wind farm availability was 97.1%.

FINANCIAL PERFORMANCE

Trustpower's consolidated profit after tax was $89.8 million for the year ended 31 March 2016, a 37.6% decrease compared with $144.0 million for the same period last year.

Underlying earnings were $100.8 million compared with $122.9 million in the previous year, a decrease of 18%.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF) of $329 million was on a par with the previous year and reflects the low wholesale price environment, the variable nature of hydro and wind generation and the success of our multi-product strategy. In particular the broadband and electricity bundle product acquisition campaign surpassed targets, resulting in increased costs of acquisition of $12 million compared with the prior year. These customer gains are expected to produce additional retail margin over time. There were also costs of $4.9 million associated with the proposed demerger and the tax dispute with Inland Revenue.

Tax case costs received from Inland Revenue in the previous year were repaid during the 2016 financial year after Trustpower lost its case in the Court of Appeal. Trustpower has further appealed and the tax dispute was heard by the Supreme Court in March 2016. To date no judgement has been received. Trustpower has provided for the dispute in the financial statements.

FINANCIAL POSITION AND CAPITAL STRUCTURE

Net debt (including subordinated bonds) to net debt plus equity increased slightly to 41% as at 31 March 2016, from 40% at prior year end, primarily due to the acquisition of King Country Energy. Trustpower continues to maintain conservative levels of committed credit facilities. As at 31 March 2016 Group net debt was approximately $1.3 billion. Trustpower is currently working with its debt capital providers to ensure that debt facilities will be in place should the demerger proposal be approved by shareholders.

Group generation assets were independently valued by Deloitte Corporate Finance as at 31 March 2016 to ensure the most up-to-date valuations are in place to assist shareholders in considering the demerger proposal. As a result generation assets were revalued upwards by $47.1 million, equity increased by $34.2 million and deferred tax liability rose $12.9 million. This increase was driven primarily by an improved view of future Australian electricity prices, offset to some extent by a reduced view of future New Zealand revenue. The reduction in New Zealand revenue forecasts was driven primarily by a more conservative view on the potential for negative regulatory outcomes.

HEALTH AND SAFETY

Trustpower operates a business that must be vigilant about health and safety at all times. During the year many aspects of the business have been reviewed to account for the introduction of the Health and Safety at Work Act 2015. This approach includes a review of hazards, consideration of risks resulting from these hazards and ensuring processes to manage these risks are in place.

Trustpower has also continued its focus on creating a culture of safety by supporting its staff to make good health and safety decisions.

There were 4 lost time injuries during the 2016 financial year.

OUR PEOPLE

During the year Trustpower relocated its corporate office to central Tauranga. As part of this move the company introduced Activity Based Working (ABW).

The ABW environment is designed to improve collaboration and initial indications are positive. The Company is experiencing high levels of staff engagement and energy with faster and more inclusive decision making.

Trustpower continues to strive for greater diversity as we value the perspective and breadth of skills a diverse workplace can offer. Board member numbers have increased this year with the welcome addition of Susan Peterson. It is pleasing to report that numbers of women both applying for and participating in Trustpower's internal leadership development programme have increased. Women are also well represented in its general population and management teams. The Group's diversity policy is supported by a strong set of values and clear harassment and discrimination policies. The Group's recruitment process and salary review processes are monitored frequently to ensure equality.

Trustpower continues to be active in the communities in which it operates. The highly successful Community Awards programme saw Youth in Emergency Services (YES) from the Rotorua district named as the Runner Up at the 16th annual Trustpower National Community Awards in March 2016, with its world-class programme engaging local youth to strengthen volunteer-run emergency services. The Supreme Award was presented to West Otago Health Trust representing the Clutha District, acknowledging its mammoth efforts to fundraise $3.6 million to build and then run a combined purpose-built rural community health centre and home for the aged in Tapanui.

The inaugural Whetū Mātaiata Award, established to encourage a promising organisation that has the potential to thrive even more with extra support, was presented to the Murupara Youth Leadership Projects Team. With a focus on youth leading the community to positive participation and engagement, increased levels of community consultation and strengthened whanau support, this organisation is driving the opportunities and development for further education, employment and recreation activities for the town.

The nation-wide Trustpower Community Awards programme continues to recognise and celebrate more than 1,300 community organisations every year, with these award recipients being a shining snapshot of the work, and the heart, that volunteers contribute to their cities and districts every day.

REGULATORY LANDSCAPE

The New Zealand Electricity Authority released its latest proposal for reform of the Transmission Pricing Methodology (TPM) on 17 May 2016. The Authority is also reviewing the pricing principles underpinning the payment of Avoided Cost of Transmission (ACOT) compensation, which could impact the revenue earned by Trustpower's distributed generation stations.

Trustpower remains concerned that the TPM proposal will not result in the durability in transmission pricing that the Authority seeks. Trustpower does not agree that there are indisputable and demonstrable benefits to consumers from the proposed changes. The various rounds of proposals since 2012 have so far seen significant swings in cost allocations between parties, despite the Authority employing the same decision-making framework and, ultimately, seeking to fulfil the same statutory objective. This raises questions about the process the Authority has followed and the extent to which it has listened to the views set out in expert submissions filed to date. Trustpower is also concerned with the lack of any independent expert review of the proposals commissioned by the Authority, and the fact that expert reports filed by Transpower are not supportive of the proposals.

Trustpower does not believe that there should never be changes to regulatory frameworks, and indeed has sought change proactively in the context of the review of the Telecommunications Act 2001. However, the concern is for significant changes to be predictable, clearly justified, supported by robust cost-benefit analysis and managed according to best-practice change management principles. A key component of these principles is the employment of transition mechanisms that are appropriate for the scale and timeframes of investments impacted, and the length of tenure of the existing regime being changed. Trustpower remains hopeful that these principles will be evident in any changes decided on by the Authority at the conclusion of its current reviews.

DIRECTORS

Over the last 12 months two new directors have been appointed to the Board. Susan Peterson was appointed on 27 August 2015 to fill a casual vacancy. Ms Peterson has been determined by the Board to be an independent director. Ms Peterson is required to be re-elected at the Annual Meeting.

Paul Ridley-Smith was appointed to the Board as Chairperson on 31 December 2015 following the resignation of Dr Bruce Harker. Mr Ridley-Smith is required to be re-elected at the Annual Meeting.

Marko Bogoievski and Geoff Swier retire by rotation and are eligible for re-election at the Annual Meeting. Richard Aitken and Alan Bickers are also due to retire in accordance with Trustpower's constitution, having reached the age of 70 during the year. Messrs Aitken and Bickers remain eligible for re-election at the Annual Meeting.

The Board and Management of Trustpower would like to acknowledge the significant contribution Dr Harker has made to the Company in his 15 years as a director including eight years as a chairperson. It was fitting that earlier this year, Dr Harker was made a distinguished fellow of the Institute of Professional Engineers New Zealand.

AUDITOR

PricewaterhouseCoopers has indicated its willingness to continue in office.

DIVIDEND

The Directors are pleased to have declared a final dividend of 21 cents per share, partially imputed to 17 cents per share, payable 10 June 2016 (record date of 27 May 2016). This, together with an interim dividend of 21 cents per share, provides a total pay-out of 42 cents per share for the 2016 financial year, a 5 per cent increase over the prior year.

LOOKING AHEAD

The global move to increased renewable and distributed generation in the energy supply mix provides opportunities for Trustpower in hydro and edge-of-grid technologies including solar, batteries and home automation. Trustpower expects electricity demand growth in New Zealand to remain subdued as businesses and consumers, quite appropriately, look to increase their energy efficiency. For example, modern, smarter appliances and LED lighting use less electricity and better home insulation reduces electricity use. Trustpower is supportive of these trends, and does not see them as a threat to its business. One fast-developing technology, that may increase overall demand, is electric vehicles. Rapid advances in battery technology are increasing the distances these vehicles can be driven between recharges, making them an increasingly viable alternative to petrol and diesel vehicles.

Similarly, NewCo will have significant opportunities in wind and grid-connected solar developments.

Trustpower has an exciting future and the Board and Management are confident we have the people and capability to deliver excellent results for our shareholders and our communities.

PAUL RIDLEY-SMITH
CHAIRMAN

VINCE HAWKSWORTH
CHIEF EXECUTIVE

WORKING SMARTER

Trustpower has embraced a new way of working – and now has new purpose-built premises to help make it happen.

Trustpower moved from its old industrial site at Te Maunga, on the outskirts of Tauranga, to its new central city premises in March.

Trustpower's 525 head office employees now have no fixed desks or personal offices. Instead, they choose the environment best suited to their task of the moment – whether it's a meeting, a more informal catch-up, working at their computer or concentrating in a quiet spot. They might move several times in a day.

The building's interiors have been designed to get people up and about, interacting and sitting next to different people all the time.

This new way of working is commonly referred to as activity based. General Manager of People and Culture Melanie Dyer says the working style has multiple benefits.

"Activity based working helps us to build a far more open and collaborative organisation," she says.

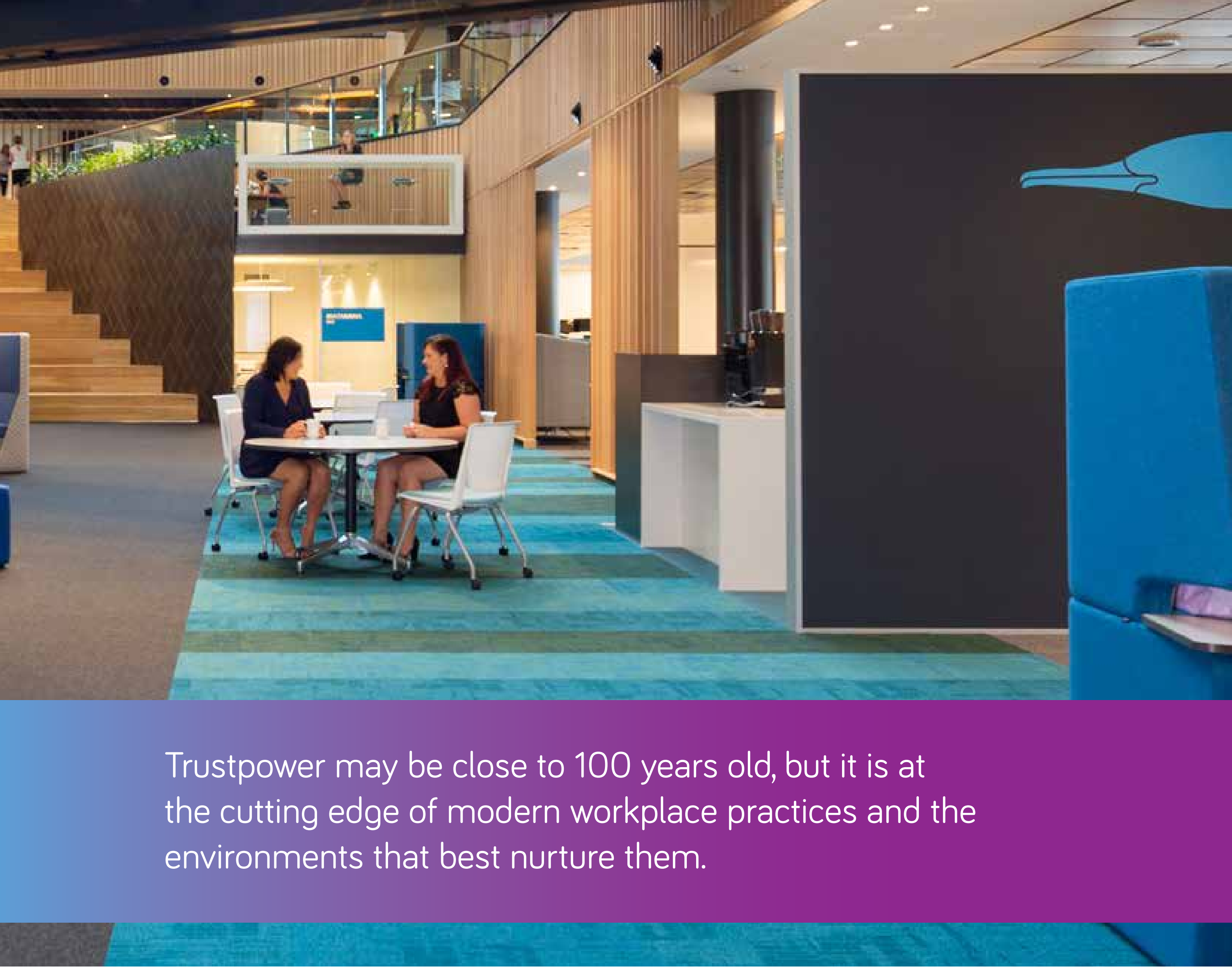
"It has helped us broaden internal connections so we are not just operating within our immediate teams.

"As a consequence, processes are more transparent and open, people tend to be more proactive, knowledge transfers more easily and everyone ends up working in a more fluid environment."

These are seen as key objectives in a broader cultural shift the organisation is working through.

Those who wear activity trackers have found they are taking up to an extra 5,000 steps a day – an unexpected bonus. "It is great to have a larger shared space," says Melanie.

Trustpower's Tauranga team was previously crammed into six small buildings and five portacoms at Te Maunga.



Trustpower may be close to 100 years old, but it is at the cutting edge of modern workplace practices and the environments that best nurture them.

The new premises, built by CBC Construction, occupy three floors with a spacious central atrium. The building houses corporate employees, the inbound call centre, outbound sales agents and the power station monitoring team and technology.

The Durham Street building has been leased to Trustpower for the next 15 years.

Melanie says the designers have been very mindful of things such as soundproofing. “They have done a beautiful job of the design. We can have a team celebration in the kitchen without disturbing the call centre right next door,” she says.

Melanie points out, however, that buying new furniture and removing walls cannot create a new working culture.

“The building by itself is not enough to create the desire to collaborate, but it does create physical opportunity,” she says.

“It shakes us out of a few old behaviours and supports the new mindsets. It has given us a real lift.

“After only a couple of weeks, people reported feeling more connected with the broader team.”

The shift has required employees to adapt personal routines, such as transport to work and storing their office possessions in a locker.

“We’ve supported them as best we can with a change programme but the impact can’t be underestimated,” says Melanie. “But I have to say they have had a very positive attitude overall and have settled in very well.”

Morale has also been boosted by the warm welcome from other central business district occupants.

“We have been made to feel most welcome in the CBD and part of this community,” says Melanie.

WORKING HARDER

Trustpower has set up a digital customer experience for those who want to 'web chat' online.

Customer Experience Manager Fiona Smith says it's not just young people embracing the technology.

Customers of all ages have enjoyed their first 'web chat' so much that it has quickly become their communication channel of choice. The benefits for those who are hearing impaired are immediate, says Fiona.

It's all about Trustpower's aim to offer a completely customised, convenient service. "We want our customers to be able to ring one day and email or web chat the next – whatever suits them at the time," says Fiona.

"We are constantly looking at our service model to better support our customers. We don't get it right every time, but we analyse every bit of data to keep improving."

Trustpower's customer services have come under pressure in the past couple of years as growth has ballooned.

Trustpower is the only major retailer in New Zealand offering a truly integrated bundle of services – electricity, gas, phone and broadband – all on one bill.

The number of new customers that choose to take a power and telecommunications bundle has increased from 30 per cent at the beginning of 2015 to 70 per cent at the end of financial year 2016.

"That kind of growth came with great joy but also great challenges," says Fiona.

Fiona says phone and broadband can be more challenging than power when it comes to new connections. Trustpower has to rely more heavily on third parties for installation, maintenance and repairs.

Trustpower's customer service is all about choice – individual customers being able to talk to who they want to, when they want to, how they want to.

"Our partnerships with our suppliers are going from strength to strength though as we ensure they understand the very high expectations of our customers," says Fiona.

Much of the growth in customer and product numbers has been driven by an aggressive new marketing campaign that began in April 2014, targeting metropolitan areas with Trustpower's unique multi-product offer.

In early 2015, a new advertising campaign quickly caught people's imagination.

