

Trustpower Limited	
Results for announcement to the market	
Reporting period	6 months to 30 September 2014
Previous reporting period	6 months to 30 September 2013

	Amount \$000's	Percentage change
Revenue from ordinary activities	504,860	20.6%
Profit from ordinary activities after tax attributable to shareholders	89,235	15.6%
Net profit attributable to shareholders	89,235	15.6%

	Amount per share	Imputed amount per share	Foreign tax credit per share
Dividend payable	\$0.200000	\$0.046667	\$0.021176
Record date	28 November 2014		
Dividend payment date	12 December 2014		

Comments: See the attached press release.	
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TRUSTPOWER LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2014

	Note	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Operating Revenue				
Electricity revenue		468,022	392,040	752,444
Gas revenue		12,235	4,697	10,962
Telecommunications revenue		16,267	13,685	28,783
Other operating revenue		8,336	8,247	19,510
		504,860	418,669	811,699
Operating Expenses				
Electricity costs		76,437	64,451	126,058
Generation production costs		31,767	20,750	49,345
Line costs		144,853	120,389	232,103
Gas cost of sales		9,067	3,714	8,617
Net (gain)/loss on sale of property, plant and equipment		(89)	(72)	137
Employee benefits		23,377	19,901	40,959
Telecommunications cost of sales		13,023	10,940	23,261
Other operating expenses		33,079	25,376	53,813
		331,514	265,449	534,293
Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments (EBITDAF)				
		173,346	153,220	277,406
Impairment of assets		-	-	226
Discount on acquisition	17	(24,986)	-	-
Fair value (gains)/losses on financial instruments		4,395	(10,066)	(9,448)
Amortisation of intangible assets		5,952	5,011	10,619
Depreciation		40,189	29,018	61,394
Operating Profit		147,796	129,257	214,615
Interest paid	5	38,244	30,942	63,215
Interest received	5	(459)	(778)	(1,487)
Net finance costs		37,785	30,164	61,728
Profit Before Income Tax		110,011	99,093	152,887
Income tax expense	6	20,776	21,926	37,766
Profit After Tax Attributable to the Shareholders of the Company		89,235	77,167	115,121
Earnings per share (cents per share)		28.5	24.6	36.8

The Board of Trustpower Limited authorised these Interim Financial Statements for issue on 1 November 2014.

The accompanying notes form part of these interim financial statements

**TRUSTPOWER LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2014**

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Profit after tax attributable to the shareholders of the Company	89,235	77,167	115,121
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Asset impairments	-	-	(4,268)
Currency translation differences on revaluation reserve	3,335	(7,493)	(11,299)
Other currency translation differences	2,746	(4,339)	(6,796)
Tax effect of the following:			
Disposal of revalued assets	-	-	(18)
Currency translation differences	4,581	(5,009)	(7,625)
Items that may be reclassified subsequently to profit or loss:			
Fair value (losses)/gains on cash flow hedges	(10,642)	8,190	14,562
Tax effect of the following:			
Fair value losses/(gains) on cash flow hedges	3,052	(2,768)	(4,558)
Total Other Comprehensive Income	3,072	(11,419)	(20,002)
Total Comprehensive Income	92,307	65,748	95,119

The accompanying notes form part of these interim financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2014

