

<b>Trustpower Limited</b>	
<b>Results for announcement to the market</b>	
<b>Reporting period</b>	6 months to 30 September 2015
<b>Previous reporting period</b>	6 months to 30 September 2014

	<b>Amount \$000's</b>	<b>Percentage change</b>
<b>Revenue from ordinary activities</b>	540,615	7.1%
<b>Profit from ordinary activities after tax attributable to shareholders</b>	59,746	(33.0%)
<b>Net profit attributable to shareholders</b>	59,746	(33.0%)

	<b>Amount per share</b>	<b>Imputed amount per share</b>	<b>Foreign tax credit per share</b>
<b>Dividend payable</b>	\$0.210000	\$0.046667	\$0.021176
<b>Special dividend payable</b>	-	-	-
<b>Record date</b>	27 November 2015		
<b>Dividend payment date</b>	11 December 2015		

**Comments:**  
See the attached press release.

**Key Metrics - For the six months ended 30 September**

	2015	2014	2013	2012	2011
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF) (\$M)	184	173	153	166	162
Profit After Tax Attributable to the Shareholders of the Company (\$M)	60	89	77	70	69
Underlying earnings after tax (\$M)	68	67	70	76	76
Basic earnings per share (cents per share)	19	29	25	22	22
Underlying earnings per share (cents per share)	22	22	22	24	24
Dividends paid during the period (cents per share)	21	20	20	20	20
Gearing ratio	40%	45%	40%	35%	35%
Net tangible assets per share (dollars per share)	5.66	4.70	4.74	4.82	4.40
<b>Customers, Sales and Service</b>					
Electricity connections (000s)	252	234	218	206	218
Telecommunication customers (000s)	51	35	29	26	24
Gas connections (000s)	28	21	10	-	-
Total utility accounts	331	290	257	232	242
Customers with two or more utilities (000s)	66	46	31	16	10
Mass market sales - fixed price (GWh)	981	893	851	910	984
Time of use sales - fixed price (GWh)	414	410	312	375	402
Time of use sales - spot price (GWh)	752	748	668	701	751
Total customer sales (GWh)	2,147	2,051	1,831	1,986	2,137
Average spot price of electricity purchased (\$/MWh)	60	69	71	96	66
Gas Sales (TJ)	744	542	241	-	-
Annualised customer churn rate	16%	14%	14%	13%	16%
Annualised customer churn rate - total market	22%	19%	21%	19%	23%
<b>Generation Production and Procurement</b>					
North Island hydro generation production (GWh)	381	304	313	435	508
South Island hydro generation production (GWh)	574	606	562	555	570
Total hydro generation production (GWh)	955	910	875	990	1,078
North Island wind generation production (GWh)	285	263	290	254	280
South Island wind generation production (GWh)	67	52	53	48	56
Total wind generation production (GWh)	352	315	343	302	336
Total New Zealand generation production (GWh)	1,307	1,225	1,218	1,292	1,414
Average spot price of electricity generated (\$/MWh)	54	63	68	97	61
Net third party fixed price volume purchased (GWh)	453	342	274	299	608
Australian wind generation production (GWh)	596	584	193	186	177
Australian hydro generation production (GWh)	68	35	-	-	-
Total Australian generation production (GWh)	664	536	386	376	386
<b>Other Information</b>					
Resource consent non-compliance events	4	2	1	4	5
Staff numbers (full time equivalents)	675	611	542	457	456

