

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**Financial Statements Review**

Trustpower is pleased to present its audited financial statements.

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

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

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

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

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

## Key Metrics

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

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**DIRECTORS' RESPONSIBILITY STATEMENT**  
**FINANCIAL STATEMENTS 2016**

The Directors are pleased to present the financial statements of Trustpower Limited and subsidiaries for the year ended 31 March 2016.

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

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

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

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



Paul Ridley-Smith  
Chairman



Geoff Swier  
Director

Company Registration Number HN604040  
Dated: 29 April 2016

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

*The accompanying notes form part of these financial statements*

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

*The accompanying notes form part of these financial statements*

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

*The accompanying notes form part of these financial statements*

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

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

*The accompanying notes form part of these financial statements*

**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

*The accompanying notes form part of these financial statements*



**TRUSTPOWER LIMITED AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**NOTE 1: BASIS OF PREPARATION**

**Reporting Entity**

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

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

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

**Basis of preparation**

The financial statements are prepared in accordance with:

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

In preparing the financial statements we have:

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

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

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

**Going concern**

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

**Judgements and key assumptions**

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

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

**NOTE 2: SEGMENT INFORMATION**

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

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

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

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

	Retail \$000	Generation New Zealand \$000	Generation Australia \$000	Other \$000	Total \$000
Total segment revenue	842,079	242,477	140,454	2,250	1,227,260
Inter-segment revenue	-	(189,228)	-	(1,492)	(190,720)
<b>Revenue from external customers</b>	<b>842,079</b>	<b>53,249</b>	<b>140,454</b>	<b>758</b>	<b>1,036,540</b>
<b>EBITDAF</b>	<b>41,839</b>	<b>193,846</b>	<b>105,239</b>	<b>(11,910)</b>	<b>329,014</b>
Amortisation of intangible assets	4,383	-	-	10,519	14,902
Depreciation	-	43,077	55,174	3,886	102,137
Capital expenditure including business acquisitions	6,076	182,045	3,412	27,751	219,284
Asset impairment	-	3,610	-	-	3,610

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

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

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

## Retail

This section details the retail operations of Trustpower.

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

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

This section includes the following notes:

Note 3: Retail Profitability Analysis

Note 4: Intangible Assets

Note 5: Retail Assumptions and Judgements

Note 6: Retail Financial Risk Management

Note 7: Retail Commitments

### NOTE 3: RETAIL PROFITABILITY ANALYSIS

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

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

### Revenue Recognition

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

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

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

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

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

**NOTE 4: INTANGIBLE ASSETS**

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

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

There are no individually material intangible assets.

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

**Customer base assets**

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

**Computer software**

Trustpower capitalises the cost when it acquires a software licence or develops software which is expect to provide benefit over a number of years. Costs of bringing the software into operation are also capitalised. These costs can include employee costs and some overheads. These costs are spread (amortised) evenly over the number of years it is expected the software will keep providing benefits. Generally this is three years but major billing software applications are spread over up to seven years.

**NOTE 5: RETAIL ASSUMPTIONS AND JUDGEMENTS**

**Unbilled sales estimate**

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

This estimate is then used in the calculation of:

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

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

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

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

**NOTE 6: RETAIL FINANCIAL RISK MANAGEMENT**

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

**Energy Price Risk**

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

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

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

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

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

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

**Retail Credit Risk**

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

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

Debtors that are unlikely to pay the money they owe Trustpower are not included as an asset in the balance sheet. This provision for doubtful debts is \$2,050,000 (2014: \$1,650,000). See notes A7 and A16(c) for further detail.

**NOTE 7: RETAIL COMMITMENTS**

*Electricity Purchase Commitments*

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

<b>Counter Party</b>	<b>Type of generation</b>
Eastland Networks Limited	Waihi Hydro station
Rotokawa Generation Limited	Rotokawa geothermal power station
Clearwater Hydro Limited	Hydropower stations
Amethyst Hydro Limited	Hydropower station
Ngawha Generation Limited	Geothermal power station

## Generation

This section details the generation operations of Trustpower.

