TRUSTPOWER LIMITED AND SUBSIDIARIES
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2009

The Directors are pleased to present the financial statements of TrustPower Limited and subsidiaries for the year ended 31 March 2009.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2009 and their financial performance and cash flows for the year ended on that date.

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

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

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

ruce Harker
Chairman

Geoff Swier
Director

Company Registration Number HN604040
Dated: 15 May 2009

TRUSTPOWER LIMITED AND SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

		GROUP		PARENT	
		2009	2008	2009	2008
	Note	$000	$000	$000	$000
Operating Revenue					
Electricity revenue	8	744,762	656,961	721,421	656,961
Carbon revenue		8,377	2,011	8,377	2,011
Meter rental revenue		4,473	3,846	4,473	3,846
Other customer fees and charges		3,518	3,394	3,519	3,381
Telecommunications sales		17,024	12,670	17,024	12,670
Other operating revenue		7,242	2,574	6,355	2,491
		785,396	**681,456**	**761,169**	**681,360**
Operating Expenses					
Energy costs		207,525	179,643	207,525	179,643
Generation production costs		30,341	27,780	27,187	27,572
Line costs		202,284	187,947	202,284	187,947
Market fees and costs		15,244	18,183	15,244	18,183
Meter rental costs		2,716	2,606	2,716	2,606
Other customer connection costs		1,613	939	1,613	939
Other fixed and investment asset charges/(credits)	9	1,552	(408)	1,922	318
Employee benefits		26,263	24,554	24,592	24,554
Telecommunications cost of sales		13,143	9,246	13,143	9,246
Other operating expenses	10	24,746	22,933	38,746	35,150
		525,427	**473,423**	**534,972**	**486,158**
Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments (EBITDAF)		**259,969**	**208,033**	**226,197**	**195,202**
Fair value (gains) / losses on financial instruments	5	19,567	(985)	8,682	(654)
Amortisation of intangible assets	24	5,690	5,145	5,690	5,145
Depreciation	21	38,678	27,249	14,126	13,511
Operating Profit		**196,034**	**176,624**	**197,699**	**177,200**
Interest paid	11	53,366	41,274	46,093	45,647
Interest received	11	(999)	(1,462)	(4,329)	(6,141)
Net finance costs		52,367	39,812	41,764	39,506
Profit Before Income Tax		**143,667**	**136,812**	**155,935**	**137,694**
Income tax expense	12	38,592	38,679	47,117	41,970
Profit After Tax Attributable to the Shareholders of the Company		**105,075**	**98,133**	**108,818**	**95,724**
Basic earnings per share (cents per share)	7	33.3	31.1	34.5	30.4
Diluted earnings per share (cents per share)	7	33.2	31.1	34.4	30.3

SUPPLEMENTARY DISCLOSURE

Underlying earnings after tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing the non-cash fair value movements in financial instruments.

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Underlying Earnings After Tax	3	**118,772**	**92,636**	**114,895**	**92,213**
Underlying earnings per share (cents per share)	7	37.7	29.4	36.4	29.3

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Fair value gains/(losses) [net of tax]:					
- Generation assets	15	204,085	-	109,200	-
- Movements in cash flow hedge reserve (including electricity price derivatives)	17	(11,427)	17,434	(15,554)	18,685
Effect of change in corporate tax rate on:					
- Revaluation reserve	15	-	14,169	-	13,509
- Cash flow hedge reserve	17	-	(206)	-	(206)
Currency translation differences	18	5,519	595	-	-
Movements in employee share option reserve	18	65	(21)	65	(21)
Net Income Recognised Directly in Equity		**198,242**	**31,971**	**93,711**	**31,967**
Profit for the Year		105,075	98,133	108,818	95,724
Total Recognised Income for the Year Attributable to the Shareholders		**303,317**	**130,104**	**202,529**	**127,691**

TRUSTPOWER LIMITED AND SUBSIDIARIES
BALANCE SHEETS
AS AT 31 MARCH 2009

	Note	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Equity					
Capital and reserves attributable to shareholders of the Company					
Share capital	14	174,754	176,055	174,754	176,055
Revaluation reserve	15	862,370	658,575	695,110	586,200
Retained earnings	16	387,666	411,574	353,555	373,720
Cash flow hedge reserve	17	(1,158)	10,269	(1,158)	14,396
Other reserves	18	6,437	853	323	258
Total Equity		**1,430,069**	**1,257,326**	**1,222,584**	**1,150,629**
Represented by:					
Current Assets					
Cash at bank	19	27,416	115,198	4,467	6,138
Bond deposits on trust		2,700	2,700	2,700	2,700
Accounts receivable and prepayments	20	73,750	99,143	68,861	98,175
Derivative financial instruments	5	2,738	3,905	2,738	3,905
Taxation receivable		-	7,279	-	6,722
		106,604	**228,225**	**78,766**	**117,640**
Non Current Assets					
Term receivable		4,039	1,719	4,039	1,719
Property, plant and equipment	21	2,372,896	2,056,974	1,546,467	1,424,722
Derivative financial instruments	5	3,542	21,236	3,542	20,905
Investments in subsidiaries	23	-	-	368,014	381,712
Other investments		521	518	-	-
Intangible assets	24	39,516	40,266	39,516	40,266
Deferred tax asset	28	-	1,819	-	-
		2,420,514	**2,122,532**	**1,961,578**	**1,869,324**
Total Assets		**2,527,118**	**2,350,757**	**2,040,344**	**1,986,964**
Current Liabilities					
Accounts payable and accruals	25	84,695	222,061	77,654	110,118
Unsecured subordinated bonds	27	-	50,511	-	50,511
Derivative financial instruments	5	3,501	8,207	3,501	2,311
Taxation payable		3,220	-	1,422	-
		91,416	**280,779**	**82,577**	**162,940**
Non Current Liabilities					
Unsecured bank loans	26	471,473	443,888	284,973	336,971
Unsecured subordinated bonds	27	260,671	161,528	260,671	161,528
Derivative financial instruments	5	22,352	582	11,798	582
Deferred tax liability	28	251,137	206,654	177,741	174,314
		1,005,633	**812,652**	**735,183**	**673,395**
Total Liabilities		**1,097,049**	**1,093,431**	**817,760**	**836,335**
Net Assets		**1,430,069**	**1,257,326**	**1,222,584**	**1,150,629**
Net Tangible Assets Per Share		$4.41	$3.86	$3.75	$3.52