	Share capital	Revaluation reserve	Cash flow hedge reserve	Other reserves	Retained earnings	Total equity
Note	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance as at 1 April 2013	166,108	1,025,063	(9,390)	10,665	359,317	1,551,763
Total comprehensive income for the period	-	(7,493)	5,422	(9,348)	77,167	65,748
Disposal of revalued assets	-	-	-	-	-	-
<i>Transactions with owners recorded directly in equity</i>						
Purchase of treasury shares by Directors	143	-	-	-	-	143
Own shares repurchased	7 (2,133)	-	-	-	-	(2,133)
Issue of treasury shares to management	51	-	-	-	-	51
Dividends paid	8 -	-	-	-	(62,800)	(62,800)
Total transactions with owners recorded directly in equity	(1,939)	-	-	-	(62,800)	(64,739)
Unaudited closing balance as at 30 September 2013	164,169	1,017,570	(3,968)	1,317	373,684	1,552,772
Opening balance as at 1 October 2013	164,169	1,017,570	(3,968)	1,317	373,684	1,552,772
Total comprehensive income for the period	-	(8,092)	4,582	(5,073)	37,954	29,371
Disposal of revalued assets	-	(266)	-	-	266	-
<i>Transactions with owners recorded directly in equity</i>						
Purchase of treasury shares by Directors	155	-	-	-	-	155
Own shares repurchased	7 (5,290)	-	-	-	-	(5,290)
Dividends paid	8 -	-	-	-	(62,476)	(62,476)
Total transactions with owners recorded directly in equity	(5,135)	-	-	-	(62,476)	(67,611)
Audited closing balance as at 31 March 2014	159,034	1,009,212	614	(3,756)	349,428	1,514,532
Opening balance as at 1 April 2014	159,034	1,009,212	614	(3,756)	349,428	1,514,532
Total comprehensive income for the period	-	3,335	(7,590)	7,327	89,235	92,307
Disposal of revalued assets	-	-	-	-	-	-
<i>Transactions with owners recorded directly in equity</i>						
Purchase of treasury shares by Directors	155	-	-	-	-	155
Issue of treasury shares to management	-	-	-	-	-	-
Own shares repurchased	7 (741)	-	-	-	-	(741)
Dividends paid	8 -	-	-	-	(62,576)	(62,576)
Total transactions with owners recorded directly in equity	(586)	-	-	-	(62,576)	(63,162)
Unaudited closing balance as at 30 September 2014	158,448	1,012,547	(6,976)	3,571	376,087	1,543,677

The accompanying notes form part of these interim financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

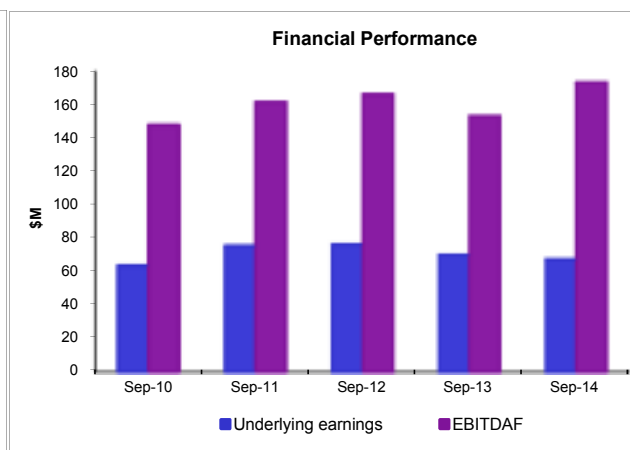
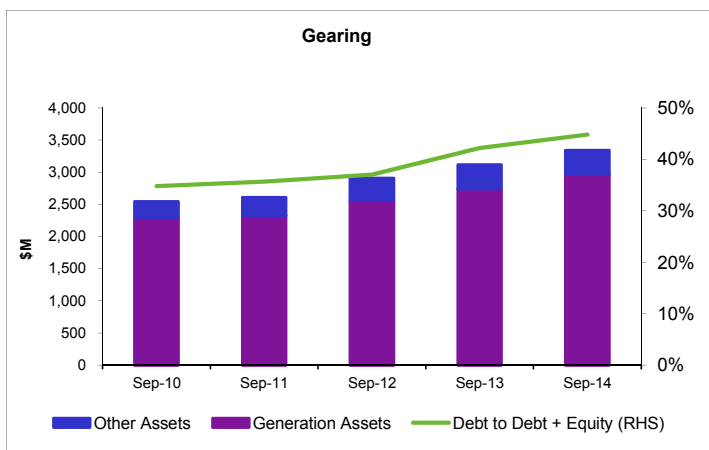
	Note	Unaudited September 2014 \$000	Unaudited September 2013 \$000	Audited March 2014 \$000
Equity				
<i>Capital and reserves attributable to shareholders of the Company</i>				
Share capital	7	158,448	164,169	159,034
Revaluation reserve		1,012,547	1,017,570	1,009,212
Retained earnings		376,087	373,684	349,428
Cash flow hedge reserve		(6,976)	(3,968)	614
Other reserves		3,571	1,317	(3,756)
Total Equity		1,543,677	1,552,772	1,514,532
<i>Represented by:</i>				
Current Assets				
Cash at bank		53,822	79,405	31,723
Bond deposits on trust		800	800	800
Electricity market security deposits		1,655	954	1,799
Accounts receivable and prepayments		148,689	119,973	131,515
Derivative financial instruments	9	2,051	15,900	5,132
Taxation receivable		11,561	7,352	9,913
		218,578	224,384	180,882
Non Current Assets				
Accounts receivable and prepayments		-	3,051	764
Property, plant and equipment		3,040,956	2,816,525	2,886,619
Derivative financial instruments	9	2,539	4,369	4,507
Other investments		1,892	1,894	1,892
Intangible assets		74,054	64,277	72,239
		3,119,441	2,890,116	2,966,021
Total Assets		3,338,019	3,114,500	3,146,903
Current Liabilities				
Accounts payable and accruals		114,163	92,099	122,429
Unsecured subordinated bonds		-	54,713	-
Unsecured senior bonds		75,000	-	75,000
Unsecured bank loans	14	69,694	148,961	193,508
Derivative financial instruments	9	5,515	796	2,907
Taxation payable		254	1,213	5,222
		264,626	297,782	399,066
Non Current Liabilities				
Unsecured bank loans	14	806,287	478,194	529,012
Unsecured subordinated bonds		238,441	237,940	238,211
Accounts payable and accruals		3,752	3,959	3,856
Unsecured senior bonds		138,828	213,168	138,498
Derivative financial instruments	9	21,440	32,524	13,966
Deferred tax liability	10	320,968	298,161	309,762
		1,529,716	1,263,946	1,233,305
Total Liabilities		1,794,342	1,561,728	1,632,371
Net Assets		1,543,677	1,552,772	1,514,532
Net Tangible Assets Per Share		\$4.70	\$4.74	\$4.61

