# JOIN THE EVOLUTION

ANNUAL REPORT 2019

YOU MIGHT NOT NOTICE IT
AT FIRST, BUT TRUSTPOWER IS
**ALWAYS EVOLVING.**
WHILE OUR INDIVIDUAL
ACTIONS MAY SEEM SMALL,
THE COLLECTIVE RESULT IS ONE OF

# REAL GREATNESS.

THE FUTURE WE'RE
CREATING IS EXCITING AND
**POWERFUL.**
AND WE WANT YOU
ON THE JOURNEY

# WITH US.

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IN THESE PAGES YOU'LL FIND ALL THE BEST BITS OF OUR YEAR AT TRUSTPOWER. FROM OUR COLERIDGE GENERATOR UPGRADE, TO SUCCESSFUL STAFF AND PROJECTS, TO THE FUTURE OF OUR INTERNET SERVICES. WE'D LOVE YOU TO JOIN US FOR THIS RIDE, BECAUSE, TO BE HONEST, WE'RE A LITTLE BIT PROUD OF IT.

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# 2019 HIGHLIGHTS

WE REFURBISHED TWO GENERATORS AT THE COLERIDGE POWER STATION, ON TIME AND BELOW BUDGET; WE SUCCESSFULLY INTEGRATED KING COUNTRY ENERGY'S RETAIL BUSINESS; WE ESTABLISHED 11 AGILE TEAMS THROUGHOUT THE BUSINESS; WE SIGNED AN AGREEMENT WITH SPARK TO PROVIDE WIRELESS BROADBAND AND MOBILE SERVICES; AND OUR SMART METER DEPLOYMENT IS WELL UNDER WAY.

## $93 million

net profit after tax of $93 million, down $21 million or 18%

## $222 million

operating earnings (EBITDAF) down $21 million or 9%

## 17¢

fully imputed final dividend of 17 cents

## 29¢

earnings per share from continuing operations of 29 cents, down 19%

## 40¢

total unimputed special dividend of 40c

## $64 million

retail earnings (EBITDAF) up 8%

## 402,000

total utility accounts reached 402,000, a 1% increase from 397,000 at 31 March 2018

## ↑ 107,000

customers with two or more products reached 107,000, a 7% increase from 100,000 at 31 March 2018

## $172 million

New Zealand generation production resulted in operating earnings of $172 million, down 12% on last year

## 51%

of customer interactions are now handled by our virtual workforce

# WHERE WE WORK

TRUSTPOWER IS PROUD TO GENERATE MORE THAN 99% OF OUR POWER SUSTAINABLY – THROUGH RENEWABLE HYDROELECTRICITY. WE HAVE 27 SITES ACROSS NEW ZEALAND.

>99%

of our power is generated sustainably

27

generation sites across New Zealand

402,000

utility accounts – 107,000 customers with two or more products

## North Island

| RETAIL CUSTOMERS | HYDRO | DIESEL |
|---|---|---|
| Auckland | Hinemaiaia | Bream Bay |
| Counties | Kuratau | |
| Far North | Mokauti | |
| King Country | Piriaka | |
| Southern Thames Valley | Wairere Falls | |
| Taupo | Kaimai | |
| Waikato/Waipa | Matahina | |
| Tauranga | Wheao/Flaxy | |
| Rotorua | Mangorei | |
| New Plymouth/Taranaki | Motukawa | |
| Gisborne | Patea | |
| Manawatu | Mangahao | |
| Whanganui | Esk | |
| Hawke's Bay | | |
| Wairoa | | |
| Wellington | | |

## South Island

| RETAIL CUSTOMERS | HYDRO |
|---|---|
| Tasman/Nelson | Cobb |
| Buller | Arnold |
| West Coast | Kaniere Forks/McKays Creek |
| Invercargill/Southland | Kumara/Dillmans/Duffers |
| Marlborough | Wahapo |
| Central Otago | Argyle/Wairau |
| Dunedin | Waihopai |
| Oamaru | Paerau/Patearoa |
| Otago | Waipori |
| Ashburton | Deep Stream |
| Christchurch | Coleridge |
| Rangiora | Highbank |
| Timaru | Montalto |

# EVOLVE AND ADAPT

PAUL RIDLEY-SMITH
CHAIR

VINCE HAWKSWORTH
CHIEF EXECUTIVE

THIS YEAR WE HAVE KEPT ADAPTING

# OUR CAPABILITIES

TO MEET THE
EVER-CHANGING NEEDS
OF OUR CUSTOMERS.

IT'S ONLY THROUGH DOING THIS THAT WE CAN
CONTINUE TO LEAD THE WAY.

## Introduction

The 2019 financial year was eventful for the energy and telecommunications markets. Trustpower anticipates that the 2020 financial year will be similar.

On a political dimension Trustpower awaits the final report of the Electricity Price Review Panel (EPR) and the broader Government and Opposition response to the Interim Climate Change Commission (ICCC) report expected to be delivered in late May 2019 following the introduction of the Carbon Zero Bill.

From a market perspective, key events were the ongoing rapid growth in telecommunications data consumption, which underpins Trustpower's retail growth strategy, and low inflows into the hydro catchments in New Zealand, coupled with unexpected and sustained gas field outages that along with modest demand growth resulted in a sustained period of high wholesale electricity prices.

The wholesale electricity market performed as would be expected in the circumstances and the industry responded well. Most importantly the lights stayed on and conservation campaigns were not required. This event put more focus on risk management practices and is an important reminder to all participants about market volatility in a hydro dominated energy system that requires peaking capacity from thermal generation.

For New Zealand to continue its transition to a low emissions economy, care must be taken with regulatory settings to encourage the build of new renewable generation, protect the viability of existing generation and ensure reliability of the electricity system.

Trustpower is optimistic that an enduring political consensus will form that will encourage the investment New Zealand needs to meet the low emissions targets and increase electrification. However, a successful transition also requires consumers, large and small, to change how they purchase and use energy. It is encouraging to see some of New Zealand's larger industrial consumers electrifying more of their processes.

In the telecommunications market the continued roll out of fibre throughout New Zealand means that over 1.4 million households can now access a high speed connection. Already, there are almost 700,000 customers connected to fibre, and the average data consumption per household nationally continues to increase dramatically year on year as more and more customers move to streaming video on demand services. Trustpower's average customer per month usage across both fibre and copper connections has increased from 54GB in January 2015 to 257GB in January 2019.

Fibre connections, data speed and data usage will continue to grow as New Zealander's become more accustomed to how to use data for their businesses and personal enjoyment.

> **Critical to our success is the development of capability in the business. This year we have seen our investment in building a learning culture, scalable agile platforms and using data to create customer insight come to fruition.**

## Strategy

Trustpower is delivering on its ambition to be the company that New Zealand trusts to keep it energised and connected. Our customers enjoy the comfort, convenience, connectivity and value of the Trustpower energy and telecommunications bundle in increasing numbers.

Last year, we described our four strategic pillars, bundling utility services, valuing and retaining our electricity customers, optimising our generation portfolio and focusing on new and emerging market opportunities.

It is notable that some of our competitors have chosen to emulate our energy and telecommunications bundles. This increases the importance of our focus on new opportunities and excellence in execution to ensure we retain our customers with great value and service.

Critical to our success is the development of capability in the business. This year we have seen our investment in building a learning culture, scalable agile platforms and using data to create customer insight come to fruition.

The evidence is our ability to “disrupt” ourselves and re-invent the way we conduct business both internally and with our customers.

We have made good progress in our ambition to be a digital business that delivers on our customers expectations. This means we have developed multiple channels, including webchat, chatbot, Trustpower app, virtual assistant and phone for customer engagement. Importantly from a customer perspective the channels are seamless, increasing customer satisfaction and reducing costs. We now serve 50% of our customer interactions through non-staffed channels.

Our goal over the next year is to increase this to more than 60% and build on the high satisfaction and re-engagement rates in our digital channels. Over the course of the year we also signed a long term smart metering deployment and service agreement with Australian based metering specialist intelliHub who have begun a three year smart metering deployment programme to our customer base.

The context for our generation business is changing with the continuing shift to a low emissions economy and increased electrification of the New Zealand economy coupled with the reducing cost of new technologies. We believe that the transition will be volatile and that generation plant and resource availability that can deliver in periods of high prices will be valuable.

It is a credit to early electricity power boards and other hydro power scheme pioneers that some of our most valuable hydro assets are over 100 years old. We expect to keep operating them for as long again, or longer.

To do so requires us to pay particular attention to our licence to operate. This requires us to engage with communities and take care of the precious water resource and environment that provides the energy for our power stations.

It also requires us to protect, upgrade and enhance these assets. As we increase our focus on the assets that deliver greatest value we have identified opportunities to increase yield, efficiency and availability. This year we have upgraded two of our most valuable generating units at Coleridge Power Station. We are also considering a potential turbine runner upgrade at Matahina Power Station to increase yield.

Last year, we signalled our intention to explore adjacent opportunities in the telecommunication market. We have concluded wholesale arrangements with Spark that will allow Trustpower to offer both fixed wireless broadband and mobile services to our customers. We believe that fixed wireless broadband will appeal to many of our regional customers who cannot access fibre services.

We have continued to invest in our core New Zealand wide carrier grade internet service provider network which ensures that we have a platform to provide a high quality internet service to customers.

## Operating Performance

In the 2019 financial year, Trustpower's hydro generation volumes were 1,994GWh. This was above the long term average of 1,917GWh, but 11% below last year. Hydro inflows were particularly low in the last quarter of the financial year.

The low hydro inflows and gas field interruptions put pressure on the supply side of the electricity market and this resulted in significantly higher wholesale prices. The average price received by Trustpower generation was $125/MWh compared with $88/MWh in the previous year.

During the year, total utility accounts grew to 402,000 with customers taking two or more products increasing by 7% year on year. Our successful growth is due to the popularity of our bundle packages. Customers are increasingly migrating to fibre, now representing 62% of our broadband connections, in order to take advantage of high speed connectivity.

This change of behaviour is driven by the demand for data that online streaming of content requires. To support the changing customer demands we have continued to invest in our technology platforms and people capability.

Our internet service has retained a number one or two New Zealand Netflix ranking throughout the year. Our focus on digital capability has resulted in increased customer interaction with our virtual workforce channels, increased first contact resolution and improved customer outcomes.

## Financial Performance

Operating earnings (EBITDAF) from continuing activities of $222 million was down $21 million or 9% on the prior year. This reflected the exceptional hydro generation last year which was not able to be repeated this year. As a result generation earnings (EBITDAF) of $172 million were down 12% on the prior year. This is still a satisfactory result for the generation division which will always be subject to uncontrollable variations in the weather and hydrology.

Retail earnings (EBITDAF) of $64 million were up 8% on the previous year. This reflects the continuing success of Trustpower's bundling strategy and relatively stable customer numbers.

## Financial Position and Capital Structure

In accordance with its accounting policy Trustpower revalued its generation assets this year. The revaluation was performed by an independent valuer, Deloitte Corporate Finance. Since the last valuation in 2016 the view of long run electricity wholesale prices has declined slightly. This decline is due to the expectation that advances in technology will reduce the cost of constructing and operating new generation over time. This was the primary cause of a 9% reduction in the valuation of the generation assets.

Trustpower raised a $100 million retail bond in February 2019. The bond was well received by investors and was raised at a competitive interest rate.

Following the payment of the dividends noted below, Trustpower will be well placed to maintain a long term sustainable balance between debt and equity funding.

## Health, Safety and Environment

This year it has been pleasing to see the total recordable injury frequency rate decline to 1.5 per 200,000 hours, last year it was 2.88.

> **We acknowledge that for the most vulnerable customers energy costs are a significant burden. Trustpower along with others in the industry have sought ways to assist customers manage energy costs.**

However, Trustpower staff experienced 12 lost time injuries in 2019 financial year, the same number as the prior year. These results indicate that our investments in improved reporting and better processes are delivering results. However, we still have opportunities to further improve the health and safety and wellbeing of our staff, contractors and the public. We intend to increase our efforts to create a "safety first" culture.

## Licence to Operate

Trustpower generation stations operate within the constraints of 429 resource consents authorising their operation and maintenance. A total of 3,520 conditions are attached to these consents of which 472 are actively managed for compliance purposes. During the year we have focussed on improving relations with regional councils and developing environmental management plans. These proactive initiatives together with updated environmental training for staff gives us confidence in our resource management compliance.

## Our People

Our transition to a more digital business has required Trustpower to build staff capability and a proactive culture. We have focussed on developing strong leadership capacity for a number of years. This year we have used that capability to introduce "agile" team concepts. This has resulted in an increase in our ability to deliver key business improvements with greater pace and developed the resilience of our people to perform in a digital world.

## Directors

At the 2019 annual meeting Alan Bickers will retire. Alan joined the board in September 2014. Alan joined us after a successful career in local government, including as Chief Executive Officer of Tauranga City Council. His community connections and deep knowledge of planning and environmental laws and practices have been a huge help to Trustpower.

We thank Alan, on behalf of the board and management, for his service and contribution to creating value for all our stakeholders.

## Auditor

PricewaterhouseCoopers has indicated its willingness to continue in office.

## Dividend

The directors are pleased to have declared a final dividend of 17 cents per share fully imputed payable 14 June 2019 (record date of 31 May 2019).

This together with an interim dividend of 17 cents per share, provides a total payable of 34 cents per share for the 2019 financial year.

Following a further review of debt levels as at March 2019 the directors have also declared an unimputed special dividend of 15 cents per share. This together with the 25 cents per share special dividend at the half year provided a total special dividend of 40 cents per share for the 2019 financial year.

## Looking Ahead

We are in an exciting era for both energy and telecommunications. Trustpower has built significant capability in both of these markets. Our people development and technology investment means that we are well positioned as convergence occurs with services to the home.

The transition to a low emissions economy will create opportunities for investment in renewable assets.

We are optimistic about our prospects for the future.

↑ **107,000**

customers with two or more products, a 7% increase from 100,000 at 31 March 2018

**11%**

decrease in New Zealand generation volume

**1%**

increase in customer connections

## LEADERSHIP TEAM

**PAUL RIDLEY-SMITH**
Chair

**VINCE HAWKSWORTH**
Chief Executive

**KEVIN BAKER**
Director

# STAND WITH US

## Our Strategic Focus

We're focussed on continuing to execute, and expanding, our multi-product customer strategy, increasing efficiency throughout the business and adding extra value to our generation schemes.

**SIMON CLARKE**
General Manager Business Solutions and Technology

**ALAN BICKERS**
Director

**MELANIE DYER**
General Manager People and Culture

**STEPHEN FRASER**
General Manager Generation

**FIONA SMITH**
General Manager Customer Operations

**SAM KNOWLES**
Director

**KEVIN PALMER**
Chief Financial Officer and
Company Secretary

**CRAIG NEUSTROSKI**
General Manager Markets

**GEOFF SWIER**
Director

**SUSAN PETERSON**
Director

**PETER CALDERWOOD**
General Manager
Strategy and Growth

**RICHARD AITKEN**
Director

# POWER, PHONE, GAS AND INTERNET UNITE!

"OUR POINT OF DIFFERENCE IS THAT WE ARE BUILDING DEEP, LONG-TERM RELATIONSHIPS WITH OUR CUSTOMERS BY LISTENING TO THEIR VIEWS, UNDERSTANDING THEIR BEHAVIOUR AND ADDRESSING THEIR NEEDS." – CRAIG NEUSTROSKI

## Trustpower is set to add more services to its popular product bundles, making life even easier for customers.

More than 100,000 customers now buy two or more products from Trustpower, and two thirds of all new accounts choose the convenience and value of bundled services.

Household necessities such as electricity, gas, phone and broadband services can all be sorted with ease.

Soon, mobile services and fixed wireless broadband will be added to the offers.

“We’re excited to bundle mobile phone services with our other products to more completely meet our customers’ needs,” says Trustpower’s General Manager Markets, Craig Neustroski.

“It’s the logical extension to our household bundle of services and our customers have been asking us for it.”

The mobile service will be offered in partnership with Spark, which is also working with Trustpower on a fixed wireless broadband offer. Well over half of Trustpower’s telecommunications customers are on fibre plans, but fibre is not available in some areas.