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009

	Note	GROUP		PARENT	
		2009	**2008**	**2009**	**2008**
		$000	**$000**	**$000**	**$000**
Cash Flows from Operating Activities					
Cash was provided from:					
Receipts from customers		808,204	643,869	788,166	644,732
		808,204	643,869	788,166	644,732
Cash was applied to:					
Payments to suppliers and employees		563,400	445,963	549,448	445,733
Taxation paid		30,587	36,859	30,466	36,845
		593,987	482,822	579,914	482,578
Net Cash Flow from Operating Activities	29	**214,217**	**161,047**	**208,252**	**162,154**
Cash Flows from Investing Activities					
Cash was provided from:					
Sale of property, plant and equipment		494	2,967	418	2,109
Return of bond deposits on trust		-	400	-	400
Return of electricity market security deposits		55,400	15,800	55,400	15,800
Interest received		1,393	1,462	4,328	6,141
		57,287	20,629	60,146	24,450
Cash was applied to:					
Advances to subsidiaries		-	-	13,990	86,264
Interest capitalised in construction of property, plant and equipment		3,556	6,851	371	1,132
Lodgement of electricity market security deposits		55,400	12,800	55,400	12,800
Purchase of property, plant and equipment		191,562	105,236	15,650	25,907
Purchase of intangible assets		4,941	2,860	4,941	2,860
		255,459	127,747	90,352	128,963
Net Cash used in Investing Activities		**(198,172)**	**(107,118)**	**(30,206)**	**(104,513)**
Cash Flows from Financing Activities					
Cash was provided from:					
Bank loan proceeds		319,355	282,010	245,861	175,092
Bond issue proceeds		100,000	-	100,000	-
Issue of shares		333	1,397	333	1,397
		419,688	283,407	346,194	176,489
Cash was applied to:					
Bond brokerage costs		1,317	-	1,317	-
Purchase of own shares		1,634	-	1,634	-
Repayment of bonds		50,511	86,182	50,511	86,182
Repayment of bank loans		298,357	50,235	298,357	50,235
Interest paid		53,748	38,538	44,819	44,139
Dividends paid		129,273	91,439	129,273	91,439
		534,840	266,394	525,911	271,995
Net Cash Flow from/(used in) Financing Activities		**(115,152)**	**17,013**	**(179,717)**	**(95,506)**
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		**(99,107)**	**70,942**	**(1,671)**	**(37,865)**
Cash, cash equivalents and bank overdrafts at beginning of the year		115,198	44,256	6,138	44,003
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		11,325	-	-	-
Cash, Cash Equivalents and Bank Overdrafts at End of the Year		**27,416**	**115,198**	**4,467**	**6,138**

The accompanying notes form part of these financial statements

NOTE 1: GENERAL INFORMATION

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

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

These financial statements relate to the year ended 31 March 2009 and have been approved for issue by the Board of Directors on 15 May 2009.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

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

2.1 Basis of Preparation
These audited financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZGAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

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

Statutory base
TrustPower Limited is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

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

Estimates
The preparation of financial statements in conformity with NZ IFRS requires the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

Functional and Presentation Currency
The functional and presentation currency used in the preparation of these financial statements is New Zealand dollars, rounded to the nearest thousand.

2.2 Principles of Consolidation
Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are no longer consolidated from the date that control ceases.

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

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

2.3 Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Trade Receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets 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.

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

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

Held to maturity financial assets
Held to maturity financial assets are stated at amortised cost less impairment losses.

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

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.4.

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

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other fixed and investment asset charges/(credits), in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

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

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

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

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

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

Costs associated with developing or maintaining computer programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs for more than one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

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

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

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

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

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

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

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

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

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

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

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

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

• assets and liabilities for each balance sheet presented are translated at the closing rate at balance date
• income and expenses for each income statement are translated at average exchange rates
• all resulting exchange rate differences are recognised as a separate component of equity.

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

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

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

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

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

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

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

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

2.18 Cash Flow Statement
The following are the definitions used in the cash flow statement:
• cash is considered to be cash on hand and deposits held at call with banks, net of bank overdrafts
• operating activities include all activities that are not investing or financing activities
• investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments
• financing activities are those activities, which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

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

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

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

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

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

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

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 5. Movements on the hedging reserve in shareholders' equity are shown in the statement of recognised income and expense. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months.

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

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

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

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

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

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

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

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

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

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

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

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

2.27 Adoption Status of Relevant New Financial Reporting Standards and Interpretations
The Group has elected not to early adopt the following applicable standards which have been issued but are not yet effective:

- NZ IAS 1 (Amendment) Presentation of Financial Statements - effective from 1 January 2009. The amendment requires a number of changes to the presentation and disclosures in financial statements;
- NZ IAS 23 (Amendment) Borrowing Costs - effective from 1 January 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs will be removed;
- NZ IFRS 2 (Amendment) Share Based Payments - effective 1 January 2009. The amendment sets out the treatment of non-vesting conditions. It also clarifies the accounting treatment on cancellation for both equity and cash settled schemes;
- NZ IFRS 3 (Revised) Business Combinations - effective from 1 July 2009. The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be accounted for through the income statement; and
- NZ IFRS 8 Operating Segments - effective from 1 January 2009. NZ IFRS 8 replaces NZ IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting.

While the adoption of these standards is not expected to have a material impact on the Group's financial statements from a measurements perspective, the adoption of NZ IFRS 8 and the amended NZ IAS 1 is expected to result in changes to the presentation of the financial statements.

NOTE 3: UNDERLYING EARNINGS AFTER TAX

	Note	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Profit After Tax Attributable to the Shareholders of the Company		105,075	98,133	108,818	95,724
Fair value (gains) / losses on financial instruments	5	19,567	(985)	8,682	(654)
Adjustments before income tax		19,567	(985)	8,682	(654)
Change in income tax expense in relation to adjustments		(5,870)	325	(2,605)	216
Change in corporate tax rate	12	-	(4,837)	-	(3,073)
Adjustments after income tax		13,697	(5,497)	6,077	(3,511)
Underlying Earnings After Tax		118,772	92,636	114,895	92,213

NOTE 4: SEGMENT INFORMATION

Primary Reporting Format - Business Segments
As at 31 March 2009, the Group is organised into two main business segments:
- development, ownership and operation of electricity generation facilities from renewable energy sources ("Generation")
- retail sale of electricity and telecommunications services to customers ("Retail")

As the Generation segment derives substantially all of its revenue from internal transfers, it is not a separable reporting segment. Therefore, in accordance with the requirements of NZ IAS 14 *Segment Reporting*, there is only one reportable segment being Retail.

Secondary Reporting Format - Geographical Segments
The Group's two business segments operate in New Zealand and Australia. The revenue, assets and capital expenditure of the Group are split between the two segments below:

	GROUP	
Revenue	2009 $000	2008 $000
New Zealand	761,205	681,373
Australia	24,191	83
	785,396	681,456

	GROUP	
Assets	2009 $000	2008 $000
New Zealand	2,176,667	2,063,229
Australia	350,451	287,528
	2,527,118	2,350,757

	GROUP	
Capital Expenditure	2009 $000	2008 $000
New Zealand	24,674	40,990
Australia	62,313	141,624
	86,987	182,614

NOTE 5: FINANCIAL RISK MANAGEMENT

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

Fair Value of Derivative Instruments

	GROUP		PARENT	
Current	2009 $000	2008 $000	2009 $000	2008 $000
Interest rate derivative assets	-	174	-	174
Electricity price derivative assets	2,738	3,731	2,738	3,731
	2,738	3,905	2,738	3,905
Interest rate derivative liabilities	1,683	-	1,683	-
Electricity price derivative liabilities	1,456	2,311	1,456	2,311
Exchange rate derivative liabilities	362	5,896	362	-
	3,501	8,207	3,501	2,311
Non-current				
Interest rate derivative assets	3,156	2,055	3,156	1,724
Electricity price derivative assets	386	19,181	386	19,181
Exchange rate derivative assets	-	-	-	-
	3,542	21,236	3,542	20,905
Interest rate derivative liabilities	18,416	494	7,862	494
Electricity price derivative liabilities	1,848	88	1,848	88
Exchange rate derivative liabilities	2,088	-	2,088	-
	22,352	582	11,798	582

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 2009 are summarised below:

Recognised in the income statement	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Interest rate derivatives	(21,446)	(40)	(10,561)	(371)
Electricity price derivatives	1,879	1,025	1,879	1,025
	(19,567)	985	(8,682)	654