Marketing Communications Manager Carolyn Schofield says the campaign launched Trustpower's offer of unlimited data broadband for $49 a month for the first year when bundled with electricity on a 24-month term.

The campaign also introduced the New Zealand public to two lovable characters – Captain Energy and Broadband Girl. They appear on television, billboards, online and in direct mail.

"All our efforts have increased the awareness of Trustpower among our target audiences as well as the number of consumers actively considering our services," says Carolyn.

"But the real impact has been on the number of customers signing up for more than one product – which has far exceeded all our targets."

In Auckland, awareness of Trustpower's telecommunications products has grown from 5% to 61% in two years. The number of survey participants considering switching their phone and/or broadband to Trustpower has gone from zero to 25%.

Bespoke offers and customised packages are now being developed for different customer segments. "That way we can become more targeted and even smarter about what we do," says Carolyn.

"It's the same approach that we take for customer service. We are finding out our customers' needs, wants and desires, and making sure we offer something just right for them."

WORKING SAFER

The Arnold River scheme, fed by Lake Brunner on the West Coast of the South Island, is getting a top-to-bottom overhaul.

The scheme was built in 1932 about half way between the lake and the Arnold River's confluence with the Grey River. Its dam is currently undergoing a major strengthening programme to ensure its safety in the event of a significant earthquake.

Weight and bulk will be added to the earth embankment and archway components of the dam, and steel anchor rods driven into the ground rock below.

The spillway gates will also be upgraded and modified to allow manual control of lake levels.

There are longer-term plans to replace the existing Arnold River station with a far bigger one nearby, with a projected output of 46 megawatts.

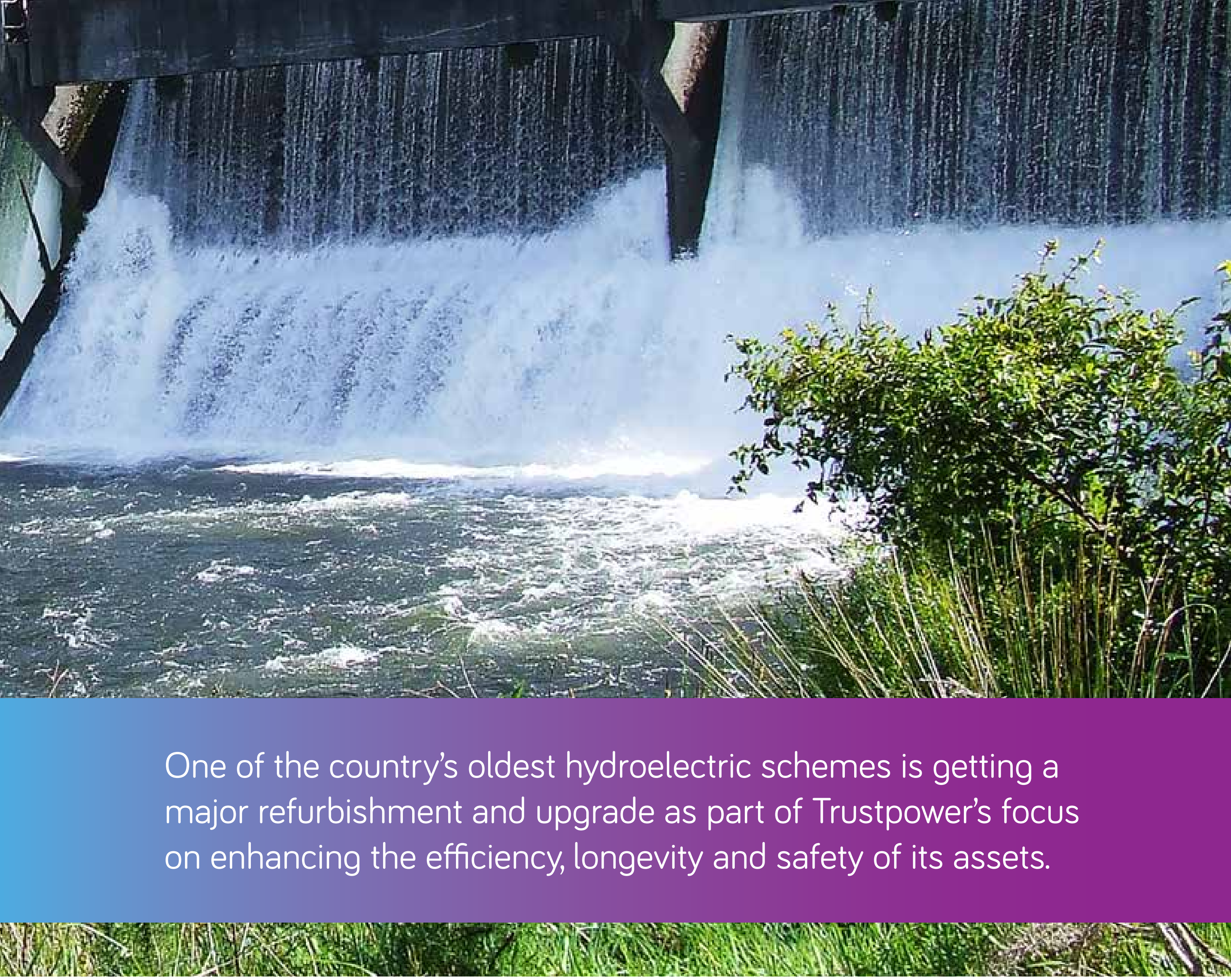
Trustpower is currently looking at the feasibility of installing auxiliary generators to boost output until the bigger project is built.

The station's existing generators have recently been shut down, pulled apart, cleaned and repaired in an eight-week project to spruce-up the inner workings of the station and ensure that the two units will continue to provide reliable service for many years while the feasibility of the larger Arnold station is being considered.

Reconditioning the generating equipment uncovered an undiagnosed problem with one of the rotor poles on the generator, which was quickly rectified.

"It was a pretty big job but doing this kind of proactive maintenance helps avoid a costly repair or even replacement down the track," says Peter de Graaf, Trustpower's Hydro Assets Manager.

The works will also protect the Arnold River's popularity as a trout and salmon fishery, and whitewater kayaking course.



One of the country's oldest hydroelectric schemes is getting a major refurbishment and upgrade as part of Trustpower's focus on enhancing the efficiency, longevity and safety of its assets.

Arnold is among the smallest of the 39 hydroelectric power stations owned and operated by Trustpower across Australia and New Zealand. Its maximum capacity is three megawatts, compared to the 80 megawatt capacity of Trustpower's largest station at Matahina in the Bay of Plenty.

Trustpower's focus on improving efficiency, reliability and optimisation of its hydroelectric assets is integral to the Company's overall health and safety approach.

Peter says the Arnold project is typical of the strategy, which has resulted in a substantially safer workplace as a result of reliability improvements. There are reduced call-outs, a reduction in labour-intensive practices, and safer access to equipment.

The Company is also in its fifth year of the Orange Umbrella®- facilitated safety culture programme.

Frontline field staff and their leaders are surveyed annually to gauge progress against seven key performance indicators, and the results are discussed in workshops to plan for the year ahead.

"We've had excellent buy-in as everyone feels consulted, involved and engaged in their personal health and safety," says Peter.

"We've lifted our game considerably over the past five years and we're at the top end of performance when measured against our industry peers."

Progress against mutually agreed action plans is reviewed regularly and other opportunities to improve health and safety are constantly being explored.

A recent initiative has seen Trustpower adopt a "safety culture ladder", widely used in the oil and gas industry and developed by international expert Professor Patrick Hudson.

WORKING FASTER

Plans are under way to transfer Trustpower's wind and solar farms into a separate listed company, to take advantage of the growth opportunities.

Trustpower has operated wind farms at Tararua near Palmerston North since 1999 and at Mahinerangi near Dunedin since 2011.

It has used that knowledge and experience to build new and buy existing wind farms in Australia. It is the biggest wind power generator in South Australia with the stage two completion last year of its 371 megawatt Snowtown development near Adelaide.

In 2014, Trustpower acquired two wind farms as part of its purchase of the assets of Green State Power, formerly owned by the New South Wales government.

Trustpower now has 580 megawatts of wind generation in Australasia, about 11 per cent of the market.

It has a pipeline of potential wind farms representing more than 2,000 megawatts of capacity, spanning Western Australia, South Australia, New South Wales, Victoria, and the North and South Islands of New Zealand.

Trustpower's General Manager Strategy and Growth, Peter Calderwood, says wind farms require large capital investment up front.

Given the right relationships, the right suppliers and the right design, wind farms offer a good return on that investment, he says.

"If you can work through the complexities inherent in the approvals process, then you potentially have a very secure income and a good return," he says.

Peter says the proposed demerger is the most efficient way to fund the next phase of the development pipeline. It would provide a flexible vehicle to source growth capital and move quickly to seize opportunities.

Trustpower is already one of Australia's biggest wind farm operators and has a pipeline of proposed developments to meet increasing demand for renewable energy.

"We want to put the foot down on the accelerator," he says.

The most recent projects to gain Government approval are a 350 megawatt development at Palmer in South Australia, which is currently subject to an appeal.

A variation to an existing approval for a 30 megawatt wind farm at Salt Creek in Victoria has been approved by the Mayne Shire Council, resulting in a potential increase in its capacity to 52 megawatts.

It's a long way from the nascent industry that Trustpower entered in Australia in 2001, spurred on by the imminent introduction of a Renewable Energy Target (RET) scheme.

The RET, now 15 years old, is designed to reduce emissions of greenhouse gases in the electricity sector by providing financial incentives for renewable energy generation. Its goal is to have at least 20% of Australia's electricity supply coming from renewable sources by 2020.

The scheme has had its ups and downs since its introduction, having undergone multiple reviews, target revisions and moratoriums on building new generation.

Peter says Trustpower believes that the scheme is on a more secure footing under the office of Australia's Clean Energy Regulator, providing certainty to the industry and investors.

"The goal to increase renewable electricity generation has broad backing from both sides of the political system," he says.

"There needs to be a lot of investment to reach the targets by the end of the decade."

SUSTAINABILITY REPORT

At Trustpower we know that sustainability means building a long-term business through relationships with everyone we interact with. In order to report on our progress in this regard we report economic, staff, environmental, customer and community related measures.

All businesses face risks and challenges. Our key risks and challenges are summarised in the table to the right.

Table Key

- 🟢 Achieved
- 🟠 Partially achieved
- 🔴 Not achieved

CATEGORY	KEY RISKS/CHALLENGES
Economic	• Unable to meet future demand for electricity • Shareholder value growth
Environmental	• Need to minimise environmental impact of generation schemes
Our People	• Need to retain and develop a team to produce ongoing performance
Community	• Relationships with and an understanding of local communities is required to operate effectively
Customer	• Dissatisfied customers prevent sustainable economic performance • Disruptive technologies/business models

AREA	MEASURE	2015 ACTUAL	2016 ACTUAL	2016 TARGET	2017 TARGET
Economic[1]	EBITDAF Growth	19.2%	-0.5%	5-10%	5-10%
Staff	Voluntary Turnover	12.3%	12.3%	12%	12%
Environmental	Resource Consent Breaches	7	9	0	0
Customer	Customer churn rate compared to market average	74%	76%	<100%	<100%
Community	Stakeholder Consultation	Completed	Completed	Complete detailed stakeholder consultation	Complete detailed stakeholder consultation

[1] This target is based on Trustpower's medium term growth aspirations and should not be taken as guidance for the 2017 financial year.

A more detailed analysis can be found in pages 32-41.

Our performance this year was comparable with previous years across the five areas we report on although not all targets were achieved.

APPROACH	TARGETS	PROGRESS
• Develop a pipeline of opportunities for new investment • Maintain strong focus on efficiency of operation • Invest in economic growth projects • Focus on long term sustainable pricing	• Costs benchmarked at below industry average • New projects all economically viable • New projects completed on time and to budget • Prices set at levels so customer base maintained with minimal churn	
• Work closely with special interest groups and the local community to minimise impact of new generation • Comply with resource consents	• Zero significant resource consent breaches	
• Extensive training and development programme • Succession planning and internal promotion • Health and safety focus	• 75% of management roles filled by internal promotion • Zero lost time injuries	
• Community engagement including sponsorship and Community Awards • Consultation around resource issues	• Maintain a strong corporate profile in all areas in which we operate and build relationships within those communities • No resource consents turned down due to lack of consultation	
• Competitive pricing • Excellent customer service • Information and advice • Differentiated product offering	• Customer churn below market average	

OUR ECONOMIC PERFORMANCE

EBITDAF GROWTH (%)	OPERATING COST PER MWH GENERATED ($/MWH)	DEBT TO DEBT PLUS EQUITY (%)
2016	2016	2016
(0.5)	19.0	41.2
2016 TARGET 5-10*	**2016 TARGET** 19.0-20.0	**2016 TARGET** <45
2017 TARGET 5-10*	**2017 TARGET** 19.0-20.0	**2017 TARGET** <45
2015 19.2 **2014** (5.9) **2013** (1.8) **2012** 9.4	**2015** 19.2 **2014** 17.9 **2013** 16.4 **2012** 14.5	**2015** 40.0 **2014** 43.0 **2013** 36.9 **2012** 32.8

* This target is based on Trustpower's medium term growth aspirations and should not be taken as guidance for the 2017 financial year.

PERFORMANCE AGAINST COMMITMENTS FOR 2016

Provide a year of earnings growth in line with EBITDAF growth goal.

Slight EBITDAF decrease due to a low wind year in South Australia and high customer acquisition costs as a result of the success of multi-product offering.

COMMITMENTS FOR 2017

Provide a year of earnings growth in line with EBITDAF growth goal.

TOTAL SHAREHOLDER RETURN (%)

2016

1.6

2016 TARGET 5-10
2017 TARGET 5-10

2015 28.7 **2014** (10.5) **2013** 11.7 **2012** 6.3

UNDERLYING EARNINGS ($ MILLIONS)

2016

100.8

2016 TARGET 125-135
2017 TARGET 125-135

2015 121.0 **2014** 108.4 **2013** 127.3 **2012** 135.3

OUR PEOPLE

INJURY INCIDENCE RATE (per 200,000 hours worked)*	LOST TIME INJURIES	VOLUNTARY TURNOVER (%)
2016 **9.2**	2016 **4**	2016 **12.3**
2016 TARGET 0	2016 TARGET 0	2016 TARGET 15.0
2017 TARGET 0	2017 TARGET 0	2017 TARGET 12.0
2015 6.9 2014 9.9 2013 16.5 2012 12.5	2015 6 2014 6 2013 10 2012 7	2015 12.3 2014 21.0 2013 22.9 2012 19.1

*This rate has changed from 'per million hours worked' to align with industry standard measurements

PERFORMANCE AGAINST COMMITMENTS FOR 2016

Operational policy and process review for both People and Safety processes

Performance against the operational plan for both the people and safety target areas has progressed very well. In addition to the business as usual challenges over the past year we have also focused on physically moving the majority of our people into an environment of Activity Based Working and sending our people home safely each day.

Focus on leadership development to build future capacity

This remains a top priority to enable the business to respond to a dynamic market and positions us well for the future. The impact of the focus on leadership development has been very successful to date and we continue to see this as a long term goal.

Preparation for new Health and Safety legislation

Organisationally we have kept abreast of the proposed legislation changes during the past year. Once the changes were passed we assessed our current Health and Safety Policies and Practices against the legislation and found minimal gaps. This has been supported by an external audit conducted immediately prior to the legislation taking effect.

COMMITMENTS FOR 2017

Focus on leadership development to build future capacity

Risk identification and controls, and safety culture

Maximising the opportunity that the Tauranga office and new ways of working provide.