“Our focus with the wireless broadband is to provide an improved Internet service for new and existing customers on poor quality copper connections,” says Craig.

“It’s a viable alternative for those customers who can’t get ultra fast broadband over fibre.”

Craig says Trustpower’s innovative approach to bundling life’s necessities is now being copied by some of its competitors.

“Our point of difference is that we are building deep, long-term relationships with our customers by listening to their views, understanding their behaviour and addressing their needs,” he says.

“Trustpower’s customers return this consideration with their loyalty. In addition, the ease of doing business with Trustpower puts us ahead of many other companies in the telecommunications and electricity industries.”

Trustpower’s responsiveness extends to its award-winning customer app. The app’s functions include online bill payments, due date notifications, faults and outages alerts, usage history and LPG bottle ordering.

It is one of multiple digital and human communications channels available to Trustpower customers.

Meanwhile, Trustpower’s Solar Buddies has grown to be the largest peer-to-peer electricity trading platform in New Zealand.

Solar Buddies allows Trustpower customers with solar power generation to give or sell their excess electricity to friends, family, organisations or charities. Any extra power not distributed to ‘buddies’ is purchased by Trustpower.

“Solar Buddies is yet another example of Trustpower’s customer-centric approach,” says Craig.

“We continue to explore how we can make our customers’ lives easier by delivering comfort, convenience and value.”

# WE DID IT!

**FIONA SMITH**
**General Manager Customer Operations**

**KEVIN PALMER**
**Chief Financial Officer and Company Secretary**

**WINNER**
FIONA SMITH – WOMEN IN ENERGY AWARD
*2018 DELOITTE ENERGY EXCELLENCE AWARDS*

**WINNER**
LONG-TERM MARKETING EXCELLENCE
*TVNZ MARKETING AWARDS*

**WINNER**
HOME BROADBAND SERVICE PROVIDER OF THE YEAR
HOME PHONE PROVIDER OF THE YEAR
*ROY MORGAN CUSTOMER SATISFACTION AWARDS*

**WINNER**
BEST BUNDLED PLAN
*2018 BROADBAND COMPARE TUANZ AWARD*

**FINALIST**
KEVIN PALMER – 2019 CFO OF THE YEAR
*NEW ZEALAND CFO OF THE YEAR AWARDS*

**FINALIST**
LONG-TERM AGENCY RELATIONSHIP
*TVNZ MARKETING AWARDS*

**FINALIST**
INTERACTIVE
*2018 BEST DESIGN AWARDS*

**FINALIST**
ADVERTISING EXCELLENCE
*2019 AXIS AWARDS*

**Trustpower has spent the year doing its usual great work across the company and now it's being recognised left, right and centre.**

It has been a year of accolades for Trustpower.

The company has recently won a host of national awards for individuals and initiatives.

In September, Trustpower won the TVNZ Marketing Award for Long-Term Marketing Excellence.

The award recognised Trustpower's success over the past five years. The judges praised Trustpower's product bundling approach as an "incredibly well thought out marketing strategy" that had enabled Trustpower to stand out in a highly competitive market.

Trustpower's insight-led approach was also acknowledged as having led directly to the retail business' positive results.

Trustpower was also a finalist in the TVNZ Marketing Awards category for Long-Term Agency Relationship, recognising the contribution that the partnership with its creative agency has made to the company's ongoing success.

The creativity of the company's advertising was acknowledged again recently with Trustpower and its partners nominated as finalists in two categories at the 2019 AXIS Awards, which recognise creative excellence in advertising and communications.

In the 2018 Deloitte Energy Excellence Awards, Trustpower's General Manager Customer Operations Fiona Smith won the Women in Energy Award.

The award recognised Fiona's long career at Trustpower, where she started more than two decades ago as a customer service representative in the call centre. Fiona has managed teams through complex change, introduced new products and technologies and mentored other women in the industry. Since 2016, Fiona has been a valued member of Trustpower's senior leadership team.

The award also acknowledged Fiona's staunch advocacy within the wider energy industry on behalf of vulnerable and medically-dependent customers.

In November 2018, Trustpower won the Best Bundled Plan category in the Broadband Compare TUANZ Awards.

Winners were selected based on a combination of criteria, including consumer surveys on the Broadband Compare website and by market researchers, the views of an expert judging panel, and third party data and information collated throughout the year.

Meanwhile, Trustpower's mobile app design agency DNA were finalists in the Interactive section of the prestigious Designers Institute of New Zealand BeST Design Awards in 2018.

The app was launched in December 2017 to harness the power of digital technology to make life even easier for customers. The app's functions include online bill payments, due date notifications, prompt payment discount reinstatement, faults and outages alerts, usage history and LPG bottle ordering.

Trustpower has long been recognised for its superior customer service, including in 2018 being awarded Home Broadband Service Provider and Home Phone Provider of the Year in the Roy Morgan Customer Satisfaction Awards.

To cap off the year, Trustpower's Chief Financial Officer Kevin Palmer was a finalist in the New Zealand CFO of the Year awards in March 2019.

Since Kevin was appointed CFO two years ago, Trustpower shareholders have enjoyed a total return of 58%, compared to the NZX average of 31%.

# HYDRO POWER TO THE PEOPLE

"WE WANTED TO ENSURE FARMERS COULD GET IRRIGATION WATER WHEN THEY NEEDED IT AND THERE WAS NO REAL CONSEQUENCE TO THEM FROM THE OUTAGE. WE HAD TO BALANCE THAT WITH POTENTIAL LOSS OF REVENUE FROM THE SHUTDOWN."
– STEPHEN FRASER

## When it came time for a Coleridge power station upgrade, Trustpower focussed on community needs, too.

Trustpower has successfully replaced two of its higher value generation units in a major overhaul of the Coleridge power station, a 105-year-old hydro station in inland Canterbury.

General Manager Generation Stephen Fraser says Trustpower's drive for continuous improvement defined its approach to the renovation project at one of Trustpower's key generation sites.

The 3,686-hectare Lake Coleridge stores water as fuel for the power station, but is also an important source of irrigation water for the surrounding agricultural community and a popular recreational fishing spot.

Instead of scheduling a shutdown for the traditional mid-summer period – when electricity demand is typically low – Trustpower chose a 14-week window which would not impact on irrigation requirements of agricultural customers. Farmers order water in dry periods and the water is directed through the Coleridge generators to make electricity before entering the irrigation system.

"The challenge was to keep down time to a minimum. We wanted to ensure farmers could get irrigation water when they needed it and there was no real consequence to them from the outage," says Stephen. "We had to balance that with potential loss of revenue from the shutdown."

The two 12MW units, part of Trustpower's fleet of 75, were supposed to be shut down one at a time, but had to be replaced in parallel after one unexpectedly failed.

"It's a testament to all involved that we managed such a large-scale project with no harm to people or the environment. Delivery was ahead of schedule and budget, even with the unexpected failure," says Stephen.

Trustpower went to international tender and selected GE New Zealand to deliver the required experience, skill and value. Technical specifications were met or exceeded and Trustpower expects to continue a productive relationship with GE due to the "one team" attitude of both companies.

"With the unexpected unit failure we had additional work fronts running in parallel, which can increase the risk to personnel through simultaneous activities. However, our effective working relationship with the contractors enabled us to adjust the work programme without harm to people or additional cost and time," says Stephen.

"The project has given us another 30-plus years of reliable generation out of these units, with reduced maintenance requirements, fewer faults and the avoidance of a major outage."

The project also met all of Trustpower's environmental objectives. Trustpower monitors Lake Coleridge's water levels, clarity, pH levels, temperature and more. The company supports the Lake Coleridge Habitat Enhancement Trust and the Whakamatau Eel Management Trust.

Trustpower's portfolio of power stations across New Zealand generates more than 99% of its electricity from renewable resources. The network is geographically spread, giving Trustpower flexibility and resilience when weather patterns affect water storage at hydro-electric stations.

Recently centralised asset management is helping Trustpower identify and prioritise preventive maintenance, such as the Coleridge renovation project.

"We have a continuous improvement philosophy," says Stephen. "We are pursuing profitability gains through targeted maintenance and small capital projects to futureproof our assets."

# A NEW ERA OF STREAMING

"WE HAVE A VERY SOPHISTICATED, CAPABLE NETWORK THAT IS RECOGNISED IN THE INDUSTRY AND PROVIDES US WITH MANY OPPORTUNITIES."

— GINNY BUELL

## As the nation counts down to the Rugby World Cup, Trustpower is ensuring its network is up to scratch.

Trustpower is preparing for one of New Zealand's biggest-ever streamed internet events by greatly increasing capacity on its broadband network.

The company is making a substantial investment in capacity to handle peak traffic during the Rugby World Cup from mid-September. The event will be broadcast on a new sport streaming service.

Subscribers will be able to access the event through their usual internet service provider, in a model similar to Netflix.

Trustpower's ISP Operations and Delivery Manager Ginny Buell says Trustpower is effectively doubling its network capacity to prepare for the predicted surge in internet traffic. It will ensure Trustpower customers continue to get the same superior service to which they have become accustomed as the trend to streamed television content continues to grow.

Trustpower has recently secured dedicated links to the United States to avoid potential congestion from using shared bandwidth.

The company has already expanded its high quality optical network into Wellington and the South Island as part of its strategy to take its superior network closer to customers, reducing the need to rely on other backhaul providers. The investment has resulted in a congestion-free experience for Trustpower's customers.

"We've already put in a lot of work over the last few years building our network capability, which has put us in a very good position to continue to deliver an exceptional customer experience," says Ginny.

"We have a very sophisticated, capable network that is recognised in the industry and provides us with many opportunities."

Ginny says Trustpower's position has boosted its buying power, which has meant gained efficiencies in terms of equipment and operations.

"It's put us in a very good position for the future."

Ginny says Trustpower has managed to retain its small company feel, even as customer numbers and bandwidth requirements have increased rapidly.

"While we have grown exponentially, we haven't lost our agility," she says.

Trustpower's efforts won it the top ISP ranking on Netflix's independent speed survey for 10 months in a row in the last year, for both its fibre and DSL customers.

More than half of Trustpower's customers are on fibre plans.

For those customers unable to get fibre for physical reasons, such as rural properties not on the fibre rollout, Trustpower is introducing a fixed wireless internet product in partnership with Spark.

AT TRUSTPOWER, PEOPLE ARE AT THE HEART OF ALL WE DO. THAT'S WHY WHEN WE TALK ABOUT SUSTAINABILITY, WE REPORT ON MORE THAN JUST ENVIRONMENTAL MEASURES. WE INCLUDE ECONOMIC, STAFF, CUSTOMER AND COMMUNITY MEASURES, TOO, BECAUSE WE KNOW ALL OUR RELATIONSHIPS CONTRIBUTE TO OUR OVERALL SUSTAINABILITY.

# YOU'RE PART OF OUR FUTURE

## Key performance

| Area | Measure | 2018 Actual | 2019 Actual | 2019 Target | 2020 Target |
|---|---|---|---|---|---|
| **Economic**[1] | EBITDAF growth | 23.0% | (8.6%) | 5–10%[1] | 5–10%[1] |
| **Environmental** | Resource consent non-compliance events | 7 | 11 | 0 | 0 |
| **People** | Voluntary turnover | 15.6% | 14.2% | 10.0% | 13.0% |
| **Community** | Trustpower is reviewing how it engages with its communities. See page 33 for details. | | | | |
| **Customer** | Customer churn rate compared to market average | 90% | 91% | <100% | <100% |

[1] This target is based on Trustpower's medium term growth aspirations and should not be taken as guidance for the 2020 financial year.

## Risks and challenges

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

| Category | Key risks / challenges | Approach | Targets | Progress |
|---|---|---|---|---|
| **Economic** | • Shareholder value growth<br>• Acquire profitable customers | • Maintain strong focus on efficiency of operation<br>• Focus on long term sustainable pricing<br>• Understand characteristics of profitable customers and target them | • Costs benchmarked at below industry average<br>• Prices set at levels so customer base maintained with minimal churn | |
| **Environmental** | • Need to minimise environmental impact of generation schemes | • Work closely with special interest groups and the local community to minimise impact of generation schemes<br>• Comply with resource consents | • Zero significant resource consent breaches | |
| **People** | • Need to retain and develop a team to produce ongoing performance | • Extensive training and development programme<br>• Succession planning and internal promotion<br>• Health and safety focus | • 75% of management roles filled by internal promotion | |
| **Community** | • Relationships with and an understanding of local communities is required to operate effectively | • Community engagement including sponsorship and community awards<br>• Consultation around resource issues | • Maintain a strong corporate profile in all areas in which we operate and build relationships within those communities | |
| **Customer** | • Dissatisfied customers prevent sustainable economic performance<br>• Disruptive technologies/ business models | • Competitive pricing<br>• Excellent customer service<br>• Information and advice<br>• Differentiated product offering | • Customer churn below market average | |

Achieved Partially achieved Not achieved

## Performance against commitments for 2019

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

The goal was missed because 2018's profit was abnormally high due to very high generation volumes. The result was still strong for 2019.

## Commitments for 2020

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

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Total shareholder return for 2019 was 30.3%, well above our target.

# ONWARDS AND UPWARDS

| | | Target | Previous |
|---|---|---|---|
| EBITDAF growth (%) 2019 | (8.6) | 2019: 5–10[1]<br>2020: 5–10 | 2018 \| 23.0<br>2017 \| 6.8 |
| Operating Cost per MWh Generated 2019 | 24.5 | 2019: 24–26<br>2020: 26–28 | 2018 \| 18.6<br>2017 \| 21.9<br>2016 \| 23.1 |
| Net Debt to EBITDAF[4] 2019 | 2.5 | 2019:<br>2020: 2.5–3.0 | 2018 \| 1.9<br>2017 \| 3.0<br>2016 \| 3.5 |
| Total Shareholder Return (%) 2019 | 30.3 | 2019: 5–10<br>2020: 5–10 | 2018 \| 29.2<br>2017 \| N/A |
| Underlying Earnings ($ millions) 2019 | 103.6 | 2019: 90–100<br>2020: 95–105 | 2018 \| 135.0<br>2017 \| 112.1 |

[1] This target is based on Trustpower's medium term growth aspirations and should not be taken as guidance for the 2020 financial year.

# PROTECTING OUR RESOURCES

**Resource consent non-compliance events 2019**

11

**Target**

**2019**
0

**2020**
0

## Performance against commitments for 2019

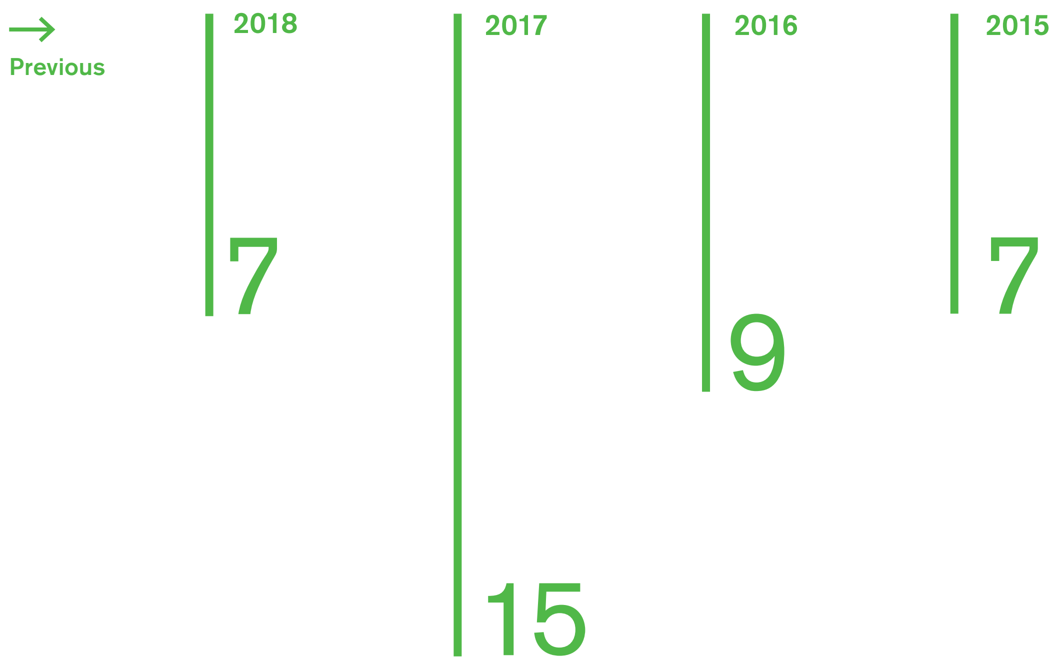
### Achieve zero non-compliance events.