Recognised in the cash flow hedge reserve	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Interest rate derivatives	2,768	-	2,768	-
Electricity price derivatives	(22,570)	26,707	(22,570)	26,707
Exchange rate derivatives	3,445	(3,034)	(2,451)	(14)
	(16,357)	23,673	(22,253)	26,693

Financial Instruments by Category

GROUP	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging
31 March 2009			
Assets per the balance sheet	$000	$000	$000
Derivative financial instruments	-	3,438	2,842
Trade and other receivables excluding prepayments	72,208	-	-
Cash and cash equivalents	27,416	-	-
Bond deposits on trust	2,700	-	-
Term receivables	4,039	-	-
Other investments	521	-	-
31 March 2008			
Assets per the balance sheet			
Derivative financial instruments	-	5,054	20,087
Trade and other receivables excluding prepayments	97,806	-	-
Cash and cash equivalents	115,198	-	-
Bond deposits on trust	2,700	-	-
Term receivables	1,719	-	-
Other investments	518	-	-

	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities at amortised cost
31 March 2009			
Liabilities per the balance sheet	$000	$000	$000
Unsecured bank loans including bank overdrafts	-	-	471,473
Unsecured subordinated bonds	-	-	260,671
Derivative financial instruments	21,357	4,496	-
Trade and other payables	-	-	84,695
31 March 2008			
Liabilities per the balance sheet			
Unsecured bank loans including bank overdrafts	-	-	443,888
Unsecured subordinated bonds	-	-	212,039
Derivative financial instruments	2,893	5,896	-
Trade and other payables	-	-	222,061

PARENT	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging
31 March 2009			
Assets per the balance sheet	$000	$000	$000
Derivative financial instruments	-	3,438	2,842
Trade and other receivables excluding prepayments	67,368	-	-
Cash and cash equivalents	4,467	-	-
Bond deposits on trust	2,700	-	-
Term receivables	4,039	-	-
Other investments	-	-	-
31 March 2008			
Assets per the balance sheet			
Derivative financial instruments	-	4,723	20,087
Trade and other receivables excluding prepayments	96,886	-	-
Cash and cash equivalents	6,138	-	-
Bond deposits on trust	2,700	-	-
Term receivables	1,719	-	-
Other investments	-	-	-

31 March 2009 Liabilities per the balance sheet	Liabilities at fair value through profit or loss $000	Derivatives used for hedging $000	Other financial liabilities at amortised cost $000
Unsecured bank loans including bank overdrafts	-	-	284,973
Unsecured subordinated bonds	-	-	260,671
Derivative financial instruments	10,803	4,496	-
Trade and other payables	-	-	77,654
31 March 2008			
Liabilities per the balance sheet			
Unsecured bank loans including bank overdrafts	-	-	336,971
Unsecured subordinated bonds	-	-	212,039
Derivative financial instruments	2,893	-	-
Trade and other payables	-	-	110,118

Electricity Price Risk

The Group is required to purchase a percentage of its electricity sold off the electricity spot market. This leaves the Group exposed to fluctuations in the spot price of electricity. The Group has entered into a number of electricity hedge contracts to reduce the commodity price risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased. Any resulting differential to be paid or received is recognised as a component of energy costs through the term of the contract. The Group has elected to apply cash flow hedge accounting to those instruments it deems material and which qualify as cash flow hedges while immaterial contracts are not hedge accounted.

The aggregate notional volume of the outstanding electricity derivatives at 31 March 2009 was 617 GWh (31 March 2008: 1,116GWh).

The hedged anticipated electricity purchase transactions are expected to occur continuously throughout the next four years from balance sheet date consistent with the Group's forecast electricity generation and retail electricity sales. Gains and losses recognised in the cash flow hedge reserve on electricity derivatives as of 31 March 2009 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the income statement.

Sensitivity analysis

The following tables summarise the impact of increases/decreases of the relevant forward electricity prices on the Group's post-tax profit for the year and on other components of equity. The sensitivity analysis is based on the assumption that the relevant forward electricity prices had increased/decreased with all other variables held constant.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Increase/(decrease) to profit of a 10% increase in electricity forward price	(1,679)	258	(1,679)	258
Increase/(decrease) to profit of a 10% decrease in electricity forward price	1,679	(258)	1,679	(258)
Increase/(decrease) to equity of a 10% increase in electricity forward price	4,100	(9,019)	4,100	(9,019)
Increase/(decrease) to equity of a 10% decrease in electricity forward price	(4,100)	9,019	(4,100)	9,019

Interest Rate Risk

The Group's bank borrowings are all on floating interest rates. The Group has various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognised as a component of interest paid. The Group has elected to hedge account only a limited number of these instruments.

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2009 was $576,188,000 (31 March 2008: $325,768,000).

Interest payment transactions are expected to occur at various dates between one month and ten years from the balance sheet date consistent with the Group's forecast total borrowings.

Effective interest rates for the Parent and the Group are disclosed in note 26.

Sensitivity analysis

At 31 March 2009, 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 would have been adjusted by the amounts in the table below, mainly as a result of the fair value change in interest rate derivative instruments which are not hedge accounted.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	(11,906)	(3,846)	(7,147)	(2,350)
Increase/(decrease) to profit of a 100 basis point increase in interest rates	11,906	3,872	7,147	2,428
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	(14,178)	(3,846)	(9,420)	(2,350)
Increase/(decrease) to equity of a 100 basis point increase in interest rates	14,178	3,872	9,420	2,428

Exchange Rate Risk
The Group has entered into a number of forward exchange contracts to reduce the risk from price fluctuations of foreign currency costs associated with the construction of generation assets and the sale of carbon credits. Any resulting differential to be paid or received is recognised as a component of the cost of the project for the construction of generation assets and as a part of revenue for the sale of carbon credits. The Group has elected to apply cash flow hedge accounting to these instruments.

The aggregate notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2009 was $29,950,000 (31 March 2008: $38,014,000).

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month and four years from balance sheet date. Gains and losses recognised in the cash flow hedge reserve in equity on forward foreign exchange contracts as at 31 March 2009 will be recognised in the revenue from the production of carbon credits when the credits are produced.

Sensitivity analysis
At 31 March 2009, if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Group has foreign currency risk with all other variables held constant, post-tax profit for the year would not have been materially different.

Other components of equity would have been $(3,252,000)/$3,252,000 (lower)/higher (31 March 2008: $3,550,000/$(2,905,000) higher/(lower)), arising from foreign exchange gains/losses on revaluation of foreign exchange contracts in a cash flow hedge relationship.

Credit Risk
The Group has no significant concentrations of credit risk (2008: none). It has policies in place to ensure that sales are made to customers with an appropriate credit history. Where a potential customer does not have a suitable credit history a bond is required before the customer is accepted. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and other large electricity market participants. The Group has policies that limit the amount of credit exposure to any counterparty.

The carrying amounts of financial assets recognised in the balance sheet best represents the Group's maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained. As shown in note 20, the reported accounts receivable balance includes a provision for doubtful debts of $1,600,000 (2008: $1,100,000).

The Group has around 227,000 customers (2008: 222,000), only three (2008: four) of which make up more than one per cent of the Group's total accounts receivable balance. The largest of these customers accounts for 8 per cent (2008: 19 per cent) of the Group's total accounts receivable.