**TRUSTPOWER LIMITED AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited 6 Months September 2015 \$000	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
<b>Operating Revenue</b>			
Electricity revenue	492,262	468,022	915,362
Telecommunications revenue	22,306	16,267	34,544
Gas revenue	17,777	12,235	22,150
Other operating revenue	8,270	8,336	21,411
	<b>540,615</b>	<b>504,860</b>	<b>993,467</b>
<b>Operating Expenses</b>			
Line costs	153,573	144,853	279,210
Electricity costs	72,469	76,437	160,782
Generation production costs	35,082	31,767	66,725
Employee benefits	27,124	23,377	49,049
Telecommunications cost of sales	16,573	13,023	26,942
Gas cost of sales	11,244	9,067	16,625
Other operating expenses	40,371	32,990	63,403
	<b>356,436</b>	<b>331,514</b>	<b>662,736</b>
<b>Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF)</b>	<b>184,179</b>	<b>173,346</b>	<b>330,731</b>
Impairment of assets	-	-	141
Discount on acquisition	-	(24,986)	(24,986)
Net fair value (gains)/losses on financial instruments	3,019	4,395	14,219
Amortisation of intangible assets	7,105	5,952	12,958
Depreciation	50,141	40,189	85,167
<b>Operating Profit</b>	<b>123,914</b>	<b>147,796</b>	<b>243,232</b>
Interest paid	44,015	38,244	79,628
Interest received	(27)	(459)	(1,065)
Net finance costs	<b>43,988</b>	<b>37,785</b>	<b>78,563</b>
<b>Profit Before Income Tax</b>	<b>79,926</b>	<b>110,011</b>	<b>164,669</b>
Income tax expense	20,180	20,776	20,655
<b>Profit After Tax Attributable to the Shareholders of the Company</b>	<b>59,746</b>	<b>89,235</b>	<b>144,014</b>
Basic and diluted earnings per share (cents per share)	<b>19.1</b>	<b>28.5</b>	<b>46.0</b>

The Board of Trustpower Limited authorised these Interim Financial Statements for issue on 30 October 2015.

The accompanying notes form part of these interim financial statements

**TRUSTPOWER LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	<b>Unaudited 6 Months September 2015 \$000</b>	<b>Unaudited 6 Months September 2014 \$000</b>	<b>Audited 12 Months March 2015 \$000</b>
Profit after tax attributable to the shareholders of the Company	<b>59,746</b>	89,235	144,014
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Revaluation gains on generation assets	-	-	398,789
Currency translation differences on revaluation reserve	<b>22,395</b>	3,335	(3,034)
Other currency translation differences	<b>6,490</b>	2,746	(4,931)
Fair value (losses)/gains on cash flow hedges	<b>(9,108)</b>	(10,642)	5,735
Tax effect of the following:			
Revaluation gains on generation assets	-	-	(106,473)
Currency translation differences	<b>13,989</b>	4,581	(11,250)
Fair value losses/(gains) on cash flow hedges	<b>2,550</b>	3,052	(1,543)
<b>Total Other Comprehensive Income</b>	<b>36,316</b>	3,072	277,293
<b>Total Comprehensive Income</b>	<b>96,062</b>	92,307	421,307

The accompanying notes form part of these interim financial statements

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

				Foreign Currency Translation Reserve	Retained earnings	Total equity
Note	Share capital \$000	Revaluation reserve \$000	Cash flow hedge reserve \$000	\$000	\$000	\$000
	<b>159,034</b>	<b>1,009,212</b>	<b>614</b>	<b>(3,756)</b>	<b>349,428</b>	<b>1,514,532</b>
	-	3,335	(7,590)	7,327	89,235	92,307
	-	-	-	-	-	-
	<i>Transactions with owners recorded directly in equity</i>					
	155	-	-	-	-	155
	(741)	-	-	-	-	(741)
	-	-	-	-	-	-
	-	-	-	-	(62,576)	(62,576)
	(586)	-	-	-	(62,576)	(63,162)
	<b>158,448</b>	<b>1,012,547</b>	<b>(6,976)</b>	<b>3,571</b>	<b>376,087</b>	<b>1,543,677</b>
	<b>158,448</b>	<b>1,012,547</b>	<b>(6,976)</b>	<b>3,571</b>	<b>376,087</b>	<b>1,543,677</b>
	-	285,947	11,782	(23,508)	54,779	329,000
	-	-	-	-	-	-
	<i>Transactions with owners recorded directly in equity</i>					
	138	-	-	-	-	138
	-	-	-	-	-	-
	-	-	-	-	(62,579)	(62,579)
	138	-	-	-	(62,579)	(62,441)
	<b>158,586</b>	<b>1,298,494</b>	<b>4,806</b>	<b>(19,937)</b>	<b>368,287</b>	<b>1,810,236</b>
	<b>158,586</b>	<b>1,298,494</b>	<b>4,806</b>	<b>(19,937)</b>	<b>368,287</b>	<b>1,810,236</b>
	-	22,395	(6,558)	20,479	59,746	96,062
	-	(85)	-	-	85	-
	<i>Transactions with owners recorded directly in equity</i>					
	155	-	-	-	-	155
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	(65,712)	(65,712)
	155	-	-	-	(65,712)	(65,557)
	<b>158,741</b>	<b>1,320,804</b>	<b>(1,752)</b>	<b>542</b>	<b>362,406</b>	<b>1,840,741</b>