Trustpower generation stations operate within the constraints of 429 resource consents authorising their operation and maintenance. A total of 3,520 conditions are attached to these consents, of which 472 are actively managed for compliance purposes. As a result of this monitoring 46 environmental incidents were investigated, resulting in 11 resource consent non-compliances. All non-compliant incidents were classified as 'Low Impact' based on a ranking system that considers Environmental, Reputational and Legal effects of an incident. Total number of incidents investigated compared to 2018 increased by 28% which is attributed to an improving culture of environmental awareness within Trustpower. During the year we have focussed on improving relations with regional councils and developing environmental management plans. These proactive initiatives together with updated environmental training for staff gives us confidence in our resource management compliance. Our Environmental Management System continues to be implemented and its on-going maintenance based on principles of ISO14001.

Otago Regional Council brought a prosecution against Trustpower for a discharge of sediment from Beaumont Race at our Waipori Scheme into the Beaumont River that occurred in the previous reporting year. This is the first occasion of a Trustpower incident in a prosecution from a regulator. We plead guilty to the offence and while we are disappointed this occurred, the Judge complimented Trustpower on its response to the incident, particularly the open and collaborative approach to engagement with the investigating council and expression of remorse through a public apology, self-initiated environmental monitoring and participation in restorative justice process. Trustpower has invested in both the real-time monitoring of flow and the civil engineering of the race. This has significantly improved early detection of potential incidents and also the ability to manage adverse weather events through the placement of engineered spillways along the race.

## Commitments for 2020

### Achieve zero non-compliance incidents with an impact ranking of medium or higher.



# IT'S ALL GOOD HERE

WITH THE CHANGING WORLD OF WORK, WE ARE OFFERING GREATER FLEXIBILITY TO ATTRACT AND RETAIN TALENT, AS WELL AS BUILDING THE CAPABILITY TO RESPOND TO A CHANGING WORLD WHICH IS INCREASINGLY DIGITAL.

## Performance against commitments for 2019

**Continue work on understanding barriers to achieving greater diversity across the business, supporting our managers to drive behavioural change and build an open culture based on continuous feedback loops. Focus on demonstrating commitment to Health and Safety, learn from incidents and audit. Injury statistics will be accompanied by a discussion of the failed controls in order to ensure we have visibility over their effectiveness.**

We have progressed our work on building diversity and inclusion, with unconscious bias training for our people and research into where our barriers may lie. Our recent culture survey demonstrated great strengths in peoples commitment to the organisation and increased capability to deliver on the strategy. Health and Safety incident reporting continues to increase allowing for these learnings to be shared organisationally. Leadership engagement indicated increasing commitment across the organisation to our safety goals.

## Commitments for 2020

**Diversity and inclusion will continue to be a large focus for the coming year. With the changing world of work, we are offering greater flexibility to attract and retain talent and building the capability to respond to a changing world which is increasingly digital. An ongoing focus will be on continuing to strengthen our safety culture.**

## Gender Diversity Disclosure 2019

| | Board level | Officer | Manager | All staff |
|---|---|---|---|---|
| % | 14% | 25% | 40% | 57% |
| No. of women | 1 | 2 | 35 | 491 |
| Total number | 7 | 8 | 87 | 863 |

### Injury incidence rate (per 200,000 hour worked) 2019

**4.94**

Previous

| | |
|---|---|
| 2018 | 7.77 |
| 2017 | 6.80 |
| 2016 | 9.20 |
| 2015 | 6.88 |

### Lost time injuries 2019

**12**

Previous

| | |
|---|---|
| 2018 | 12 |
| 2017 | 8 |
| 2016 | 5 |
| 2015 | 6 |

### Voluntary turnover (%) 2019

**14.2**

Target

2019
10

2020
13

Previous

| | |
|---|---|
| 2018 | 15.6[1] |
| 2017 | 16.1 |
| 2016 | 12.3 |
| 2015 | 12.3 |

### Unscheduled absenteeism (%) 2019

**3.75**

Target

2019
2

2020
2

Previous

| | |
|---|---|
| 2018 | 3.42 |
| 2017 | 2.90 |
| 2016 | 2.20 |
| 2015 | 2.90 |

[1] FY-18 was incorrectly reported as 9.5% and has been corrected.

# HERE FOR THE PEOPLE

## Performance against commitments for 2019

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

Involvement maintained in the wider community through various awards programmes and targeted sponsorships.

## Commitments for 2020

**Strengthen our involvement in the communities we operate in through community engagement initiatives and sponsorships.**

### Organisations and individuals sponsored through the Lend a Hand Foundation

# 70

**Target**
**2019**
140

**Previous**
**2018** | 131
**2017** | 133
**2016** | 115
**2015** | 136

### Community groups involved in the Trustpower Community Awards programme

# 736

**Target**
**2019**
1,400

**Previous**
**2018** | 1,068
**2017** | 1,299
**2016** | 1,036
**2015** | 1,198

After 25 memorable years we have decided to take a break from the Trustpower Community Awards and the Trustpower Youth Community Spirit Awards, to focus on how we can evolve our community engagement. We are looking forward to working with the communities that we operate in and other stakeholders to understand how Trustpower can continue to meaningfully contribute to and participate in these communities.

### High School students recognised via Trustpower Youth Spirit Awards

# 74

**Target**
**2019**
65

**Previous**
**2018** | 65
**2017** | 62
**2016** | 68
**2015** | 65

# THE HEART OF ALL WE DO

## Performance against commitments for 2019

**We are committed to growing our service offerings to meet the needs of our customers and will continue to innovate within the Trustpower App and other automated channels to do this. We remain committed to ensuring our telecommunications industry partners and the regulators continue to improve their processes and will continue to utilise robotics, automation and customer insight to drive improvements.**

We continued to leverage customer feedback and data analytics to increase and improve our automated channels, while ensuring we respect the moments that matter where value is driven through personal service. We will continue to innovate and create opportunities to further personalise customers experiences with us. We drove improvement across a number of telecommunications and electricity related processes, engaging with our industry partners and regulators. We continue to focus on outcomes that positively impact all customers and assist those who are vulnerable or medically dependent.

## Commitments for 2020

**We are committed to leveraging customer insight to drive automated service offerings while ensuring we provide personalised assistance in the moments that matter. We remain committed to ensuring our industry partners and the regulators also continue to improve their processes to improve our customer experience.**

### Electricity connections (000s) 2019

# 267

| Target | Previous |
|---|---|
| **2019** 270–280 | **2018** \| 273 |
| **2020** 265–275 | **2017** \| 276 |
| | **2016** \| 277 |
| | **2015** \| 242 |

### Telecommunication connections (000s) 2019

# 96

| Target | Previous |
|---|---|
| **2019** 95–105 | **2018** \| 87 |
| **2020** 100–115 | **2017** \| 76 |
| | **2016** \| 62 |
| | **2015** \| 38 |

### Gas connections (000s) 2019

# 39

| Target | Previous |
|---|---|
| **2019** 38–41 | **2018** \| 37 |
| **2020** 38–42 | **2017** \| 33 |
| | **2016** \| 31 |
| | **2015** \| 24 |

### Customer number growth (%) 2019

# 2.6

| Target | Previous |
|---|---|
| **2019** 0–3 | **2018** \| –1.2 |
| **2020** 1–3 | **2017** \| 0.8 |
| | **2016** \| 14.5 |
| | **2015** \| 17.5 |

### Mass market sales (GWh) 2019

# 1,853

| Target | Previous |
|---|---|
| **2019** 1,950–2,050 | **2018** \| 1,887 |
| **2020** 1,850–1,950 | **2017** \| 1,895 |
| | **2016** \| 1,820 |
| | **2015** \| 1,659 |

### Half hourly metered sales (GWh) 2019

# 1,899

| Target | Previous |
|---|---|
| **2019** 1,750–1,850 | **2018** \| 1,928 |
| **2020** 1,700–1,800 | **2017** \| 2,079 |
| | **2016** \| 1,849 |
| | **2015** \| 2,275 |

### Automated contacts (% of total) 2019

# 49.8

| Target | Previous |
|---|---|
| **2019** >50 | **2018** \| 45.7 |
| **2020** 60 | |

### Satisfaction with automated contacts (%) 2019

# 78

| Target | Previous |
|---|---|
| **2019** >85 | **2018** \| 82.7 |
| **2020** 82 | |

### Satisfaction with app interactions (%) 2019

# 87

| Target | Previous |
|---|---|
| **2019** >85 | N/A |
| **2020** 89 | |

We introduced this metric this year as it best reflects the way our customers are choosing to contact us.

# DOING THE RIGHT THING

**We're moving forward with a continued commitment to working responsibly, ethically and in full compliance with our obligations.**

Our corporate governance programme determines how we are accountable to our shareholders, we run our business, manage risks, review and improve our performance and sets the overall direction in which we are heading.

## Doing the Right Thing

Trustpower complies with NZX Corporate Governance Best Practice Code and is committed to maintaining the highest standards of honesty, integrity and ethical conduct. Trustpower has adopted a Code of Ethics for the Board and employees, Whistleblowing, Conflicts of Interest and Insider Trading policies.

## Diversity

Trustpower is committed to being a diverse business and we welcome different views, background and experience. We believe diversity leads to better decision making, innovation and creativity and builds capability to be successful for shareholders, meet the needs of our customers and aspirations of our staff. We integrate a variety of skills, attitudes and behaviours into our business.

## Board of Directors

Our Directors are elected by shareholders and responsible for the performance and management of the Group. The Board operates to a charter which outlines its responsibilities and commitments. There are currently four independent directors and three non-independent directors, in keeping with the Company's Constitution and NZX Listing Rules.

## Board Committees

Trustpower has three standing committees – the Audit and Risk Committee, the Governance and Nominations Committee and the People and Remuneration Committee.

The primary objective of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities in overseeing the accounting and reporting practices and managing the risks of the Group.

The primary objectives of the People and Remuneration Committee are to establish coherent people and remuneration strategies, policies and practices to ensure Trustpower has the appropriate level of workforce capability, culture, leadership and diversity to meet current and future requirements.

The Governance and Nominations Committee aims to ensure Trustpower has, and promotes, good corporate governance. It ensures that the Board has a balance of skills, experience, knowledge, judgement, and diversity to govern as well as the selection and retention of directors based on merit and the collective needs of our strategic objectives.

## Reporting and Disclosure

The Group has a Continuous Disclosure Policy to ensure that all of Trustpower's shareholders have the same access to Material Information about the company and its prospects in a timely manner.

## Remuneration

The Board has established coherent people and remuneration strategies, policies and practices to ensure Trustpower has the appropriate level of capability, culture, leadership and diversity within its workforce to meet its current and future requirements.

## Managing Risk and Auditing

The Group has developed a comprehensive, enterprise-wide risk management framework. Management undertakes regular reporting to appraise the Audit and Risk Committee and the Board of Trustpower's risks and the treatment of those risks. We have also adopted an internal control system to provide an appropriate division of responsibility, sound risk management, a programme of internal audit, and the careful selection and training of qualified personnel. We have established an internal audit function for monitoring the Group's system of internal financial control and the integrity of the financial information reported to the Board. Internal audit operates independently from the Board and reports its findings directly to the Audit and Risk Committee. The Board has engaged PricewaterhouseCoopers to act as external auditor.

## Energy Trading

We have adopted an Energy Trading Policy to manage the risk relating to the purchasing of electricity and gas from wholesale energy markets and the trading of carbon related products.

## Treasury Policy

We have a Board-approved Treasury Policy to manage finance, interest rate, foreign exchange and foreign investment risks.

## Environment

We recognise the importance of environmental issues and are committed to the highest levels of performance. To help meet this objective the Group has developed and implemented both environmental policies and a comprehensive environmental management system.

## Shareholder Engagement

Trustpower keeps stakeholders informed of all major developments affecting the Group's state of affairs. The Board encourages full participation of shareholders at the annual meeting to ensure a high level of accountability and identification with the Group's strategies and goals.

## Other Corporate Policies

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

**This is a summary of Trustpower's Corporate Governance Statement. A full copy of the statement and other policy documents is available at trustpower.co.nz/investor-centre/governance-documents**

# Explaining the financial statements

## Generation

Trustpower's generation revenue was $20.8m below the exceptionally high 2018 result. Our generation stations generated 1,994GWh, which was an 11% decrease on the prior year, however this was 4% higher than the current expected long-run average of 1,917GWh.

The average spot price achieved for this generation was $125/MWh which is higher than a normal year expectation of around $80/MWh and represents a significant increase on the $88/MWh achieved in the prior year.

## NZ IFRS 15 change

During the year, Trustpower changed the methodology of how it applies the NZ IFRS 15 accounting standard. The most material change has been to reduce the period over which direct customer incentives are expensed from four years to two.

This has the effect of increasing the amount of retail expenses in the profit or loss over 2019, and for the following few years.

Ignoring the impacts of NZ IFRS 15 entirely, retail EBITDAF has grown by $11m in 2019 versus the previous year. See note 4 for further details.

## Retail

An increase in the number of total services, along with an increase in the value of these services has increased gross margin. Combined with King Country Energy retail synergies (see below) and digital and automation efficiencies, total underlying retail profitability (after NZ IFRS effects) has increased by 23%.

With more than 80% of all new customers in 2019 taking two or more products, Trustpower now has more than 107,000 bundled customers. This is an increase of 7.5% on last year.

The successful bundling strategy, combined with our investments to build a first-class ISP network, has seen total telecommunications customers increase to 96,000 (an increase of 10% on last year).

Our ISP was top of the Netflix rankings for 10 out of 12 months in 2019 – a further testament to the investment and quality of our ISP network.

## King Country Energy

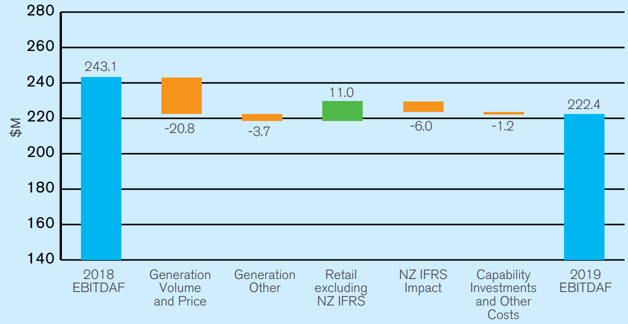
Trustpower successfully completed the integration of 13,000 King Country Energy customers, following the acquisition of the King Country Energy retail business.

## Balance sheet

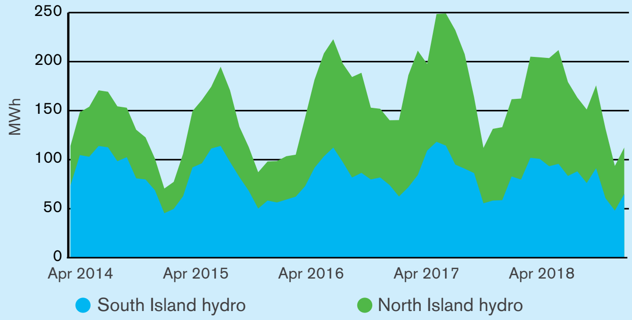
Trustpower's primary gearing metric, net debt to EBITDAF, is 2.5x which is at the bottom of our target range of 2.5 to 4.0x. Similarly the gearing ratio, at 31%, is near the bottom of our target range.

As a result, the Directors have declared a special dividend of 15 cents per share as well as an ordinary dividend of 17 cents per share.