As of 31 March 2009, trade receivables relating to the Group and the Parent of $4,186,000 (2008: $4,799,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Up to 3 months	**3,575**	4,380	**3,575**	4,380
3 to 6 months	**611**	419	**611**	419
	4,186	4,799	**4,186**	4,799

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

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Opening balance	**1,100**	1,100	**1,100**	1,100
Provision for receivables impairment	**1,904**	1,131	**1,904**	1,131
Bad debts written off	**(1,404)**	(1,131)	**(1,404)**	(1,131)
Closing balance	**1,600**	1,100	**1,600**	1,100

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through adequate amount of committed credit facilities and the spreading of debt maturities.

Liquidity risk is monitored by continuously forecasting actual cash flows and matching the profiles of financial assets and liabilities.

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

GROUP

At 31 March 2009	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	**903**	**406**	**5,154**	**654**
Net settled interest rate derivatives	**556**	**6,099**	**5,927**	**9,334**
Accounts payable and accruals	**80,861**	**-**	**-**	**-**
Unsecured subordinated debt	**-**	**11,293**	**11,049**	**357,732**
Unsecured bank loans	**481**	**3,002**	**-**	**471,473**
Total	**82,801**	**20,800**	**22,130**	**839,193**

At 31 March 2008	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	439	2,635	3,138	1,421
Net settled interest rate derivatives	-	-	22	526
Accounts payable and accruals	217,314	-	-	-
Unsecured subordinated debt	-	9,111	58,440	218,940
Unsecured bank loans	2,190	4,923	-	446,865
Total	219,943	16,669	61,600	667,752

PARENT

At 31 March 2009	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	**903**	**406**	**5,154**	**654**
Net settled interest rate derivatives	**556**	**2,746**	**2,574**	**4,243**
Accounts payable and accruals	**73,820**	**-**	**-**	**-**
Unsecured subordinated debt	**-**	**11,293**	**11,049**	**357,732**
Unsecured bank loans	**481**	**1,914**	**-**	**284,973**
Total	**75,760**	**16,359**	**18,777**	**647,602**

At 31 March 2008	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Net settled electricity price derivatives	439	2,635	3,138	1,421
Net settled interest rate derivatives	-	-	22	526
Accounts payable and accruals	106,599	-	-	-
Unsecured subordinated debt	-	9,111	58,440	218,940
Unsecured bank loans	962	4,923	-	339,948
Total	108,000	16,669	61,600	560,835

The tables below analyse the Group's and the Parent's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the period end date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

GROUP

At 31 March 2009	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	**3,587**	**-**	**1,301**	**25,062**
(Outflows)	**(3,865)**	**-**	**(1,382)**	**(25,460)**

At 31 March 2008	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	**-**	31,882	-	**-**
(Outflows)	**-**	(38,014)	-	**-**

PARENT

At 31 March 2009	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	**3,587**	**-**	**1,301**	**25,062**
(Outflows)	**(3,865)**	**-**	**(1,382)**	**(25,460)**

At 31 March 2008	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
Foreign currency forward contracts				
Inflows	**-**	-	-	**-**
(Outflows)	**-**	-	-	**-**

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

Estimation of Fair Values
The fair values and net 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 market-quoted rates based on discounted cash flow analysis.
- 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 (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

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.

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

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

The gearing ratio is calculated below:

		GROUP		PARENT	
	Note	**2009 $000**	**2008 $000**	**2009 $000**	**2008 $000**
Net debt					
Unsecured bank debt	26	471,473	443,888	284,973	336,971
Unsecured subordinated bonds	27	260,671	212,039	260,671	212,039
Cash at bank / bank overdraft	19	(27,416)	(115,198)	(4,467)	(6,138)
		704,728	540,729	541,177	542,872
Equity					
Total equity		1,430,069	1,257,326	1,222,584	1,150,629
Remove net effect of fair value of financial instruments after tax		1,158	(10,269)	1,158	(14,396)
		1,431,227	1,247,057	1,223,742	1,136,233
Total capital funding		2,135,955	1,787,786	1,764,919	1,679,105
Gearing ratio		33%	30%	31%	32%

NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, electricity price hedges) is determined by using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at each balance date. The Group has used discounted cash flow analysis for various electricity price hedges that are not traded in an active market. The forward curve is derived from a combination of market quoted prices and management's best estimates.

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

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

• *Line cost recognition*
Some electricity lines companies bill the Group based on the units and days that the Group has billed its customers. An accrual, similar to the revenue recognition accrual, is estimated for line charges incurred but not billed at balance date.

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

Sensitivity analysis
If the estimated unbilled units had been 10% higher/lower, operating profit for the year would have increased/(decreased) by $569,000/$(552,0000) (2008:(decreased)/increased by $(291,000)/$332,000).

Generation property, plant and equipment
The Group's generation property, plant and equipment is stated at fair value as determined by an independent valuation undertaken on an at least three-yearly basis. This valuation is reviewed annually and if it is considered that there has been a material change then a new independent valuation is undertaken. The basis of the valuation is a discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the valuation model that require management judgement include the forward price path of electricity, sales volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation station.

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

Sensitivity analysis
If the estimated useful lives of generation assets was 10% higher/lower, operating profit for the year would have increased/(decreased) by $3,010,000/$(3,678,000) (2008: $2,079,000/$(2,542,000)).

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

Sensitivity analysis
If the estimated useful lives of intangible assets was 10% higher/lower, operating profit for the year would have increased/decreased by $517,000/$(632,000) (2008: $458,000/$(560,000)).

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

Provision against advances to subsidiaries
For subsidiaries involved in generation development the Parent fully provides for advances made until such time as a viable project is identified and construction commences. This provision is the result of significant management judgement.

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

NOTE 7: EARNINGS PER SHARE

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

		GROUP		PARENT	
		2009	**2008**	**2009**	**2008**
Profit attributable to the equity holders of the Company ($000)		105,075	98,133	108,818	95,724
Weighted average number of ordinary shares in issue (thousands)		315,444	315,246	315,444	315,246
Basic earnings per share (cents per share)		**33.3**	**31.1**	**34.5**	**30.4**
Profit attributable to the equity holders of the Company ($000)		105,075	98,133	108,818	95,724
Weighted average number of ordinary shares in issue plus share options outstanding (thousands)		316,084	315,961	316,084	315,961
Diluted earnings per share (cents per share)		**33.2**	**31.1**	**34.4**	**30.3**

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

Underlying earnings after tax ($000)	3	118,772	92,636	114,895	92,213
Weighted average number of ordinary shares in issue (thousands)		315,444	315,246	315,444	315,246
Underlying earnings per share (cents per share)		**37.7**	**29.4**	**36.4**	**29.3**

NOTE 8: ELECTRICITY REVENUE

	GROUP		PARENT	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Electricity sales	724,488	656,961	721,421	656,961
Electricity lease revenue	20,274	-	-	-
	744,762	656,961	721,421	656,961

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

NOTE 9: OTHER FIXED AND INVESTMENT ASSET CHARGES/(CREDITS)

	GROUP		PARENT	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Loss/(gain) on sale of property, plant and equipment	93	233	162	(135)
Impairment of property, plant and equipment	1,459	(641)	180	(641)
Provision against advances to subsidiaries	-	-	1,580	1,094
	1,552	(408)	1,922	318

NOTE 10: OTHER OPERATING EXPENSES

	GROUP		PARENT	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Audit fees and expenses	239	164	210	164
Fees paid for other audit related services provided by the auditors*	21	42	21	42
Fees paid for taxation advice, compliance and planning services provided by the auditors	198	132	198	132
Bad debts written off	1,904	1,131	1,904	1,131
Directors' fees	539	456	539	456
Donations	639	672	639	672
(Gain)/loss on foreign exchange	(227)	(140)	(1,546)	(916)
Generation development expenditure	8,474	9,428	5,868	8,562
Other administration costs	12,780	10,836	14,417	10,958
Rental and operating lease costs	179	212	16,496	13,949
	24,746	22,933	38,746	35,150

* Other services provided by the auditors includes reviews of unaudited interim financial statements and assistance with cost of capital determination.