The accompanying notes form part of these interim financial statements

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2015**

	Note	Unaudited September 2015 \$000	Unaudited September 2014 \$000	Audited March 2015 \$000
<b>Equity</b>				
<i>Capital and reserves attributable to shareholders of the Company</i>				
Share capital	7	158,741	158,448	158,586
Revaluation reserve		1,320,804	1,012,547	1,298,494
Retained earnings		362,406	376,087	368,287
Cash flow hedge reserve		(1,752)	(6,976)	4,806
Foreign currency translation reserve		542	3,571	(19,937)
<b>Total Equity</b>		<b>1,840,741</b>	<b>1,543,677</b>	<b>1,810,236</b>
<i>Represented by:</i>				
<b>Current Assets</b>				
Cash at bank		8,573	53,822	14,057
Other deposits		-	2,455	2,740
Accounts receivable and prepayments		151,634	148,689	123,003
Derivative financial instruments		2,362	2,051	3,525
Land and buildings held for sale		7,189	-	-
Taxation receivable		166	11,561	5,145
		<b>169,924</b>	<b>218,578</b>	<b>148,470</b>
<b>Non Current Assets</b>				
Property, plant and equipment		3,387,543	3,040,956	3,348,382
Derivative financial instruments		5,618	2,539	10,648
Other investments		1,892	1,892	1,892
Intangible assets		68,491	74,054	72,207
		<b>3,463,544</b>	<b>3,119,441</b>	<b>3,433,129</b>
<b>Total Assets</b>		<b>3,633,468</b>	<b>3,338,019</b>	<b>3,581,599</b>
<b>Current Liabilities</b>				
Accounts payable and accruals		96,245	114,163	96,271
Unsecured subordinated bonds	5	100,000	-	100,000
Unsecured senior bonds	5	-	75,000	-
Unsecured bank loans	5	28,649	69,694	31,675
Derivative financial instruments		2,976	5,515	2,963
Taxation payable		6,944	254	4,821
		<b>234,814</b>	<b>264,626</b>	<b>235,730</b>
<b>Non Current Liabilities</b>				
Unsecured bank loans	5	736,591	806,287	703,128
Unsecured subordinated bonds	5	138,902	238,441	138,671
Unsecured senior bonds	5	243,422	138,828	243,140
Derivative financial instruments		32,938	21,440	25,962
Accounts payable and accruals		3,440	3,752	3,648
Deferred tax liability	9	402,620	320,968	421,084
		<b>1,557,913</b>	<b>1,529,716</b>	<b>1,535,633</b>
<b>Total Liabilities</b>		<b>1,792,727</b>	<b>1,794,342</b>	<b>1,771,363</b>
<b>Net Assets</b>		<b>1,840,741</b>	<b>1,543,677</b>	<b>1,810,236</b>
Net Tangible Assets Per Share		\$5.66	\$4.70	\$5.55

The accompanying notes form part of these interim financial statements

**TRUSTPOWER LIMITED AND SUBSIDIARIES  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

Note	Unaudited 6 Months September 2015 \$000	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
<b>Cash Flows from Operating Activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers	516,874	495,172	998,971
	<b>516,874</b>	495,172	998,971
<i>Cash was applied to:</i>			
Payments to suppliers and employees	365,744	339,701	688,938
Taxation paid	24,832	28,581	40,229
	<b>390,576</b>	368,282	729,167
<b>Net Cash Flow from Operating Activities</b>	<b>126,298</b>	126,890	269,804
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment	22	-	251
Return of bond deposits on trust	800	-	-
Return of electricity market security deposits	4,250	143	7,595
Interest received	27	459	1,068
	<b>5,099</b>	602	8,914
<i>Cash was applied to:</i>			
Interest capitalised in construction of property, plant and equipment	-	2,410	2,087
Lodgement of electricity market security deposits	1,887	-	7,737
Purchase of property, plant and equipment	11,152	37,696	63,202
Purchase of other investments	-	3	3
Purchase of business	-	81,318	81,318
Purchase of intangible assets	3,390	7,767	12,926
	<b>16,429</b>	129,194	167,273
<b>Net Cash Flow used in Investing Activities</b>	<b>(11,330)</b>	(128,592)	(158,359)
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from:</i>			
Bank loan proceeds	100,900	230,744	209,835
Subordinated bond issue proceeds	-	(3)	77,982
Issue of shares	155	155	293
	<b>101,055</b>	230,896	288,110
<i>Cash was applied to:</i>			
Bond brokerage costs	-	-	1,136
Purchase of own shares	-	741	741
Repayment of bank loans	117,741	107,533	164,752
Repayment of senior bonds	-	-	47,982
Interest paid	38,268	37,176	74,906
Dividends paid	65,712	62,577	125,155
	<b>221,721</b>	208,027	414,672
<b>Net Cash Flow (used in)/from Financing Activities</b>	<b>(120,666)</b>	22,869	(126,562)
<b>Net (Decrease) / Increase in Cash, Cash Equivalents and Bank Overdrafts</b>	<b>(5,698)</b>	21,167	(15,117)
Cash, cash equivalents and bank overdrafts at beginning of the period	14,057	31,723	31,723
Exchange gains/(losses) on cash	214	932	(2,549)
<b>Cash, Cash Equivalents and Bank Overdrafts at End of the Period</b>	<b>8,573</b>	53,822	14,057