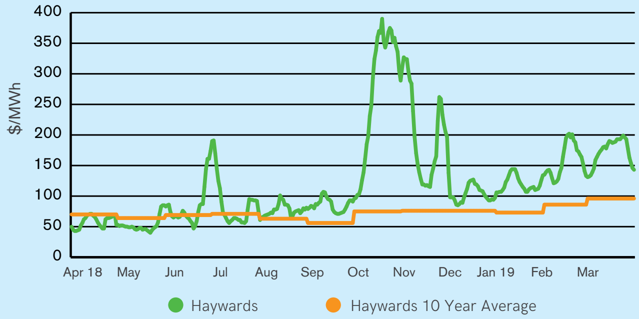
### 2018 vs 2019 EBITDAF




### Monthly Generation Volumes




### Weekly Average Prices



# Financial statements

Trustpower is pleased to present its audited financial statements.

The notes to the 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 – 8** |
| **Generation** | **Notes 9 – 13** |
| **Funding** | **Notes 14 – 19** |
| **Tax, Related Parties & Other Notes** | **Notes 20 – 25** |

There is also an appendix, from notes A1 to A20, 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 9 for the Retail and Generation segments.

**Note index**



**Appendix index**



Accounting policies can be found throughout the notes to the financial statements and are denoted by blue text shading.

# Key metrics

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF) ($M) | **222** | 243 | 218 | 208 | |
| Profit From Continuing Operations ($M) | **93** | 114 | 94 | 68 | |
| Underlying earnings after tax ($M) | **103** | 135 | 115 | 84 | |
| Basic earnings per share (cents per share) | **29** | 41 | 30 | 22 | |
| Underlying earnings per share (cents per share) | **33** | 43 | 37 | 27 | |
| Dividends paid during the year (cents per share) | **59** | 34 | 33 | 34 | |
| Net debt to EBITDAF | **2.5** | 1.9 | 3.0 | 3.5 | |
| Net tangible assets per share (dollars per share) | **3.61** | 4.21 | 4.10 | 4.24 | |
| **Customers, sales and service** | | | | | |
| Electricity connections (000s) | **267** | 273 | 276 | 277 | 242 |
| Telecommunication connections (000s) | **96** | 87 | 76 | 62 | 38 |
| Gas connections (000s) | **39** | 37 | 33 | 31 | 24 |
| Total utility accounts (000s) | **402** | 397 | 385 | 370 | 304 |
| Customers with two or more services (000s) | **107** | 100 | 90 | 77 | 52 |
| Mass market sales – fixed price (GWh) | **1,823** | 1,784 | 1,895 | 1,820 | 1,659 |
| Time of use sales – fixed price (GWh) | **902** | 945 | 835 | 823 | 810 |
| Time of use sales – spot price (GWh) | **1,028** | 1,086 | 1,244 | 1,389 | 1,465 |
| Total customer sales (GWh) | **3,753** | 3,815 | 3,974 | 4,032 | 3,934 |
| Average spot price of electricity purchased ($/MWh) | **131** | 91 | 55 | 64 | 77 |
| Gas Sales (TJ) | **1,006** | 1,012 | 1,013 | 1,046 | 903 |
| Annualised customer churn rate | **20%** | 19% | 17% | 16% | 14% |
| Annualised customer churn rate – total market | **22%** | 21% | 20% | 21% | 19% |
| **Generation production and procurement** | | | | | |
| North Island generation production (GWh) | **1,010** | 1209 | 1,010 | 639 | 532 |
| South Island generation production (GWh) | **984** | 1026 | 1,007 | 949 | 1,034 |
| Total New Zealand generation production (GWh) | **1,994** | 2,235 | 2,017 | 1,588 | 1,566 |
| Average spot price of electricity generated ($/MWh) | **125** | 88 | 52 | 60 | 71 |
| Net third party fixed price volume purchased (GWh) | **1,463** | 1,539 | 1,309 | 1,626 | 1,400 |
| Australian generation production (GWh) | | 284 | 359 | 254 | 278 |
| Average spot price of electricity generated (A$/MWh, excludes large-scale generation certificate revenue) | | 92 | 78 | 43 | 31 |
| **Other Information** | | | | | |
| Resource consent non-compliance events | **10** | 5 | 15 | 7 | 7 |
| Staff numbers (full time equivalents) | **818** | 803 | 786 | 727 | 628 |

Certain financial information for Trustpower does not exist prior to the 2016 financial year as a result of the October 2016 demerger. All other metrics have been restated to reflect the operations of the demerged Trustpower.

# DIRECTORS' RESPONSIBILITY STATEMENT

**The Directors are pleased to present the financial statements of Trustpower Limited and subsidiaries for the year ended 31 March 2019.**

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 2019 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.

The owners of Trustpower Limited do not have the power to amend these financial statements after they are issued.

**Paul Ridley-Smith**
Chair

**Sam Knowles**
Director

Company Registration Number
565426

Authorised for issue by the Board:
13 May 2019

# *Independent auditor's report*

To the shareholders of Trustpower Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

## *Our opinion*

In our opinion, the accompanying financial statements of Trustpower Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

## *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance, specifically the review of income tax returns and tax related correspondence. We are also engaged to provide general tax advisory services. We provided other services including other assurance engagements related to the Trustpower Insurance Limited solvency return and the telecommunications development levy. We also provided regulatory consulting services and technology consulting services in relation to the review of non-financial systems technology platform strategy. Additionally we performed an agreed upon procedures engagement over the financial information for King Country Energy Limited. The provision of these other services has not impaired our independence as auditor of the Group.

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

## *Our audit approach*

### Overview


An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $6.68 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter:

Generation assets carrying value

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We audited the operations of the Group at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative size of the businesses within the Group. We have performed audit procedures over material classes of transactions and balances of King Country Energy Limited.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Generation assets carrying value* | |
| Generation assets were revalued at 31 March 2019 to $1,861.7 million, as set out in notes 10 and 11 to the financial statements.<br><br>The fair value of generation assets is estimated by an independent external valuer using a discounted cash flow methodology.<br><br>The valuation involves a number of significant assumptions including forward electricity prices, the rate used to discount future cash flows, estimated avoided cost of transmission (ACOT) revenues, and updates to operational inputs such as future generation volumes and operating costs. All these assumptions involve judgements about the future.<br><br>We included the valuation of generation assets as a key audit matter because of the level of judgement inherent in the valuation, particularly in forecasting the forward electricity price path. | Our procedures included assessing the key inputs to the discounted cash flow valuation model. Utilising our PwC valuation experts we performed a detailed assessment of the reasonableness of the key assumptions by:<br>- Comparing the forward electricity price path to current externally derived market forecast data;<br>- Comparing the rates used to discount future cash flows in the valuation against current market conditions;<br>- Assessing the effect of the latest announcements by the Electricity Authority regarding ACOT decisions relevant to Trustpower; and<br>- Meeting with the external valuers to discuss the assumptions and judgements made in their valuation.<br><br>We assessed the appropriateness of the pricing factors, generation volumes and operating cost inputs by:<br>- Comparing forecast generation volumes to actual realised volumes over time;<br>- Assessing forecast operating costs of generation sites by comparing against planned costs for each site based on prior year actual costs and existing contracts. We also compared the costs to the actual operating costs incurred for the current year to assess management's forecast accuracy.<br><br>Additionally, we:<br>- Assessed the professional competence, independence and objectivity of the Group's valuation specialists;<br>- Checked the mathematical accuracy of the model; and<br>- Considered the adequacy of the related financial statement disclosures.<br><br>The valuation adopted by management was within the range that we considered appropriate in the context of our audit. |

# Auditor's report

### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the financial statements*

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

### *Who we report to*

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

pwc

The engagement partner on the audit resulting in this independent auditor's report is Philippa (Pip) Cameron.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
13 May 2019

Auckland

# Income statement

| FOR THE YEAR ENDED 31 MARCH 2019 | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Operating Revenue** | | | |
| Electricity revenue | 3, 9 | **861,023** | 809,628 |
| Telecommunications revenue | 3 | **87,699** | 80,664 |
| Gas revenue | 3 | **29,194** | 29,323 |
| Other operating revenue | | **52,167** | 27,257 |
| | | **1,030,083** | 946,872 |
| **Operating Expenses** | | | |
| Line costs | 3 | **284,498** | 290,954 |
| Electricity costs | | **234,621** | 156,237 |
| Generation production costs | 9 | **43,443** | 36,501 |
| Employee benefits | | **69,845** | 68,257 |
| Telecommunications cost of sales | 3 | **54,365** | 54,906 |
| Gas cost of sales | 3 | **23,159** | 22,022 |
| Other operating expenses | A5 | **97,973** | 74,911 |
| | | **807,904** | 703,788 |
| **Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)** | A2 | **222,179** | 243,084 |
| Impairment of assets | 10 | **10,855** | 5,099 |
| Net fair value (gains) / losses on financial instruments | A9 | **5,774** | 2,675 |
| Amortisation of intangible assets | 5 | **15,378** | 15,784 |
| Depreciation | 10 | **31,778** | 28,458 |
| **Operating Profit** | | **158,394** | 191,068 |
| Interest paid | 15 | **29,613** | 33,472 |
| Interest received | 15 | **(1,434)** | (1,347) |
| Net finance costs | | **28,179** | 32,125 |
| **Profit Before Income Tax** | | **130,215** | 158,943 |
| Income tax expense | 20 | **37,537** | 44,915 |
| **Profit From Continuing Operations** | | **92,678** | 114,028 |
| Profit from discontinued operation | A16 | **–** | 15,367 |
| Profit After Tax | | **92,678** | 129,395 |
| Profit after tax attributable to the shareholders of the Company | | **90,650** | 128,127 |
| Profit after tax attributable to non-controlling interests | | **2,028** | 1,268 |
| Basic and diluted earnings per share (cents per share) | A3 | **29.0** | 40.9 |

*The accompanying notes form part of these financial statements*

# Statement of comprehensive income

| FOR THE YEAR ENDED 31 MARCH 2019 | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Profit after tax | | **92,678** | 129,395 |
| **Other Comprehensive Income** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Revaluation (losses)/gains on generation assets | 10 | **(152,823)** | 19,371 |
| **Items that may be reclassified to profit or loss:** | | | |
| Other currency translation differences | | **–** | (2,850) |
| Fair value gains on cash flow hedges | A10 | **43,907** | 3,448 |
| Tax effect of the following: | | | |
| Revaluation losses/(gains) on generation assets | | **26,690** | (5,811) |
| Fair value gains on cash flow hedges | A10 | **(12,294)** | (965) |
| **Total Other Comprehensive Income** | | **(94,520)** | 13,193 |
| **Total Comprehensive Income** | | **(1,842)** | 142,588 |
| Attributable to shareholders of the Company | | **(3,870)** | 141,320 |
| Attributable to non-controlling interests | | **2,028** | 1,268 |
| **Total comprehensive income attributable to shareholders of the Company arises from:** | | | |
| Continuing operations | | **(3,870)** | 115,243 |
| Discontinued operations | | **–** | 26,077 |
| | | **(3,870)** | 141,320 |

*The accompanying notes form part of these financial statements*

# Statement of changes in equity

| FOR THE YEAR ENDED 31 MARCH 2019 | Note | Share capital $000 | Revaluation reserve $000 | Cash flow hedge reserve $000 | Foreign currency translation reserve $000 | Retained earnings $000 | Total Shareholders' Equity $000 | Non-controlling interest $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance as at 1 April 2017** | | 2 | 969,311 | (5,240) | (172) | 410,817 | 1,374,718 | 43,676 | 1,418,394 |
| Profit after tax attributable to the shareholders of the Company | | – | – | – | – | 128,127 | 128,127 | 1,268 | 129,395 |
| Disposal of revalued assets | A16 | – | (54,520) | – | – | 54,520 | – | – | – |
| **Other comprehensive income – items that will not be reclassified to the profit or loss** | | | | | | | | | |
| Revaluation gains on generation assets | | – | 19,371 | – | – | – | 19,371 | – | 19,371 |
| **Other comprehensive income – items that may be reclassified to the profit or loss** | | | | | | | | | |
| Disposal of foreign subsidiary | | – | – | – | 3,022 | – | 3,022 | – | 3,022 |
| Other currency translation differences | | – | – | – | (2,850) | – | (2,850) | – | (2,850) |
| Fair value gains/(losses) on cash flow hedges | | | | | | | | | |
| Realised | | – | – | (5,157) | – | – | (5,157) | – | (5,157) |
| Unrealised | | – | – | 8,605 | – | – | 8,605 | – | 8,605 |
| Tax effect of the following: | | | | | | | | | |
| Revaluation gains on generation assets | | – | (5,811) | – | – | – | (5,811) | – | (5,811) |
| Fair value gains/(losses) on cash flow hedges | | – | – | (965) | – | – | (965) | – | (965) |
| **Total other comprehensive income** | | – | 13,560 | 2,483 | 172 | – | 16,215 | – | 16,215 |
| **Contributions by and distributions to non–controlling interest** | | | | | | | | | |
| Acquisition of shares held by outside equity interest | 25 | – | – | – | – | 384 | 384 | (19,356) | (18,972) |
| **Total contributions by and distributions to non–controlling interest** | | – | – | – | – | 384 | 384 | (19,356) | (18,972) |
| **Transactions with owners recorded directly in equity** | | | | | | | | | |
| Dividends paid | 17 | – | – | – | – | (106,517) | (106,517) | (3,606) | (110,123) |
| **Total transactions with owners recorded directly in equity** | | – | – | – | – | (106,517) | (106,517) | (3,606) | (110,123) |
| **Closing balance as at 31 March 2018** | | **2** | **928,351** | **(2,757)** | **–** | **487,331** | **1,412,927** | **21,982** | **1,434,909** |

*The accompanying notes form part of these financial statements*

# Statement of changes in equity (continued)

| | Note | Share capital $000 | Revaluation reserve $000 | Cash flow hedge reserve $000 | Foreign currency translation reserve $000 | Retained earnings $000 | Total Shareholders' Equity $000 | Non-controlling interest $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|---|---|
| **Opening balance as at 1 April 2018** | | **2** | **928,351** | **(2,757)** | **–** | **487,331** | **1,412,927** | **21,982** | **1,434,909** |
| Profit after tax attributable to the shareholders of the Company | | – | – | – | – | **90,650** | **90,650** | **2,028** | **92,678** |
| Disposal of revalued assets | | – | **(298)** | – | – | **298** | – | – | – |
| **Other comprehensive income – items that will not be reclassified to the profit or loss** | | | | | | | | | |
| Revaluation gains on generation assets | | – | **(152,823)** | – | – | – | **(152,823)** | – | **(152,823)** |
| **Other comprehensive income – items that may be reclassified to the profit or loss** | | | | | | | | | |
| Fair value gains/(losses) on cash flow hedges | | | | | | | | | |
| Realised | | – | – | **(36,419)** | – | – | **(36,419)** | – | **(36,419)** |
| Unrealised | | – | – | **80,326** | – | – | **80,326** | – | **80,326** |
| Tax effect of the following: | | | | | | | | | |
| Revaluation losses on generation assets | | – | **26,690** | – | – | – | **26,690** | – | **26,690** |
| Fair value gains/(losses) on cash flow hedges | | – | – | **(12,294)** | – | – | **(12,294)** | – | **(12,294)** |
| **Total other comprehensive income** | | – | **(126,133)** | **31,613** | – | – | **(94,520)** | – | **(94,520)** |
| **Contributions by and distributions to non-controlling interest** | | | | | | | | | |
| Sale of shares in subsidiary to outside equity interest | 25 | – | – | – | – | – | – | **6,291** | **6,291** |
| **Total contributions by and distributions to non-controlling interest** | | – | – | – | – | – | – | **6,291** | **6,291** |
| **Transactions with owners recorded directly in equity** | | | | | | | | | |
| Dividends paid | 17 | – | – | – | – | **(184,654)** | **(184,654)** | **(5,731)** | **(190,385)** |
| **Total transactions with owners recorded directly in equity** | | – | – | – | – | **(184,654)** | **(184,654)** | **(5,731)** | **(190,385)** |
| **Closing balance as at 31 March 2019** | | **2** | **801,920** | **28,856** | **–** | **393,625** | **1,224,403** | **24,570** | **1,248,973** |