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

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

This section includes the following notes:

- Note 8: Generation Profitability Analysis
- Note 9: Property, Plant and Equipment
- Note 10: Generation Critical Accounting Estimates and Judgements
- Note 11: Generation Financial Risk Management
- Note 12: Business Combinations
- Note 13: Generation Commitments

### NOTE 8: GENERATION PROFITABILITY ANALYSIS

#### New Zealand

##### Operating Revenue

	2016 \$000	2015 \$000
Electricity revenue	210,063	202,004
Meter rental revenue	18,085	19,299
Net other operating revenue	14,329	11,195
	<b>242,477</b>	<b>232,498</b>

##### Operating Expenses

Generation production costs	43,256	43,192
Employee benefits	12,945	10,609
Generation development expenditure	1,470	1,477
Other operating expenses including electricity hedge settlements	(9,040)	(5,339)
	<b>48,631</b>	<b>49,939</b>

##### EBITDAF

	<b>193,846</b>	<b>182,559</b>
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The analysis above includes the following internal charges:

Electricity revenue	176,019	171,248
Electricity hedge settlements	13,382	9,220
Meter rental revenue	10,639	10,876
Other operating revenue	2,570	2,520
	<b>202,610</b>	<b>193,864</b>

#### Australia

##### Operating Revenue

	2016 \$000	2015 \$000
Electricity revenue	140,454	129,434

##### Operating Expenses

Generation production costs	25,637	23,533
Employee benefits	2,234	1,862
Generation development expenditure	5,503	3,492
Other operating expenses	1,841	2,944
	<b>35,215</b>	<b>31,831</b>

##### EBITDAF

	<b>105,239</b>	<b>97,603</b>
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There are no internal transactions in the Australian Generation business.

#### **Generation development**

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

#### **Generation lease revenue**

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

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

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

**Property, Plant and Equipment**

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

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

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

**NOTE 10: GENERATION CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

**Fair value of generation property, plant and equipment**

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

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

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

**Depreciation expense**

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

**Sensitivity analysis**

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

**NOTE 11: GENERATION FINANCIAL RISK MANAGEMENT**

**Exchange Rate Risk**

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

**Electricity Price Risk**

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

**Volume Risk**

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

**Credit Risk**

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

**Damage to Generation Assets Risk**

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



**NOTE 12: BUSINESS COMBINATIONS**

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

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

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

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

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

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

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

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

**NOTE 13: GENERATION COMMITMENTS**

	2016 \$000	2015 \$000
<b>Capital Commitments</b>	<b>415</b>	2,571

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

## Debt

This section details the borrowings of Trustpower.

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

This section includes the following notes:

Note 14: Borrowings

Note 15: Finance Income And Costs

Note 16: Debt Financial Risk Management

### NOTE 14: BORROWINGS

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

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

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

**NOTE 14: BORROWINGS CONTINUED**

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

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

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

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

**NOTE 15: FINANCE INCOME AND COSTS**

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

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

**NOTE 16: DEBT FINANCIAL RISK MANAGEMENT**

**Interest Rate Risk**

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

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

**Liquidity Risk**

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

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

**Exchange Rate Risk**

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

**Refinancing Risk**

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

**Credit Risk**

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

## Equity

This section details the equity of Trustpower.

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

This section includes the following notes:

Note 17: Equity

Note 18: Share Capital

Note 19: Dividends On Ordinary Shares

Note 20: Imputation Credit Account

Note 21: Equity Financial Risk Management

### NOTE 17: EQUITY

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

**NOTE 17: EQUITY CONTINUED**

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

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

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

**NOTE 18: SHARE CAPITAL**

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

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

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

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

**NOTE 19: DIVIDENDS ON ORDINARY SHARES**

Dividends (forfeited)/reinstated  
Final dividend prior period  
Interim dividend paid current period  
Supplementary dividend paid  
Foreign investor tax credit

	2016 Cents Per Share	2015	2016 \$000	2015 \$000
Dividends (forfeited)/reinstated	-	-	(425)	-
Final dividend prior period	21.0	20.0	65,712	62,576
Interim dividend paid current period	21.0	20.0	65,716	62,579
Supplementary dividend paid	-	-	88	88
Foreign investor tax credit	-	-	(88)	(88)
	<b>42.0</b>	<b>40.0</b>	<b>131,003</b>	<b>125,155</b>

Final partially imputed dividend declared subsequent to the end of the reporting period payable 10 June 2016 to all shareholders on the register at 27 May 2016.