The accompanying notes form part of these interim financial statements

## NOTES TO THE INTERIM 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. 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.

#### Basis of preparation

These unaudited condensed interim financial statements have been prepared for the six months ended 30 September 2015. These financial statements provide an update on the interim performance of Trustpower, and should be read in conjunction with the full year financial statements presented for the year ended 31 March 2015 from which the same accounting policies and methods of computation have been followed.

The interim financial statements are prepared in accordance with:

- NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.
- New Zealand Generally Accepted Accounting Practice (NZGAAP).
- the accounting policies and methods of computation in the most recent annual financial statements.
- the Financial Markets Conduct Act 2013, and NZX equity listing rules.
- 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 are recorded at fair value.
- Reported in 'New Zealand Dollars' (NZD) rounded to the nearest thousand.

#### Seasonality

The individual segments of Retail and NZ Generation are subject to seasonality due to seasonal differences in the demand for electricity and in the wholesale electricity price. However as a group these differences partially offset each other.



## 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 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 unaudited segment results for the six months ended 30 September 2015 are as follows:

	Retail \$000	Generation New Zealand \$000	Generation Australia \$000	Other \$000	Total \$000
Total segment revenue	452,897	138,984	64,843	1,385	658,109
Inter-segment revenue	-	(116,415)	-	(1,079)	(117,494)
<b>Revenue from external customers</b>	<b>452,897</b>	<b>22,569</b>	<b>64,843</b>	<b>306</b>	<b>540,615</b>
<b>EBITDAF</b>	<b>21,365</b>	<b>119,950</b>	<b>47,238</b>	<b>(4,374)</b>	<b>184,179</b>
Amortisation of intangible assets	2,152	-	-	4,953	7,105
Depreciation	-	20,687	27,957	1,497	50,141
Capital expenditure including business acquisitions	-	3,289	948	11,133	15,370

### The unaudited segment results for the six months ended 30 September 2014 are as follows:

	Retail \$000	Generation New Zealand \$000	Generation Australia \$000	Other \$000	Total \$000
Total segment revenue	425,431	137,799	57,267	1,203	621,700
Inter-segment revenue	-	(115,765)	-	(1,075)	(116,840)
<b>Revenue from external customers</b>	<b>425,431</b>	<b>22,034</b>	<b>57,267</b>	<b>128</b>	<b>504,860</b>
<b>EBITDAF</b>	<b>13,027</b>	<b>119,239</b>	<b>42,557</b>	<b>(1,477)</b>	<b>173,346</b>
Amortisation of intangible assets	2,152	-	-	3,800	5,952
Depreciation	-	22,745	15,830	1,614	40,189
Capital expenditure including business acquisitions	-	2,993	51,034	8,503	62,530

### The audited 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)
<b>Revenue from external customers</b>	<b>815,143</b>	<b>47,854</b>	<b>129,434</b>	<b>1,036</b>	<b>993,467</b>
<b>EBITDAF</b>	<b>54,535</b>	<b>182,559</b>	<b>97,603</b>	<b>(3,966)</b>	<b>330,731</b>
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	172,685	15,512	199,413
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.