*The accompanying notes form part of these financial statements*

# Statement of financial position

| AS AT 31 MARCH 2019 | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Equity** | | | |
| *Capital and reserves attributable to shareholders of the Company* | | | |
| Share capital | 16 | **2** | 2 |
| Revaluation reserve | | **801,920** | 928,351 |
| Retained earnings | | **393,625** | 487,331 |
| Cash flow hedge reserve | A10 | **28,856** | (2,757) |
| Non-controlling interests | | **24,570** | 21,982 |
| **Total Equity** | | **1,248,973** | 1,434,909 |
| *Represented by:* | | | |
| **Current Assets** | | | |
| Cash at bank | | **8,204** | 19,790 |
| Other deposits | | **4,669** | 2,979 |
| Accounts receivable and prepayments | A7 | **125,104** | 100,226 |
| Capitalised customer acquisition costs | 4 | **30,211** | 19,811 |
| Derivative financial instruments | A11 | **17,484** | 2,941 |
| Taxation receivable | | **–** | 395 |
| | | **185,672** | 146,142 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 10 | **1,924,724** | 2,102,223 |
| Capitalised customer acquisition costs | 4 | **22,810** | 27,212 |
| Derivative financial instruments | A11 | **35,410** | 369 |
| Other investments | | **8,845** | 8,842 |
| Intangible assets | 5 | **37,042** | 44,120 |
| | | **2,028,831** | 2,182,766 |
| **Total assets** | | **2,214,503** | 2,328,908 |
| **Current Liabilities** | | | |
| Accounts payable and accruals | A8 | **112,453** | 108,343 |
| Unsecured subordinated bonds | 14 | **113,982** | – |
| Unsecured bank loans | 14 | **35,011** | 17,194 |
| Derivative financial instruments | A11 | **9,875** | 8,826 |
| Taxation payable | | **12,995** | 20,201 |
| | | **284,316** | 154,564 |
| **Non-Current Liabilities** | | | |
| Unsecured bank loans | 14 | **113,500** | 150,000 |
| Unsecured subordinated bonds | 14 | **–** | 113,559 |
| Unsecured senior bonds | 14 | **307,774** | 208,761 |
| Derivative financial instruments | A11 | **23,431** | 13,032 |
| Deferred tax liability | 21 | **236,509** | 254,083 |
| | | **681,214** | 739,435 |
| **Total liabilities** | | **965,277** | 893,999 |
| **Net assets** | | **1,249,226** | 1,434,909 |

*The accompanying notes form part of these financial statements*

# Cash flow statement

| FOR THE YEAR ENDED 31 MARCH 2019 | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| *Cash was provided from:* | | | |
| Receipts from customers | | **966,444** | 939,445 |
| | | **966,444** | 939,445 |
| *Cash was applied to:* | | | |
| Payments to suppliers and employees | | **771,366** | 695,798 |
| Taxation paid | | **47,528** | 33,250 |
| | | **818,894** | 729,048 |
| Net cash inflow from operating activities generated by discontinued operation | A16 | **–** | 27,859 |
| **Net Cash from Operating Activities** | A13 | **147,550** | 238,256 |
| **Cash Flows from Investing Activities** | | | |
| *Cash was provided from:* | | | |
| Sale of property, plant and equipment | | **1,846** | – |
| Return of electricity market security deposits | | **23,330** | 969 |
| Return of advances to Tilt Renewables Limited | | **–** | 5,973 |
| Interest received | | **1,434** | 1,482 |
| | | **26,610** | 8,424 |
| *Cash was applied to:* | | | |
| Lodgement of electricity market security deposits | | **25,020** | 3,021 |
| Purchase of property, plant and equipment | | **19,181** | 17,093 |
| Purchase of other investments | | **2** | 834 |
| Purchase of intangible assets | | **8,627** | 8,494 |
| | | **52,830** | 29,442 |
| Net cash inflow from investing activities generated by discontinued operation | A16 | **–** | 137,134 |
| **Net Cash (used in)/from Investing Activities** | | **(26,220)** | 116,116 |
| **Cash Flows from Financing Activities** | | | |
| *Cash was provided from:* | | | |
| Bank loan proceeds | | **151,617** | 87,491 |
| Senior bond issue proceeds | | **100,000** | – |
| Sale of shares in subsidiary to outside equity interest | | **6,291** | – |
| | | **257,908** | 87,491 |
| *Cash was applied to:* | | | |
| Bond brokerage costs | | **1,454** | – |
| Repayment of bank loans | | **170,300** | 147,300 |
| Repayment of senior bonds | | **–** | 51,992 |
| Interest paid | | **28,685** | 32,069 |
| Purchase of minority interest | | **–** | 18,972 |
| Dividends paid to owners of the company | | **184,654** | 106,517 |
| Dividends paid to non-controlling shareholders in subsidiary companies | | **5,731** | 3,700 |
| | | **390,824** | 360,550 |
| Net cash outflow from financing activities generated by discontinued operation | A16 | **–** | (69,246) |
| **Net Cash used in Financing Activities** | | **(132,916)** | (342,305) |
| **Net (Decrease)/Increase in Cash and Cash Equivalents** | | **(11,586)** | 12,067 |
| Cash and Cash equivalents at beginning of the year | | **19,790** | 8,183 |
| Exchange losses on cash and cash equivalents generated by discontinued operation | A16 | **–** | (460) |
| **Cash and Cash Equivalents at End of the Year** | | **8,204** | 19,790 |

*The accompanying notes form part of these financial statements*

# Note 1: Basis of preparation

### Reporting entity

The reporting entity is the consolidated group comprising Trustpower Limited and its 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 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, and is listed on the New Zealand Stock Exchange (NZX). It is an FMC Reporting Entity under the Financial Markets Conducts Act 2013.

The financial statements are presented for the year ended 31 March 2019.

### Basis of preparation

The financial statements are prepared in accordance with:

- the Financial Markets Conduct Act 2013, and NZX Main Board listing rules.
- Generally Accepted Accounting Practice (GAAP).
- New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable New Zealand accounting standards and authoritative notices, as appropriate for for-profit entities.

The financial statements have been prepared as follows:

- all transactions at the actual amount incurred (historical cost convention), except for generation assets and derivatives which have been revalued to fair value.
- all figures have been reported in New Zealand Dollars (NZD) and reported to the nearest thousand.

An index to all of the accounting policies is available in note A1. Any changes to accounting policies and standards are shown in note A20.

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.

### Critical accounting estimates and judgements

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

- fair value of Trustpower's generation assets (Note 11)
- useful lives of generation assets for depreciation (Note 10)
- useful lives of intangible assets for amortisation (Note 5)
- fair value of derivatives and other financial instruments (Note A18)
- electricity gross margin relating to unread electricity meters (Note 6)

## Note 2: Segment information

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

**Retail** The retail sale of electricity, gas and telecommunication services to customers in New Zealand.

**Generation** The generation of renewable electricity by hydro power schemes across New Zealand.

Generation 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 2019 are as follows:**

| | Retail $000 | Generation $000 | Other $000 | Total $000 |
|---|---|---|---|---|
| Total segment revenue | **947,328** | **253,224** | **6,060** | **1,206,612** |
| Inter–segment revenue | **–** | **(170,258)** | **(6,271)** | **(176,529)** |
| **Revenue from external customers** | **947,328** | **82,966** | **(211)** | **1,030,083** |
| **EBITDAF** | **64,481** | **171,863** | **(14,165)** | **222,179** |
| Amortisation of intangible assets | **3,409** | **–** | **11,969** | **15,378** |
| Depreciation | **–** | **23,073** | **8,705** | **31,778** |
| Capital expenditure including business acquisitions | **–** | **13,227** | **14,471** | **27,698** |
| Asset impairment | **–** | **10,564** | **291** | **10,855** |

**The segment results for the year ended 31 March 2018 are as follows:**

| | Retail $000 | Generation $000 | Other $000 | Total $000 |
|---|---|---|---|---|
| Total segment revenue | 892,230 | 246,552 | 5,504 | 1,144,286 |
| Inter–segment revenue | – | (191,846) | (5,568) | (197,414) |
| **Revenue from external customers** | 892,230 | 54,706 | (64) | 946,872 |
| **EBITDAF** | 59,593 | 196,447 | (12,956) | 243,084 |
| Amortisation of intangible assets | 4,772 | – | 11,012 | 15,784 |
| Depreciation | – | 22,862 | 5,596 | 28,458 |
| Capital expenditure including business acquisitions | – | 13,446 | 14,424 | 27,870 |
| Asset impairment | – | – | 5,099 | 5,099 |

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 Generation to 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 267,000 homes and businesses (2018: 273,000), supplies 39,000 customers with gas (2018: 37,000) and connects 96,000 (2018: 87,000) 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: Capitalised Customer Acquisition Costs

Note 5: Intangible Assets

Note 6: Retail Critical Accounting Estimates And Judgements

Note 7: Retail Financial Risk Management

Note 8: Retail Commitments

# Note 3: Retail profitability analysis

| | 2019 $000 | 2019 $000 | 2018 $000 | 2018 $000 |
|---|---|---|---|---|
| **Operating revenue** | | | | |
| Electricity revenue | | | | |
| Mass market – fixed price | **488,575** | | 502,730 | |
| Commercial & industrial – fixed price | **125,917** | | 121,345 | |
| Commercial & industrial – spot price | **184,600** | **799,092** | 150,587 | 774,662 |
| Gas revenue | | **29,194** | | 29,323 |
| Telecommunications revenue | | **87,699** | | 80,664 |
| Other operating revenue | | **31,343** | | 7,581 |
| | | **947,328** | | 892,230 |
| **Operating Expenses** | | | | |
| Electricity costs | | **375,634** | | 343,136 |
| Line costs | | **284,498** | | 290,954 |
| Telecommunications cost of sales | | **54,365** | | 54,906 |
| Employee benefits | | **36,257** | | 34,175 |
| Meter rental costs | | **24,356** | | 24,049 |
| Gas cost of sales | | **23,159** | | 22,022 |
| Market fees and costs | | **6,484** | | 6,098 |
| Marketing and acquisition costs | | **14,337** | | 16,881 |
| Other retail cost of sales | | **23,133** | | 2,629 |
| Bad debts | | **1,975** | | 2,652 |
| Other operating expenses* | | **38,649** | | 35,135 |
| | | **882,847** | | 832,637 |
| **EBITDAF** | | **64,481** | | 59,593 |
| The analysis above includes the following transactions with the Generation segment: | | | | |
| Electricity costs | | **141,013** | | 186,899 |
| Meter rental costs | | **9,644** | | 10,154 |
| Other operating expenses | | **2,596** | | 2,570 |
| | | **153,253** | | 199,623 |

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

## Note 3: Retail profitability analysis (continued)

### 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.

Where a bundle of services is provided to a customer and a discount is provided for one of those services, the discount is allocated to each distinct performance obligation based on the relative stand alone selling price of those services.

Where a discount is offered for prompt payment revenue is initially recognised net of estimated discount based on accumulated experience used to estimate the amount of discounts taken by customers.

There are no significant timing differences between the payment terms and this policy.

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: Capitalised customer acquisition costs

| | **2019 $000** | 2018 $000 |
|---|---|---|
| Opening balance | **47,023** | 35,044 |
| Additions | **33,004** | 28,896 |
| Applied to electricity revenue | **(12,045)** | (4,405) |
| Applied to telecommunications revenue | **(4,527)** | (2,094) |
| Applied to marketing and acquisition costs | **(10,434)** | (10,418) |
| Closing balance | **53,021** | 47,023 |
| Current portion | **30,211** | 19,811 |
| Non-current portion | **22,810** | 27,212 |
| | **53,021** | 47,023 |

### Capitalised customer acquisition costs

Trustpower capitalises incremental costs directly attributable to the acquisition of a new mass market customer, such as upfront discounts and sales agent commissions. Costs that directly benefited the customer are applied over the period of the fixed term contract, as a discount to revenue. All other costs are applied on a straight line basis over the expected average customer tenure of four years as an operating expense.

### Change in treatment of customer acquisition costs

Trustpower early adopted NZ IFRS 15 *Revenue from Contracts with Customers* in its March 2017 financial year. On initial adoption, certain incentives provided to customers were assessed as being an incremental cost of obtaining a contract with a customer as described in NZ IFRS 15. Trustpower has reviewed the application of its policy with respect to the treatment of its acquisition costs under NZ IFRS 15 during the period and has now assessed these costs as being performance obligations in their own right. The most significant impact is to change the period over which these costs are applied from the expected life of the customer relationship (which Trustpower has assessed as being four years) to the term of the contract (which averages approximately two years). Trustpower has evaluated the impact of these changes at each of the previous reporting dates and have determined that the impact is not material for any of the prior periods reported. This assessment is due to the size and non-cash nature of this item being such that it would not influence the economic decisions of users made on the basis of the financial information previously issued. The change in treatment is being applied to all costs associated with performance obligations incurred from 1 April 2018 onwards. The impact of the change on the current year income statement is immaterial.

## Note 5: Intangible assets

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

| | Customer Base Assets $000 | Computer Software $000 | Indefinite Life Goodwill $000 | Total $000 |
|---|---|---|---|---|
| **Opening balance as at 1 April 2017** | | | | |
| Cost | 82,696 | 85,449 | 4,171 | 172,316 |
| Accumulated amortisation | (64,403) | (51,434) | – | (115,837) |
| | 18,293 | 34,015 | 4,171 | 56,479 |
| Additions at cost | – | 8,698 | – | 8,698 |
| Amortisation | (4,772) | (11,012) | – | (15,784) |
| Impairment | – | (5,099) | – | (5,099) |
| Disposals at net book value | – | (34) | – | (34) |
| Transfers | – | (170) | – | (170) |
| **Closing balance as at 31 March 2018** | | | | |
| Cost | **82,696** | **88,874** | **4,171** | **175,741** |
| Accumulated amortisation | **(69,175)** | **(62,446)** | **–** | **(131,621)** |
| | **13,521** | **26,428** | **4,171** | **44,120** |
| Additions at cost | **640** | **7,566** | **–** | **8,206** |
| Amortisation | **(3,409)** | **(11,969)** | **–** | **(15,378)** |
| Impairment | **–** | **(291)** | **–** | **(291)** |
| Disposals at net book value | **–** | **–** | **–** | **–** |
| Transfers | **–** | **385** | **–** | **385** |
| **Closing balance as at 31 March 2019** | | | | |
| Cost | **83,336** | **97,786** | **4,171** | **185,293** |
| Accumulated amortisation | **(72,584)** | **(75,667)** | **–** | **(148,251)** |
| | **10,752** | **22,119** | **4,171** | **37,042** |

There are no individually material intangible assets.

### 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 treated in accordance with its revenue recognition policy (see note 3). 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 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 6: Retail critical accounting estimates and judgements

### Unbilled sales estimate

Electricity and gas 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 have not 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 if there were a large error in the estimate, ten per cent for example, the impact on operating profit would be immaterial. If the estimated unbilled units had been 10% higher/lower, operating profit for the year would have increased/(decreased) by $390,000/$(390,000) (2018: increased/(decreased) by $668,000/$(668,000)).

### Contract asset amortisation expense

Management judgement is involved in determining the expected average customer tenure over which certain capitalised customer acquisition costs are amortised. The appropriate period is reviewed at each balance date and considers actual churn over the past 12 months and any changes in churn between acquisition campaigns.

# Note 7: 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 (2018: 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. Trustpower's Credit Policy ensures that all counterparties with which Trustpower has electricity price hedging in place are assigned a credit limit and that potential exposure does not exceed that limit.

Trustpower has around 235,000 customers (2018: 246,000). The largest single customer accounts for 1 per cent (2018: 1 per cent) of Trustpower's total accounts receivable. Included in other accounts payable and accruals is $384,000 (2018: $504,000) 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, established following the guidance of NZ IFRS 9 is $2,800,000 (2018: $2,410,000). See notes A7 and A17(c) for further detail.

# Note 8: 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.

| Counterparty | Type of generation |
|---|---|
| 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 |
| Tilt Renewables Limited | Wind farms |
| Ngati Tuwharetoa Electricity Ltd | Geothermal power station |
| Barrhill Chertsey Irrigation JV | Hydropower stations |

# Generation

**This section details the generation operations of Trustpower.**

Trustpower owns 433MW of mainly hydro generation assets throughout New Zealand. The Generation segment also includes metering and irrigation assets as well as Trustpower's energy trading function. Trustpower also holds a 75% (2018: 80%) controlling interest in King Country Energy Limited, which owns an additional 54MW of hydro generation assets.