UNSCHEDULED ABSENTEEISM (%)

2016

2.2

2016 TARGET 2.0
2017 TARGET 2.0

2015 2.9 **2014** 2.5 **2013** 2.7 **2012** 2.7

DIVERSITY DISCLOSURE

	Board Level	Officer	Manager	All Staff
Number of Women	1	1	33	409
Total Number	7	8	93	695
	14%	13%	35%	59%

OUR LAND

RESOURCE CONSENT NON-COMPLIANCE EVENTS

2016

9

2016 TARGET 0
2017 TARGET 0

2015 7 2014 4 2013 5 2012 10

PERFORMANCE AGAINST COMMITMENTS FOR 2016

Achieve zero non-compliance events

Nine non-compliance events recorded this year.

COMMITMENTS FOR 2017

Achieve zero non-compliance events

Over the last year, Trustpower overhauled its environmental training programme. Environmental induction training was developed and is now rolled out to all new Trustpower employees as part of their on-boarding programme.

In addition, environmental compliance training and incident response training was carried out at all of our New Zealand generation sites capturing a total of 137 staff. The training was refined to provide more detailed site specific compliance training. It also incorporated training on the wider context of the Resource Management Act (1991) and how this presents in our daily work. Improvements were also made to Trustpower's environmental incident response and reporting procedures.

A full rewrite of this procedure was undertaken to provide a more comprehensive investigation process based on the Incident Cause Analysis Method (ICAM). Other notable changes were in the areas of post incident review and future prevention to ensure continual improvement.

Trustpower also embarked on a large scale review of all the environmental aspects and impacts associated with its New Zealand generation assets. This involved identifying all the activities associated with our generation assets that interact with the environment. These activities were then ranked in terms of risk and/or consequence. The focus for the coming year will be to implement procedures and management controls to improve the way we deal with the activities that pose the greatest environmental risk.

OUR CUSTOMERS

TELECOMMUNICATION CONNECTIONS (000s)

2016
62

2016 TARGET 46-50
2017 TARGET 70-80

2015 38 **2014** 31 **2013** 27 **2012** 25

ELECTRICITY CONNECTIONS (000s)

2016
277

2016 TARGET 260-270
2017 TARGET 290-300

2015 242 **2014** 224 **2013** 206 **2012** 209

MASS MARKET SALES (GWh)

2016
1,820

2016 TARGET 1800-1900
2017 TARGET 1900-2000

2015 1,659 **2014** 1,578 **2013** 1,613 **2012** 1,761

CUSTOMER NUMBER GROWTH (%)

2016
14.5

2016 TARGET 8-10
2017 TARGET 5-10

2015 17.5 **2014** 8.7 **2013** (1.6) **2012** (5.4)

PERFORMANCE AGAINST COMMITMENTS FOR 2016

Trustpower intends to commence its roll out of advanced meters in the coming year. This will facilitate the provision of additional and more detailed consumption information for customers.

Trustpower has chosen to pause any customer-wide roll out of smart meters as we don't believe there are good commercial or customer centric reasons to do so. We will, however, tactically deploy smart meters where efficiencies can be realised, or clear customer benefits can be delivered.

COMMITMENTS FOR 2017

Trustpower's multi-utility offering is delivering clear savings and convenience benefits for customers. There remain, however, a number of industry processes in telecommunications related to customer on-boarding that are immature and can impact customer experience. We will be working with our industry partners and regulators to improve internal and external processes for the benefit of customers.

GAS CONNECTIONS (000s)

2016
31

2016 TARGET 26-30
2017 TARGET 33-35

2015 24 **2014** 14 **2013** - **2012** -

CALL SERVICE LEVEL*(%)

*Calls to call centre answered within 60 seconds

2016
64

2016 TARGET 80
2017 TARGET 80

2015 72

OVERHEADS PER ELECTRICITY CONNECTION ($)

2016
157

2016 TARGET 150-160
2017 TARGET 150-160

2015 151 **2014** 178 **2013** 167 **2012** 148

HALF HOURLY METERED SALES (GWh)

2016
1,849

2016 TARGET 1900-2000
2017 TARGET 1800-1900

2015 2,275 **2014** 1,934 **2013** 2,070 **2012** 2,199

OUR COMMUNITY

ORGANISATIONS AND INDIVIDUALS SPONSORED THROUGH THE LEND A HAND FOUNDATION

2016

115

2016 TARGET 140
2017 TARGET 120

2015 136 **2014** 139 **2013** 124 **2012** 133

COMMUNITY GROUPS RECOGNISED AND REWARDED VIA TRUSTPOWER COMMUNITY AWARDS

2016

330

2016 TARGET 330
2017 TARGET 330

2015 330 **2014** 327 **2013** 346 **2012** 303

HIGH SCHOOL STUDENTS RECOGNISED VIA TRUSTPOWER YOUTH SPIRIT AWARDS

2016

60

2016 TARGET 60
2017 TARGET 60

2015 60 **2014** 60 **2013** 77 **2012** 50

PERFORMANCE AGAINST COMMITMENTS FOR 2016

Maintain and where appropriate expand involvement in the wider community through various award programmes and targeted sponsorship.

Involvement maintained.

COMMITMENTS FOR 2017

Maintain and where appropriate expand involvement in the wider community through various award programmes and targeted sponsorship.

Further extend support for an anti-bullying programme, run by magician Elgregoe, which covers primary and intermediate schools throughout New Zealand.

Support agreement extended through until 2018.

CORPORATE GOVERNANCE STATEMENT

ROLE OF THE BOARD OF DIRECTORS

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

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

- Setting the strategic direction of Trustpower and monitoring Management's implementation of that strategy.
- Selecting and appointing (and, if appropriate, removing from office) the Chief Executive, determining his/her conditions of service and monitoring his/her performance against established objectives.
- Ratifying the appointment (and, if appropriate, removing from office) the Chief Financial Officer and Company Secretary.
- Ratifying the remuneration of senior management consistent with their employment agreements;
- Monitoring financial outcomes and the integrity of reporting, and, in particular, approving annual budgets and longer-term strategic and business plans.
- Setting specific limits of authority for management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval.
- Ensuring that effective audit, risk management and compliance systems are in place to protect the Group's assets and to minimise the possibility of the Group operating beyond legal requirements or beyond acceptable risk parameters.
- Monitoring compliance with regulatory requirements (including continuous disclosure) and setting ethical standards and then monitoring compliance with those standards.
- Reviewing, on a regular basis, senior management succession planning and development.
- Ensuring effective and timely reporting to shareholders.
- Ensuring the Group has a strong health and safety culture and complies with health and safety legislation.

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

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution which is required to comply with the NZX Listing Rules. The Constitution provides for a minimum of three directors and a maximum of seven.

The Constitution and NZX Listing Rules also require that while there are a total of six or seven directors, two must be independent directors. As at 31 March 2016, the Board has determined that the independent directors of Trustpower are RH Aitken, GJC Swier, IS Knowles, and SR Peterson and the non-independent directors of Trustpower are PM Ridley-Smith, M Bogoievski and AN Bickers.

If the proposed demerger proceeds, the Trustpower Board will be disestablished. Details of the new companies' Boards will be set out in the Scheme Booklet expected to be published in July 2016.

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

AUDIT AND RISK COMMITTEE

The Board has established a standing Audit and Risk Committee consisting of three directors.

The Committee meets at least four times a year. Members of the Committee are: GJC Swier (Chairman), SR Peterson, and IS Knowles.

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

- Review and report to the Board on the annual report, the interim financial report and all other financial information published by the Group or released to the market.
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment.
- Determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, including co-ordination with external auditors.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.
- Review and approve, within established procedures, and before commencement, the nature and scope of non-audit services being provided by the external auditors. These procedures include quantitative and qualitative thresholds for the review, and include all relatively significant projects.

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

THE REMUNERATION COMMITTEE

The Board has established a Remuneration Committee which has two directors as members, PM Ridley-Smith and GJC Swier. The role of the Remuneration Committee is formally recorded in a charter document approved by the Board of Directors.

The primary objectives of the Remuneration Committee are to:

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

The responsibilities of the Committee include:

- Reviewing and recommending to the Board for approval the remuneration policy for directors and senior executives and ensuring that the structure of the policy allows the Company to attract and retain directors and senior executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations.
- Annual review and recommendation to the Board for approval of the remuneration packages of all directors and senior executives of the Company.
- With reference to the Board, managing the employment or removal of the Chief Executive and negotiation of employment terms.
- Participation in the process of employment of the Chief Financial Officer and recommendation to the Board of its confidence in any appointment.
- Establishment of appropriate performance criteria, from time to time, for short and long term employee incentive schemes and to make recommendations to the Board.

OTHER SUB COMMITTEES

The Board has established a sub committee including PM Ridley Smith and IS Knowles to oversee any transaction to be undertaken by the Company in relation to on-market share buybacks.

The Board has established an independent director sub committee including RH Aitken, GJC Swier, IS Knowles, and SR Peterson.

To facilitate the demerger of Trustpower (first announced to the market on 18 December 2015), the Board has established a demerger due diligence committee including PM Ridley-Smith, SR Peterson, IS Knowles, B Harker (NewCo establishment board), P Newfield (NewCo establishment board), RWH Farron (Chief Executive Designate – NewCo), VJ Hawksworth (Chief Executive), KJ Palmer (Acting Chief Financial Officer & Company Secretary), J Windmeyer (Russell McVeagh), I McLoughlin (PricewaterhouseCoopers), C Simcock (UBS).

The purpose of this committee is to ensure that the publication that will be sent to shareholders to inform their vote displays in a meaningful way all information required and is also accurate and compliant with all relevant regulations.

REVIEW OF BOARD PERFORMANCE

An annual review of the performance of the Board and individual directors is undertaken by the Chairman.

COMPLIANCE WITH NZX CORPORATE GOVERNANCE BEST PRACTICE CODE AND OTHER GUIDELINES

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

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

CODE OF ETHICS

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

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

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

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

INTERNAL CONTROL

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

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

RISK MANAGEMENT

The Group has developed a comprehensive, enterprise-wide risk management framework. Management actively participates in the identification, assessment, and monitoring of new and existing risks. Particular attention is given to market risks that could impact on the Group. Management undertakes regular reporting to appraise the Audit and Risk Committee and the Board of the Company's risks and the treatment of those risks.

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

ENERGY TRADING POLICY

The Group has adopted an Energy Trading Policy to manage the risk relating to the purchasing of electricity and gas from wholesale energy markets and the trading of carbon related products. Derivative instruments are used to set the price of electricity at a future nominated time. The Energy Trading Policy allows wholesale energy and carbon trading to occur within risk limits set by the Board.

TREASURY POLICY

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

DELEGATED AUTHORITIES POLICY

The Group has separate Delegated Authorities Policies in place for its New Zealand and Australian activities that have been approved by the Board. The Policies provide limited authority to certain Group employees to purchase goods and services, enter into sales contracts and approve credit, sign deeds, indemnities and guarantees, and sign other contracts and documents. The Policies are reviewed annually.

ENVIRONMENTAL POLICY

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

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

GROUP INFORMATION POLICY

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

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

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

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

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

CONFLICTS OF INTEREST

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

INSIDER TRADING

In order to protect Trustpower's reputation and safeguard employees who may want to buy or sell Trustpower securities, the Company's Securities Trading Policy and Guidelines requires an approved procedure to be followed by all staff and Directors. Certain employees of the Company are required to make additional disclosures under the Financial Markets Conduct Act 2013.

WHISTLEBLOWING POLICY

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

OTHER CORPORATE POLICIES

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

INTERNAL AUDIT

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

THE ROLE OF SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the annual, interim reports, and various announcements to NZX. Quarterly operational information is also provided following the end of each quarter via NZX announcement. The Board encourages full participation of shareholders at the annual meeting to ensure a high level of accountability and identification with the Group's strategies and goals.

Financial Statements

Trustpower is pleased to present its audited financial statements.

The notes to our financial statements are grouped into the broad categories the Directors consider the most relevant when evaluating the performance of Trustpower. The sections are:

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

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

There are also profitability analysis notes 3 and 8 for the Retail and Generation segments.

Note Index

Appendix Index

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

Key Metrics

	2016	2015	2014	2013	2012
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF) ($M)	**329**	331	277	295	300
Profit After Tax ($M)	**90**	144	115	123	132
Underlying earnings after tax ($M)	**101**	123	108	127	135
Basic earnings per share (cents per share)	**28**	46	37	39	42
Underlying earnings per share (cents per share)	**32**	39	35	41	43
Dividends paid during the year (cents per share)	**42**	40	40	40	40
Gearing ratio	**41%**	40%	43%	37%	33%
Net tangible assets per share (dollars per share)	**5.69**	5.55	4.61	4.79	4.86
Customers, Sales and Service					
Electricity connections (000s)	**277**	242	224	206	209
Telecommunication connections (000s)	**62**	38	31	27	25
Gas connections (000s)	**31**	24	14	-	-
Total utility accounts	**370**	304	269	233	234
Customers with two or more utilities (000s)	**77**	52	38	22	19
Mass market sales – fixed price (GWh)	**1,820**	1,659	1,578	1,613	1,761
Time of use sales – fixed price (GWh)	**823**	810	601	710	754
Time of use sales – spot price (GWh)	**1,389**	1,465	1,333	1,360	1,446
Total customer sales (GWh)	**4,032**	3,934	3,512	3,683	3,961
Average spot price of electricity purchased ($/MWh)	**64**	77	73	86	78
Gas Sales (TJ)	**1,046**	903	593	-	-
Annualised customer churn rate	**16%**	14%	14%	12%	16%
Annualised customer churn rate – total market	**21%**	19%	21%	19%	21%
Generation Production and Procurement					
North Island hydro generation production (GWh)	**639**	532	571	725	922
South Island hydro generation production (GWh)	**949**	1,034	965	967	1,012
Total hydro generation production (GWh)	**1,588**	1,566	1,536	1,692	1,934
North Island wind generation production (GWh)	**605**	551	578	548	548
South Island wind generation production (GWh)	**119**	99	95	90	100
Total wind generation production (GWh)	**724**	650	673	638	648
Total New Zealand generation production (GWh)	**2,312**	2,216	2,209	2,330	2,582
Average spot price of electricity generated ($/MWh)	**60**	71	67	83	72
Net third party fixed price volume purchased (GWh)	**902**	750	561	629	976
Australian wind generation production (GWh)	**1,197**	1,187	536	386	376
Australian hydro generation production (GWh)	**254**	278	-	-	-
Total Australian generation production (GWh)	**1,451**	1,465	536	386	376
Other Information					
Resource consent non-compliance events	**9**	7	4	5	10
Staff numbers (full time equivalents)	**727**	628	572	481	458

DIRECTORS' RESPONSIBILITY STATEMENT

THE DIRECTORS ARE PLEASED TO PRESENT THE FINANCIAL STATEMENTS OF TRUSTPOWER LIMITED AND SUBSIDIARIES FOR THE YEAR ENDED 31 MARCH 2016.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and the financial performance and cash flows for the year ended on that date.

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

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

Paul Ridley-Smith

PAUL RIDLEY-SMITH
CHAIRMAN

G Swier

GEOFF SWIER
DIRECTOR

Company Registration Number HN604040
Dated: 29 April 2016

Independent Auditors' Report
to the shareholders of Trustpower Limited

Report on the Financial Statements

We have audited the Group financial statements of Trustpower Limited ("the Company") on pages 50 to 89, which comprise the statement of financial position as at 31 March 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements on pages 50 to 89 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Board of the Company is considering a proposal to demerge the Group's retail and hydro assets and the Group's wind assets into two businesses.
If the demerger proceeds Trustpower Limited will cease to continue as a reporting entity.