## Retail

Trustpower is a multiproduct utility retailer. Trustpower supplies homes and businesses around the country with electricity, gas, broadband and telephone services. Trustpower provides electricity to 252,000 homes and businesses (2014: 234,000), supplies 28,000 customers with gas (2014: 21,000) and connects 51,000 (2014: 35,000) customers with telephone and broadband services

### Note 3: Retail Profitability Analysis

	Unaudited 6 Months September 2015 \$000	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
<b>Operating Revenue</b>			
Electricity revenue			
Mass market - fixed price	264,305	242,159	452,923
Commercial & industrial - fixed price	68,233	68,243	125,160
Commercial & industrial - spot price	77,940	84,700	177,089
Total electricity revenue	410,478	395,102	755,172
Gas	17,777	12,235	22,150
Telco	22,306	16,267	34,544
Other operating revenue	2,336	1,827	3,277
	452,897	425,431	815,143
<b>Operating Expenses</b>			
Energy costs	193,767	195,636	341,250
Line costs	153,573	144,853	279,210
Telecommunications cost of sales	16,573	13,023	26,942
Employee benefits	14,531	12,468	25,868
Meter rental costs	10,120	8,964	18,579
Gas cost of sales	11,244	9,067	16,625
Market fees and costs	3,365	4,827	8,267
Marketing costs	12,044	8,610	15,750
Other customer connection costs	1,394	1,214	2,370
Bad debts	877	847	1,158
Other operating expenses*	14,044	12,895	24,589
	431,532	412,404	760,608
<b>EBITDAF</b>	21,365	13,027	54,535
The analysis above includes the following internal charges:			
Energy costs	121,298	119,225	180,468
Meter rental costs	5,414	5,488	10,876
Other operating expenses	1,285	1,285	2,520
	127,997	125,998	193,864

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

## Generation

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.

### Note 4: Generation Profitability Analysis

	Unaudited 6 Months September 2015 \$000	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
<b>New Zealand</b>			
<b>Operating Revenue</b>			
Electricity revenue	126,657	124,828	202,004
Meter rental revenue	9,351	9,795	19,299
Net other operating revenue	2,976	3,176	11,195
	138,984	137,799	232,498
<b>Operating Expenses</b>			
Generation production costs	22,125	20,882	43,192
Employee benefits	6,112	5,292	10,609
Generation development expenditure	485	662	1,477
Other operating expenses including electricity hedge settlements	(9,688)	(8,276)	(5,339)
	19,034	18,560	49,939
<b>EBITDAF</b>	119,950	119,239	182,559
The analysis above includes the following internal charges:			
Electricity revenue	109,716	109,044	171,248
Electricity hedge settlements	11,582	10,181	9,220
Meter rental revenue	5,414	5,488	10,876
Other operating revenue	1,285	1,285	2,520
	127,997	125,998	193,864
<b>Australia</b>			
<b>Operating Revenue</b>			
Electricity revenue	64,843	57,267	129,434
<b>Operating Expenses</b>			
Generation production costs	12,957	10,885	23,533
Employee benefits	1,078	675	1,862
Generation development expenditure	2,528	2,528	3,492
Other operating expenses	1,042	622	2,944
	17,605	14,710	31,831
<b>EBITDAF</b>	47,238	42,557	97,603

There are no internal transactions in the Australian Generation business.

## Debt

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.

### Note 5: Borrowings

	Unaudited 30 September 2015				
	Unsecured bank loans				
	New Zealand dollar facilities	Australian dollar facilities	Total bank facilities	Senior Bonds	Subordinated Bonds
	\$000	\$000	\$000	\$000	\$000
<i>Repayment terms:</i>					
Less than one year	-	82,641	82,641	-	100,000
One to two years	-	137,735	137,735	65,000	-
Two to five years	49,200	228,640	277,840	75,000	140,000
Over five years	84,199	184,840	269,039	105,000	-
Facility establishment costs / bond issue costs	(2,015)	-	(2,015)	(1,578)	(1,098)
	<b>131,384</b>	<b>633,856</b>	<b>765,240</b>	<b>243,422</b>	<b>238,902</b>
Current portion	-	28,649	28,649	-	100,000
Non-current portion	131,384	605,207	736,591	243,422	138,902
	<b>131,384</b>	<b>633,856</b>	<b>765,240</b>	<b>243,422</b>	<b>238,902</b>