A generation profitability analysis is included in Note 9. This disclosure provides a detailed breakdown of the performance of Trustpower's generation operations.

**This section includes the following notes:**

Note 9: Generation Profitability Analysis

Note 10: Property, Plant and Equipment

Note 11: Generation Critical Accounting Estimates and Judgements

Note 12: Generation Financial Risk Management

Note 13: Generation Commitments

# Note 9: Generation profitability analysis

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Operating Revenue** | | |
| Electricity revenue | **219,950** | 214,089 |
| Meter rental revenue | **15,323** | 15,961 |
| Net other operating revenue | **17,951** | 16,502 |
| | **253,224** | 246,552 |
| **Operating Expenses** | | |
| Generation production costs | **43,443** | 36,501 |
| Employee benefits | **14,359** | 15,512 |
| Generation development expenditure | **761** | 283 |
| Other operating expenses including electricity hedge settlements | **22,798** | (2,191) |
| | **81,361** | 50,105 |
| **EBITDAF** | **171,863** | 196,447 |
| The analysis above includes the following transactions with the Retail segment: | | |
| Electricity revenue | **158,018** | 179,122 |
| Electricity hedge settlements | **(17,005)** | 7,777 |
| Meter rental revenue | **9,644** | 10,154 |
| Other operating revenue | **2,596** | 2,570 |
| | **153,253** | 199,623 |

**Generation development**

An ongoing part of Trustpower's business is the development of new generation assets. All costs incurred prior to the 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).

## Note 10: 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 $000 | Other Land and Buildings $000 | Metering Equipment $000 | Other Plant and Equipment $000 | Total $000 |
|---|---|---|---|---|---|
| **Opening balance as at 1 April 2017** | | | | | |
| Fair Value | 2,220,418 | – | – | – | 2,220,418 |
| Cost | 6,161 | 27,994 | 68,148 | 49,306 | 151,609 |
| Capital work in progress | 14,502 | – | – | – | 14,502 |
| Accumulated depreciation | (21,840) | (533) | (59,216) | (28,846) | (110,435) |
| | 2,219,241 | 27,461 | 8,932 | 20,460 | 2,276,094 |
| Additions at cost | 11,595 | 2 | 1,272 | 6,303 | 19,172 |
| Depreciation | (20,701) | (201) | (4,162) | (5,821) | (30,885) |
| Disposals at net book value | (176,998) | – | – | (61) | (177,059) |
| Foreign exchange movements | (4,288) | (2) | – | (213) | (4,503) |
| Revaluation of discontinued operation | 19,371 | – | – | – | 19,371 |
| Transfers/impairments | 278 | (24) | (1) | (220) | 33 |
| **Closing balance as at 31 March 2018** | | | | | |
| Fair value | **2,055,312** | **–** | **–** | **–** | **2,055,312** |
| Cost | **15,115** | **27,984** | **69,420** | **53,968** | **166,487** |
| Capital work in progress | **14,822** | **–** | **–** | **–** | **14,822** |
| Accumulated depreciation | **(36,751)** | **(748)** | **(63,379)** | **(33,520)** | **(134,398)** |
| | **2,048,498** | **27,236** | **6,041** | **20,448** | **2,102,223** |
| Additions at cost | **12,231** | **31** | **–** | **7,230** | **19,492** |
| Depreciation | **(18,287)** | **(202)** | **(4,284)** | **(9,005)** | **(31,778)** |
| Disposals at net book value | **(853)** | **–** | **(25)** | **(673)** | **(1,551)** |
| Foreign exchange movements | **–** | **–** | **–** | **–** | **–** |
| Revaluations | **(152,823)** | **–** | **–** | **–** | **(152,823)** |
| Transfers/impairments | **(12,536)** | **119** | **(991)** | **2,569** | **(10,839)** |
| **Closing balance as at 31 March 2019** | | | | | |
| Fair value | **1,861,700** | **–** | **–** | **–** | **1,861,700** |
| Cost | **–** | **28,212** | **67,668** | **58,701** | **154,581** |
| Capital work in progress | **14,530** | **149** | **–** | **4,637** | **19,316** |
| Accumulated depreciation | **–** | **(1,177)** | **(66,927)** | **(42,769)** | **(110,873)** |
| | **1,876,230** | **27,184** | **741** | **20,569** | **1,924,724** |

The depreciation figures in the table above include both continuing and discontinued operations. The split between these amounts is given below (see note A16 for more details).

| | **2019 $000** | 2018 $000 |
|---|---|---|
| Depreciation from continuing operations | **31,778** | 28,458 |
| Depreciation from discontinued operations | **–** | 2,427 |
| | **31,778** | 30,885 |

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 2019, to their estimated market value as assessed by Deloitte Corporate Finance. See note 11 for a description of the inputs used. See note A15 for historical cost information.

# Note 10: Property, plant and equipment (continued)

### 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 11: 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 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 |
|---|---|---|---|
| Forward electricity price path | Decreasing in real terms from $110/MWh to $76/MWh by 2023. Thereafter held constant. | Decreasing in real terms from $110/MWh to $93/MWh by 2022. Thereafter held constant. | –/+ $208,000,000 |
| Generation volume | 1,725GWh | 2,109GWh | –/+ $242,000,000 |
| Avoided Cost of Transmission | 100% reduction in revenue from 2025 | Current regulatory structure is unchanged. | –$164,000,000 |
| Operating costs | $53,000,000 p.a. | $64,000,000 p.a. | +/– $80,000,000 |
| Weighted average cost of capital | 6.95% | 7.95% | +$177,600,000 / –$147,800,000 |

Some of these inputs are not based on inputs observable in the market, and so under NZ IFRS they are classified within level 3 of the fair value hierarchy. See note A18 for more information on the NZ IFRS fair value hierarchy.

### Depreciation expense

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

*Sensitivity analysis*

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by $1,648,000/$(2,014,000) (2018: $1,882,000/$(2,300,000)).

# Note 12: Generation financial risk management

### Electricity price risk

Exposure to electricity price risk in New Zealand is largely mitigated by selling electricity to the retail segment. See note 8 for more detail. This risk management strategy assumes that the electricity wholesale market that currently operates in New Zealand will continue to do so in the future. There is a possibility that future regulatory intervention may fundamentally alter the structure of this market. 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. This risk is mitigated somewhat by operating in different regions of the country.

### 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 13: Generation commitments

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Capital commitments** | **676** | 791 |

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.

# Funding

**This section explains how Trustpower is funded.**

Trustpower is listed on the New Zealand Stock Exchange under the code TPW. Trustpower has over 12,000 shareholders, the two largest being Infratil Limited (51.0%) and the Tauranga Energy Consumer Trust (26.8%). Trustpower's debt comprises a combination of bank facilities and senior and subordinated bonds that are listed on the New Zealand Stock Exchange.

**This section includes the following notes:**

Note 14: Borrowings

Note 15: Finance Income And Costs

Note 16: Share Capital

Note 17: Dividends On Ordinary Shares

Note 18: Imputation Credit Account

Note 19: Funding 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.

| | | 2019 | |
|---|---|---|---|
| | Unsecured Bank Loans $000 | Senior Bonds $000 | Subordinated Bonds $000 |
| *Repayment terms:* | | | |
| Less than one year | **55,011** | **–** | **114,163** |
| One to two years | **48,000** | **–** | **–** |
| Two to five years | **45,500** | **210,780** | **–** |
| Over five years | **–** | **100,000** | **–** |
| Bond issue costs | **–** | **(3,006)** | **(181)** |
| | **148,511** | **307,774** | **113,982** |
| Current portion | **35,011** | **–** | **113,982** |
| Non–current portion | **113,500** | **307,774** | **–** |
| | **148,511** | **307,774** | **113,982** |
| *Undrawn facilities* | | | |
| Less than one year | **45,000** | **–** | **–** |
| One to two years | **32,000** | **–** | **–** |
| Two to five years | **134,500** | **–** | **–** |
| Over five years | **–** | **–** | **–** |
| | **211,500** | **–** | **–** |
| *Weighted average interest rate:* | | | |
| Less than one year | **2.7%** | **–** | **6.8%** |
| One to two years | **2.9%** | **–** | **–** |
| Two to five years | **3.0%** | **4.6%** | **–** |
| Over five years | **–** | **4.0%** | **–** |
| | **2.9%** | **4.4%** | **6.8%** |

## Note 14: Borrowings (continued)

| | 2018 | | |
|---|---|---|---|
| | Total bank facilities $000 | Senior Bonds $000 | Subordinated Bonds $000 |
| *Repayment terms:* | | | |
| Less than one year | 17,194 | – | – |
| One to two years | 85,000 | – | 114,163 |
| Two to five years | 65,000 | 210,780 | – |
| Over five years | – | – | – |
| Bond issue costs | – | (2,019) | (604) |
| | 167,194 | 208,761 | 113,559 |
| Current portion | 17,194 | – | – |
| Non–current portion | 150,000 | 208,761 | 113,559 |
| | 167,194 | 208,761 | 113,559 |
| *Undrawn facilities* | | | |
| Less than one year | 12,806 | – | – |
| One to two years | 15,000 | – | – |
| Two to five years | 170,000 | – | – |
| Over five years | – | – | – |
| | 197,806 | – | – |
| *Weighted average interest:* | | | |
| Less than one year | 2.7% | – | – |
| One to two years | 1.6% | – | 6.8% |
| Two to five years | 1.5% | 4.6% | – |
| Over five years | – | – | – |
| | 1.7% | 4.6% | 6.8% |

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 2019 the subordinated bonds had a fair value of $115,679,000 (31 March 2018: $119,077,000) and the senior bonds had a fair value of $321,788,000 (31 March 2018: $216,392,000). The bonds have been classified as level 1 in the fair value hierarchy, see note A18 for a definition of the levels.

## Note 15: Finance income and costs

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Amortisation of debt issue costs | **890** | 1,077 |
| Interest paid on unsecured bank loans | **5,300** | 6,743 |
| Interest paid on unsecured subordinated bonds | **7,884** | 7,706 |
| Interest paid on unsecured senior bonds | **10,041** | 12,400 |
| Other interest costs and fees | **5,498** | 5,546 |
| **Total Interest Expense** | **29,613** | 33,472 |
| Interest received on cash at bank | **1,434** | 1,347 |
| **Total Interest Income** | **1,434** | 1,347 |

There was no capitalised interest in the year to 31 March 2019 (2018: none).

## Note 16: Share capital

| | 2019 000's of Shares | 2018 000's of Shares | 2019 $000 | 2018 $000 |
|---|---|---|---|---|
| Authorised and issued ordinary shares at beginning of period | **312,973** | 312,973 | **2** | 2 |
| | **312,973** | 312,973 | **2** | 2 |

All shares rank equally with one vote per share, have no par value and are fully paid. The amount of share capital is increased or decreased by the amount paid or received when Trustpower buys or sells its own shares.

## Note 17: Dividends on ordinary shares

| | 2019 Cents Per Share | 2018 Cents Per Share | 2019 $000 | 2018 $000 |
|---|---|---|---|---|
| Final dividend prior period | **17.0** | 17.0 | **53,205** | 53,312 |
| Interim dividend paid current period | **17.0** | 17.0 | **53,206** | 53,205 |
| Special dividend paid current period | **25.0** | – | **78,243** | – |
| | **59.0** | 34.0 | **184,654** | 106,517 |
| Final fully imputed dividend declared subsequent to the end of the reporting period payable 14 June 2019 to all shareholders on the register at 31 May 2019 | **17.0** | 17.0 | **53,678** | 53,205 |
| Unimputed special dividend declared subsequent to the end of the reporting period payable 14 June 2019 to all shareholders on the register at 31 May 2019 | **15.0** | – | **47,363** | – |

### 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 18: Imputation credit account

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Imputation credits available for use in subsequent reporting periods | **14,505** | 16,696 |

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 19: Funding 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".

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.

### 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 banking facilities are with institutions that all have a Standard & Poor's long-term credit rating of A+ or higher.

### 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.

Trustpower's primary measure for monitoring its capital structure is net debt to EBITDAF. This is calculated below:

| | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| **Net debt** | | | |
| Unsecured bank debt | 14 | **148,511** | 167,194 |
| Unsecured subordinated bonds | 14 | **113,982** | 113,559 |
| Unsecured senior bonds | 14 | **307,774** | 208,761 |
| Cash and cash equivalents | | **(8,204)** | (19,790) |
| | | **562,063** | 469,724 |
| **EBITDAF** | A2 | **222,179** | 243,084 |
| **Net debt to EBITDAF** | | **2.5** | 1.9 |

Trustpower has a medium term target of maintaining its net debt to EBITDAF ratio to between 2.5 and 4.0.

## Note 19: Funding financial risk management (continued)

As a secondary measure, Trustpower also monitors its gearing ratio. This ratio is calculated as net debt divided by net debt plus equity.

The gearing ratio is calculated below:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Net debt** | **562,063** | 469,724 |
| **Equity** | | |
| Total equity | **1,248,973** | 1,434,909 |
| Remove net effect of fair value of financial instruments after tax | **(28,856)** | 2,757 |
| | **1,220,117** | 1,437,666 |
| **Total capital funding** | **1,782,180** | 1,907,390 |
| **Gearing ratio** | **32%** | 25% |

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 20: Income tax expense

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Profit from continuing operations before income tax | **130,215** | 158,943 |
| Profit from discontinued operations before income tax | **–** | 18,798 |
| Profit before income tax | **130,215** | 177,741 |
| Tax on profit @ 28% | **36,460** | 49,767 |
| Australian operations tax rate adjustment | **–** | 436 |
| Tax effect of non-deductible expenditure | **533** | 2,580 |
| Australian capital gains tax over-provided in previous period | **(66)** | – |
| Income tax under/(over) provided in prior year | **610** | (1,232) |
| | **37,537** | 51,551 |
| Income tax expense is attributable to: | | |
| Profit from continuing operations | **37,537** | 44,915 |
| Profit from discontinued operations | **–** | 6,636 |
| | **37,537** | 51,551 |
| *Represented by:* | | |
| Current tax | **40,781** | 48,126 |
| Deferred tax | **(3,244)** | 3,425 |
| | **37,537** | 51,551 |

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.

## Note 21: Deferred income tax

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Balance at beginning of year | **254,083** | 284,418 |
| Current year changes in temporary differences recognised in profit or loss | **(5,409)** | (1,580) |
| Current year changes in temporary differences recognised in other comprehensive income | **(14,396)** | 6,777 |
| Reclassification of prior year temporary differences | **2,231** | 4,999 |
| Disposed as part of disposal of subsidiary | **–** | (39,610) |
| Exchange rate movements on foreign denominated deferred tax | **–** | (921) |
| Total deferred tax liabilities | **263,509** | 254,083 |

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

| | Opening Balance | Disposal of Discontinued Operation | Recognised in Profit or Loss | Recognised in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|---|
| **For the year ended 31 March 2019** | | | | | |
| Revaluations | **176,831** | **–** | **–** | **(26,690)** | **150,141** |
| Other property, plant and equipment movements | **66,286** | **–** | **(1,849)** | **–** | **64,437** |
| Employee benefits | **(3,242)** | **–** | **(424)** | **–** | **(3,666)** |
| Provision for impairment | **(675)** | **–** | **(109)** | **–** | **(784)** |
| Customer base assets | **3,786** | **–** | **(920)** | **–** | **2,866** |
| Financial instruments | **(3,598)** | **–** | **(1,978)** | **12,293** | **6,717** |
| Other | **14,695** | **–** | **2,103** | **–** | **16,798** |
| | **254,083** | **–** | **(3,178)** | **(14,396)** | **236,509** |

| | Opening Balance | Disposal of Discontinued Operation | Recognised in Profit or Loss | Recognised in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|---|
| **For the year ended 31 March 2018** | | | | | |
| Revaluations | 192,222 | (21,530) | – | 6,139 | 176,831 |
| Other property, plant and equipment movements | 87,134 | (18,185) | (2,169) | (494) | 66,286 |
| Employee benefits | (2,127) | 105 | (1,223) | 3 | (3,242) |
| Provision for impairment | (513) | – | (162) | – | (675) |
| Customer base assets | 5,122 | – | (1,336) | – | 3,786 |
| Financial instruments | (3,991) | – | (573) | 966 | (3,598) |
| Other | 6,571 | – | 8,124 | – | 14,695 |
| | 284,418 | (39,610) | 2,661 | 6,614 | 254,083 |

## Note 22: Income tax critical accounting 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 23: Contingent liabilities and subsequent events

The Group is not aware of any material contingent liabilities at balance date that have not been disclosed elsewhere in these financial statements (2018: nil).