Restriction on Use of our Report

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

PricewaterhouseCoopers

Chartered Accountants — Auckland
29 April 2016

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

Income Statement

FOR THE YEAR ENDED 31 MARCH 2016	Note	2016 $000	2015 $000
Operating Revenue			
Electricity revenue	3, 8	**933,895**	915,362
Telecommunications revenue		**50,792**	34,544
Gas revenue		**27,255**	22,150
Other operating revenue		**24,598**	21,411
		1,036,540	993,467
Operating Expenses			
Line costs		**289,750**	279,210
Electricity costs		**143,763**	160,782
Generation production costs		**68,893**	66,725
Employee benefits		**56,198**	49,049
Telecommunications cost of sales		**38,188**	26,942
Gas cost of sales		**20,000**	16,625
Other operating expenses	A5	**90,734**	63,403
		707,526	662,736
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF)	A2	**329,014**	330,731
Impairment of assets		**3,610**	141
Discount on acquisition	12	**(2,114)**	(24,986)
Net fair value (gains) / losses on financial instruments	A9	**6,327**	14,219
Amortisation of intangible assets	4	**14,901**	12,958
Depreciation	9	**102,137**	85,167
Operating Profit		**204,153**	243,232
Interest paid	15	**81,510**	79,628
Interest received	15	**(432)**	(1,065)
Net finance costs		**81,078**	78,563
Profit Before Income Tax		**123,075**	164,669
Income tax expense	22	**33,230**	20,655
Profit After Tax		**89,845**	144,014
Profit after tax attributable to the shareholders of the Company		**89,149**	144,014
Profit after tax attributable to non-controlling interests		**696**	-
Basic and diluted earnings per share (cents per share)	A3	**28.5**	46.0

The accompanying notes form part of these financial statements

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2016	Note	2016 $000	2015 $000
Profit after tax		**89,845**	144,014
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Revaluation gains on generation assets	17	**47,141**	398,789
Currency translation differences on revaluation reserve	17	**24,359**	(3,034)
Other currency translation differences	17	**7,448**	(4,931)
Fair value gains/(losses) on cash flow hedges	A10	**(8,750)**	5,735
Tax effect of the following:			
Revaluation gains on generation assets	17	**(12,874)**	(106,473)
Other currency translation differences	17	**14,799**	(11,250)
Fair value gains/(losses) on cash flow hedges	A10	**2,450**	(1,543)
Total Other Comprehensive Income		**74,573**	277,293
Total Comprehensive Income		**164,418**	421,307
Attributable to shareholders of the Company		**163,722**	421,307
Attributable to non-controlling interests		**696**	-

The accompanying notes form part of these financial statements

Statement of Changes in Equity

	Note	Share Capital $000	Revaluation Reserve $000	Cash Flow Hedge Reserve $000	Foreign Currency Translation Reserve $000	Retained Earnings $000	Total Shareholder's Equity $000	Non-controlling interest	Total Equity
OPENING BALANCE AS AT 1 APRIL 2014		159,034	1,009,212	614	(3,756)	349,428	1,514,532	-	1,514,532
Total comprehensive income for the period		-	289,282	4,192	(16,181)	144,014	421,307	-	421,307
Disposal of revalued assets		-	-	-	-	-	-	-	-
Contributions by and distributions to non-controlling interest									
Minority interest arising on acquisition of subsidiary		-	-	-	-	-	-	-	-
Acquisition of shares held by outside equity interest		-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity									
Purchase of treasury shares by Directors	27	293	-	-	-	-	293	-	293
Own shares repurchased	18	(741)	-	-	-	-	(741)	-	(741)
Dividends paid	19	-	-	-	-	(125,155)	(125,155)	-	(125,155)
Total transactions with owners recorded directly in equity		(448)	-	-	-	(125,155)	(125,603)	-	(125,603)
CLOSING BALANCE AS AT 31 MARCH 2015		158,586	1,298,494	4,806	(19,937)	368,287	1,810,236	-	1,810,236
Total comprehensive income for the period		-	58,626	(6,300)	22,247	89,149	163,722	696	164,418
Disposal of revalued assets		-	(87)	-	-	87	-	-	-
Contributions by and distributions to non-controlling interest									
Minority interest arising on acquisition of subsidiary		-	-	-	-	-	-	57,370	57,370
Acquisition of shares held by non-controlling interest		-	-	-	-	-	-	(12,687)	(12,687)
Transactions with owners recorded directly in equity									
Purchase of treasury shares by Directors	27	310	-	-	-	-	310	-	310
Own shares repurchased	18	-	-	-	-	-	-	-	-
Dividends paid	19	-	-	-	-	(131,003)	(131,003)	-	(131,003)
Total transactions with owners recorded directly in equity		310	-	-	-	(131,003)	(130,693)	-	(130,693)
CLOSING BALANCE AS AT 31 MARCH 2016		**158,896**	**1,357,033**	**(1,494)**	**2,310**	**326,520**	**1,843,265**	**45,379**	**1,888,644**

The accompanying notes form part of these financial statements

Statement of Financial Position

AS AT 31 MARCH 2016	Note	2016 $000	2015 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	17	**158,896**	158,586
Revaluation reserve	17	**1,357,033**	1,298,494
Retained earnings	17	**326,520**	368,287
Cash flow hedge reserve	A10	**(1,494)**	4,806
Foreign currency translation reserve	17	**2,310**	(19,937)
Non-controlling interests	17	**45,379**	-
Total Equity		**1,888,644**	1,810,236
Represented by:			
Current Assets			
Cash at bank		**13,344**	14,057
Other deposits		**3,647**	2,740
Accounts receivable and prepayments	A7	**132,792**	123,003
Land and buildings held for sale	9	**7,189**	-
Derivative financial instruments	A11	**3,515**	3,525
Taxation receivable		**-**	5,145
		160,487	148,470
Non-Current Assets			
Property, plant and equipment	9	**3,586,094**	3,348,382
Derivative financial instruments	A11	**4,306**	10,648
Other investments		**8**	1,892
Intangible assets	4	**65,566**	72,207
		3,655,974	3,433,129
Total Assets		**3,816,461**	3,581,599
Current Liabilities			
Accounts payable and accruals	A8	**106,387**	96,271
Unsecured subordinated bonds	14	**-**	100,000
Unsecured senior bonds	14	**65,000**	-
Unsecured bank loans	14	**209,065**	31,675
Derivative financial instruments	A11	**6,143**	2,963
Taxation payable		**3,152**	4,821
		389,747	235,730
Non-Current Liabilities			
Unsecured bank loans	14	**744,626**	703,128
Unsecured subordinated bonds	14	**139,069**	138,671
Unsecured senior bonds	14	**178,704**	243,140
Derivative financial instruments	A11	**33,422**	25,962
Accounts payable and accruals	A8	**3,232**	3,648
Deferred tax liability	23	**439,017**	421,084
		1,538,070	1,535,633
Total Liabilities		**1,927,817**	1,771,363
Net Assets		**1,888,644**	1,810,236

The accompanying notes form part of these financial statements

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2016	Note	2016 $000	2015 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		**1,043,448**	998,971
		1,043,448	998,971
Cash was applied to:			
Payments to suppliers and employees		**715,652**	688,938
Taxation paid		**46,667**	40,229
		762,319	729,167
Net Cash from Operating Activities	A13	**281,129**	269,804
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		**57**	251
Sale of other investments		**1,884**	-
Return of bond deposits on trust		**800**	-
Return of electricity market security deposits		**8,773**	7,595
Interest received		**432**	1,068
		11,946	8,914
Cash was applied to:			
Interest capitalised in construction of property, plant and equipment		**-**	2,087
Lodgement of electricity market security deposits		**10,482**	7,737
Purchase of property, plant and equipment		**36,903**	63,202
Sale of other investments		**-**	3
Purchase of business	12	**63,912**	81,318
Purchase of minority interest		**12,687**	-
Purchase of intangible assets		**5,830**	12,926
		129,814	167,273
Net Cash used in Investing Activities		**(117,868)**	(158,359)
Cash Flows from Financing Activities			
Cash was provided from:			
Bank loan proceeds		**488,433**	209,835
Senior bond issue proceeds		**-**	77,982
Issue of shares		**310**	293
		488,743	288,110
Cash was applied to:			
Bond brokerage costs		**-**	1,136
Purchase of own shares		**-**	741
Repayment of bank loans		**347,078**	164,752
Repayment of subordinated bonds		**100,000**	-
Repayment of senior bonds		**-**	47,982
Interest paid		**75,625**	74,906
Dividends paid		**131,002**	125,155
		653,705	414,672
Net Cash used in Financing Activities		**(164,962)**	(126,562)
Net Decrease in Cash and Cash Equivalents		**(1,701)**	(15,117)
Cash and cash equivalents at beginning of the period		**14,057**	31,723
Exchange gains/(losses) on cash and cash equivalents		**988**	(2,549)
Cash and Cash Equivalents at End of the Period		**13,344**	14,057

The accompanying notes form part of these financial statements

Note 1: Basis of Preparation

Reporting Entity

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

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

The financial statements are presented for the year ended 31 March 2016.

Basis of preparation

The financial statements are prepared in accordance with:

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

In preparing the financial statements we have:

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

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

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

Going concern

The Board of Trustpower is considering a proposal to demerge into two businesses. The way that the demerger would be effected is by separating the assets and liabilities of Trustpower into two subsidiaries and then distributing the shares in the two subsidiaries to existing investors. The demerger proposal has not yet been approved by the Board and, if it is, will need to be voted on by shareholders (provisionally scheduled for July 2016) and approved by the High Court. If these steps occur, Trustpower Limited will cease to be a reporting entity.

Judgements and key assumptions

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

- Fair value of Trustpower's generation assets (Note 10)
- Useful lives of generation assets for depreciation (Note 10)
- Useful lives of intangible assets for amortisation (Note 4)
- Fair value of derivatives and other financial instruments (Note A17)
- Electricity gross margin relating to unread electricity meters (Note 5)
- Tax treatment of generation feasibility expenditure currently subject to court proceedings between Trustpower and Inland Revenue. (Note 22)

Note 2: Segment Information

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

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

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

The segment results for the year ended 31 March 2016 are as follows:

	Retail $000	Generation New Zealand $000	Generation Australia $000	Other $000	Total $000
Total segment revenue	**842,079**	**242,477**	**140,454**	**2,250**	**1,227,260**
Inter-segment revenue	**-**	**(189,228)**	**-**	**(1,492)**	**(190,720)**
Revenue from external customers	**842,079**	**53,249**	**140,454**	**758**	**1,036,540**
EBITDAF	**41,839**	**193,846**	**105,239**	**(11,910)**	**329,014**
Amortisation of intangible assets	**4,383**	**-**	**-**	**10,518**	**14,901**
Depreciation	**-**	**43,077**	**55,174**	**3,886**	**102,137**
Capital expenditure including business acquisitions	**6,076**	**182,045**	**3,412**	**27,751**	**219,284**
Asset impairment	**-**	**3,610**	**-**	**-**	**3,610**

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

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

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

Retail

This section details the retail operations of Trustpower.

Trustpower is a multi-product utility retailer. Trustpower supplies homes and businesses around the country with electricity, gas, broadband and telephone services. Trustpower provides electricity to 277,000 homes and businesses (2015: 242,000), supplies 31,000 customers with gas (2015: 24,000) and connects 62,000 (2014: 38,000) customers with telephone and broadband connections.

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

This section includes the following notes:

Note 3: Retail Profitability Analysis

Note 4: Intangible Assets

Note 5: Retail Assumptions and Judgements

Note 6: Retail Financial Risk Management

Note 7: Retail Commitments

Note 3: Retail Profitability Analysis

Operating Revenue	2016 $000	2016 $000	2015 $000	2015 $000
Electricity revenue				
Mass market – fixed price	**480,606**		452,923	
Commercial & industrial – fixed price	**125,516**		125,160	
Commercial & industrial – spot price	**153,275**	**759,397**	177,089	755,172
Gas		**27,255**		22,150
Telecommunications		**50,792**		34,544
Other operating revenue		**4,635**		3,277
		842,079		815,143
Operating Expenses				
Electricity costs		**333,164**		341,250
Line costs		**289,749**		279,210
Telecommunications cost of sales		**38,188**		26,942
Employee benefits		**30,408**		25,868
Meter rental costs		**20,798**		18,579
Gas cost of sales		**20,000**		16,625
Market fees and costs		**6,542**		8,267
Marketing and acquisition costs		**28,549**		15,750
Other customer connection costs		**2,449**		2,370
Bad debts		**1,794**		1,158
Other operating expenses*		**28,599**		24,589
		800,240		760,608
EBITDAF		**41,839**		54,535
The analysis above includes the following internal charges:				
Electricity costs		**189,401**		180,468
Meter rental costs		**10,639**		10,876
Other operating expenses		**2,570**		2,520
		202,610		193,864

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

Revenue Recognition

Revenue comprises the fair value of consideration received or receivable for the sale of electricity, gas, telecommunications and related services in the ordinary course of the Group's activities.

Customer consumption of electricity and gas 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 and gas 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.

Note 4: Intangible Assets

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

	Customer Base Assets $000	Computer Software $000	Indefinite Life Goodwill $000	Total $000
Opening balance as at 1 April 2014				
Cost	79,891	60,982	4,171	145,044
Accumulated amortisation	(51,410)	(21,395)	-	(72,805)
	28,481	39,587	4,171	72,239
Additions at cost	-	12,916	-	12,916
Amortisation	(4,305)	(8,653)	-	(12,958)
Disposals at net book value	-	-	-	-
Transfers	-	10	-	10
Closing balance as at 31 March 2015				
Cost	79,891	73,788	4,171	157,850
Accumulated amortisation	(55,715)	(29,928)	-	(85,643)
	24,176	43,860	4,171	72,207
Additions at cost	2,805	5,829	-	8,634
Amortisation	(4,383)	(10,518)	-	(14,901)
Impairment	-	-	-	-
Disposals at net book value	-	(370)	-	(370)
Transfers	-	(154)	-	(154)
Closing balance as at 31 March 2016				
Cost	**82,696**	**78,973**	**4,171**	**165,840**
Accumulated amortisation	**(60,098)**	**(40,176)**	**-**	**(100,274)**
	22,598	**38,797**	**4,171**	**65,566**

There are no individually material intangible assets.

The customer base assets acquired (in the first column above) were acquired as part of a business combination (see note 12).

Customer base assets

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

Computer software

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

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

Note 5: Retail Assumptions and Judgements

Unbilled sales estimate

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

This estimate is then used in the calculation of:

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

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

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

Even a large error in the estimate e.g. 10% only has a very small impact on operating profit (well under 1%). If the estimated unbilled units had been 10% higher/lower, operating profit for the year would have increased/(decreased) by $380,000/$(380,000) (2015: increased/(decreased) by $707,000/$(707,000)).

Note 6: Retail Financial Risk Management

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

Energy Price Risk

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

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

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

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

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

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

Retail Credit Risk

Trustpower has no significant concentrations of credit risk in its Retail business (2015: none). It has policies in place to ensure that sales are only made to customers with an appropriate credit history. Where a potential customer does not have a suitable credit history a bond is required before the customer is accepted. Transactions to limit energy price risk noted above are generally only made with other large electricity market participants (all have a Standard & Poor's long-term credit rating of at least BBB). Where a potential counterparty does not meet these credit criteria the maximum level of credit exposure is set individually by the Board.

Trustpower has around 247,000 customers (2015: 212,000). The largest single customer accounts for 5 per cent (2015: 3 per cent) of Trustpower's total accounts receivable. Included in other accounts payable and accruals is $1,084,000 (2015: $981,000) of bonds collected from customers who do not meet credit criteria.

Debtors that are unlikely to pay the money they owe Trustpower are not included as an asset in the balance sheet. This provision for doubtful debts is $2,050,000 (2015: $1,650,000). See notes A7 and A16(c) for further detail.

Note 7: Retail Commitments

Electricity Purchase Commitments

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

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

Generation

This section details the generation operations of Trustpower.

Trustpower owns 634MW of hydro and wind generation assets throughout New Zealand as well as 477MW of hydro and wind generation in South Australia and New South Wales. The Generation segment also includes metering and irrigation assets as well as Trustpower's energy trading function. Recently, Trustpower acquired a 65% controlling interest in King Country Energy, which owns an additional 54MW of hydro generation assets.

A generation profitability analysis is included in Note 8. This disclosure provides a detailed breakdown of the performance of Trustpower's generation operations.