	Unaudited 30 September 2014				
	Unsecured bank loans				
	New Zealand dollar facilities	Australian dollar facilities	Total bank facilities	Senior Bonds	Subordinated Bonds
	\$000	\$000	\$000	\$000	\$000
<i>Repayment terms:</i>					
Less than one year	70,100	72,875	142,975	75,000	-
One to two years	-	84,086	84,086	-	100,000
Two to five years	-	374,465	374,465	140,000	140,000
Over five years	95,454	181,514	276,968	-	-
Facility establishment costs / Bond issue costs	(2,513)	-	(2,513)	(1,172)	(1,559)
	<b>163,041</b>	<b>712,940</b>	<b>875,981</b>	<b>213,828</b>	<b>238,441</b>
Current portion	17,000	52,694	69,694	75,000	-
Non-current portion	146,041	660,246	806,287	138,828	238,441
	<b>163,041</b>	<b>712,940</b>	<b>875,981</b>	<b>213,828</b>	<b>238,441</b>

	Audited 31 March 2015				
	Unsecured bank loans				
	New Zealand dollar facilities	Australian dollar facilities	Total bank facilities	Senior Bonds	Subordinated Bonds
	\$000	\$000	\$000	\$000	\$000
<i>Repayment terms:</i>					
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)
	<b>132,065</b>	<b>602,738</b>	<b>734,803</b>	<b>243,140</b>	<b>238,671</b>
Current portion	-	31,675	31,675	-	100,000
Non-current portion	132,065	571,063	703,128	243,140	138,671
	<b>132,065</b>	<b>602,738</b>	<b>734,803</b>	<b>243,140</b>	<b>238,671</b>

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

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

## Equity

### Note 6. Dividends

Final dividend prior year  
Interim dividend current year  
**Total dividend**

<b>Unaudited 6 Months September 2015 \$000</b>	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
65,712	62,576	62,576
-	-	62,579
<b>65,712</b>	<b>62,576</b>	<b>125,155</b>

Final dividend prior year  
Interim dividend current year  
**Total dividend**

<b>Cents per share</b>	Cents per share	Cents per share
21.0	20.0	20.0
-	-	20.0
<b>21.0</b>	<b>20.0</b>	<b>40.0</b>

A partially imputed interim dividend of 21 cents per share has been declared and is payable on 11 December 2015 to all shareholders on the register at 27 November 2015.

### Note 7. Share Capital

Authorised and issued ordinary share capital at beginning of the period  
Own shares repurchased  
Purchase of treasury shares by Directors

<b>Unaudited 6 Months September 2015 \$000</b>	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
158,586	159,034	159,034
-	(741)	(741)
155	155	293
<b>158,741</b>	<b>158,448</b>	<b>158,586</b>

Authorised and issued ordinary shares at beginning of the period  
Own shares repurchased  
Purchase of treasury shares by Directors

<b>000's of Shares</b>	000's of Shares	000's of Shares
312,913	312,987	312,987
-	(114)	(114)
20	22	40
<b>312,933</b>	<b>312,895</b>	<b>312,913</b>

## Additional Notes

### Note 8. Income Tax Expense

	Unaudited 6 Months September 2015 \$000	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
Profit before income tax	79,926	110,011	164,669
Tax on profit @ 28%	22,379	30,803	46,107
Foreign tax rate adjustment	8	621	565
Tax effect of permanent differences	(5,182)	(10,648)	(21,089)
Income tax (over)/under provided in prior period	252	-	1,543
Change in treatment of depreciation of powerhouses	-	-	(6,471)
Inland Revenue dispute tax expense adjustment*	2,723	-	-
	<b>20,180</b>	<b>20,776</b>	<b>20,655</b>
<i>Represented by:</i>			
Current tax	25,754	22,405	44,081
Deferred tax	(5,574)	(1,629)	(23,426)
	<b>20,180</b>	<b>20,776</b>	<b>20,655</b>

\*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 has been given leave to appeal this decision in the Supreme Court and a hearing has been scheduled for early March 2016.