The accompanying notes form part of these interim financial statements

**TRUSTPOWER LIMITED AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2014**

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers	495,172	443,903	839,741
	495,172	443,903	839,741
<i>Cash was applied to:</i>			
Payments to suppliers and employees	339,701	301,204	548,999
Taxation paid	28,581	23,834	33,979
	368,282	325,038	582,978
Net Cash Flow from Operating Activities	126,890	118,865	256,763
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment	-	169	338
Return of bond deposits on trust	-	200	200
Return of electricity market security deposits	143	2,750	8,300
Interest received	459	773	1,490
Sale of other investments	-	531	523
	602	4,423	10,851
<i>Cash was applied to:</i>			
Capitalised interest in construction of property, plant and equipment	2,410	7,169	15,146
Lodgement of bond deposits on trust	-	-	-
Lodgement of electricity market security deposits	-	3,712	10,107
Purchase of property, plant and equipment	37,696	173,480	308,803
Purchase of other investments	3	-	-
Purchase of business	81,318	-	17,038
Purchase of intangible assets	7,767	20,640	16,493
	129,194	205,001	367,587
Net Cash Flow from Investing Activities	(128,592)	(200,578)	(356,736)
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Bank loan proceeds	230,744	226,810	406,550
Subordinated bond issue proceeds	(3)	-	-
Issue of shares	155	143	298
	230,896	226,953	406,848
<i>Cash was applied to:</i>			
Bond brokerage costs	-	-	-
Purchase of own shares	741	2,133	7,423
Repayment of bank loans	107,533	20,000	73,000
Repayment of subordinated bonds	-	-	54,713
Interest paid	37,176	30,537	61,796
Dividends paid	62,577	62,800	125,275
	208,027	115,470	322,207
Net Cash Flow from Financing Activities	22,869	111,483	84,641
Net (Decrease) / Increase in Cash, Cash Equivalents and Bank Overdrafts	21,167	29,770	(15,332)
Cash, cash equivalents and bank overdrafts at beginning of the period	31,723	53,972	53,972
Exchange gains/(losses) on cash	932	(4,337)	(6,917)
Cash, Cash Equivalents and Bank Overdrafts at End of the Period	53,822	79,405	31,723
RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO THE SHAREHOLDERS			
Profit after tax attributable to the shareholders of the Company	89,235	77,167	115,121
Interest paid	37,176	30,537	61,796
Interest received	(459)	(773)	(1,490)
Amortisation of debt issue costs	827	903	1,784
Non-cash transfer from cash flow hedge reserve to interest expense	(138)	(138)	(275)
Fixed, intangible and investment asset charges	8,809	33,952	72,379
Movements in financial instruments taken to the income statement	4,395	(10,066)	(9,448)
Share based staff remuneration	-	51	51
Increase/(decrease) in deferred tax liability excluding transfers to reserves	17,426	1,270	10,113
(Increase)/decrease in working capital	(30,381)	(14,038)	6,732
Net Cash Flow from Operating Activities	126,890	118,865	256,763