This section includes the following notes:

Note 8: Generation Profitability Analysis

New Zealand

Operating Revenue	2016 $000	2015 $000
Electricity revenue	**210,063**	202,004
Meter rental revenue	**18,085**	19,299
Net other operating revenue	**14,329**	11,195
	242,477	232,498
Operating Expenses		
Generation production costs	**43,256**	43,192
Employee benefits	**12,945**	10,609
Generation development expenditure	**1,470**	1,477
Other operating expenses including electricity hedge settlements	**(9,040)**	(5,339)
	48,631	49,939
EBITDAF	**193,846**	182,559
The analysis above includes the following internal charges:		
Electricity revenue	**176,019**	171,248
Electricity hedge settlements	**13,382**	9,220
Meter rental revenue	**10,639**	10,876
Other operating revenue	**2,570**	2,520
	202,610	193,864

Australia

Operating Revenue	2016 $000	2015 $000
Electricity revenue	**140,454**	129,434
Operating Expenses		
Generation production costs	**25,637**	23,533
Employee benefits	**2,234**	1,862
Generation development expenditure	**5,503**	3,492
Other operating expenses	**1,841**	2,944
	35,215	31,831
EBITDAF	**105,239**	97,603

There are no internal transactions in the Australian Generation business.

Generation development

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

Generation lease revenue

Over 90% of the electricity generated by Trustpower's Australian wind farms is sold via power purchase agreements to a significant Australian electricity retailer. These agreements have been deemed as operating leases of the wind farms under NZ IFRS and all revenue under the contracts are accounted for as lease revenue (2016: $115,189,000, 2015: $111,118,000).

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

Note 9: Property, Plant and Equipment

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

	Generation Assets $000	Other Land and Buildings $000	Metering Equipment $000	Other Plant and Equipment $000	Total $000
Opening balance as at 1 April 2014					
Fair Value	2,436,085	-	-	-	2,436,085
Cost	255,297	31,632	80,532	36,797	404,258
Capital work in progress	220,825	-	-	-	220,825
Accumulated depreciation	(98,583)	(4,250)	(53,325)	(18,391)	(174,549)
	2,813,624	27,382	27,207	18,406	2,886,619
Additions at cost	56,553	1,341	490	3,957	62,341
Acquired as part of a business combination	124,734	-	-	-	124,734
Depreciation	(71,791)	(306)	(9,204)	(3,866)	(85,167)
Disposals at net book value	(9)	(32)	(38)	(85)	(164)
Foreign exchange movements	(37,028)	(1)	-	(857)	(37,886)
Revaluations	398,789	-	-	-	398,789
Transfers/impairments	1,572	(4)	(184)	(2,268)	(884)
Closing balance as at 31 March 2015					
Fair value	3,275,674	-	-	-	3,275,674
Cost	-	32,928	68,280	36,388	137,596
Capital work in progress	14,086	-	-	-	14,086
Accumulated depreciation	(3,316)	(4,548)	(50,009)	(21,101)	(78,974)
	3,286,444	28,380	18,271	15,287	3,348,382
Additions at cost	**13,174**	**10,761**	**-**	**13,915**	**37,850**
Acquired as part of a business combination	**172,800**	**-**	**-**	**-**	**172,800**
Depreciation	**(92,678)**	**(351)**	**(4,879)**	**(4,229)**	**(102,137)**
Disposals at net book value	**(106)**	**-**	**-**	**(23)**	**(129)**
Foreign exchange movements	**92,834**	**4**	**-**	**559**	**93,397**
Revaluations	**47,141**	**-**	**-**	**-**	**47,141**
Transfers/impairments	**(4,194)**	**(7,193)**	**(13)**	**190**	**(11,210)**
Closing balance as at 31 March 2016					
Fair value	**3,503,144**	**-**	**-**	**-**	**3,503,144**
Cost	**-**	**36,502**	**68,220**	**51,333**	**156,055**
Capital work in progress	**12,271**	**-**	**-**	**-**	**12,271**
Accumulated depreciation	**-**	**(4,901)**	**(54,841)**	**(25,634)**	**(85,376)**
	3,515,415	**31,601**	**13,379**	**25,699**	**3,586,094**
Closing balance as at 31 March 2016 by Country					
New Zealand	**2,322,669**	**31,563**	**13,379**	**17,418**	**2,385,029**
Australia	**1,192,746**	**38**	**-**	**8,281**	**1,201,065**
	3,515,415	**31,601**	**13,379**	**25,699**	**3,586,094**

Generation assets include land and buildings which are not separately identifiable from other generation assets. Generation assets were independently revalued, using a discounted cash flow methodology, as at 31 March 2016, to their estimated market value as assessed by Deloitte Corporate Finance. This revaluation was undertaken before the three yearly cycle to assist with the demerger proposal (see note 1 for details). See note 10 for a description of the inputs used. See note A15 for historical cost information.

Trustpower has entered into an unconditional agreement for the sale of its former head office site in Tauranga. The sale will be effective 30 June 2016. The land and buildings have a net book value of $7,189,000 and a gain on sale of $1,211,000 will be recognised when the sale is complete.

Property, Plant and Equipment

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

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

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

Note 10: Generation Critical Accounting Estimates and Judgements

Fair value of generation property, plant and equipment

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

Assumption	Low	High	Valuation Impact
New Zealand Assets			
Forward electricity price path	Increasing in real terms from $72/MWh to $85/MWh by 2021. Thereafter held constant.	Increasing in real terms from $72/MWh to $100/MWh by 2023. Thereafter held constant.	-/+ $158,000,000
Generation volume	2,336GWh	2,856GWh	-/+ $268,000,000
Avoided Cost of Transmission	100% reduction in revenue from 2021	Current regulatory structure is unchanged.	-/+ $111,900,000
Operating costs	$41,900,000 p.a.	$51,100,000 p.a.	+/- $52,600,000
Weighted average cost of capital	7.36%	8.36%	+$187,000,000 / -$158,000,000
Australian Assets			**AUD**
Forward electricity price path (including renewable energy credits) Note: the valuation impact of changes in price path is reduced by the fixed price agreements in place.	(Stated in AUD) Increasing in real terms from $110/MWh to $130/MWh by 2026 then dropping to $100/MWh. Thereafter held constant.	(Stated in AUD) Increasing in real terms from $110/MWh to $130/MWh by 2024 then dropping to $100/MWh. Thereafter held constant. This is the base case.	- $49,000,000
Generation volume	1,378GWh	1,684GWh	-/+ $132,000,000
Weighted average cost of capital	7.39%	8.39%	+$55,000,000 / -$53,000,000

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

Depreciation expense

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

Sensitivity analysis

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by $9,287,000/$(11,350,000) (2015: $7,749,000/$(9,471,000)).

Note 11: Generation Financial Risk Management

Exchange Rate Risk

Trustpower typically contracts with local and international suppliers when building a new generation asset. Some of these suppliers may require payment to be made in a foreign currency. To manage the risk of a moving foreign exchange rate, Trustpower will fully hedge large transactions in accordance with Trustpower's treasury policy. Cash flow hedge accounting will apply to these instruments. The total notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2016 was nil (31 March 2015: nil).

Electricity Price Risk

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

Volume Risk

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

Credit Risk

A large proportion of Australian revenue comes from two counterparties, one of these is the Australian Electricity Market and the other is a major electricity retailer which holds an investment grade credit rating. As at 31 March 2016 $10,440,000 was owed to Trustpower by these two counterparties (31 March 2015: $9,558,000).

Damage to Generation Assets Risk

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

Note 12: Business Combinations

Effective 3 December 2015 the Group purchased a 54% stake in King Country Energy Limited, a New Zealand electricity generator and retailer. As a result the Group now own five hydro generation schemes in the North Island and has an additional 17,000 electricity customers. Subsequent to the initial share purchase the Group has purchased an additional 11% of King Country Energy Limited's shares.

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

	$000
Cash consideration paid	**65,417**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash at bank	**1,505**
Accounts receivable and prepayments	**5,499**
Generation assets	**172,800**
Computer software	**137**
Customer base assets	**2,805**
Accounts payable and accruals	**(3,041)**
Deferred tax liability	**(28,278)**
Bank loans	**(25,697)**
Derivative financial instruments	**(829)**
Total identifiable net assets	**124,901**
Minority interest	**(57,370)**
Discount on acquisition	**(2,114)**
Total	**65,417**

Acquistion costs of $441,000 have been charged to other operating expenses in the income statement for the period ended 31 March 2016.

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

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

Assumption	Low	High	Valuation Impact
New Zealand Assets			
Forward electricity price path	Increasing in real terms from $72/MWh to $85/MWh by 2021. Thereafter held constant.	Increasing in real terms from $72/MWh to $100/MWh by 2023. Thereafter held constant.	-$13,300,000 /+$11,700,000
Avoided Cost of Transmission	100% reduction in revenue from 2021	Current regulatory structure is unchanged.	-/+ $8,600,000
Generation volume	172 GWh	210 GWh	-/+ $20,700,000
Operating costs	$2,000,000 p.a.	$2,400,000 p.a.	+/- $5,300,000

The revenue included in the consolidated income statement since 3 December 2015 contributed by the acquired business was $10,692,000 and the profit before tax was $1,895,000. Had the business been consolidated from 1 April 2015 the consolidated income statement would show pro-forma revenue of $48,604,000 and profit of $11,674,000.

Note 13: Generation Commitments

	2016 $000	2015 $000
Capital Commitments	**415**	2,571

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

Debt

This section details the borrowings of Trustpower.

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

This section includes the following notes:

Note 14: Borrowings

Note 15: Finance Income and Costs

Note 16: Debt Financial Risk Management

Note 14: Borrowings

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

Trustpower borrows under a negative pledge arrangement, which with limited exceptions does not permit Trustpower to grant any security interest over its assets. The negative pledge deed requires Trustpower to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The banking arrangements may also create restrictions over the sale or disposal of certain assets unless the bank loans are repaid or renegotiated. Throughout the period Trustpower has complied with all debt covenant requirements in these agreements. Certain Group companies, which represent over 90% of the Group's assets, form a guaranteeing group under the negative pledge arrangement where every member of the guaranteeing group guarantees the debt of every other member.

	2016				
	Unsecured bank loans				
	New Zealand dollar facilities $000	Australian dollar facilities $000	Total bank facilities $000	Senior Bonds $000	Subordinated Bonds $000
Repayment terms:					
Less than one year	185,200	74,383	259,583	65,000	-
One to two years	20,000	144,327	164,327	75,000	-
Two to five years	72,642	198,725	271,367	-	140,000
Over five years	78,571	181,627	260,198	105,000	-
Facility establishment costs / bond issue costs	(1,784)	-	(1,784)	(1,296)	(931)
	354,629	599,062	953,691	243,704	139,069
Current portion	180,200	28,865	209,065	65,000	-
Non-current portion	174,429	570,197	744,626	178,704	139,069
	354,629	599,062	953,691	243,704	139,069
Undrawn facilities					
Less than one year	39,800	8,882	48,682	-	-
One to two years	-	-	-	-	-
Two to five years	37,358	150,987	188,345	-	-
Over five years	-	-	-	-	-
	77,158	159,869	237,027	-	-
Weighted average interest rate:					
Less than one year	3.1%	3.2%		8.0%	-
One to two years	2.6%	3.2%		7.1%	-
Two to five years	3.3%	3.2%		-	6.8%
Over five years	3.4%	4.9%		5.6%	-
	3.2%	3.7%		6.7%	6.8%

Note 14: Borrowings (Continued)

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

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

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

The fair value of Trustpower's bank loans and bonds is not materially different to the carrying values above. At 31 March 2016 the subordinated bonds had a fair value of $152,863,000 (31 March 2015: $251,991,000) and the senior bonds had a fair value of $259,266,000 (31 March 2015: $256,820,000). The bonds have been classified as level 1 in the fair value hierarchy, see note A17 for a definition of the levels.

Note 15: Finance Income and Costs

	2016 $000	2015 $000
Amortisation of debt issue costs	**1,422**	1,757
Interest paid on unsecured bank loans	**30,701**	34,278
Interest paid on unsecured subordinated bonds	**15,254**	17,871
Interest paid on unsecured senior bonds	**16,499**	16,401
Other interest costs and fees	**17,634**	11,408
Interest capitalised in construction of property, plant and equipment	**-**	(2,087)
Total Interest Expense	**81,510**	79,628
Interest received on cash at bank	**432**	1,065
Total Interest Income	**432**	1,065

There was no capitalised interest in the year to 31 March 2016. (In the year to 31 March 2015 the capitalised interest rate ranged from 4.1% to 4.2%)

Note 16: Debt Financial Risk Management

Interest Rate Risk

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

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

Liquidity Risk

The Group's ability to readily attract cost effective funding is largely driven by its credit standing.

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

Exchange Rate Risk

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

Refinancing Risk

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

Credit Risk

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

Equity

This section details the equity of Trustpower.

Trustpower is listed on the New Zealand Stock Exchange under the code TPW. Trustpower has over 12,000 shareholders, the two largest shareholders are Infratil Limited (51.0%) and the Tauranga Energy Consumer Trust (26.8%).

This section includes the following notes:

Note 17: Equity

Note 18: Share Capital

Note 19: Dividends On Ordinary Shares

Note 20: Imputation Credit Account

Note 21: Equity Financial Risk Management

Note 17: Equity

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

Note 17: Equity (Continued)

	Share capital	Revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total Shareholders' Equity	Non-controlling interest	Total Equity
Opening balance as at 1 April 2015	158,586	1,298,494	4,806	(19,937)	368,287	1,810,236	-	1,810,236
Profit after tax attributable to the shareholders of the Company	-	-	-	-	89,149	89,149	696	89,845
Disposal of revalued assets	-	(87)	-	-	87	-	-	-
Other comprehensive income – items that may be reclassified to the profit or loss								
Revaluation gains on generation assets	-	47,141	-	-	-	47,141	-	47,141
Asset impairments	-	-	-	-	-	-	-	-
Currency translation differences on revaluation reserve	-	24,359	-	-	-	24,359	-	24,359
Other currency translation differences	-	-	-	7,448	-	7,448	-	7,448
Fair value gains/(losses) on cash flow hedges								
Realised	-	-	6,150	-	-	6,150	-	6,150
Unrealised	-	-	(14,900)	-	-	(14,900)	-	(14,900)
Tax effect of the following:								
Revaluation gains on generation assets	-	(12,874)	-	-	-	(12,874)	-	(12,874)
Asset impairments	-	-	-	-	-	-	-	-
Disposal of revalued assets	-	-	-	-	-	-	-	-
Other currency translation differences	-	-	-	14,799	-	14,799	-	14,799
Fair value gains/(losses) on cash flow hedges	-	-	2,450	-	-	2,450	-	2,450
Total other comprehensive income	-	58,626	(6,300)	22,247	-	74,573	-	74,573
Contributions by and distributions to non-controlling interest								
Minority interest arising on acquisition of subsidiary	-	-	-	-	-	-	57,370	57,370
Acquisition of shares held by outside equity interest	-	-	-	-	-	-	(12,687)	(12,687)
Total contributions by and distributions to non-controlling interest	-	-	-	-	-	-	44,683	44,683
Transactions with owners recorded directly in equity								
Purchase of treasury shares by directors	310	-	-	-	-	310	-	310
Purchase of treasury shares by management	-	-	-	-	-	-	-	-
Own shares repurchased	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	(131,003)	(131,003)	-	(131,003)
Total transactions with owners recorded directly in equity	310	-	-	-	(131,003)	(130,693)	-	(130,693)
Closing balance as at 31 March 2016	158,896	1,357,033	(1,494)	2,310	326,520	1,843,265	45,379	1,888,644

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

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

Note 18: Share Capital

	2016 000's of Shares	2015 000's of Shares	2016 $000	2015 $000
Authorised and issued ordinary shares at beginning of period	**312,913**	312,987	**158,586**	159,034
Own shares repurchased	**-**	(114)	**-**	(741)
Purchase of treasury shares by Directors	**40**	40	**310**	293
	312,953	312,913	**158,896**	158,586

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

On 15 May 2008, the Company announced a resolution allowing it to buy back up to 5,000,000 of its own shares. Shareholders approved an extension to the share buyback programme in July 2011 and July 2014. As at 31 March 2016, since the start of the buyback programme, 2,985,000 shares had been purchased at a total cost of $20,876,000 (2015: 2,985,000 shares at a total cost of $20,876,000). All shares repurchased were purchased through the NZX stock exchange at market price. As at 31 March 2016 185,000 of these shares had been reissued or cancelled (2015: 145,000).