21.0	21.0	65,720	65,712
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**Dividend Distribution**

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

**NOTE 20: IMPUTATION CREDIT ACCOUNT**

Imputation credits available for use in subsequent reporting periods

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

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

**NOTE 21: EQUITY FINANCIAL RISK MANAGEMENT**

**Capital Risk Management Objectives**

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

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

The gearing ratio is calculated below:

**Net debt**

Unsecured bank debt  
Unsecured subordinated bonds  
Unsecured senior bonds  
Cash and cash equivalents

Note

	2016 \$000	2015 \$000
Unsecured bank debt	953,691	734,803
Unsecured subordinated bonds	139,069	238,671
Unsecured senior bonds	243,704	243,140
Cash and cash equivalents	(13,344)	(14,057)
	<b>1,323,120</b>	<b>1,202,557</b>

**Equity**

Total equity  
Remove net effect of fair value of financial instruments after tax

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Total equity	1,888,644	1,810,236
Remove net effect of fair value of financial instruments after tax	1,494	(4,806)
	<b>1,890,138</b>	<b>1,805,430</b>
	<b>3,213,258</b>	<b>3,007,987</b>

**Total capital funding**

**Gearing ratio**

41% 40%

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

## Tax, Related Party and Other Notes

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

This section includes the following notes:

Note 22: Income Tax Expense  
Note 23: Deferred Income Tax  
Note 24: Income Tax Estimates And Judgements  
Note 25: Contingent Liabilities And Subsequent Events  
Note 26: Other Commitments  
Note 27: Related Party Transactions

### NOTE 22: INCOME TAX EXPENSE

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

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

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

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

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

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

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

	\$000
Increase in interest expense	(5,304)
Tax effect of increased interest expense	1,485
Other increase in tax expense	(2,762)
Total decrease to net profit after tax	<b>(6,581)</b>
Adjustments to income tax payable	
Previously expensed costs now capitalised for tax purposes	10,685
Increased tax depreciation	(2,072)
Increased interest expense	(1,485)
Total adjustments to income tax payable	7,128
Increase in interest payable (included as part of accounts payable and accruals)	5,304
Decrease in deferred tax liability	(5,851)
Net increase in liabilities	<b>6,581</b>

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

Trustpower was awarded \$1,177,000 of costs in relation to the High Court case. These costs were paid by Inland Revenue in the prior period. They have been refunded by Trustpower in this period following the Court of Appeal decision. The Court of Appeal also awarded Inland Revenue costs for the High Court and Court of Appeal. As Inland Revenue has yet to claim these costs they are very difficult to quantify, Trustpower has made a provision of \$500,000 as its best estimate of the amount payable. These costs are also subject to the appeal at the Supreme Court.



**NOTE 23: DEFERRED INCOME TAX**

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

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

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

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

**NOTE 24: INCOME TAX ESTIMATES AND JUDGEMENTS**

**Income tax expense**

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

**NOTE 25: CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS**

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

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

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

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

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

**NOTE 26: OTHER COMMITMENTS**

**Operating Leases**

Not later than 1 year  
Later than 1 year and not later than 5 years  
Later than 5 years  
Total operating lease commitments

	2016 \$000	2015 \$000
Not later than 1 year	3,561	483
Later than 1 year and not later than 5 years	13,156	13,208
Later than 5 years	23,222	26,000
<b>Total operating lease commitments</b>	<b>39,939</b>	<b>39,691</b>

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

**NOTE 27: RELATED PARTY TRANSACTIONS**

*Key management personnel*

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

Salaries and other short-term employee benefits  
Fair value movements in cash settled, share based incentives  
Post-employment benefits