The accompanying notes form part of these interim financial statements



Operating Statistics	6 Months September 2014	6 Months September 2013	12 Months March 2014
Customers, Sales and Service			
Customer numbers (000s)	207	191	196
Electricity connections (000's)	234	218	224
Telecommunication connections (000's)	35	29	31
Gas connections (000's)	21	10	14
Customers with two services (000s)	44	31	37
Customers with three or more services (000s)	2	-	1
Mass market sales - Fixed Price (GWh)	893	851	1,578
Time of use sales - Fixed Price (GWh)	410	312	601
Time of use sales - Spot (GWh)	748	668	1,333
Total retail customer sales (GWh)	2,051	1,831	3,512
Average spot price of electricity purchased (\$/MWh)	69	71	73
Gas sales (TJ)	286	241	423
Annualised customer churn rate	14%	14%	14%
Annualised customer churn rate - total market	19%	21%	21%
Generation Production and Procurement			
North Island hydro generation production (GWh)	304	313	571
South Island hydro generation production (GWh)	606	562	965
Total hydro generation production (GWh)	910	875	1,536
North Island wind generation production (GWh)	263	290	578
South Island wind generation production (GWh)	52	53	95
Total wind generation production (GWh)	315	343	673
Total New Zealand generation production (GWh)	1,225	1,218	2,209
Average spot price of electricity generated (\$/MWh)	63	68	67
Net third party fixed price volume purchased (GWh)	342	274	561
Australian wind generation production (GWh)	584	193	536
Australian hydro generation production (GWh)	35	-	-
Total Australian generation production (GWh)	619	193	536
Other Information			
Resource consent non-compliance events	2	1	4
Staff numbers (full time equivalents)	611	542	572

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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 to its customers. All significant operations take place within New Zealand and Australia. The consolidated entity is designated as a profit-oriented entity for financial reporting purposes.

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

These interim financial statements relate to the six months ended 30 September 2014 and have been approved for issue by the Board of Directors on 1 November 2014.

2. Accounting Policies

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.

These unaudited interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* as well as International Accounting Standard 34 *Interim Financial Reporting* and should be read in conjunction with the previous annual report. Except as described below, the accounting policies and methods of computation are consistent with those used in the most recent annual report which can be obtained from Trustpower's registered office or www.trustpower.co.nz.

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

3. Underlying Earnings

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, impairment charges that the Directors consider to be one-off and tax rate and rule changes.

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Profit After Tax Attributable to the Shareholders of the Company	89,235	77,167	115,121
Fair value losses / (gains) on financial instruments	4,395	(10,066)	(9,448)
Discount on acquisition	(24,986)	-	226
	(20,591)	(10,066)	(9,222)
Change in income tax expense in relation to adjustments	(1,231)	2,818	2,582
Adjustments after income tax	(21,822)	(7,248)	(6,640)
Underlying Earnings After Tax	67,413	69,919	108,481
Underlying earnings per share (cents per share)	21.5	22.3	34.6

4. Segment Information

Primary Reporting Format - Business Segments

As at 30 September 2014, the Group is organised into two main business segments:

- development, ownership and operation of electricity generation facilities from renewable energy sources including the trading of energy with Retail and external parties ("Generation")
- purchase of energy from Generation and retail sale of electricity to customers ("Retail")

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

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

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

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

The unaudited segment results for the six months ended 30 September 2013 are as follows:

Total segment revenue	140,633	18,367	379,032	1,251	539,283
Inter-segment revenue	(119,646)	-	-	(968)	(120,614)
Revenue from external customers	20,987	18,367	379,032	283	418,669
EBITDAF	125,465	10,426	18,610	(1,281)	153,220
Amortisation of intangible assets	-	-	1,842	3,169	5,011
Depreciation	20,735	7,077	-	1,206	29,018
Capital expenditure	6,422	149,759	-	7,862	164,043
Asset impairment	-	-	-	-	-

The audited segment results for the 12 months ended 31 March 2014 are as follows:

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

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

Interest income and expenditure and taxation costs are not allocated to segments as this type of activity is driven by the central treasury function which manages them at a Group level.