Note 19: Dividends on Ordinary Shares

	2016 Cents Per Share	2015 Cents Per Share	2016 $000	2015 $000
Dividends (forfeited)/reinstated	**-**	-	**(425)**	-
Final dividend prior period	**21.0**	20.0	**65,712**	62,576
Interim dividend paid current period	**21.0**	20.0	**65,716**	62,579
Supplementary dividend paid	**-**	-	**88**	88
Foreign investor tax credit	**-**	-	**(88)**	(88)
	42.0	40.0	**131,003**	125,155
Final partially imputed dividend declared subsequent to the end of the reporting period payable 10 June 2016 to all shareholders on the register at 27 May 2016.	**21.0**	21.0	**65,720**	65,712

Dividend Distribution

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

Note 20: Imputation Credit Account

	2016 $000	2015 $000
Imputation credits available for use in subsequent reporting periods	**10,372**	15,818

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

Note 21: Equity Financial Risk Management

Capital Risk Management Objectives

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

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

The gearing ratio is calculated below:

	Note	2016 $000	2015 $000
Net debt			
Unsecured bank debt	14	**953,691**	734,803
Unsecured subordinated bonds	14	**139,069**	238,671
Unsecured senior bonds	14	**243,704**	243,140
Cash and cash equivalents		**(13,344)**	(14,057)
		1,323,120	1,202,557
Equity			
Total equity		**1,888,644**	1,810,236
Remove net effect of fair value of financial instruments after tax	17	**1,494**	(4,806)
		1,890,138	1,805,430
Total capital funding		**3,213,258**	3,007,987
Gearing ratio		**41%**	40%

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

Tax, Related Party and Other Notes

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

This section includes the following notes:

Note 22: Income Tax Expense

	2016 $000	2015 $000
Profit before income tax	**123,075**	164,669
Tax on profit @ 28%	**34,461**	46,107
Australian operations tax rate adjustment	**340**	565
Tax effect of non-assessable revenue	**(9,977)**	(21,089)
Income tax under provided in prior year	**5,644**	1,543
Change in treatment of depreciation of powerhouses	**-**	(6,471)
Inland Revenue dispute tax expense adjustment*	**2,762**	-
	33,230	20,655
Represented by:		
Current tax	**49,908**	44,081
Deferred tax	**(16,678)**	(23,426)
	33,230	20,655

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

*Trustpower was successful in its High Court case against Inland Revenue. The Court ruled that Trustpower's existing tax treatment of feasibility expenditure incurred in the 2006 to 2008 financial years was appropriate and disagreed with Inland Revenue's view that the resource consents acquired were capital assets. However this decision was overturned by the Court of Appeal. Trustpower appealed this decision in the Supreme Court in March 2016. A judgement has not yet been received from this appeal.

Inland Revenue has reassessed the 2009 and 2010 years and has made further claims. Trustpower has disputed this assessment. This dispute has been lodged with the High Court but is on hold pending an outcome in the initial 2006 to 2008 dispute. It is likely Inland Revenue will take the same approach in assessing the 2011 and future tax years.

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

	2006 to 2008 $000	2009 to 2010 $000	2011 to 2016 $000	Total $000
Tax payable	5,924	2,632	2,187	10,743
Interest expense	3,074	1,550	681	5,304

Given the uncertainty created by the Court of Appeal decision Trustpower has decided to fully provide for these claims (including the effect on the 2011 and future years) in these financial statements. This has resulted in the following adjustment:

	Total $000
Increase in interest expense	(5,304)
Tax effect of increased interest expense	1,485
Other increase in tax expense	(2,762)
Total decrease to net profit after tax	(6,581)

Adjustments to income tax payable	
Previously expensed costs now capitalised for tax purposes	10,685
Increased tax depreciation	(2,072)
Increased interest expense	(1,485)
Total adjustments to income tax payable	7,128
Increase in interest payable (included as part of accounts payable and accruals)	5,304
Decrease in deferred tax liability	(5,851)
Net increase in liabilities	6,581

These amounts are Trustpower's best estimate of the impact of the Court of Appeal ruling. Further discussion between Trustpower and Inland Revenue is required following the conclusion of all legal proceedings to finalise these amounts.

Trustpower was awarded $1,177,000 of costs in relation to the High Court case. These costs were paid by Inland Revenue in the prior period.

They have been refunded by Trustpower in this period following the Court of Appeal decision. The Court of Appeal also awarded Inland Revenue costs for the High Court and Court of Appeal. As Inland Revenue has yet to claim these costs they are very difficult to quantify, Trustpower has made a provision of $500,000 as its best estimate of the amount payable. These costs are also subject to the appeal at the Supreme Court.

Note 23: Deferred Income Tax

	Note	2016 $000	2015 $000
Balance at beginning of period		**421,084**	309,762
Current year changes in temporary differences recognised in profit or loss	22	**(16,617)**	(7,437)
Current year changes in temporary differences recognised in other comprehensive income		**(4,376)**	119,265
Reclassification of prior year temporary differences	22	**(62)**	(9,518)
Acquired as part of business combination		**28,278**	18,704
Exchange rate movements on foreign denominated deferred tax		**10,710**	(3,221)
Change in treatment of depreciation of powerhouses		**-**	(6,471)
Total deferred tax liabilities		**439,017**	421,084
Comprising:			
Deferred tax liabilities to be recovered after more than 12 months		**456,727**	421,565
Deferred tax liabilities to be recovered within 12 months		**(17,710)**	(481)
		439,017	421,084

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

For the year ended 31 March 2016 ($000)	Opening Balance	Acquired with Business Combination	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Closing Balance
Revaluations	**332,330**	**-**	**-**	**25,576**	**357,906**
Other property, plant and equipment movements	**73,373**	**28,278**	**(15,544)**	**(2,362)**	**83,745**
Employee benefits	**(2,178)**	**-**	**(5)**	**(7)**	**(2,190)**
Provision for impairment	**(462)**	**-**	**(112)**	**-**	**(574)**
Customer base assets	**6,769**	**-**	**(1,227)**	**785**	**6,327**
Financial instruments	**(4,745)**	**-**	**(402)**	**(2,859)**	**(8,006)**
Unrealised losses on Australian dollar loan	**15,539**	**-**	**-**	**(14,799)**	**740**
Other	**458**	**-**	**611**	**-**	**1,069**
	421,084	**28,278**	**(16,679)**	**6,334**	**439,017**

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

Note 24: Income Tax Estimates and Judgements

Income tax expense

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

Note 25: Contingent Liabilities and Subsequent Events

An update of the original dispute between Trustpower and the Inland Revenue is provided in note 22. The tests used to determine whether feasibility expenditure is deductible have not been in dispute between Trustpower and Inland Revenue; the dispute to date has been on how the tests are to be applied to the facts. The Court of Appeal however developed an approach which departs from the previously accepted practice as set out in the Commissioner's Interpretation Statement and disallowed the expenditure on the basis of this new approach. Trustpower appealed this decision in the Supreme Court in March 2016. A judgement has not yet been received from this appeal.

The decision by the Court of Appeal to develop a new approach for determining the deductibility of feasibility expenditure may well increase the liability for tax payable. However as there is limited guidance on how to apply this new approach Trustpower has been unable to quantify the impact of this change. The impact may well be zero if the Inland Revenue decides not to apply the new approach retrospectively but is considered unlikely to exceed $4 million even if a retrospective test is applied.

The Group is not aware of any other material contingent liabilities at balance date that have not been disclosed elsewhere in these financial statements (2015: nil).

Other than disclosed in note 26 the Group is not party to any material operating leases at balance date (2015: nil).

The Group is not aware of any significant events that have occurred subsequent to balance date but prior to the signing of these financial statements.

Note 26: Other Commitments

	2016 $000	2015 $000
Operating Leases		
Not later than 1 year	**3,561**	483
Later than 1 year and not later than 5 years	**13,156**	13,208
Later than 5 years	**23,222**	26,000
Total operating lease commitments	**39,939**	39,691

The operating leases relates to the rental of ten office buildings throughout New Zealand as well as Trustpower's head office.

Note 27: Related Party Transactions

Key management personnel

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

	Note	2016 $000	2015 $000
Salaries and other short-term employee benefits		**5,470**	4,991
Fair value movements in cash settled, share based incentives	A14	**(66)**	311
Post-employment benefits		**-**	69
		5,404	5,371

$747,000 of this amount was unpaid at 31 March 2016 (2015: $1,009,000).

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

Shareholders

Trustpower is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% of Trustpower Limited's voting shares. The Tauranga Energy Consumer Trust owns 26.8% and the residual balance of 22.2% is widely held.

H.R.L. Morrison & Co Limited manages Infratil Limited and Mr M Bogoievski, a Director of Trustpower Limited, is its Chief Executive. Mr BJ Harker (until 31 December 2015) and Mr PM Ridley-Smith (from 1 January 2016), were Chairmen of Trustpower Limited during the reporting period and are senior executives of H.R.L Morrison & Co Limited. $1,000 (2015: $9,000) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services. As at 31 March 2016 no balance was outstanding (2015: nil).

Directors

Certain Directors participate in a share purchase plan where half of their Directors' fee is used to purchase Trustpower shares. These Directors purchased their shares directly from Trustpower treasury stock at a price set by the market price over the 20 business days prior to issue. A total of 40,000 shares (2015: 40,000) were purchased for $310,000 (2015: $293,000) (see note A12).

Mr RH Aitken, a Director of Trustpower Limited, is the Executive Chairman of the engineering firm Beca Limited. $296,000 was charged by Beca Limited for engineering services (2015: $326,000). As at 31 March 2016 $14,000 of this amount was unpaid (2015: $84,000).

Mr RWH Farron, Chief Financial Officer and Company Secretary of Trustpower Limited, is a director of the engineering supplies firm BGH Group Limited and its New Zealand based subsidiaries. $8,000 has been charged by subsidiaries, Bay Engineers Supplies Limited and Hose Supplies New Zealand Limited (2015: $5,000). As at 31 March 2016 none of this amount was unpaid (2015: nil).

Other

Trustpower Limited owns 20.0% of the ordinary shares of Rangitata Diversion Race Management Limited (RDR) which owns and operates an irrigation canal in Canterbury. RDR's operating and capital expenditure is funded by advances from its shareholders. In 2016 RDR repaid an advance from Trustpower of $1,884,000. There are now no outstanding advances between Trustpower and RDR.

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties took place on an arm's length basis. No related party debts were forgiven or written off during the year (2015: nil). Except as noted above there are no amounts outstanding at 31 March 2016 (2015: nil).

Appendix

Note A1: Significant Accounting Policies Index

Policy	Note
Basis of Preparation	1
Principles of Consolidation	1
Trade Receivables	A7
Property, Plant and Equipment	9
Intangible Assets	4
Revenue Recognition	3
Generation Development	8
Borrowings	14
Cash Flow Statement	A19
Share Capital	17
Trade Payables	A8
Dividend Distribution	19
Foreign Currency Translation	A19
Adoption Status of Relevant New Financial Reporting Standards and Interpretations	A19

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

Note A2: Non-GAAP Measures

Underlying Earnings after Tax	Note	2016 $000	2015 $000
Profit after tax attributable to the shareholders of the Company ($000)		**89,149**	144,014
Fair value losses / (gains) on financial instruments	A9	**6,327**	14,219
Discount on acquisition		**(2,114)**	(24,986)
Asset impairments		**3,610**	141
Impact of Inland Revenue court case on interest expense	22	**5,304**	-
Adjustments before income tax		**13,127**	(10,626)
Change in income tax expense in relation to adjustments		**(2,782)**	(4,021)
Change in treatment of depreciation of powerhouses	22	**-**	(6,471)
Impact of Inland Revenue court case on income tax expense	22	**1,277**	-
Adjustments after income tax		**11,622**	(21,118)
Underlying Earnings After Tax		**100,771**	122,896

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

Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF)

EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

Note A3: Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Trustpower Limited by the weighted average number of ordinary shares on issue during the year.

	2016	2015
Profit after tax attributable to the shareholders of the Company ($000)	**89,149**	144,014
Weighted average number of ordinary shares in issue (thousands)	**312,969**	312,949
Basic and diluted earnings per share (cents per share)	**28.5**	46.0
Underlying earnings after tax ($000)	**100,771**	122,896
Weighted average number of ordinary shares in issue (thousands)	**312,969**	312,949
Underlying earnings per share (cents per share)	**32.2**	39.3

Note A4: Net Tangible Assets Per Share

	Note	2016 $000	2015 $000
Total net assets		**1,888,644**	1,810,236
Less intangible assets		**(65,566)**	(72,207)
Less net tangible assets attributed to non-controlling interest		**(43,596)**	-
Net tangible assets attributed to shareholders		**1,779,482**	1,738,029
Number of ordinary shares in issue (thousands)	18	**312,953**	312,913
Net tangible assets per share (dollars per share)		**5.69**	5.55

Note A5: Other Operating Expenses

	Note	2016 $000	2015 $000
Remuneration of auditors	A6	**760**	776
Bad debts written off	A16	**1,794**	1,158
Directors' fees		**672**	621
Donations		**785**	842
Loss/(gain) on foreign exchange		**(61)**	(54)
Generation development expenditure		**6,973**	4,968
Market fees and costs		**6,542**	8,267
Meter rental costs		**10,158**	7,703
Other customer connection costs		**2,449**	2,370
Net (gain)/loss on sale of property, plant and equipment		**364**	(183)
Sales and marketing expenditure		**28,549**	15,750
Computer maintenance and support costs		**8,793**	6,390
Other administration costs		**21,797**	14,107
Rental and operating lease costs		**1,159**	688
		90,734	63,403

Note A6: Remuneration of Auditors

	Note	2016 $000	2015 $000
During the year the following fees were payable to the auditors of Trustpower, PricewaterhouseCoopers:			
Audit and other assurance services			
Audit of financial statements		**482**	399
Other assurance services			
Audit of regulatory returns		**7**	24
Review of half year financial statements		**41**	38
		530	461
Taxation services			
Tax compliance services		**31**	46
Support for dispute with Inland Revenue	25	**5**	33
Tax compliance advice		**126**	177
		162	256
Other services			
Benchmarking services		**23**	15
Financial modelling review services		**-**	37
Proposed demerger consulting services		**45**	-
Other consulting services		**-**	7
		68	59
Total remuneration of PricewaterhouseCoopers		**760**	776

Note A7: Accounts Receivable and Prepayments

	2016 $000	2015 $000
Current Portion:		
Billed debtors and unbilled sales	**80,542**	89,631
Provision for doubtful debts	**(2,050)**	(1,650)
Electricity market receivables	**2,224**	2,851
Other receivables	**45,684**	27,559
GST receivable	**501**	-
Prepayments	**5,891**	4,612
	132,792	123,003

Trade Receivables

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

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

Note A8: Accounts Payable and Accruals

	2016 $000	2015 $000
Current Portion:		
Customer bond deposits	**1,084**	981
Electricity market payables	**7,968**	16,529
Line cost accrual	**229**	160
Employee entitlements	**8,356**	9,481
Interest accruals	**11,995**	6,747
GST payable	**7,323**	3,192
Other accounts payable and accruals	**23,001**	17,107
Trade accounts payable	**46,431**	42,074
	106,387	96,271
Non-current Portion		
Other accounts payable and accruals	**3,232**	3,648
	3,232	3,648

Trade Payables

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

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

The changes in the fair value of financial instruments recognised in the income statement and the cash flow hedge reserve for the year to 31 March 2016 are summarised below:

Recognised in the income statement	2016 $000	2015 $000
Interest rate derivatives	**(2,326)**	(16,888)
Electricity price derivatives	**(4,001)**	2,669
	(6,327)	(14,219)