NOTE 11: FINANCE INCOME AND COSTS

	GROUP		PARENT	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Amortisation of debt issue costs	958	1,183	958	1,183
Interest paid on unsecured bank loans	36,885	25,621	24,289	24,275
Interest paid on unsecured subordinated bonds	19,804	21,321	19,804	21,321
Other interest costs and fees	1,620	-	1,413	-
Interest capitalised in construction of property, plant and equipment	(5,901)	(6,851)	(371)	(1,132)
Total Interest Paid	53,366	41,274	46,093	45,647
Interest received on cash at bank	999	1,462	1,675	1,375
Interest received on intercompany advances	-	-	2,654	4,766
Total Interest Received	999	1,462	4,329	6,141

NOTE 12: INCOME TAX EXPENSE	**GROUP**		**PARENT**	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Profit before income tax	143,667	136,812	155,935	137,694
Tax on profit @ 30% (33% for 2008)	43,100	45,148	46,781	45,439
Tax effect of permanent differences	(4,379)	(458)	465	(45)
Tax effect of change in corporate tax rate on current year deferred tax	-	(1,077)	-	(254)
Tax effect of change in corporate tax rate on opening deferred tax liability	-	(4,837)	-	(3,073)
Income tax over provided in prior year	(129)	(97)	(129)	(97)
	38,592	38,679	47,117	41,970
Represented by:				
Current tax	41,169	32,895	48,351	42,499
Deferred tax	(2,577)	5,784	(1,234)	(529)
	38,592	38,679	47,117	41,970

The 30% tax rate used above is the corporate tax rate payable by New Zealand corporate entities on taxable profit under New Zealand tax law (the corporate tax rate has changed from 33% to 30% effective from 1 April 2008).

NOTE 13: DIVIDENDS ON ORDINARY SHARES	**GROUP & PARENT**		**GROUP & PARENT**	
	2009	**2008**	**2009**	**2008**
	Cents Per Share		**$000**	**$000**
Dividends (forfeited)/reinstated	-	-	-	-
Final dividend prior year	15.0	14.0	47,313	44,130
Interim dividend paid current year	16.0	15.0	50,432	47,309
Special dividend paid current year	10.0	-	31,528	-
Supplementary dividend paid	-	-	4,135	305
Foreign investor tax credit	-	-	(4,135)	(305)
	41.0	29.0	129,273	91,439
Final partially imputed dividend declared subsequent to balance date payable 8 June 2009 to all shareholders on the register at 29 May 2009	17.0	15.0	53,630	47,313
Special unimputed dividend declared subsequent to balance date payable 8 June 2009 to all shareholders on the register at 29 May 2009	10.0	-	31,547	-

NOTE 14: SHARE CAPITAL	**GROUP & PARENT**		**GROUP & PARENT**	
	2009	**2008**	**2009**	**2008**
	000's of Shares		**$000**	**$000**
Authorised and issued ordinary shares at beginning of year	315,417	315,075	176,055	174,658
Own shares repurchased	(236)	-	(1,634)	-
Issue of shares pursuant to the employee share option scheme	55	342	333	1,397
	315,236	315,417	174,754	176,055

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

On 15 May 2008, the Company announced a resolution allowing it to buy back up to 5,000,000 of its own shares. As at 31 March 2009 236,000 shares had been purchased at a total cost of $1,634,000. All shares repurchased were purchased through the NZX stock exchange at market price. As at 31 March 2009 none of these shares had been reissued or cancelled.

NOTE 15: REVALUATION RESERVE	**GROUP**		**PARENT**	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Balance at beginning of year	658,575	644,420	586,200	572,698
Revaluation of generation assets	259,684	-	120,537	-
Transfer (to)/from deferred tax liability	(55,599)	-	(11,337)	-
Transfer (to)/from retained earnings	(290)	(14)	(290)	(7)
Tax effect of change in corporate tax rate on deferred tax liability	-	14,169	-	13,509
	862,370	658,575	695,110	586,200

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

NOTE 16: RETAINED EARNINGS	**GROUP**		**PARENT**	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Balance at beginning of year	411,574	404,866	373,720	369,428
Profit for the year	105,075	98,133	108,818	95,724
Transfer (to)/from revaluation reserve	290	14	290	7
Dividends on ordinary shares	(129,273)	(91,439)	(129,273)	(91,439)
	387,666	411,574	353,555	373,720

NOTE 17: CASH FLOW HEDGE RESERVE	**GROUP**		**PARENT**	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Balance at beginning of year	10,269	(6,959)	14,396	(4,083)
Fair value gains/(losses)	13,271	17,141	(55)	29,108
Tax on fair value gains/(losses)	(3,993)	(4,280)	23	(8,733)
Transfers to energy cost expense	(22,175)	(2,382)	(22,175)	(2,382)
Tax on transfers to energy cost expense	6,653	715	6,653	715
Transfers to property, plant and equipment	(7,405)	8,914	-	(33)
Tax on transfers to property, plant and equipment	2,222	(2,674)	-	10
Tax effect of change in corporate tax rate on deferred tax liability	-	(206)	-	(206)
	(1,158)	10,269	(1,158)	14,396

NOTE 18: OTHER RESERVES

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Foreign Currency Translation Reserve				
Balance at beginning of year	595	-	-	-
Transfer to deferred tax	1,838	-	-	-
Currency translation differences	3,681	595	-	-
	6,114	595	-	-
Employee Share Option Reserve				
Balance at beginning of year	258	279	258	279
Fair value movements	65	(21)	65	(21)
	323	258	323	258
Total	6,437	853	323	258

NOTE 19: CASH, CASH EQUIVALENTS AND BANK OVERDRAFT

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Cash at bank	27,416	115,198	4,467	6,138
Bank overdraft	-	-	-	-
	27,416	115,198	4,467	6,138

NOTE 20: ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Billed debtors and unbilled sales	53,632	62,672	53,632	62,672
Provision for doubtful debts	(1,600)	(1,100)	(1,600)	(1,100)
Electricity market receivables	9,248	32,662	6,294	32,662
Other receivables	10,928	3,572	9,042	2,652
Prepayments	1,542	1,337	1,493	1,289
	73,750	99,143	68,861	98,175