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

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

5. Finance Income and Costs

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Amortisation of debt issue costs	827	903	1,784
Interest paid on unsecured bank loans	16,588	11,345	25,185
Interest paid on unsecured subordinated bonds	8,970	11,281	22,276
Interest paid on unsecured senior bonds	8,135	8,112	16,225
Other interest costs and fees	6,134	6,470	12,891
Interest capitalised in construction of property, plant and equipment	(2,410)	(7,169)	(15,146)
Total Interest Paid	38,244	30,942	63,215
Interest received on cash at bank	459	778	1,487
Total Interest Received	459	778	1,487

6. Income Tax Expense

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Profit before income tax	110,011	99,093	152,887
Tax on profit @ 28%	30,803	27,746	42,808
Foreign tax rate adjustment	621	(60)	31
Tax effect of permanent differences	(10,648)	(5,760)	(2,934)
Prior year tax losses not previously recognised	-	-	(3,017)
Income tax (over)/under provided in prior period	-	-	878
	20,776	21,926	37,766
<i>Represented by:</i>			
Current tax	22,405	20,680	32,017
Deferred tax	(1,629)	1,246	5,749
	20,776	21,926	37,766

7. Share Capital

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Authorised and issued ordinary share capital at beginning of the period	159,034	166,108	166,108
Own shares repurchased	(741)	(2,133)	(7,423)
Issue of shares to management	-	51	51
Purchase of treasury shares by Directors	155	143	298
	158,448	164,169	159,034

	000's of Shares	000's of Shares	000's of Shares
Authorised and issued ordinary shares at beginning of the period	312,987	314,015	314,015
Own shares repurchased	(114)	(303)	(1,078)
Issue of shares to management	-	7	7
Purchase of treasury shares by Directors	22	19	43
	312,895	313,738	312,987

8. Dividends on Ordinary Shares

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Dividends (forfeited)/reinstated	-	-	(165)
Final dividend prior period	62,576	62,800	62,800
Interim dividend current period	-	-	62,641
Supplementary dividend paid	44	67	127
Foreign investor tax credit	(44)	(67)	(127)
	62,576	62,800	125,276
Partially imputed dividend declared subsequent to the end of the reporting period payable 12 December 2014 to all shareholders on the register at 28 November 2014.	62,579	62,748	62,597
Cents per share	20	20	20

9. Derivative Financial Instruments

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Current			
Interest rate derivative assets	713	1,029	135
Electricity price derivative assets	1,338	2,062	2,216
Exchange rate derivative assets	-	12,809	2,781
	2,051	15,900	5,132
Interest rate derivative liabilities	922	548	614
Electricity price derivative liabilities	4,593	248	2,293
Exchange rate derivative liabilities	-	-	-
	5,515	796	2,907
Non-current			
Interest rate derivative assets	1,980	4,240	4,136
Electricity price derivative assets	559	129	371
Exchange rate derivative assets	-	-	-
	2,539	4,369	4,507
Interest rate derivative liabilities	12,083	12,796	8,701
Electricity price derivative liabilities	9,357	19,728	5,265
Exchange rate derivative liabilities	-	-	-
	21,440	32,524	13,966

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

10. Deferred Income Tax

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Balance at beginning of period	309,762	292,123	292,123
Current period changes in temporary differences affecting tax expense	(1,629)	1,246	5,267
Current period changes in temporary differences affecting reserves	(7,633)	7,777	12,201
Reclassification of prior year temporary differences	-	-	482
Acquired as part of business combination	18,705	-	4,171
Exchange rate movements on foreign denominated deferred tax	1,763	(2,985)	(4,482)
	320,968	298,161	309,762
<i>Deferred tax liabilities consist of temporary differences on:</i>			
Revaluations	223,092	223,289	221,578
Other property, plant and equipment movements	98,964	74,660	79,312
Employee benefits	(1,759)	(1,583)	(1,784)
Provisions	(685)	(745)	(448)
Customer base assets	7,371	4,492	7,974
Financial instruments	(5,919)	(3,819)	(1,355)
Unrealised losses on Australian dollar loan	(292)	1,673	4,289
Other	196	194	196
	320,968	298,161	309,762

11. Property, Plant and Equipment

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Assets acquired at cost	159,149	178,632	314,136
Net book value of assets disposed	42	127	515
Gain/(loss) on disposal	89	72	(137)

12. Commitments

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Capital Commitments	-	174,689	50,494

The prior period capital commitments comprise the contracts for the construction of stage 2 of the Group's Snowtown Wind Farm.