Recognised in the cash flow hedge reserve	2016 $000	2015 $000
Interest rate derivatives	**-**	170
Electricity price derivatives	**(8,476)**	8,631
Exchange rate derivatives	**-**	(2,791)
	(8,476)	6,010

Note A10: Cash Flow Hedge Reserve

	2016 $000	2015 $000
Balance at beginning of year	**4,806**	614
Fair value (losses)/gains	**(14,900)**	2,447
Transfers to energy cost expense	**6,150**	5,380
Transfers to property, plant and equipment	**-**	(1,984)
Transfers to interest paid	**-**	(108)
	(8,750)	5,735
Tax on fair value losses/(gains)	**4,172**	(662)
Tax on transfers to energy cost expense	**(1,722)**	(1,506)
Tax on transfers to property, plant and equipment	**-**	595
Tax on transfers to interest paid	**-**	30
	2,450	(1,543)
	(1,494)	4,806

Note A11: Derivative Financial Instruments

	2016 $000	2015 $000
Current		
Interest rate derivative assets	**1,321**	704
Electricity price derivative assets	**2,194**	2,821
	3,515	3,525
Interest rate derivative liabilities	**1,517**	1,208
Electricity price derivative liabilities	**4,626**	1,755
	6,143	2,963
Non-current		
Interest rate derivative assets	**34**	1,955
Electricity price derivative assets	**4,272**	8,693
	4,306	10,648
Interest rate derivative liabilities	**26,055**	23,378
Electricity price derivative liabilities	**7,367**	2,584
	33,422	25,962

Note A12: Investments in Subsidiaries

Parent and Group	Country of incorporation and place of business	% owned by Trustpower		Nature of business
Significant subsidiaries (31 March balance dates)		**2016**	2015	
Church Lane Wind Farm Pty Limited	Australia	**100**	100	Generation development
Dundonnell Wind Farm Pty Limited	Australia	**100**	100	Generation development
Energy Direct NZ Limited	New Zealand	**100**	100	Electricity and gas retailing
GSP Energy Pty Limited	Australia	**100**	100	Electricity generation
King Country Energy Holdings Limited	New Zealand	**100**	–	Asset holding
King Country Energy Limited	New Zealand	**65**	–	Electricity generation and retailing
Salt Creek Wind Farm Pty Limited	Australia	**100**	100	Generation development
Snowtown South Wind Farm Pty Limited	Australia	**100**	100	Electricity generation
Snowtown Wind Farm Pty Limited	Australia	**100**	100	Electricity generation
Snowtown Wind Farm Stage 2 Pty Limited	Australia	**100**	100	Electricity generation
Tararua Wind Power Limited	New Zealand	**100**	100	Asset holding
Trustpower Australia (New Zealand) Limited	New Zealand	**100**	100	Asset holding
Trustpower Australia Financing Partnership	Australia	**100**	100	Financing
Trustpower Australia Holdings Pty Limited	Australia	**100**	100	Generation development
Trustpower Insurance Limited	New Zealand	**100**	100	Captive insurance
Trustpower Market Services Pty Limited	Australia	**100**	100	Financial services
Wingeel Wind Farm Pty Limited	Australia	**100**	100	Generation development
Waddi Wind Farm Pty Limited	Australia	**100**	–	Generation development

Except as noted under note 14 there are no other guarantees or restrictions that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the Group.

Note A13: Reconciliation of Net Cash from Operating Activities with Profit after Tax

	2016 $000	2015 $000
Profit after tax	**89,845**	144,014
Items classified as investing/financing		
Interest paid	**75,625**	74,906
Interest received	**(432)**	(1,068)
	75,193	73,838
Non-cash items:		
Amortisation of debt issue costs	**1,422**	1,757
Non-cash transfer from cash flow hedge reserve to interest expense	**(275)**	(275)
Amortisation of other investments	**-**	3
Amortisation of intangible assets	**14,901**	12,958
Depreciation	**102,137**	85,167
Net (gain)/loss on sale of property, plant and equipment	**364**	(183)
Other fixed and investment asset charges/(credits)	**3,609**	592
Fair value increase of GSP generation assets	**-**	(43,690)
Fair value increase of King Country Energy assets	**(2,114)**	-
Movement in derivative financial instruments taken to the income statement	**6,327**	14,219
Increase/(decrease) in deferred tax liability excluding transfers to reserves	**(16,595)**	(5,029)
	109,776	65,519
Decrease/(increase) in working capital:		
Accounts receivable and prepayments	**(10,333)**	(10,308)
Taxation payable/receivable	**3,153**	4,310
Accounts payable and accruals excluding capital expenditure accruals	**13,495**	(7,569)
	6,315	(13,567)
Net cash from operating activities	**281,129**	269,804

Note A14: Employee Share Based Compensation

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

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

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

The fair value of the liability at 31 March 2016 has been determined by reference to Trustpower Limited's current share price and expected dividends and share price movements with comparison to the share price at the start of the relevant period and adjusted to reflect the present value of these future expected cash flows.

For the year ended 31 March 2016 the total expense recognised in the income statement was $(66,000) (2015: $311,000) and the liability recognised in the statement of financial position as at 31 March 2016 was $245,000 (2015: $311,000).

Note A15: Property, Plant and Equipment at Historical Cost

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

	2016 $000	2015 $000
Generation assets (at cost)	**2,302,004**	2,114,215
Generation assets under construction (at cost)	**12,271**	14,086
Generation assets accumulated depreciation	**(574,360)**	(481,682)
	1,739,915	1,646,619

Note A16: Financial Risk Management

Financial risk management information that relates directly to the Retail and Generation segments has been included in notes 6 and 11.

(a) Liquidity Risk

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

	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
As at 31 March 2016				
Net settled electricity price derivatives	**1,446**	**3,366**	**1,774**	**5,502**
Net settled interest rate derivatives	**1,606**	**4,034**	**4,299**	**23,020**
Accounts payable and accruals	**94,201**	**87**	**104**	**3,232**
Unsecured subordinated bonds	**-**	**4,725**	**4,725**	**163,625**
Unsecured senior bonds	**5,200**	**19,455**	**71,918**	**212,073**
Unsecured bank loans	**222**	**285,782**	**10,236**	**683,744**
Total	**102,675**	**317,449**	**93,056**	**1,091,196**

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

The table below analyses Trustpower's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the period end date. The amounts disclosed in the table are the contractual undiscounted cash flows. There were no gross settled instruments in place at 31 March 2016 (2015: nil).

(b) Interest Rate Risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2016 was $766,313,000 (31 March 2015: $924,473,000).

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

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

Sensitivity analysis

At 31 March 2016, 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.

	2016 $000	2015 $000
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	**(13,010)**	(19,207)
Increase/(decrease) to profit of a 100 basis point increase in interest rates	**12,310**	18,075
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	**(13,010)**	(19,207)
Increase/(decrease) to equity of a 100 basis point increase in interest rates	**12,310**	18,075

Note A16: Financial Risk Management (Continued)

(c) Credit Risk

As of 31 March 2016, trade receivables of $3,438,000 (2015: $4,722,000) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

	2016 $000	2015 $000
Up to 3 months	**3,438**	4,722
3 to 6 months	**-**	-
	3,438	4,722

As of 31 March 2016, trade receivables of $2,050,000 (2015: $1,650,000) were past due and impaired.

The ageing analysis of these trade receivables is as follows:

	2016 $000	2015 $000
Up to 3 months	**551**	562
Over 3 months	**1,499**	1,088
	2,050	1,650

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

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

	2016 $000	2015 $000
Opening balance	**1,650**	1,600
Provision for receivables impairment	**2,194**	1,158
Bad debts written off	**(1,794)**	(1,108)
Closing balance	**2,050**	1,650

(d) Electricity Price Risk

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

The aggregate notional volume of the outstanding electricity derivatives at 31 March 2016 was 1,743 GWh (31 March 2015: 1,590GWh).

The hedged anticipated electricity purchase transactions are expected to occur continuously throughout the next three years from the end of the reporting period consistent with Trustpower's forecast electricity generation and retail electricity sales. Gains and losses recognised in the cash flow hedge reserve on electricity derivatives as of 31 March 2016 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the income statement.

Sensitivity analysis

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

	2016 $000	2015 $000
Increase/(decrease) to profit of a 10% increase in electricity forward price	**(527)**	1,096
Increase/(decrease) to profit of a 10% decrease in electricity forward price	**533**	(1,096)
Increase/(decrease) to equity of a 10% increase in electricity forward price	**4,602**	10,377
Increase/(decrease) to equity of a 10% decrease in electricity forward price	**(4,597)**	(10,377)

Fair value of derivatives and other financial instruments

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

Fair Values

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

Note A17: Fair Value Measurement

Estimation of Fair Values

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

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

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

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

Valuation Input	*Source*
Interest rate forward price curve to value interest rate swaps	Published market swap rates
Foreign exchange forward prices to value foreign exchange contracts	Published spot foreign exchange rates and interest rate differentials
Electricity forward price curve	Market quoted prices where available and the Directors' best estimate based on their view of the long run marginal cost of new generation where no market quoted prices are available
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities
Discount rate for valuing forward foreign exchange contracts	Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 3.3% to 4.1%

If the discount rate for valuing electricity price derivatives increased/decreased by 1% then the fair value of the electricty price derivatives would have decreased/increased by an immaterial amount.

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

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

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

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2015: none).

Note A17: Fair Value Measurement (Continued)

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

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
31 March 2016				
Assets per the statement of financial position				
Interest rate derivative assets	-	1,355	-	1,355
Electricity price derivative assets	-	-	6,466	6,466
	-	1,355	6,466	7,821
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	27,572	-	27,572
Electricity price derivative liabilities	-	-	11,993	11,993
	-	27,572	11,993	39,565

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

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

	2016 $000	2015 $000
Assets per the statement of financial position		
Opening balance	11,514	2,587
Acquired as part of a business combination	602	-
Gains and (losses) recognised in profit or loss		
Realised in energy cost expense	1,016	4,599
Unrealised	153	(2,795)
Gains and (losses) recognised in other comprehensive income		
Realised in energy cost expense	(934)	194
Unrealised	(5,885)	6,929
Closing balance	6,466	11,514
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	581	4,391
Liabilities per the statement of financial position		
Opening balance	4,339	7,558
Acquired as part of a business combination	547	-
(Gains) and losses recognised in profit or loss		
Realised in energy cost expense	(3,384)	(14,160)
Unrealised	8,834	12,449
(Gains) and losses recognised in other comprehensive income		
Realised in energy cost expense	(8,226)	(5,573)
Unrealised	9,883	4,065
Closing balance	11,993	4,339
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	16,008	3,364
Settlements during the year	(11,451)	(14,940)

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

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

Note A18: Financial Instruments by Category

	Loans and receivables $000	Assets at fair value through profit or loss $000	Derivatives used for hedging $000	Assets held to maturity $000
31 March 2016				
Assets per the statement of financial position				
Derivative financial instruments	**-**	**7,514**	**305**	**-**
Trade and other receivables excluding prepayments	**126,901**	**-**	**-**	**-**
Cash and cash equivalents	**13,344**	**-**	**-**	**-**
Bond deposits on trust	**3,647**	**-**	**-**	**-**
Other investments	**-**	**-**	**-**	**8**
	143,892	**7,514**	**305**	**8**
31 March 2015				
Assets per the statement of financial position				
Derivative financial instruments	-	7,051	7,123	-
Trade and other receivables excluding prepayments	118,391	-	-	-
Cash and cash equivalents	14,057	-	-	-
Bond deposits on trust	2,740	-	-	-
Term receivables	-	-	-	-
Other investments	-	-	-	1,892
	135,188	7,051	7,123	1,892

	Liabilities at fair value through profit or loss $000	Derivatives used for hedging $000	Other financial liabilities at amortised cost $000
31 March 2016			
Liabilities per the statement of financial position			
Unsecured bank loans including bank overdrafts	**-**	**-**	**953,691**
Unsecured subordinated bonds	**-**	**-**	**139,069**
Unsecured senior bonds	**-**	**-**	**243,704**
Derivative financial instruments	**36,933**	**2,632**	**-**
Trade and other payables	**-**	**-**	**109,619**
	36,933	**2,632**	**1,446,083**
31 March 2015			
Liabilities per the statement of financial position			
Unsecured bank loans including bank overdrafts	-	-	734,803
Unsecured subordinated bonds	-	-	238,671
Unsecured senior bonds	-	-	243,140
Derivative financial instruments	27,950	975	-
Trade and other payables	-	-	99,919
	27,950	975	1,316,533

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

Note A19: Supplementary Accounting Information

A19.1 Cash Flow Statement

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

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

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

A19.2 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'). The consolidated financial statements are presented in New Zealand currency units (NZD), which is Trustpower's functional and presentation currency.

A19.3 Adoption Status of Relevant New Financial Reporting Standards and Interpretations

No new standards and amendments to standards were applied during the period.

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

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

Trustpower intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. Trustpower intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact Trustpower.

NZ IFRS 9: Financial Instruments

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Trustpower intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

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

STATUTORY INFORMATION

INTERESTS REGISTER

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

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

GENERAL NOTICE OF INTEREST BY DIRECTORS

The Directors of the Company have declared interests in the following identified entities as at 31 March 2016.

Director	Interest	Entity
Richard Hammond Aiken	Executive Chairman	Beca Group Limited
	Director	Beca Group Subsidiaries
	Director	John Scotts Investment Limited
	Chairman	Panuku Development Auckland Limited
	Chairman	Te Punaha Matatini Advisory Board
Alan Norman Bickers	Shareholder and Director	Jayal Enterprises Ltd
	Chairman	Trustpower Insurance Limited
	Director	BRANZ Ltd
	Director	BRANZ Pty Ltd (Australia)
	Board Member	Building Research Association of New Zealand Inc (BRANZ)
Marko Bogoievski	Chairman	Aotea Energy Holdings Limited
	Director	Aotea Energy Holdings Limited Subsidiaries
	Director	Z Energy Limited
	Director	Infratil Limited and certain Infratil Limited Subsidiaries
	Chief Executive	Infratil Limited
	Director	HRL Morrison & Co and certain subsidiaries
	Director	Zig Zag Farm Limited
Ian Samuel Knowles	Chairman	OnBrand Limited
	Chairman	Partners Life Limited
	Chairman	Adminis Limited
	Director	Umajin Limited
	Director	Rangitira Limited
	Director	Synlait Milk Limited
	Director	Magritek Limited
	Trustee	Te Omanga Hospice
Susan Ruth Peterson	Director	Property For Industry Limited
	Director	Vista Group International Limited
	Director	Compac Holdings Limited
	Director	The New Zealand Merino Company Limited
	Director	Organic Initiative Limited
	Member	New Zealand Markets Disciplinary Tribunal
	Trustee	Fantail Network Trust
Paul Morton Ridley-Smith	Director	Arvida Group Limited
	Director	King Country Energy Limited
	Trustee	New Zealand Festival
	Trustee	James Wallace Arts Trust
	Trustee	Wallace Foundation
	Employee	HRL Morrison & Co Limited
Geoffrey Jon Campbell Swier	Director	Farrier Swier Consulting Pty Ltd
	Board Member	Health Purchasing Victoria
	Director	Snowtown Wind Farm Pty Ltd
	Director	GSP Energy Pty Ltd
	Director	Trustpower Australia Holdings Pty Ltd
	Director	Trustpower Renewable Investments Pty Ltd
	Director	Trustpower Market Services Pty Ltd
	Director	Snowtown Wind Farm Stage 2 Pty Ltd
	Director	Snowtown South Wind Farm Pty Ltd
	Director	Dundonnell Wind Farm Pty Ltd
	Director	Wingeel Wind Farm Pty Ltd
	Director	Church Lane Wind Farm Pty Ltd
	Director	Salt Creek Wind Farm Pty Ltd
	Director	Rye Park Renewable Energy Pty Ltd
	Contractor	Australian Energy Renewable Energy Agency, Advisory Panel

INFORMATION USED BY DIRECTORS

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

DIRECTORS HOLDING OFFICE AND THEIR REMUNERATION

During the year to 31 March 2016 Bruce James Harker ceased to be director of the Company and certain subsidiaries effective 31 December 2015 and Susan Ruth Peterson was appointed as a director of the Company effective 27 August 2015 and Paul Morton Ridley-Smith was appointed as a director of the Company effective 31 December 2015.