NOTE 21: PROPERTY, PLANT AND EQUIPMENT

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Generation Assets				
Balance at beginning of year				
Fair value	1,639,774	1,641,000	1,352,000	1,352,000
Cost	206,795	-	772	-
Capital work in progress	183,479	213,145	32,655	14,042
Accumulated depreciation	(23,002)	-	(9,265)	-
	2,007,046	1,854,145	1,376,162	1,366,042
Additions at cost	74,157	175,675	8,593	19,345
Depreciation	(33,948)	(23,002)	(9,438)	(9,265)
Disposals at net book value	(353)	(1,226)	(332)	-
Revaluations/transfers	266,440	1,454	119,562	40
Balance at end of year				
Fair value	2,305,641	1,639,774	1,488,162	1,352,000
Cost	-	206,795	-	772
Capital work in progress	7,701	183,479	6,385	32,655
Accumulated depreciation	-	(23,002)	-	(9,265)
	2,313,342	2,007,046	1,494,547	1,376,162
Metering Equipment				
Balance at beginning of year				
Cost	60,820	57,009	60,820	57,009
Accumulated depreciation	(30,656)	(28,246)	(30,656)	(28,246)
	30,164	28,763	30,164	28,763
Additions at cost	4,020	3,812	4,020	3,812
Depreciation	(2,621)	(2,411)	(2,621)	(2,411)
Disposals at net book value	-	-	-	-
Transfers	-	-	-	-
Balance at end of year				
Cost	64,840	60,820	64,840	60,820
Accumulated depreciation	(33,277)	(30,656)	(33,277)	(30,656)
	31,563	30,164	31,563	30,164
Other Freehold Buildings				
Balance at beginning of year				
Cost	10,582	10,581	9,986	9,985
Accumulated depreciation	(2,681)	(2,507)	(2,693)	(2,507)
	7,901	8,074	7,293	7,478
Additions at cost	522	143	522	143
Depreciation	(240)	(195)	(198)	(195)
Disposals at net book value	-	(133)	-	(133)
Transfers	130	12	(1)	-
Balance at end of year				
Cost	11,245	10,582	10,507	9,986
Accumulated depreciation	(2,932)	(2,681)	(2,891)	(2,693)
	8,313	7,901	7,616	7,293

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Other Freehold Land				
Balance at beginning of year				
Cost	7,597	6,847	6,341	5,591
Additions at cost	5,809	2,469	113	2,469
Disposals at net book value	-	(1,719)	-	(1,719)
Transfers	636	-	38	-
Balance at end of year				
Cost	14,042	7,597	6,492	6,341
Other Plant and Equipment				
Balance at beginning of year				
Cost	13,270	14,315	13,270	11,213
Accumulated depreciation	(9,004)	(9,648)	(8,508)	(6,558)
	4,266	4,667	4,762	4,655
Additions at cost	2,479	515	2,429	1,861
Depreciation	(1,869)	(1,641)	(1,869)	(1,640)
Disposals at net book value	(234)	(164)	(234)	(164)
Transfers	994	889	1,161	50
Balance at end of year				
Cost	15,366	13,270	15,970	13,270
Accumulated depreciation	(9,730)	(9,004)	(9,721)	(8,508)
	5,636	4,266	6,249	4,762
Total				
Balance at beginning of year				
Fair value	1,639,774	1,641,000	1,352,000	1,352,000
Cost	299,064	88,752	91,189	83,798
Capital work in progress	183,479	213,145	32,655	14,042
Accumulated depreciation	(65,343)	(40,401)	(51,122)	(37,311)
	2,056,974	1,902,496	1,424,722	1,412,529
Additions at cost	86,987	182,614	15,677	27,630
Depreciation	(38,678)	(27,249)	(14,126)	(13,511)
Disposals at net book value	(587)	(3,242)	(566)	(2,016)
Revaluations/transfers	268,200	2,355	120,760	90
Balance at end of year				
Fair value	2,305,641	1,639,774	1,488,162	1,352,000
Cost	105,493	299,064	97,809	91,189
Capital work in progress	7,701	183,479	6,385	32,655
Accumulated depreciation	(45,939)	(65,343)	(45,889)	(51,122)
	2,372,896	2,056,974	1,546,467	1,424,722

If generation assets were stated on an historical cost basis, the amounts would be as follows	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Generation assets (at cost)	1,347,967	1,086,526	735,200	694,556
Generation assets under construction (at cost)	7,701	183,479	6,385	32,655
Generation assets accumulated depreciation	(172,324)	(134,383)	(108,275)	(94,886)
	1,183,344	1,135,622	633,310	632,325

Generation assets include freehold land and buildings which are not separately identifiable from other generation assets. Generation assets were independently revalued, using a discounted cash flow methodology, as at 31 March 2009 to their estimated market value as determined by Deloitte Corporate Finance.

The key assumptions in this valuation include future wholesale electricity prices, the future output of the assets, the remaining life of the assets, the ongoing operating and maintenance costs for each asset and the Group's weighted average cost of capital.

Included in the capital work in progress are capitalised borrowing costs of nil (2008:$4,949,000)

NOTE 22: COMMITMENTS	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Capital Commitments	-	47,191	-	-

The Group has no capital commitments at balance date. $5,437,000 has been accrued for work completed but not paid for in relation to the construction of its Snowtown wind farm in South Australia.

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

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

The Parent has a contract with Top Energy Limited to purchase all of the output from its Ngawha geothermal station. This commitment cannot be quantified.

NOTE 23: INVESTMENTS IN SUBSIDIARIES

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Shares at cost	-	-	64,719	64,719
Net advances to subsidiaries	-	-	315,962	328,080
Provision against advances to subsidiaries	-	-	(12,667)	(11,087)
	-	-	368,014	381,712

Significant subsidiaries (31 March balance dates)	*Country of incorporation*	*% owned*	*Principal activity*
Cobb Power Limited	New Zealand	100	Asset holding
TrustPower Oamaru Limited (formerly Pulse Business Solutions Limited)	New Zealand	100	Call services operator
Sellicks Hill Wind Farm Pty Ltd	Australia	100	Generation development
Snowtown Wind Farm Pty Ltd	Australia	100	Electricity generation
Tararua Wind Power Limited	New Zealand	100	Asset holding
TrustPower Australia Holdings Pty Ltd	Australia	100	Generation development
TrustPower Australia (New Zealand) Limited	New Zealand	100	Asset holding
TrustPower Insurance Limited	New Zealand	100	Insurance
TrustPower Australia Financing Partnership	Australia	100	Financing

NOTE 24: INTANGIBLE ASSETS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Customer Base Assets				
Balance at beginning of year				
Cost	64,994	64,994	64,994	64,994
Accumulated amortisation	(29,120)	(25,312)	(29,120)	(25,312)
	35,874	39,682	35,874	39,682
Additions at cost	-	-	-	-
Amortisation	(3,808)	(3,808)	(3,808)	(3,808)
Disposals at net book value	-	-	-	-
Balance at end of period				
Cost	64,994	64,994	64,994	64,994
Accumulated amortisation	(32,928)	(29,120)	(32,928)	(29,120)
	32,066	35,874	32,066	35,874
Computer Software				
Balance at beginning of year				
Cost	17,575	14,713	17,575	14,713
Accumulated amortisation	(13,183)	(11,846)	(13,183)	(11,846)
	4,392	2,867	4,392	2,867
Additions at cost	5,268	2,866	5,268	2,866
Amortisation	(1,882)	(1,337)	(1,882)	(1,337)
Disposals at net book value	(13)	(42)	(13)	(42)
Transfers	(315)	38	(315)	38
Balance at end of year				
Cost	21,122	17,575	21,122	17,575
Accumulated amortisation	(13,672)	(13,183)	(13,672)	(13,183)
	7,450	4,392	7,450	4,392
Total				
Balance at beginning of year				
Cost	82,569	79,707	82,569	79,707
Accumulated amortisation	(42,303)	(37,158)	(42,303)	(37,158)
	40,266	42,549	40,266	42,549
Additions at cost	5,268	2,866	5,268	2,866
Amortisation	(5,690)	(5,145)	(5,690)	(5,145)
Disposals at net book value	(13)	(42)	(13)	(42)
Transfers	(315)	38	(315)	38
Balance at end of year				
Cost	86,116	82,569	86,116	82,569
Accumulated amortisation	(46,600)	(42,303)	(46,600)	(42,303)
	39,516	40,266	39,516	40,266

There are no individually material intangible assets included within the above.