13. Seasonal Impact on Revenue

The retail sale of electricity is subject to seasonal fluctuations, with peak demand in the second quarter, and to a lesser extent the first quarter, of each financial year. This is due to higher demand for electricity in colder weather. For the six months ended 30 September 2013, the volume of customer sales was 9% higher than for the six months ended 31 March 2014.

14. Unsecured Bank Loans

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
<i>New Zealand dollar facilities</i>			
Current portion	17,000	-	-
Non-current portion	146,041	103,649	142,102
	163,041	103,649	142,102
<i>Australian dollar facilities</i>			
Current portion	52,694	148,961	235,203
Non-current portion	660,246	374,545	345,215
	712,940	523,506	580,418
<i>Total facilities</i>			
Current portion	69,694	148,961	235,203
Non-current portion	806,287	478,194	487,317
	875,981	627,155	722,520

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) \$75,000,000 revolving loan expiring in one to two years
- (iii) \$55,454,000 table loan maturing in over five years
- (iv) \$40,000,000 table loan maturing in over five years
- (v) AUD 70,000,000 revolving loan expiring in under one year
- (vi) AUD 75,000,000 revolving loan expiring in one to two years
- (vii) AUD 130,000,000 revolving loan expiring in two to five years
- (viii) AUD 125,000,000 revolving loan expiring in two to five years
- (ix) AUD 90,000,000 revolving loan expiring in two to five years
- (x) AUD 171,900,000 table loan expiring in over five years

15. Contingent Assets and Liabilities

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

Inland Revenue has appealed this decision. The appeal will be heard by the Appeal Court in March 2015. Should Inland Revenue be completely successful in its claim for all three years, the resulting liability would give rise to a tax payment of \$5,924,000 and interest expense of \$2,951,000. Following the statutory disputes process, Inland Revenue has now begun the reassessment of the 2009 and 2010 years, proposing tax payments of \$2,632,000 and interest expense of \$1,198,000. Based on the principle of the assessment and the proposed reassessments, the Group would need to revise its policy for capitalising the costs of resource consents for tax purposes in the 2011 and future years. This would give rise to a further estimated tax payment of \$2,029,000 and interest expense of \$398,000 in respect of the 2011 to 2015 years. This would primarily result in a balance sheet adjustment in the financial statements as most resource consents are depreciable intangible property. The impact of these adjustments on the tax expense in the income statement is difficult to estimate but is unlikely to exceed \$2,500,000 for all years up to September 2015.

Trustpower has been awarded costs in relation to the High Court case. The parties are unable to agree on the amount and the matter has been referred back to the Court for a decision. This hearing has been held but to date no judgment has been received. The award is likely to be between \$639,000 and \$1,400,000. The Inland Revenue has paid the undisputed \$639,000 portion of the costs. The awarding of costs has also been appealed and is therefore contingent on the outcome of the Appeal Court case noted above.

16. Related Party Transactions

The Group is controlled by Infratil Limited (incorporated in New Zealand) which owns 50.9% of the Company's shares. The Tauranga Energy Consumer Trust owns 33.2% and the residual 15.9% are widely held.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and Mr M Bogoievski, a Director of Trustpower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited. Infratil Limited is a significant shareholder in Trustpower Limited and \$9,000 (30 September 2013: nil, 31 March 2014: \$14,000) was paid to H.R.L. Morrison & Co Limited and related entities during the period for consultancy services. As at 30 September 2014 none of this amount was outstanding (30 September 2013: nil, 31 March 2014: nil).

For the period ended 30 September 2014 consultancy fees of \$9,000 (30 September 2013: nil, 31 March 2014: \$8,000) were paid to Lumo Energy Pty Ltd which is a subsidiary of the Group's ultimate parent. As at 30 September 2014 none of this amount was outstanding (30 September 2013: nil, 31 March 2014: nil).