The Directors holding office as at 31 March 2016 and during the year to 31 March 2016 are listed below. The total amount of the remuneration and other benefits received by each Director during the financial year, and responsibility held, is listed next to their names.

Director	Remuneration	Responsibility Held
Bruce James Harker	$138,019	Chairman Non-executive Director Member of Audit and Risk Committee Member of Remuneration Committee Member of Share Buyback Committee
Paul Morton Ridley-Smith	$41,250	Chairman Non-executive Director Member of Remuneration Committee Member of Share Buyback Committee
Geoffrey Jon Campbell Swier	$125,000	Independent Director Chairman of Audit and Risk Committee Member of Remuneration Committee
Richard Hammond Aitken	$80,000	Independent Director
Ian Samuel Knowles	$90,000	Independent Director Member of Audit and Risk Committee Member of Share Buyback Committee
Marko Bogoievski	$80,000	Non-executive Director
Alan Norman Bickers	$80,000	Non-executive Director
Susan Ruth Peterson	$38,181	Independent Director Member of Audit and Risk Committee

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND EXECUTIVES

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

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

The Company has entered into deeds of indemnity in respect of each Director, the Chief Executive, Chief Financial Officer and Company Secretary (acting), General Manager Strategy and Growth, General Manager Generation (acting), General Manager Commercial Operations, General Manager Trading, and General Manager Business Solutions and Technology whereby each such director and executive employee is indemnified against the types of liability and costs described above, as permitted by the Company's Constitution and the Companies Act 1993.

SUBSIDIARY COMPANY DIRECTORS

Set out below are details of the Directors of Trustpower's subsidiaries as at 31 March 2016.

Director as at 31 March 2016	Trustpower Group Company
Paul Morton Ridley-Smith	King Country Energy Holdings Limited Bay Energy Limited
Alan Norman Bickers	Trustpower Insurance Limited
Geoffrey Jon Campbell Swier	Trustpower Australia Holdings Pty Ltd Trustpower Renewable Investments Pty Ltd Snowtown Wind Farm Pty Ltd GSP Energy Pty Ltd Trustpower Market Services Pty Ltd Snowtown Wind Farm Stage 2 Pty Ltd Snowtown South Wind Farm Pty Ltd Dundonnell Wind Farm Pty Ltd Wingeel Wind Farm Pty Ltd Church Lane Wind Farm Pty Ltd Salt Creek Wind Farm Pty Ltd Rye Park Renewable Energy Pty Ltd Trustpower Australia (New Zealand) Limited
Vincent James Hawksworth	Tararua Wind Power Limited Trustpower Metering Limited Trustpower Australia (New Zealand) Limited Trustpower Insurance Limited Bay Energy Limited Energy Direct NZ Limited King Country Energy Holdings Limited Trustpower Market Services Pty Ltd Trustpower Australia Holdings Pty Ltd Trustpower Renewable Investments Pty Ltd Snowtown Wind Farm Pty Ltd GSP Energy Pty Ltd* Snowtown Wind Farm Stage 2 Pty Ltd Snowtown South Wind Farm Pty Ltd Dundonnell Wind Farm Pty Ltd Wingeel Wind Farm Pty Ltd Church Lane Wind Farm Pty Ltd Salt Creek Wind Farm Pty Ltd Rye Park Renewable Energy Pty Ltd

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

GENERAL NOTICE OF INTERESTS BY DIRECTORS OF SUBSIDIARY COMPANIES

Director	Interest	Entity
Paul Morton Ridley-Smith*		
Alan Norman Bickers*		
Geoffrey Jon Campbell Swier*		
Vincent James Hawksworth	Chief Executive	Trustpower Limited

*Refer General Notice of Interests by Directors

INFORMATION USED BY DIRECTORS OF SUBSIDIARIES

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

EMPLOYEE REMUNERATION

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

Remuneration Ranges	Number of Employees
$100,000 – 109,999	17
$110,000 – 119,999	17
$120,000 – 129,999	21
$130,000 – 139,999	16
$140,000 – 149,999	13
$150,000 – 159,999	12
$160,000 – 169,999	7
$170,000 – 179,999	2
$180,000 – 189,999	3
$190,000 – 199,999	2
$200,000 – 209,999	5
$210,000 – 219,999	4
$220,000 – 229,999	3
$230,000 – 239,999	3
$240,000 – 249,999	2
$250,000 – 259,999	3
$260,000 – 269,999	2
$290,000 – 299,999	2
$310,000 – 319,999	1
$350,000 – 359,999	1
$420,000 – 429,999	1
$440,000 – 449,999	1
$460,000 – 469,999	1
$530,000 – 539,999	1
$630,000 – 639,999	1
$690,000 – 699,999	1
$1,350,000 – 1,359,999	1

DIRECTORS' TRANSACTIONS AND RELEVANT INTERESTS IN SECURITIES OF THE COMPANY

The relevant interests of Directors in securities of the Company as at 31 March 2016 are listed below together with transactions by Directors in securities of the Company during the financial year.

Director	Number Acquired/ (Disposed)	$ Amount Paid/ (Received)	Date	Class of Security	Number Held at 31 March 2016	Number Held at 31 March 2015
BJ and JS Harker Family Trust (beneficial)				Bonds	150,000	150,000
	5,299	41,252	18 June 2015	Shares		
	5,353	41,250	2 December 2015	Shares	77,946	67,294
RH Aitken (beneficial)	2,569	20,001	18 June 2015	Shares		
	2,595	19,998	2 December 2015	Shares	27,576	22,412
AN & EJ Bickers (beneficial)	2,569	19,998	18 June 2015	Shares	6,102	937
	2,596	20,001	2 December 2015			
M Bogoievski (beneficial)	2,569	20,001	18 June 2015	Shares		
	2,595	19,998	2 December 2015	Shares	26,318	21,154
SR Peterson	–	–			–	–
PM Ridley-Smith	–	–			–	–
IS Knowles (beneficial)	2,891	22,503	18 June 2015	Shares		
	2,920	22,501	2 December 2015	Shares	42,716	36,905
Maclagen Pty Ltd as Trustee for the Swier Family Trust (beneficial)	4,014	31,247	18 June 2015	Shares		
	4,056	31,251	2 December 2015	Shares	63,846	55,776

BJ Harker ceased to be a director of the Company and certain subsidiaries effective 31 December 2015.

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

SECURITY HOLDER INFORMATION

SUBSTANTIAL SECURITY HOLDERS

The Company's register of substantial security holders, prepared in accordance with Section 35C of the Securities Markets Act 1988 recorded the following information as at 29 April 2016.

As at 29 April 2016, Trustpower Limited had 315,751,872 ordinary shares on issue. A total of 2,799,350 ordinary shares were held as treasury stock as at 29 April 2016.

Security Holder	Class of Security	Number
Infratil Limited	Shares	159,742,389
TECT Holdings Limited	Shares	83,878,838

Spread of Holders as at 29 April 2016

Shares	Holders	%	Shares	%
1 to 999	1,555	12.60%	745,892	0.24%
1,000 to 1,999	2,080	16.83%	2,534,582	0.80%
2,000 to 4,999	7,526	60.89%	17,991,278	5.70%
5,000 to 9,999	761	6.16%	4,889,464	1.55%
10,000 to 49,999	373	3.02%	6,479,017	2.05%
50,000 to 99,999	23	0.19%	1,565,789	0.50%
100,000 to 499,999	16	0.13%	3,703,016	1.17%
500,000 to 999,999	9	0.07%	7,318,098	2.32%
1,000,000 plus	14	0.11%	270,524,736	85.68%
	12,357	100.00%	315,751,872	100.00%

Subordinated Bonds	Holders	%	Subordinated Bonds	%
1 to 999	–	0.00%	–	0.00%
1,000 to 1,999	–	0.00%	–	0.00%
2,000 to 4,999	–	0.00%	–	0.00%
5,000 to 9,999	441	15.40%	2,465,000	1.76%
10,000 to 49,999	1,991	69.54%	37,691,000	26.92%
50,000 to 99,999	288	10.06%	16,689,000	11.92%
100,000 to 499,999	118	4.12%	16,562,000	11.83%
500,000 to 999,999	11	0.38%	6,555,000	4.68%
1,000,000 plus	14	0.50%	60,038,000	42.89%
	2,863	100.00%	140,000,000	100.00%

Senior Bonds	Holders	%	Senior Bonds	%
1 to 999	–	0.02%	–	0.00%
1,000 to 1,999	–	0.00%	–	0.00%
2,000 to 4,999	1	0.03%	2,000	0.00%
5,000 to 9,999	394	11.37%	2,186,000	0.89%
10,000 to 49,999	2,322	66.97%	45,726,000	18.66%
50,000 to 99,999	450	12.98%	25,536,000	10.42%
100,000 to 499,999	262	7.56%	38,977,000	15.91%
500,000 to 999,999	16	0.46%	9,300,000	3.80%
1,000,000 plus	21	0.61%	123,273,000	50.33%
	3,466	100.00%	245,000,000	100.00%

Shares	Holders	%	Shares	%
New Zealand	12,087	97.82%	309,997,964	98.18%
Australia	184	1.49%	3,689,200	1.17%
United Kingdom	32	0.26%	70,707	0.02%
United States of America	19	0.15%	30,084	0.01%
Other	35	0.28%	1,963,917	0.62%
	12,357	100.00%	315,751,872	100.00%

Subordinated Bonds	Holders	%	Subordinated Bonds	%
New Zealand	2,830	98.99%	137,477,000	98.19%
Australia	10	0.35%	1,658,000	1.18%
United Kingdom	4	0.14%	105,000	0.08%
United States of America	3	0.10%	25,000	0.02%
Other	12	0.42%	735,000	0.53%
	2,859	100.00%	140,000,000	100.00%

Senior Bonds	Holders	%	Senior Bonds	%
New Zealand	3,428	99.16%	242,076,000	98.81%
Australia	10	0.29%	1,772,000	0.72%
United Kingdom	3	0.09%	114,000	0.05%
United States of America	1	0.03%	50,000	0.02%
Other	15	0.43%	998,000	0.40%
	3,475	100.00%	245,000,000	100.00%

VOTING RIGHTS

Every shareholder present in person, by proxy or by representative, on a vote by voices or a show of hands has one vote, and on a poll has one vote for each fully paid share held. Shares held as treasury stock do not have voting rights.

STOCK EXCHANGE LISTING

The Company's shares are listed on the NZSX and its senior and subordinated bonds are listed on the NZDX.

CURRENT CREDIT RATING STATUS

Trustpower does not currently have an external credit rating.

DEFINED SHARE BUYBACK PROGRAMME

At the 2014 Annual Meeting of the Company held on 25 July 2014, an ordinary resolution was passed to authorise the buyback by the Company of up to 5 million of its shares, being less than 2% of the total number of its shares, by way of offers made through NZX's order matching market during the period of 36 months following the Annual Meeting (**Defined Share Buyback Programme**). It was noted that such acquisitions may result in the percentage of voting shares held or controlled by TECT Holdings Limited (**TECT**) in the Company, increasing in aggregate by a maximum of 0.44% above the percentage held or controlled by TECT immediately before the first share buyback effected after the commencement of the Defined Share Buyback Programme.

As at 31 March 2016:

(a) the Company has acquired 10,000 shares under the Defined Share Buyback Programme Buyback since the 2014 Annual Meeting;

(b) the number of Trustpower voting shares on issue that were held or controlled by TECT was 83,878,838 shares which represented 26.80% of all Trustpower voting shares on issue;

(c) the percentage of all Trustpower voting shares on issue that were held or controlled, in aggregate, by TECT and TECT's associates was 26.80%;

(d) the maximum percentage of all Trustpower voting shares on issue that could be held or controlled by TECT if the Company acquired the approved maximum number of Trustpower shares is 27.24%;

(e) the maximum percentage of all Trustpower voting shares on issue that would be held or controlled, in aggregate, by TECT and TECT's associates if the Company acquired the approved maximum number of Trustpower shares is 27.24%.

The following assumptions have been applied for the purposes of providing the above particulars:

(f) the number of Trustpower voting shares is the number of Trustpower voting shares on issue on 31 March 2016;

(g) there is no change in the total number of Trustpower voting shares on issue between 31 March 2016 and 25 July 2017, being the end of the buyback period, other than as a result of the Defined Share Buyback Programme;

(h) TECT and Infratil Limited do not participate in the Defined Share Buyback Programme; and

(i) the Company acquires the approved maximum number of its own shares.

CURRENT NZX WAIVERS

There are no current NZX Waivers.

NZX DISCIPLINARY ACTION

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

LARGEST SECURITY HOLDERS (AS AT 29 APRIL 2016)

Rank	Holder Name	Shares	%
1	Infratil Limited	159,742,389	50.59%
2	TECT Holdings Limited	83,878,838	26.56%
3	New Zealand Superannuation Fund Nominees Limited*	6,124,780	1.94%
4	Accident Compensation Corporation*	3,507,603	1.11%
5	Citibank Nominees (New Zealand) Limited*	3,191,086	1.01%
6	Custodial Services Limited – A/C 3	2,906,751	0.92%
7	BNP Paribas Nominees (NZ) Limited*	3,496,029	1.11%
8	National Nominees New Zealand Limited*	1,901,492	0.60%
9	Custodial Services Limited – A/C 1	1,665,494	0.53%
10	New Zealand Permanent Trustees Limited*	1,371,000	0.43%
11	Custodial Services Limited – A/C 2	1,172,203	0.37%
12	Forsyth Barr Custodians Limited	1,106,356	0.35%
13	TEA Custodians Limited*	981,111	0.31%
14	HSBC Nominees (New Zealand) Limited*	880,390	0.28%
15	Guardian Nominees No 2 A/C*	875,028	0.28%
16	Custodial Services Limited – A/C 18	856,597	0.27%
17	Custodial Services Limited – A/C 4	825,268	0.26%
18	FNZ Custodians Limited	561,069	0.18%
19	Custodial Services Limited – A/C 16	437,489	0.14%
20	NZPT Custodians (Grosvenor) Limited	395,993	0.13%
		275,876,966	87.37%

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

DIRECTORY

BOARD OF DIRECTORS

Paul M Ridley-Smith – Chairman
Richard H Aitken
Alan N Bickers
Marko Bogoievski
I Sam Knowles
Susan R Peterson
Geoffrey JC Swier

REGISTERED OFFICE

Trustpower Building
108 Durham Street
Tauranga 3175

POSTAL ADDRESS

Private Bag 12023
Tauranga Mail Centre
Tauranga 3112
Telephone: 07 572 9800
Facsimile: 07 572 9825

EMAIL ADDRESS

trustpower@trustpower.co.nz

AUDITORS

PricewaterhouseCoopers
188 Quay Street
Auckland 1142

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
Telephone: 09 488 8700
Facsimile: 09 488 8787

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

STOCK EXCHANGE LISTING

New Zealand Exchange Limited
Level 2 NZX Centre
11 Cable Street
Wellington 6011

WEBSITE

www.trustpower.co.nz

FINANCIAL CALENDAR

Annual Meeting	29 July 2016*
First quarter operating information	29 July 2016*
Payment September bond interest	15 September 2016
Half year announcement	4 November 2016
Record date interim dividend	25 November 2016
Payment interim dividend	9 December 2016
Payment December bond interest	15 December 2016
Third quarter operating information	30 January 2017
Payment of March bond interest	15 March 2017
Full year announcement	12 May 2017
Record date of final dividend	26 May 2017
Payment date of final dividend	9 June 2017
Payment of June bond interest	15 June 2017
Annual report due	30 June 2017

*this date depends on the progress of the proposed demerger and is, therefore, subject to change.

Trust
power™