Other than disclosed in note 24 the Group is not party to any material operating leases at balance date (2018: 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 that have not been disclosed elsewhere in these financial statements.

## Note 24: Other commitments

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Operating Leases** | | |
| Not later than 1 year | **3,462** | 3,109 |
| Later than 1 year and not later than 5 years | **11,758** | 11,233 |
| Later than 5 years | **19,390** | 21,408 |
| | **34,610** | 35,750 |

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

## Note 25: Related party transactions

### Key management personnel

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

| | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Salaries, other short-term employee benefits earned during the year | | **7,449** | 5,791 |
| Fair value movements in cash settled, share based incentives | A14 | **2,812** | 4,376 |
| | | **10,261** | 10,167 |

$6,054,000 of this amount was unpaid at 31 March 2019 (2018: $4,445,000).

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

### Tilt Renewables

Like Trustpower, Tilt Renewables is controlled by Infratil Limited (see below)

Transactions with Tilt Renewables are summarised below:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Purchases of electricity from Tilt Renewables | **42,364** | 39,584 |
| Revenue from generation dispatch services provided to Tilt Renewables | **304** | 371 |

The sources of debt balances between Trustpower and Tilt Renewables are summarised below:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Liability due to purchases of electricity | **(1,732)** | (2,223) |
| Asset due to revenue from generation dispatch services | **25** | 23 |
| | **(1,707)** | (2,200) |

## Note 25: Related party transactions (continued)

### King Country Energy Limited

During the year Trustpower sold 1,258,000 King Country Energy Limited shares to the King Country Electric Power Trust for $6,291,000. During the prior year Trustpower purchased 3,761,614 shares from minority shareholders for $18,808,000.

During the year Trustpower purchased King Country Energy Limited's approximately 17,000 electricity connections for $15,000,000.

### 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.

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 (2018: nil). Except as noted above there are no amounts outstanding at 31 March 2019 (2018: nil).

# Note A1: Significant accounting policies index

| Policy | Note |
|---|---|
| Adoption Status of Relevant New Financial Reporting Standards and Interpretations | A20 |
| Basis of Preparation | 1 |
| Borrowings | 14 |
| Capitalised Customer Acquisition Costs | 4 |
| Cash Flow Statement | A20 |
| Dividend Distribution | 17 |
| Foreign Currency Translation | A20 |
| Generation Development | 9 |
| Intangible Assets | 5 |
| Property, Plant and Equipment | 10 |
| Revenue Recognition | 3 |
| Share Capital | 16 |
| Trade Payables | A8 |
| Trade Receivables and Prepayments | A7 |

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

# Note A2: Non-GAAP measures

### Underlying Earnings after Tax

| | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Profit after tax attributable to the shareholders of the Company ($000) | | **90,650** | 128,127 |
| Fair value losses / (gains) on financial instruments | A9 | **5,774** | 2,675 |
| Gain on sale of the subsidiary after income tax | A16 | **–** | (183) |
| Asset impairments | | **10,855** | 5,099 |
| Adjustments before income tax | | **16,629** | 7,591 |
| Change in income tax expense in relation to adjustments | | **(4,656)** | (749) |
| Adjustments after income tax | | **11,973** | 6,842 |
| Underlying Earnings After Tax | | **102,623** | 134,969 |

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 and telecommunications industries 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.

| | Note | 2019 | 2018 |
|---|---|---|---|
| Profit after tax attributable to the shareholders of the Company ($000) | | **90,650** | 128,127 |
| Weighted average number of ordinary shares on issue (thousands) | 16 | **312,973** | 312,973 |
| **Basic and diluted earnings per share (cents per share)** | | **29.0** | 40.9 |
| From continuing operations (cents per share) | | **29.0** | 35.9 |
| From discontinued operation (cents per share) | | **–** | 5.0 |
| | | **29.0** | 40.9 |
| Underlying earnings after tax ($000) | | **102,623** | 134,969 |
| Weighted average number of ordinary shares on issue (thousands) | 16 | **312,973** | 312,973 |
| **Underlying earnings per share (cents per share)** | | **32.8** | 43.1 |
| From continuing operations (cents per share) | | **32.8** | 38.1 |
| From discontinued operation (cents per share) | | **–** | 5.0 |
| | | **32.8** | 43.1 |

## Note A4: Net tangible assets per share

| | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Total net assets | | **1,248,973** | 1,434,909 |
| Less intangible assets (including capitalised customer acquisition costs) | | **(90,063)** | (91,143) |
| Less net tangible assets attributed to non-controlling interest | | **(29,574)** | (26,357) |
| Net tangible assets attributed to shareholders | | **1,129,336** | 1,317,409 |
| Number of ordinary shares in issue (thousands) | 16 | **312,973** | 312,973 |
| **Net tangible assets per share (dollars per share)** | | **3.61** | 4.21 |

## Note A5: Other operating expenses

| | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Remuneration of auditors | A6 | **714** | 655 |
| Bad debts written off | A17 | **1,975** | 2,652 |
| Directors' fees | | **759** | 787 |
| Donations | | **971** | 762 |
| Loss/(gain) on foreign exchange | | **8** | (3,580) |
| Generation development expenditure | | **761** | 283 |
| Market fees and costs | | **6,484** | 6,098 |
| Meter rental costs | | **14,766** | 13,947 |
| Other retail cost of sales | | **23,133** | 2,629 |
| Net (gain)/loss on sale of property, plant and equipment | | **(295)** | (154) |
| Sales and marketing expenditure | | **14,337** | 16,881 |
| Computer maintenance and support costs | | **16,354** | 14,037 |
| Other administration costs | | **14,634** | 16,581 |
| Rental and operating lease costs | | **3,372** | 3,333 |
| | | **97,973** | 74,911 |

## Note A6: Remuneration of auditors

| | 2019 $000 | 2018 $000 |
|---|---|---|
| During the year the following fees were payable to the auditors of Trustpower, PricewaterhouseCoopers: | | |
| **Audit and other assurance services** | | |
| Audit of financial statements | **440** | 436 |
| Other assurance services | | |
| Audit of regulatory returns[1] | **15** | 16 |
| Review of half year financial statements | **54** | 48 |
| | **509** | 500 |
| **Taxation services** | | |
| Tax compliance[2] | **59** | 37 |
| Tax consulting[3] | **29** | 68 |
| | **88** | 105 |
| **Other services** | | |
| Benchmarking services | **–** | 2 |
| Financial system migration process assessment | **–** | 40 |
| Regulatory consulting services | **6** | – |
| Technology consulting services[4] | **95** | – |
| Agreed upon procedures over the financial information for King Country Energy Limited | **16** | – |
| Anti-money laundering compliance advice | **–** | 8 |
| | **117** | 50 |
| Total remuneration of PricewaterhouseCoopers | **714** | 655 |

1 Regulatory returns include assurance services surrounding the Trustpower Insurance Limited solvency return and telecommunications development levy

2 Tax compliance services relate to the review of income tax returns and tax related correspondence.

3 Tax consulting relates to general tax advisory services.

4 Technology consulting services includes advice in relation to the review of non-financial systems technology platform strategy. These fees were paid to PricewaterhouseCoopers Australia.

## Note A7: Accounts receivable and prepayments

| | 2019 $000 | 2018 $000 |
|---|---|---|
| *Current Portion:* | | |
| Billed debtors and unbilled sales | **97,929** | 79,839 |
| Provision for doubtful debts | **(2,800)** | (2,410) |
| Electricity market receivables | **1,482** | 730 |
| Other receivables | **25,631** | 19,161 |
| GST receivable | **46** | 2 |
| Prepayments | **2,816** | 2,904 |
| | **125,104** | 100,226 |

### Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis including debts past due, but not considered impaired. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when the assessment under NZ IFRS 9 deems a provision is required (see note A17).

## Note A8: Accounts payable and accruals

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Customer bond deposits | **384** | 504 |
| Electricity market payables | **12,714** | 2,115 |
| Employee entitlements | **15,770** | 11,600 |
| Interest accruals | **1,882** | 1,845 |
| GST payable | **8,293** | 9,088 |
| Other accounts payable and accruals | **26,810** | 28,096 |
| Trade accounts payable | **46,599** | 55,095 |
| | **112,453** | 108,343 |

**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 2019 are summarised below:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Recognised in the income statement** | | |
| Interest rate derivatives | **(7,189)** | (914) |
| Electricity price derivatives | **1,415** | (1,761) |
| | **(5,774)** | (2,675) |

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Recognised in the cash flow hedge reserve** | | |
| Electricity price derivatives | **43,907** | 3,448 |
| | **43,907** | 3,448 |

## Note A10: Cash flow hedge reserve

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Balance at beginning of year | **(2,757)** | (5,240) |
| Fair value gains | **80,326** | 8,605 |
| Transfers to energy cost expense | **(36,419)** | (5,157) |
| | **43,907** | 3,448 |
| Tax on fair value gains | **(22,491)** | (2,409) |
| Tax on transfers to energy cost expense | **10,197** | 1,444 |
| | **(12,294)** | (965) |
| | **28,856** | (2,757) |

## Note A11: Derivative financial instruments

| | 2019 $000 | 2018 $000 |
|---|---|---|
| **Current** | | |
| Interest rate derivative assets | **–** | – |
| Electricity price derivative assets | **17,484** | 2,941 |
| | **17,484** | 2,941 |
| Interest rate derivative liabilities | **579** | 889 |
| Electricity price derivative liabilities | **9,296** | 7,937 |
| | **9,875** | 8,826 |
| **Non-current** | | |
| Interest rate derivative assets | **719** | – |
| Electricity price derivative assets | **34,691** | 369 |
| | **35,410** | 369 |
| Interest rate derivative liabilities | **16,798** | 8,580 |
| Electricity price derivative liabilities | **6,633** | 4,452 |
| | **23,431** | 13,032 |

## Note A12: Investments in subsidiaries

| | Country of incorporation and place of business | % owned by Trustpower 2019 | % owned by Trustpower 2018 | Nature of business |
|---|---|---|---|---|
| **Parent and Group** | | | | |
| *Significant subsidiaries (31 March balance dates)* | | | | |
| Hopsta Limited | New Zealand | 100 | 100 | Electricity and telecommunications retailing |
| King Country Energy Holdings Limited | New Zealand | 100 | 100 | Asset holding |
| King Country Energy Limited | New Zealand | 75 | 80 | Electricity generation |
| Trustpower Insurance Limited | New Zealand | 100 | 100 | Captive insurance |

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

| | Note | 2019 $000 | 2018 $000 |
|---|---|---|---|
| Profit from continuing activities | | **92,678** | 114,028 |
| *Items classified as investing/financing* | | | |
| Interest paid | | **28,685** | 32,069 |
| Interest received | | **(1,434)** | (1,482) |
| | | **27,251** | 30,587 |
| *Non-cash items:* | | | |
| Amortisation of debt issue costs | | **890** | 1,077 |
| Amortisation of intangible assets | | **15,378** | 15,784 |
| Depreciation | | **31,778** | 28,458 |
| Net (gain)/loss on sale of property, plant and equipment | | **(295)** | (154) |
| Other fixed and investment asset charges/(credits) | | **10,855** | 5,071 |
| Movement in derivative financial instruments taken to the income statement | | **5,774** | 2,675 |
| Decrease in deferred tax liability excluding transfers to reserves | | **(3,179)** | 3,634 |
| | | **61,201** | 56,545 |
| *Decrease/(increase) in working capital:* | | | |
| Accounts receivable and prepayments | | **(35,250)** | (10,607) |
| Taxation payable/receivable | | **(6,813)** | 8,027 |
| Accounts payable and accruals excluding capital expenditure accruals | | **8,483** | 11,817 |
| | | **(33,580)** | 9,237 |
| Operating cash flows generated by discontinued operation | A16 | **–** | 27,859 |
| Net cash from operating activities | | **147,550** | 238,256 |

## 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:

Each tranche of the scheme covers a three year period. Key management personnel are eligible to receive a bonus payment at the end of each relevant period of the scheme, the sum of which is determined by the total return compared to the companies that comprise the NZX 50 index 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 the total shareholder return is greater than that of 50% of NZX50 companies. 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 the full period of each agreement 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 2019 has been determined by reference to Trustpower's and all other NZX 50 companies' 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 2019 the total expense recognised in the income statement was $4,346,000 (2018: $5,538,000) and the liability recognised in the statement of financial position as at 31 March 2019 was $6,350,000 (2018: $4,213,000).

## 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

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Generation assets (at cost) | **993,402** | 982,049 |
| Generation assets under construction (at cost) | **14,530** | 14,822 |
| Generation assets accumulated depreciation | **(256,861)** | (242,966) |
| | **751,071** | 753,905 |

## Note A16: Discontinued operation

### Description

Trustpower sold the shares in its only Australian subsidiary, GSP Energy Pty Ltd on 29 March 2018. The associated assets and liabilities were reclassified as held for sale from 21 December 2017 when Trustpower announced its intention to sell. Financial information relating to the net assets sold is presented as a discontinued operation in the prior year. This financial information is set out below.

### (a) Financial performance and cash flow information

The financial performance and cash flow information is presented below for the period ended 29 March 2018.

| | 2018 $000 |
|---|---|
| **Operating Revenue** | |
| Electricity revenue | 32,502 |
| **Operating Expenses** | |
| Generation production costs | 3,994 |
| Employee benefits | 1,444 |
| Other operating expenses | 380 |
| **EBITDAF** | 26,684 |
| Net fair value (gains)/losses on financial instruments | 381 |
| Amortisation of intangible assets | – |
| Depreciation | 2,427 |
| **Operating Profit** | 23,876 |
| Net finance costs | 2,056 |
| **Profit Before Income Tax** | 21,820 |
| Income tax expense | 6,636 |
| Profit after income tax of discontinued operation | 15,184 |
| Gain on sale of the subsidiary after income tax | 183 |
| **Profit from discontinued operation** | 15,367 |

## Note A16: Discontinued operation (continued)

### (b) Details of the sale of the subsidiary

| | 2018 $000 |
|---|---|
| **Consideration received or receivable** | |
| Cash | 156,263 |
| Capital gains tax withheld | 22,323 |
| Working capital adjustment | (1,884) |
| Total disposal consideration | 176,702 |
| | |
| Carrying amount of net assets sold | 134,800 |
| | |
| **Gain on sale before income tax and reclassification of foreign currency translation reserve** | 41,902 |
| | |
| Reclassification of foreign currency translation reserve | (3,022) |
| | |
| Costs of disposal | 2,292 |
| | |
| Capital gains tax | 36,405 |
| **Income tax expense on gain** | 36,405 |
| | |
| **Gain on sale after income tax** | 183 |

The carrying amounts of assets and liabilities as at the date of sale (29 March 2018) were:

| | |
|---|---|
| Property, plant and equipment | 176,294 |
| Accounts receivable and prepayments | 4,553 |
| **Total assets** | 180,847 |
| | |
| Accounts payable and accruals | 5,238 |
| Taxation payable | 1,199 |
| Deferred tax liability | 39,610 |
| **Total liabilities** | 46,047 |
| | |
| **Net assets** | 134,800 |

## Note A17: Financial risk management

Financial risk management information that relates directly to the Retail and Generation segments has been included in notes 7 and 11.