Mr RH Aitken, a Director of Trustpower Limited, is the Executive Chairman of the engineering firm Beca Limited. \$200,000 was paid to Beca for engineering services in the six months to 30 September 2014 (30 September 2013: \$99,000, 31 March 2014: \$165,000). As at 30 September 2014 none of this amount was unpaid (30 September 2013: nil, 31 March 2014: \$3,000).

Mr RWH Farron, Chief Financial Officer and Company Secretary of Trustpower Limited, is a director of the engineering supplies firm BGH Group Limited and its New Zealand based subsidiaries. \$3,000 has been charged by subsidiaries, Bay Engineers Supplies Limited and Hose Supplies New Zealand Limited in the six months to 30 September 2014 (30 September 2013: \$3,000, 31 March 2014: \$18,000). As at 30 September 2014 none of this amount was unpaid (30 September 2013: nil, 31 March 2014: nil).

All Directors participate in a share purchase plan where the Directors' purchase shares in the Company to the value of half of their annual Directors' fees. During the six months to 30 September 2013 all Directors purchased their shares directly from the Company at the average market price for the preceding 20 business days from the treasury stock that the Company was holding. A total of 22,000 shares (30 September 2013: 19,000, 31 March 2014: 36,000) were purchased for \$155,000 (30 September 2013: \$143,000, 31 March 2014: \$298,000)

During the six months to 30 September 2014 no shares (30 September 2013: 6,700, 31 March 2014: 6,700) were issued to Mr VJ Hawksworth, Chief Executive of Trustpower Limited for no consideration (30 September 2013: \$51,000, 31 March 2014: \$51,000). The shares were issued from the treasury stock that the Company was holding.

Trustpower Limited owns 20.0% of the ordinary shares of Rangitata Diversion Race Management Limited (RDR) which owns and operates an irrigation canal in Canterbury. RDR's operating and capital expenditure is funded by advances from its shareholders. During the six months to 30 September 2014 the Group advanced RDR nothing (30 September 2013: nil, 31 March 2014: nil) and the total balance of the advance at 30 September 2014 was \$1,884,000 (30 September 2013: \$1,884,000, 31 March 2014: \$1,884,000). This balance is included in other investments in the statement of financial position.

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

Salaries and other short-term employee benefits

Unaudited 6 Months September 2014	Unaudited 6 Months September 2013	Audited 12 Months March 2014
\$000	\$000	\$000
2,937	2,996	4,518
2,937	2,996	4,518

Except as noted above, no transactions, other than within the Group, took place with related parties during the period. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the period. Except as noted above there are no amounts outstanding at 30 September 2014 (30 September 2013: nil, 31 March 2014: nil).

17. Business Combinations

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

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

	\$000
Cash consideration paid	79,544
Accrued estimated settlement adjustment	1,774
Total consideration	81,318
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Accounts receivable and prepayments	465
Generation assets	124,734
Other property, plant and equipment	324
Accounts payable and accruals	(515)
Deferred tax liability	(18,704)
Total identifiable net assets	106,304
Discount on acquisition	(24,986)
Total	81,318

Acquisition costs of \$486,000 have been charged to other operating expenses in the consolidated income statement for the period ended 30 September 2014.

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

The fair values set out in the table above are provisional pending receipt of final information relating to the generation assets and the agreement of the working capital settlement adjustment.

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

			AUD
Generation volume	243GWh	297GWh	-/+ \$19,000,000
Weighted average cost of capital	7.47%	8.47%	+\$11,000,000 / - \$9,000,000

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

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

The revenue included in the consolidated income statement since 18 July 2014 contributed by the acquired business was \$2,185,000 and the loss before tax was \$914,000. Had the business been consolidated from 1 April 2014, the consolidated income statement would show pro-forma revenue of \$5,739,000 and loss of \$828,000. It is noted that there is a seasonal profile to the earnings of these assets and profitability is expected to increase over the remainder of the financial year.

18. Financial Risk Management

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.