NOTE 25: ACCOUNTS PAYABLE AND ACCRUALS

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Capital expenditure accruals	11,602	108,917	6,164	6,164
Customer bond deposits	2,423	2,596	2,423	2,596
Electricity market payables	13,477	59,644	13,477	59,644
Line cost accrual	2,617	1,767	2,617	1,767
Employee entitlements	4,757	4,190	4,757	4,190
Interest accruals	3,834	4,747	3,834	3,519
Net GST payable	7,037	2,104	7,036	1,956
Other accounts payable and accruals	8,588	9,502	6,986	1,688
Trade accounts payable	30,360	28,594	30,360	28,594
	84,695	222,061	77,654	110,118

NOTE 26: UNSECURED BANK LOANS

	GROUP		PARENT	
	2009	2008	2009	2008
New Zealand dollar facilities	$000	$000	$000	$000
Repayment terms:				
One to two years	100,000	100,000	100,000	100,000
Two to five years	88,500	133,000	88,499	133,000
Over five years	99,026	106,948	99,026	106,948
Facility establishment costs	(2,552)	(2,977)	(2,552)	(2,977)
	284,974	336,971	284,973	336,971
Weighted average interest:				
One to two years	3.6%	8.7%	3.6%	8.7%
Two to five years	3.5%	8.8%	3.5%	8.8%
Over five years	3.9%	9.2%	3.9%	9.2%
	3.7%	8.9%	3.7%	8.9%
Australian dollar facilities				
Repayment terms:				
One to two years	186,499	-	-	-
Two to five years	-	106,917	-	-
Over five years	-	-	-	-
Facility establishment costs	-	-	-	-
	186,499	106,917	-	-
Weighted average interest:				
One to two years	4.6%	-	-	-
Two to five years	-	7.8%	-	-
Over five years	-	-	-	-
	4.6%	7.8%	-	-
Total bank loans	471,473	443,888	284,973	336,971

Interest rates paid during the year ranged from 3.18% to 9.30%.

The Group has the following loan facilities with interest priced at between call and 180 day rates:
(i) $100,000,000 revolving loan expiring in under one year
(ii) $125,000,000 revolving loan expiring in one to two years
(iii) $225,000,000 revolving loan expiring in two to five years
(iv) $99,026,000 table loan maturing in twelve years
(v) AUD 160,000,000 revolving loan expiring in one to two years

All of the Group's borrowings are unsecured. The Group borrows under a negative pledge arrangement with its bank loan providers, which with limited exceptions does not permit the Group to grant any security interest over its assets. The negative pledge deed requires the Group to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The banking arrangements may also create restrictions over the sale or disposal of certain assets unless the bank loans are repaid or renegotiated, specifically:
- Facilities (i) to (iii) and (v) require a continuation of the existing business operations. There are no costs to cancel the facilities.
- Facility (iv) requires continued ownership by the Group of at least 30% in relation to Tararua Stage III wind generation assets with a book value of $162,737,000. There are no costs to cancel the facility.

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

Subsequent to balance date the Group has accepted offers to refinance the facility expiring in one year and extend it by $20,000,000 to $120,000,000. This facility is currently being documented and will mature in two to five years.

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

NOTE 27: UNSECURED SUBORDINATED BONDS

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Repayment terms and interest:				
Maturing in December 2008, 8.3% p.a. fixed coupon rate	-	50,511	-	50,511
Maturing in September 2012, 8.5% p.a. fixed coupon rate	108,592	108,592	108,592	108,592
Maturing in March 2014, 8.5% p.a. fixed coupon rate	54,713	54,713	54,713	54,713
Maturing in December 2015, 8.4% p.a. fixed coupon rate	100,000	-	100,000	-
Bond issue costs	(2,634)	(1,777)	(2,634)	(1,777)
	260,671	212,039	260,671	212,039
Current portion	-	50,511	-	50,511
Non current portion	260,671	161,528	260,671	161,528
	260,671	212,039	260,671	212,039

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

At 31 March 2009 the bonds had a fair value of $279,080,000 (31 March 2008: $198,523,000).

NOTE 28: DEFERRED INCOME TAX

	GROUP		PARENT	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Balance at beginning of year	204,835	206,775	174,314	180,138
Current year changes in temporary differences affecting tax expense	(2,577)	10,621	(1,234)	2,544
Current year changes in temporary differences affecting reserves	48,879	6,239	4,661	8,008
Effect of announced change in corporate tax rate on:				
Income tax expense	-	(4,837)	-	(3,073)
Revaluation reserve	-	(14,169)	-	(13,509)
Cash flow hedge reserve	-	206	-	206
	251,137	204,835	177,741	174,314
Comprising:				
Deferred tax liabilities	251,137	206,654	177,741	174,314
Deferred tax assets	-	(1,819)	-	-
	251,137	204,835	177,741	174,314

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

GROUP **For the year ended 31 March 2009**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	**140,860**	**-**	**55,599**	**196,459**
Other property, plant and equipment movements	**50,010**	**4,486**	**-**	**54,496**
Employee benefits	**(1,126)**	**(152)**	**-**	**(1,278)**
Provisions	**(343)**	**(137)**	**-**	**(480)**
Carbon revenue recognition	**-**	**636**	**-**	**636**
Customer base assets	**10,762**	**(1,142)**	**-**	**9,620**
Financial instruments	**6,575**	**(6,333)**	**(6,651)**	**(6,409)**
Unrealised losses on Australian dollar loan	**-**	**-**	**(1,838)**	**(1,838)**
Other	**(84)**	**15**	**-**	**(69)**
	206,654	**(2,627)**	**47,110**	**251,137**

GROUP **For the year ended 31 March 2008**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	154,946	-	(14,086)	140,860
Other property, plant and equipment movements	42,384	7,626	-	50,010
Employee benefits	(1,272)	146	-	(1,126)
Provisions	(496)	153	-	(343)
Customer base assets	13,095	(2,333)	-	10,762
Financial instruments	(1,791)	235	8,131	6,575
Other	(91)	7	-	(84)
	206,775	5,834	(5,955)	206,654

PARENT **For the year ended 31 March 2009**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	**134,371**	**-**	**11,337**	**145,708**
Other property, plant and equipment movements	**24,159**	**2,688**	**-**	**26,847**
Employee benefits	**(1,126)**	**(152)**	**-**	**(1,278)**
Provisions	**(343)**	**(137)**	**-**	**(480)**
Carbon revenue recognition	**-**	**636**	**-**	**636**
Customer base assets	**10,762**	**(1,142)**	**-**	**9,620**
Financial instruments	**6,575**	**(3,142)**	**(6,676)**	**(3,243)**
Other	**(84)**	**15**	**-**	**(69)**
	174,314	**(1,234)**	**4,661**	**177,741**

PARENT **For the year ended 31 March 2008**	**Opening Balance**	**Charged to Income Statement**	**Charged Directly to Equity**	**Closing Balance**
Revaluations	147,808	-	(13,437)	134,371
Other property, plant and equipment movements	22,885	1,274	-	24,159
Employee benefits	(1,272)	146	-	(1,126)
Provisions	(496)	153	-	(343)
Customer base assets	13,095	(2,333)	-	10,762
Financial instruments	(1,791)	224	8,142	6,575
Other	(91)	7	-	(84)
	180,138	(529)	(5,295)	174,314