Note	2016 \$000	2015 \$000
	5,470	4,991
A14	(66)	311
	-	69
	<b>5,404</b>	<b>5,371</b>

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

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

**Shareholders**

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

H.R.L. Morrison & Co Limited manages Infratil Limited and Mr M Bogoevski, a Director of Trustpower Limited, is its Chief Executive. Mr B Harker (until 31 December 2015) and Mr P Ridley-Smith (from 1 January 2016), were Chairmen of Trustpower Limited during the reporting period and are senior executives of H.R.L Morrison & Co Limited. \$575 (2015: \$9,200) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services. As at 31 March 2016 no balance was outstanding (2015: nil).

**Directors**

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

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

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

**Other**

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

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

**APPENDIX**

**NOTE A1: SIGNIFICANT ACCOUNTING POLICIES INDEX**

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

**NOTE A2: NON-GAAP MEASURES**

**Underlying Earnings after Tax**

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

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

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

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

**NOTE A3: EARNINGS PER SHARE**

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

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

**NOTE A4: NET TANGIBLE ASSETS PER SHARE**

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

**NOTE A5: OTHER OPERATING EXPENSES**

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

**NOTE A6: REMUNERATION OF AUDITORS**

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

**NOTE A7: ACCOUNTS RECEIVABLE AND PREPAYMENTS**

*Current Portion:*

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

From March 2015, New Zealand electricity market invoices are partially net settled. This has had the effect of reducing both the electricity market receivables above and the electricity market payables (note A8).

**Trade Receivables**

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

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

**NOTE A8: ACCOUNTS PAYABLE AND ACCRUALS**

*Current Portion*

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

**Trade Payables**

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

**NOTE A9: FAIR VALUE GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS**

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

**Recognised in the income statement**

	2016 \$000	2015 \$000
Interest rate derivatives	(2,326)	(16,888)
Electricity price derivatives	(4,001)	2,669
	<b>(6,327)</b>	<b>(14,219)</b>

**Recognised in the cash flow hedge reserve**

	2016 \$000	2015 \$000
Interest rate derivatives	-	170
Electricity price derivatives	(8,476)	8,631
Exchange rate derivatives	-	(2,791)
	<b>(8,476)</b>	<b>6,010</b>

**NOTE A10: CASH FLOW HEDGE RESERVE**

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

**NOTE A11: DERIVATIVE FINANCIAL INSTRUMENTS**

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

**NOTE A12: INVESTMENTS IN SUBSIDIARIES**

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

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

**NOTE A13: RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO THE SHAREHOLDERS**

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

**NOTE A14: EMPLOYEE SHARE BASED COMPENSATION**

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

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

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

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

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

**NOTE A15: PROPERTY, PLANT AND EQUIPMENT AT HISTORICAL COST**

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

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

**NOTE A16: FINANCIAL RISK MANAGEMENT**

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

**(a) Liquidity Risk**

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

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
<b>As at 31 March 2016</b>				
Net settled electricity price derivatives	1,446	3,366	1,774	5,502
Net settled interest rate derivatives	1,606	4,034	4,299	23,020
Accounts payable and accruals	94,201	87	104	3,232
Unsecured subordinated bonds	-	4,725	4,725	163,625
Unsecured senior bonds	5,200	19,455	71,918	212,073
Unsecured bank loans	222	285,782	10,236	683,744
Total	102,675	317,449	93,056	1,091,196
<b>As at 31 March 2015</b>				
Net settled electricity price derivatives	1	272	2,419	1,961
Net settled interest rate derivatives	50	4,016	3,999	20,472
Accounts payable and accruals	89,333	87	104	3,648
Unsecured subordinated bonds	-	8,925	106,825	173,075
Unsecured senior bonds	-	8,218	8,218	292,210
Unsecured bank loans	333	23,121	9,869	713,241
Total	89,717	44,639	131,434	1,204,607