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 September 2015 \$000	Total \$000
Tax payable	5,866	2,632	2,091	10,589
Interest expense	3,028	1,420	571	5,019

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:

	\$000
Increase in interest expense	(5,019)
Tax effect of increased interest expense	1,405
Other increase in tax expense	(2,723)
Total decrease to net profit after tax	<b>(6,337)</b>
Adjustments to income tax payable	
Previously expensed costs now capitalised for tax purposes	10,589
Increased tax depreciation	(1,702)
Increased interest expense	(1,405)
Total adjustments to income tax payable	7,482
Increase in interest payable (included as part of accounts payable and accruals)	5,019
Decrease in deferred tax liability	(6,164)
Net increase in liabilities	<b>6,337</b>

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 appeal at the Supreme Court.

### Note 9. Deferred Income Tax

	Unaudited 6 Months September 2015 \$000	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
Balance at beginning of period	421,084	309,762	309,762
Current period changes in temporary differences affecting tax expense	(5,540)	(1,629)	(7,437)
Current period changes in temporary differences affecting reserves	(16,556)	(7,633)	119,265
Reclassification of prior year temporary differences	(34)	-	(9,518)
Acquired as part of business combination	-	18,705	18,704
Exchange rate movements on foreign denominated deferred tax	9,830	1,763	(3,221)
Change in treatment of depreciation of powerhouses	-	-	(6,471)
Inland Revenue dispute deferred tax adjustment	8	-	-
	<b>402,620</b>	<b>320,968</b>	<b>421,084</b>
<i>Deferred tax liabilities consist of temporary differences on:</i>			
Revaluations	336,015	223,092	332,330
Other property, plant and equipment movements	68,997	98,964	73,373
Employee benefits	(2,087)	(1,759)	(2,178)
Provisions	(707)	(685)	(462)
Customer base assets	6,166	7,371	6,769
Financial instruments	(7,772)	(5,919)	(4,745)
Unrealised losses on Australian dollar loan	1,550	(292)	15,539
Other	458	196	458

### Note 10. Underlying Earnings

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.

	<b>Unaudited 6 Months September 2015 \$000</b>	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
Profit After Tax Attributable to the Shareholders of the Company	59,746	89,235	144,014
Fair value losses / (gains) on financial instruments	3,019	4,395	14,219
Asset impairments	-	-	141
Discount on acquisition	-	(24,986)	(24,986)
Impact of Inland Revenue court case on interest expense	5,019		
<i>Adjustments before income tax</i>	<b>8,038</b>	<b>(20,591)</b>	<b>(10,626)</b>
Change in income tax expense in relation to adjustments	(845)	(1,231)	(4,021)
Change in treatment of depreciation on powerhouses	-	-	(6,471)
Impact of Inland Revenue court case on income tax expense	1,318	-	-
Adjustments after income tax	<b>8,511</b>	<b>(21,822)</b>	<b>(21,118)</b>
<b>Underlying Earnings After Tax</b>	<b>68,257</b>	<b>67,413</b>	<b>122,896</b>

### Note 11. 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.

	<b>Unaudited 6 Months September 2015 \$000</b>	Unaudited 6 Months September 2014 \$000	Audited 12 Months March 2015 \$000
Profit after tax attributable to the shareholders of the Company (\$000)	59,746	89,235	144,014
Weighted average number of ordinary shares in issue (thousands)	312,959	312,941	312,949
<b>Basic and diluted earnings per share (cents per share)</b>	<b>19.1</b>	<b>28.5</b>	<b>46.0</b>
Underlying earnings after tax (\$000)	68,257	67,413	122,896
Weighted average number of ordinary shares in issue (thousands)	312,959	312,941	312,949
<b>Underlying earnings per share (cents per share)</b>	<b>21.8</b>	<b>21.5</b>	<b>39.3</b>

### Note 12. Reconciliation of Net Cash Flow from Operating Activities with Profit After Tax Attributable to the Shareholders

Profit after tax attributable to the shareholders of the Company	59,746	89,235	144,014
Interest paid	38,268	37,176	74,906
Interest received	(27)	(459)	(1,068)
Amortisation of debt issue costs	759	827	1,757
Non-cash transfer from cash flow hedge reserve to interest expense	(138)	(138)	(275)
Fair value increase of GSP generation assets	-	(43,690)	(43,690)
Fixed, intangible and investment asset charges	57,637	52,499	98,537
Movements in financial instruments taken to the income statement	3,019	4,395	14,219
Share based staff remuneration	-	-	-
Increase/(decrease) in deferred tax liability excluding transfers to reserves	(11,645)	17,426	(5,029)
(Increase)/decrease in working capital	(21,321)	(30,381)	(13,567)
<b>Net Cash Flow from Operating Activities</b>	<b>126,298</b>	<b>126,890</b>	<b>269,804</b>

### 13. Contingent Assets and Liabilities

An update of the original dispute between Trustpower and the Inland Revenue is provided in note 8. 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 has been given leave to appeal this decision in the Supreme Court and a hearing has been scheduled for early March 2016.