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

GROUP For the year ended 31 March 2009	Opening Balance	Charged to Income Statement	Charged Directly to Equity	Closing Balance
Revaluations	**-**	**-**	**-**	**-**
Other property, plant and equipment movements	**(808)**	**808**	**-**	**-**
Financial instruments	**1,670**	**99**	**(1,769)**	**-**
Tax losses unlikely to be utilised within one year	**957**	**(957)**	**-**	**-**
	1,819	**(50)**	**(1,769)**	**-**

GROUP For the year ended 31 March 2008	Opening Balance	Charged to Income Statement	Charged Directly to Equity	Closing Balance
Revaluations	-	-	-	-
Other property, plant and equipment movements	-	(808)	-	(808)
Financial instruments	-	(99)	1,769	1,670
Tax losses unlikely to be utilised within one year	-	957	-	957
	-	50	1,769	1,819

NOTE 29: RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO THE **SHAREHOLDERS**

	GROUP		PARENT	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Profit after tax attributable to the shareholders of the Company	105,075	98,133	108,818	95,724
Items classified as investing/financing				
Interest paid	53,748	38,538	44,819	44,139
Interest received	(1,393)	(1,462)	(4,328)	(6,141)
	52,355	37,076	40,491	37,998
Non-cash items:				
Amortisation of debt issue costs	958	1,183	958	1,183
Amortisation of intangible assets	5,690	5,145	5,690	5,145
Depreciation	38,678	27,249	14,126	13,511
Other fixed and investment asset charges/(credits)	1,552	(408)	1,922	318
Share option provision transfer	65	(21)	65	(21)
Movement in derivative financial instruments taken to the income statement	19,567	(985)	8,682	(654)
Intercompany charges	-	-	26,059	22,797
Increase/(decrease) in deferred tax liability excluding transfers to reserves	(2,481)	5,783	(1,234)	(529)
	64,029	37,946	56,268	41,750
Decrease/(increase) in working capital:				
Accounts receivable and prepayments	22,809	(37,585)	26,994	(36,625)
Taxation payable/receivable	10,486	(3,965)	8,144	(3,408)
Accounts payable and accruals excluding capital expenditure accruals	(40,537)	29,442	(32,463)	26,715
	(7,242)	(12,108)	2,675	(13,318)
Net cash flow from operating activities	214,217	161,047	208,252	162,154

NOTE 30: IMPUTATION CREDIT ACCOUNT

	GROUP		PARENT	
	2009	2008	2009	2008
	$000	$000	$000	$000
Balance at beginning of year	2,204	10,704	2,204	10,704
Tax paid	26,052	36,161	26,052	36,161
Allocated to dividends	(27,807)	(44,680)	(27,807)	(44,680)
Other movements	13	19	13	19
Balance at end of year	462	2,204	462	2,204

NOTE 31: EMISSION RIGHTS

	GROUP		PARENT	
	2009	2008	2009	2008
Verified Voluntary Emission Reductions (Tonnes $CO_{2\text{-}e}$)				
Balance at beginning of year	360,000	213,000	360,000	213,000
Rights verified during the year	29,000	202,000	29,000	202,000
Rights sold during the year	(23,000)	(55,000)	(23,000)	(55,000)
Rights used internally	(45,000)	-	(45,000)	-
Rights unsold at end of year	321,000	360,000	321,000	360,000

The Verified Voluntary Emission Reductions above relate to completed generation production for the period 1 January 2004 to 31 December 2007. As at 31 March 2009 unsold Verified Voluntary Emission Reductions were valued at nil (2008: nil).

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

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

	GROUP		PARENT	
	2009	2008	2009	2008
Kyoto Carbon Credits (Tonnes $CO_{2\text{-}e}$)				
Rights earned during the year	216,000	55,000	216,000	55,000
Rights sold during the year	(151,000)	(55,000)	(151,000)	(55,000)
Rights unsold at end of year	65,000	-	65,000	-

Included in other receivables (note 20) is $5,947,000 relating to Kyoto Carbon Credits generated and pre-sold (2008: $1,892,000). In addition $1,619,000 is included relating to Kyoto Carbon Credits generated but unsold at balance date (2008: nil).

NOTE 32: CONTINGENT LIABILITIES, OPERATING LEASES, AND SUBSEQUENT EVENTS

The Group is not aware of any material contingent liabilities at balance date (2008: nil).

The Group is not party to any material operating leases at balance date (2008: nil).

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

NOTE 33: RELATED PARTY TRANSACTIONS

The Group is controlled by Infratil Limited (incorporated in New Zealand) which owns 50.5% of the Company's shares. The Tauranga Energy Consumer Trust owns 33.0% and the residual 16.5% are widely held.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and Mr HRL Morrison, a Director of TrustPower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited and a Director of Infratil Limited. Infratil Limited is a significant shareholder in TrustPower Limited and $112,000 (2008: $53,000) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services. As at 31 March 2009 none of this amount was outstanding (2008: $1,000).

Mr JG Schultz was a Director of a number of the Australian subsidiaries of the Company until 31 May 2008 and is a partner in the Adelaide based law firm of Finlaysons. $56,000 was paid to Finlaysons up to 31 May 2008 (2008 full year: $155,000) for legal services. As at 31 March 2009 none of this amount was outstanding (2008: nil).

Consultancy fees of $ 9,000 (2008: nil) were paid to Victoria Electricity Pty Ltd which is a subsidiary of the Group's ultimate parent. As at 31 March 2009 none of this amount was outstanding (2008: nil).

The key management personnel compensations (including Directors' fees) are as follows:	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Salaries and other short-term employee benefits	3,956	3,674	3,956	3,674
Share based payments	58	79	58	79
	4,014	3,753	4,014	3,753

$1,129,000 of this amount was unpaid at 31 March 2009 (2008: $1,056,000).

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

Advances have been made to/from subsidiaries (refer to note 23) and are payable on demand. Advances to New Zealand based subsidiaries are interest free while interest is charged to overseas based subsidiaries at a market rate.

The Parent has a lease contract with its subsidiaries Cobb Power Limited and Tararua Wind Power Limited for the use of the subsidiary companies' generations assets. These commitments cannot be quantified.

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

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
Operating lease costs	-	-	(16,496)	(13,949)
Interest revenue	-	-	2,654	4,766
Impact on profit before income tax	-	-	(13,842)	(9,183)

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year. Except as noted above their are no amounts outstanding at 31 March 2009 (2008: nil).

NOTE 34: EMPLOYEE SHARE OPTION SCHEME

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

	NUMBER		EXERCISE PRICE $	
	2009	2008	2009	2008
Options Outstanding:				
Tranche A issued November 2003, expiring February 2009	-	-	-	-
Tranche B issued May 2004, expiring August 2010	-	-	-	-
Tranche C issued November 2004, expiring February 2010	280,000	335,000	6.10	5.94
Tranche D issued May 2006, expiring June 2012	360,000	380,000	7.81	7.48
	640,000	715,000		
Options Exercised to Date:				
Tranche A	520,000	520,000	3.04	3.04
Tranche B	60,000	60,000	4.85	4.85
Tranche C	140,000	85,000	6.10	5.94
Tranche D	-	-	-	-
	720,000	665,000		
Options Lapsed to Date:				
Tranche A	60,000	60,000		
Tranche B	-	-		
Tranche C	60,000	60,000		
Tranche D	100,000	80,000		
	220,000	200,000		