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

**(b) Interest Rate Risk**

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

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

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

*Sensitivity analysis*

At 31 March 2016, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

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



**(c) Credit Risk**

As of 31 March 2016, trade receivables of \$3,438,000 (2015: \$4,722,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016 \$000	2015 \$000
Up to 3 months	3,438	4,722
3 to 6 months	-	-
	<b>3,438</b>	<b>4,722</b>

As of 31 March 2016, trade receivables of \$2,050,000 (2015: \$1,650,000) were past due and impaired. The ageing analysis of these trade receivables is as follows:

	2016 \$000	2015 \$000
Up to 3 months	551	562
Over 3 months	1,499	1,088
	<b>2,050</b>	<b>1,650</b>

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

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

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

**(d) Electricity Price Risk**

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

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

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

*Sensitivity analysis*

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

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

**Fair value of derivatives and other financial instruments**

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

**Fair Values**

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

**NOTE A17: FAIR VALUE MEASUREMENT**

**Estimation of Fair Values**

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

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

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

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

*Valuation Input*

Interest rate forward price curve to value interest rate swaps  
 Foreign exchange forward prices to value foreign exchange contracts

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 the Directors' best estimate based on their 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 adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities.

Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities.

Assumed counterparty cost of funds ranging from 3.3% to 4.1%

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

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

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

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

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

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

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

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

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

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

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

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

**NOTE A18: FINANCIAL INSTRUMENTS BY CATEGORY**

	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Assets held to maturity
	\$000	\$000	\$000	\$000
<b>31 March 2016</b>				
<b>Assets per the statement of financial position</b>				
Derivative financial instruments	-	7,514	305	-
Trade and other receivables excluding prepayments	126,901	-	-	-
Cash and cash equivalents	13,344	-	-	-
Bond deposits on trust	3,647	-	-	-
Other investments	-	-	-	8
	<b>143,892</b>	<b>7,514</b>	<b>305</b>	<b>8</b>

**31 March 2015**  
**Assets per the statement of financial position**

Derivative financial instruments	-	7,051	7,123	-
Trade and other receivables excluding prepayments	118,391	-	-	-
Cash and cash equivalents	14,057	-	-	-
Bond deposits on trust	2,740	-	-	-
Term receivables	-	-	-	-
Other investments	-	-	-	1,892
	<b>135,188</b>	<b>7,051</b>	<b>7,123</b>	<b>1,892</b>

**31 March 2016**  
**Liabilities per the statement of financial position**

	Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities at amortised cost
	\$000	\$000	\$000
Unsecured bank loans including bank overdrafts	-	-	953,691
Unsecured subordinated bonds	-	-	139,069
Unsecured senior bonds	-	-	243,704
Derivative financial instruments	36,933	2,632	-
Trade and other payables	-	-	109,619
	<b>36,933</b>	<b>2,632</b>	<b>1,446,083</b>

**31 March 2015**  
**Liabilities per the statement of financial position**

Unsecured bank loans including bank overdrafts	-	-	734,803
Unsecured subordinated bonds	-	-	238,671
Unsecured senior bonds	-	-	243,140
Derivative financial instruments	27,950	975	-
Trade and other payables	-	-	99,919
	<b>27,950</b>	<b>975</b>	<b>1,316,533</b>

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

**NOTE A19: SUPPLEMENTARY ACCOUNTING INFORMATION**

**A19.1 Cash Flow Statement**

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

- cash is considered to be cash on hand and deposits held at call with banks, net of bank overdrafts
- operating activities include all activities that are not investing or financing activities
- investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments in subsidiaries
- financing activities are those activities, which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

**A19.2 Foreign Currency Translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand currency units (NZD), which is Trustpower's functional and presentation currency.

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

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

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

<p><b>NZ IFRS 16: Leases</b> (Effective date: periods beginning on or after 1 January 2019)</p>	<p>NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers.'</p> <p>Trustpower intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.</p>
<p><b>NZ IFRS 15: Revenue from contracts with customers</b> (Effective date: periods beginning on or after 1 January 2018)</p>	<p>NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. Trustpower intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact Trustpower</p>
<p><b>NZ IFRS 9: Financial Instruments</b></p>	<p>NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Trustpower intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.</p>

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