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.

### 14. Subsequent Events

Subsequent to balance date Trustpower has entered an unconditional agreement to sell the land and buildings at its Te Maunga head office site effective 30 June 2016. Other than as disclosed in these financial statements there have been no other material events subsequent to 30 September 2015.

## 15. Financial Risk Management

### Fair Values

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

### Estimation of Fair Values

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

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

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

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

#### Valuation Input

Interest rate forward price curve  
Foreign exchange forward prices

Electricity forward price curve

Discount rate for valuing interest rate derivatives

Discount rate for valuing forward foreign exchange contracts

Discount rate for valuing electricity price derivatives

#### Source

Published market swap rates

Published spot foreign exchange rates and interest rate differentials

Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available.

Published market interest rates as applicable to the remaining life of the instrument.

Published market interest rates as applicable to the remaining life of the instrument.

Assumed counterparty cost of funds ranging from 4.1% to 4.7%

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

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

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

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>30 September 2015</b>				
<b>Assets per the statement of financial position</b>				
Interest rate derivative assets	-	2,194	-	2,194
Electricity price derivative assets	-	-	5,786	5,786
	-	2,194	5,786	7,980
<b>Liabilities per the statement of financial position</b>				
Interest rate derivative liabilities	-	26,027	-	26,027
Electricity price derivative liabilities	-	-	9,887	9,887
	-	26,027	9,887	35,914
<b>30 September 2014</b>				
<b>Assets per the statement of financial position</b>				
Interest rate derivative assets	-	2,693	-	2,693
Electricity price derivative assets	-	-	1,897	1,897
	-	2,693	1,897	4,590
<b>Liabilities per the statement of financial position</b>				
Interest rate derivative liabilities	-	13,005	-	13,005
Electricity price derivative liabilities	-	-	13,950	13,950
	-	13,005	13,950	26,955
<b>31 March 2015</b>				
<b>Assets per the statement of financial position</b>				
Interest rate derivative assets	-	2,659	-	2,659
Electricity price derivative assets	-	-	11,514	11,514
	-	2,659	11,514	14,173
<b>Liabilities per the statement of financial position</b>				
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.

Trustpower Limited and Subsidiaries  
Interim Financial Statements  
For the six months ended 30 September 2015

**30 September 2015**

**Assets per the statement of financial position**

Opening balance  
Gains and (losses) recognised in profit or loss  
Gains and (losses) recognised in other comprehensive income  
Closing balance  
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period

<b>Unaudited 6 Months September 2015 \$000</b>	<b>Unaudited 6 Months September 2014 \$000</b>	<b>Audited 12 Months March 2015 \$000</b>
11,514	2,587	2,587
1,381	(690)	1,804
(7,109)	-	7,123
<b>5,786</b>	<b>1,897</b>	<b>11,514</b>
<b>(1,023)</b>	<b>483</b>	<b>4,391</b>

**Liabilities per the statement of financial position**

Opening balance  
(Gains) and losses recognised in profit or loss  
(Gains) and losses recognised in other comprehensive income  
Closing balance  
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period

4,339	7,558	7,558
3,686	(1,401)	(1,711)
1,862	7,793	(1,508)
<b>9,887</b>	<b>13,950</b>	<b>4,339</b>
<b>9,903</b>	<b>287</b>	<b>3,364</b>

Settlements during the period

**(6,911)**                      **(6,504)**                      **(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 below:

	<b>Unaudited 6 Months September 2015 \$000</b>	<b>Unaudited 6 Months September 2014 \$000</b>	<b>Audited 12 Months March 2015 \$000</b>
Increase/(decrease) to profit of a 10% increase in electricity forward price	(482)	1,170	1,096
Increase/(decrease) to profit of a 10% decrease in electricity forward price	482	(1,170)	(1,096)
Increase/(decrease) to equity of a 10% increase in electricity forward price	5,788	4,954	10,377
Increase/(decrease) to equity of a 10% decrease in electricity forward price	(5,788)	(4,954)	(10,377)