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 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 will not be hedge accounted. This risk management strategy assumes that the electricity wholesale market that currently operates will continue to do so in the future. There is a possibility that future regulatory intervention may fundamentally alter the structure of the wholesale electricity market. The likelihood and potential impact of such a change is unquantifiable. However, such an occurrence would likely necessitate a change to the Group's electricity price risk management policies and require a review of assets and liabilities held at fair value where electricity price is a key assumption in their value.

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 for only a limited number of these instruments.

Exchange Rate Risk

The Group has from time to time entered into forward exchange contracts to reduce the risk from price fluctuations of foreign currency costs associated with the construction of generation assets. Any resulting differential to be paid or received is recognised as a component of the cost of the project. The Group has also entered into forward foreign exchange contracts to reduce the risk from price fluctuations of foreign exchange income associated with the sale of emission rights. The Group has elected to apply cash flow hedge accounting to these instruments.

Credit Risk

The Group has no significant concentrations of credit risk. 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.

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, and 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.

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.

Fair Values

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

Estimation of Fair Values

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

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

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

- forward price curve (as described below); and

Valuation Input

Interest rate forward price curve
Foreign exchange forward prices

Electricity forward price curve

Discount rate for valuing interest rate derivatives

Discount rate for valuing forward foreign exchange contracts

Discount rate for valuing electricity price derivatives

Source

Published market swap rates
Published spot foreign exchange rates and interest rate differentials
Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available.
Published market interest rates as applicable to the remaining life of the instrument.
Published market interest rates as applicable to the remaining life of the instrument.
Assumed counterparty cost of funds ranging from 4.1% to 4.7%

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

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

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

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 September 2014				
Assets per the statement of financial position				
Interest rate derivative assets	-	2,693	-	2,693
Electricity price derivative assets	-	-	1,897	1,897
Exchange rate derivative assets	-	-	-	-
	-	2,693	1,897	4,590
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	13,005	-	13,005
Electricity price derivative liabilities	-	-	13,950	13,950
Exchange rate derivative liabilities	-	-	-	-
	-	13,005	13,950	26,955
30 September 2013				
Assets per the statement of financial position				
Interest rate derivative assets	-	5,269	-	5,269
Electricity price derivative assets	-	-	2,191	2,191
Exchange rate derivative assets	-	12,809	-	12,809
	-	18,078	2,191	20,269
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	13,344	-	13,344
Electricity price derivative liabilities	-	-	19,976	19,976
Exchange rate derivative liabilities	-	-	-	-
	-	13,344	19,976	33,320
31 March 2014				
Assets per the statement of financial position				
Interest rate derivative assets	-	4,271	-	4,271
Electricity price derivative assets	-	-	2,587	2,587
Exchange rate derivative assets	-	2,781	-	2,781
	-	7,052	2,587	9,639
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	9,315	-	9,315
Electricity price derivative liabilities	-	-	7,558	7,558
Exchange rate derivative liabilities	-	-	-	-
	-	9,315	7,558	16,873

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

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
30 September 2014			
Assets per the statement of financial position			
Opening balance	2,587	1,488	1,488
Gains and (losses) recognised in profit or loss	(690)	703	4,275
Gains and (losses) recognised in other comprehensive income	-	-	(3,176)
Closing balance	1,897	2,191	2,587
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	483	1,447	1,679
Liabilities per the statement of financial position			
Opening balance	7,558	14,862	14,862
(Gains) and losses recognised in profit or loss	(1,401)	227	(9,287)
(Gains) and losses recognised in other comprehensive income	7,793	4,887	1,983
Closing balance	13,950	19,976	7,558
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	287	14,383	4,407
Settlements during the period	(6,504)	5,778	(3,959)

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

A sensitivity analysis showing the effect on the value of the electricity price derivatives of reasonably possible alternative price path assumptions is shown below:

	Unaudited 6 Months September 2014 \$000	Unaudited 6 Months September 2013 \$000	Audited 12 Months March 2014 \$000
Increase/(decrease) to profit of a 10% increase in electricity forward price	1,170	559	1,499
Increase/(decrease) to profit of a 10% decrease in electricity forward price	(1,170)	(559)	(1,499)
Increase/(decrease) to equity of a 10% increase in electricity forward price	4,954	7,913	6,998
Increase/(decrease) to equity of a 10% decrease in electricity forward price	(4,954)	(7,913)	(6,998)

19. Subsequent Events

Except as noted there have been no material events subsequent to 30 September 2014.