### (a) Liquidity risk

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

| | Less than 1 month $000 | 1–6 months $000 | 6–12 months $000 | Over 1 year $000 |
|---|---|---|---|---|
| **As at 31 March 2019** | | | | |
| Net settled electricity price derivatives | **952** | **5,958** | **2,147** | **7,146** |
| Net settled interest rate derivatives | **87** | **1,426** | **1,836** | **15,673** |
| Accounts payable and accruals | **110,571** | **–** | **–** | **–** |
| Unsecured subordinated bonds | **118,016** | **–** | **–** | **–** |
| Unsecured senior bonds | **–** | **4,899** | **4,899** | **333,048** |
| Unsecured bank loans | **606** | **68** | **55,000** | **93,511** |
| Total | **230,232** | **12,351** | **63,882** | **449,378** |

| | Less than 1 month $000 | 1–6 months $000 | 6–12 months $000 | Over 1 year $000 |
|---|---|---|---|---|
| **As at 31 March 2018** | | | | |
| Net settled electricity price derivatives | 1,740 | 4,628 | 2,560 | 2,412 |
| Net settled interest rate derivatives | 169 | 1,425 | 1,239 | 7,006 |
| Accounts payable and accruals | 106,498 | – | – | – |
| Unsecured subordinated bonds | – | 3,853 | 3,853 | 118,016 |
| Unsecured senior bonds | – | 4,899 | 4,899 | 242,846 |
| Unsecured bank loans | 966 | – | – | 150,000 |
| Total | 109,373 | 14,805 | 12,551 | 520,280 |

### (b) Interest rate risk

The aggregate notional principal amount of the outstanding interest rate derivative instruments at 31 March 2019 was $279,500,000 (31 March 2018: $216,500,000).

Interest payment transactions are expected to occur at various dates between one month and nine 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 2019, 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.

## Note A17: Financial risk management (continued)

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Decrease to profit of a 100 basis point decrease in interest rates | **(8,060)** | (7,099) |
| Increase to profit of a 100 basis point increase in interest rates | **7,404** | 6,503 |
| Decrease to equity of a 100 basis point decrease in interest rates | **(8,060)** | (7,099) |
| Increase to equity of a 100 basis point increase in interest rates | **7,404** | 6,503 |

### (c) Credit risk

Trustpower applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of sales over a 12 month period before 31 March 2019 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable.

On that basis the following table details the loss allowance at 31 March 2019:

| | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|---|---|---|---|---|
| Expected loss rate | **13.6%** | **31.6%** | **64.7%** | |
| Gross carrying amount – trade receivables ($000) | **1,823** | **837** | **3,537** | **6,197** |
| Loss allowance | **248** | **264** | **2,288** | **2,800** |

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

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Opening balance | **2,410** | 1,833 |
| Provision for receivables impairment | **1,975** | 2,652 |
| Bad debts written off | **(1,585)** | (2,075) |
| Closing balance | **2,800** | 2,410 |

### (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 2019 was 2,722GWh (31 March 2018: 1,502GWh).

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 2019 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.

## Note A17: Financial risk management (continued)

| | 2019 $000 | 2018 $000 |
|---|---|---|
| (Decrease)/increase to profit of a 10% increase in electricity forward price | **(2,516)** | 95 |
| Increase/(decrease) to profit of a 10% decrease in electricity forward price | **2,516** | (95) |
| Increase to equity of a 10% increase in electricity forward price | **18,753** | 6,417 |
| Decrease to equity of a 10% decrease in electricity forward price | **(18,753)** | (6,417) |

### 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 A18: Fair value measurement

### Estimation of fair values

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

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

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

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

| *Valuation Input* | *Source* |
|---|---|
| Interest rate forward price curve to value interest rate swaps | Published market swap rates |
| Foreign exchange forward prices to value foreign exchange contracts | Published spot foreign exchange rates and interest rate differentials |
| Electricity forward price curve | Market quoted prices where available and the Directors' best estimate based on their view of the long run marginal cost of new generation where no market quoted prices are available. |
| Discount rate for valuing interest rate derivatives | Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities. |
| Discount rate for valuing forward foreign exchange contracts | Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Trustpower for liabilities. |
| Discount rate for valuing electricity price derivatives | Assumed counterparty cost of funds ranging from 3.1% to 3.8% |

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).

## Note A18: Fair value measurement (continued)

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2018: 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 |
|---|---|---|---|---|
| **As at 31 March 2019** | | | | |
| **Assets per the statement of financial position** | | | | |
| Interest rate derivative assets | **–** | **719** | **–** | **719** |
| Electricity price derivative assets | **–** | **–** | **52,175** | **52,175** |
| | **–** | **719** | **52,175** | **52,894** |
| **Liabilities per the statement of financial position** | | | | |
| Interest rate derivative liabilities | **–** | **17,377** | **–** | **17,377** |
| Electricity price derivative liabilities | **–** | **–** | **15,929** | **15,929** |
| | **–** | **17,377** | **15,929** | **33,306** |

| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **As at 31 March 2018** | | | | |
| **Assets per the statement of financial position** | | | | |
| Interest rate derivative assets | – | – | – | – |
| Electricity price derivative assets | – | – | 3,310 | 3,310 |
| | – | – | 3,310 | 3,310 |
| **Liabilities per the statement of financial position** | | | | |
| Interest rate derivative liabilities | – | 9,469 | – | 9,469 |
| Electricity price derivative liabilities | – | – | 12,389 | 12,389 |
| | – | 9,469 | 12,389 | 21,858 |

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

| | **2019 $000** | 2018 $000 |
|---|---|---|
| **Assets per the statement of financial position** | | |
| Opening balance | **3,310** | 6,003 |
| Gains and (losses) recognised in profit or loss | | |
| Realised in energy cost expense | **1,473** | 4,298 |
| Unrealised | **5,155** | (7,314) |
| Gains and (losses) recognised in other comprehensive income | | |
| Realised in energy cost expense | **35,647** | 7,772 |
| Unrealised | **6,590** | (7,449) |
| Closing balance | **52,175** | 3,310 |
| Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period | **48,474** | (994) |
| **Liabilities per the statement of financial position** | | |
| Opening balance | **12,389** | 16,767 |
| (Gains) and losses recognised in profit or loss | | |
| Realised in energy cost expense | **(17,546)** | (5,016) |
| Unrealised | **23,472** | 3,763 |
| (Gains) and losses recognised in other comprehensive income | | |
| Realised in energy cost expense | **772** | (2,616) |
| Unrealised | **(3,158)** | (509) |
| Closing balance | **15,929** | 12,389 |
| Total gains for the period included in profit or loss for liabilities held at the end of the reporting period | **6,256** | 739 |
| Settlements during the year | **24,851** | 4,437 |

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 note A17.

## Note A19: Financial instruments by category

| | Assets at amortised cost $000 | Assets at fair value through profit or loss $000 | Assets at fair value through other comprehensive income $000 |
|---|---|---|---|
| **As at 31 March 2019** | | | |
| **Assets per the statement of financial position** | | | |
| Derivative financial instruments | **–** | **10,403** | **42,491** |
| Trade and other receivables excluding prepayments | **122,288** | **–** | **–** |
| Cash and cash equivalents | **8,204** | **–** | **–** |
| Other deposits | **4,669** | **–** | **–** |
| Other investments | **8,845** | **–** | **–** |
| | **144,006** | **10,403** | **42,491** |

| | Loans and receivables $000 | Assets at fair value through profit or loss $000 | Derivatives used for hedging $000 | Assets held to maturity $000 |
|---|---|---|---|---|
| **As at 31 March 2018** | | | | |
| **Assets per the statement of financial position** | | | | |
| Derivative financial instruments | – | 2,987 | 323 | – |
| Trade and other receivables excluding prepayments | 97,322 | – | – | – |
| Cash and cash equivalents | 19,790 | – | – | – |
| Other deposits | 2,979 | – | – | – |
| Other investments | – | – | – | 8,842 |
| | 120,091 | 2,987 | 323 | 8,842 |

| | Liabilities at fair value through profit or loss $000 | Liabilities at fair value through other comprehensive income $000 | Other financial liabilities at amortised cost $000 |
|---|---|---|---|
| **As at 31 March 2019** | | | |
| **Liabilities per the statement of financial position** | | | |
| Unsecured bank loans including bank overdrafts | **–** | **–** | **113,500** |
| Unsecured subordinated bonds | **–** | **–** | **113,982** |
| Unsecured senior bonds | **–** | **–** | **307,774** |
| Derivative financial instruments | **30,894** | **2,412** | **–** |
| Trade and other payables | **–** | **–** | **112,453** |
| | **30,894** | **2,412** | **647,709** |

| | Liabilities at fair value through profit or loss $000 | Derivatives used for hedging $000 | Other financial liabilities at amortised cost $000 |
|---|---|---|---|
| **As at 31 March 2018** | | | |
| **Liabilities per the statement of financial position** | | | |
| Unsecured bank loans including bank overdrafts | – | – | 167,194 |
| Unsecured subordinated bonds | – | – | 113,559 |
| Unsecured senior bonds | – | – | 208,761 |
| Derivative financial instruments | 17,704 | 4,154 | – |
| Trade and other payables | – | – | 108,343 |
| | 17,704 | 4,154 | 597,857 |

See notes A17 and A18 for details on fair value estimation and details of the hedge relationships.

# Note A20: Supplementary accounting information

## A20.1 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.

## A20.2 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.

## A20.3 Adoption status of relevant new financial reporting standards and interpretations

Trustpower has adopted the following new standard in the current year and has changed its accounting policies accordingly.

**NZ IFRS 9: *Financial Instruments***

NZ IFRS 9, *Financial Instruments* alters the requirements for recognising and measuring financial assets and liabilities.

Trustpower has classified its financial assets and liabilities in accordance with the new standard for 2019 and in accordance with NZ IAS 39 for 2018. Certain assets have been reclassified from 'Assets held to maturity' to 'Assets at amortised cost' (see note A19).

The standard introduced a new model for calculating the provision for doubtful debts based on expected credit losses. There was no material change to the provision recognised. The standard introduced new requirements for hedging documentation and consideration. Hedging relationships continue to be effective.

Disclosure changes have been adjusted in accordance with the standard.

The following new standards have been issued but are not yet effective:

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

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

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

Trustpower's most significant lease is the lease of its head office building in Tauranga. The impact of the adoption of NZ IFRS 16 as applied to this lease only would be to increase total assets and total liabilities by approximately $26.7 million. EBITDAF would be increased by $3.1 million, depreciation expense increased by $2.2 million and net finance costs increased by $1.4 million. Trustpower has a number of much smaller leases for other office buildings throughout New Zealand, software subscriptions and access to information technology equipment which aren't included in the numbers above but will not make a material difference. Trustpower has determined that contracts it has for the purchase of electricity and meter data services are not leases for the purposes of NZ IFRS 16.

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

# Statutory information

### Interests register

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

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

### General notice of interest by directors

The Directors of the Company have declared interests in the following identified entities as at 31 March 2019.

| Director | Interest | Entity |
|---|---|---|
| Richard Hammond Aitken | Chairperson | Te Punaha Matatini Advisory Board |
| | Director | BGCF Trustee Limited |
| | Director | BGL Custodian Limited |
| | Director | BGLIR Trustee Limited |
| | Director | BGL Management Share Trustee Limited |
| | Director | BGS Trustee Limited |
| | Director | Derceto Trustee Limited |
| | Director | John Scotts Investments Limited |
| | Member | MBIE – Building Advisory Panel |
| | Member | Ministry of Health – National Asset Management Plan Reference Group |
| Kevin Maxwell Baker | Director | Various Infratil subsidiary companies |
| | Director | Morrison & Co General Partner and various Morrison & Co subsidiary companies |
| | Director | New Zealand Bus Limited |
| | Chairman and Director | NZ Bus Finance Limited |
| | Director | CDC Group Holdings Pty Limited |
| | Director | Ambient Holdings Pty Limited |
| | Director | Fenn Lane Consultants Limited |
| | Shareholder | Morrison & Co Group Limited Partnership |
| Alan Norman Bickers | Director and Shareholder | Jayal Enterprises Ltd |
| | Chairman | Primary Growth Partnership for Mid-rise Timber Construction |
| | Chair | Trustpower Insurance Limited |
| | Chairman | Tauranga City Council's Greenfields Project Advisory Board |
| | Director | BRANZ Ltd |
| | Director | BRANZ Pty Ltd (Australia) |
| | Board Member | Building Research Association of New Zealand Inc (BRANZ) |
| | Member | Southland District Council's Te Anau Wastewater Disposal Committee |
| Ian Samuel Knowles | Chairperson | OnBrand Limited |
| | Chairperson | Adminis Limited |
| | Director | Umajin Limited |
| | Director | Rangitira Limited |
| | Director | Synlait Milk Limited |
| | Director | Magritek Limited |
| | Director | Montoux Limited |
| | Director | Fire Security Services 2016 |
| | Trustee | NZWF |
| Susan Ruth Peterson | Director | Xero Limited |
| | Director | Property For Industry Limited |
| | Director | Vista Group International Limited |
| | Director | P.F.I. Property No. 1 Limited |
| | Co-Chair | Organic Initiative Limited |
| | Member | New Zealand Markets Disciplinary Tribunal |
| | Director | ASB Bank Limited |
| | Trustee | Global Woman |
| Paul Morton Ridley-Smith | Director | Arvida Group Limited |
| | Trustee | New Zealand Festival |
| | Trustee | James Wallace Arts Trust |
| | Trustee | Wallace Foundation |
| | Employee | HRL Morrison & Co Limited |

# Statutory information

| | | |
|---|---|---|
| Geoffrey Jon Campbell Swier | Director | Farrier Swier Consulting Pty Ltd |
| | Board Member | Health Purchasing Victoria |
| | Director | Tilt Renewables Limited |
| | Director | Snowtown Wind Farm Pty Ltd |
| | Director | Snowtown South Wind Farm Pty Ltd |
| | Director | Snowtown North Solar Pty Ltd |
| | Director | Tilt Renewables Australia Pty Ltd |
| | Director | Tilt Renewables Investments Pty Ltd |
| | Director | Tilt Renewables Market Services Pty Ltd |
| | Director | Snowtown Wind Farm Stage 2 Pty Ltd |
| | Director | Dundonnell Wind Farm Pty Ltd |
| | Director | Wingeel Wind Farm Pty Ltd |
| | Director | Church Lane Wind Farm Pty Ltd |
| | Director | Salt Creek Wind Farm Pty Ltd |
| | Director | Blayney and Crookwell Windfarm Pty Ltd |
| | Director | Rye Park Renewable Energy Pty Ltd |
| | Director | Waddi Wind Farm Pty Ltd |
| | Director | Dysart 1 Pty Ltd |
| | Director | Nebo 1 Pty Ltd |
| | Director | Western Downs Solar Project Pty Ltd |
| | Director | Liverpool Range Wind Farm Pty Ltd |

### Information used by Directors

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

### Directors holding office and their remuneration

During the year to 31 March 2019 Steven Fitzgerald resigned effective 1 June 2018. The Board appointed Kevin Baker effective from to 1 June 2018 to fill the casual vacancy. Mr Baker was subsequently elected as a director by shareholders at the general meeting on 23 July 2018. All other directors were directors for the entire year.

The Directors holding office as at 31 March 2019 and during the year to 31 March 2019 are listed below. The total amount of the remuneration and other benefits received by each Director during the financial year, and responsibility held, is listed next to their names.

| Director | Base Fee | Audit and Risk Committee | People and Remuneration Committee | Governance and Nominations Committee | Total Remuneration FY19 | Total Remuneration FY18 | Responsibility Held during the year |
|---|---|---|---|---|---|---|---|
| Richard Hammond Aitken | $86,000 | – | – | – | $86,000 | $86,000 | Independent Director |
| Alan Norman Bickers | $86,000 | $2,500 | – | – | $88,500 | $86,000 | Non-executive Director<br>Member of Audit and Risk Committee (until 1 June 2018) |
| Kevin Maxwell Baker | $71,667 | $12,500 | – | – | $84,167 | – | Non-executive Director (from 1 June 2018)<br>Member of Audit and Risk Committee (from 1 June 2018) |
| Steven John Fitzgerald | $14,333 | – | – | – | $14,333 | $43,000 | Non-executive Director (from 11 October 2017 until 1 June 2018) |
| Marko Bogoievski | – | – | – | – | – | $43,000 | Non-executive Director (until 11 October 2017) |
| Ian Samuel Knowles | $86,000 | $22,500 | – | $15,000 | $123,500 | $101,000 | Independent Director<br>Chair of Audit and Risk Committee<br>Member of Governance & Nominations Committee |
| Susan Ruth Peterson | $86,000 | – | $15,000 | $17,500 | $118,500 | $116,000 | Independent Director<br>Chair of Governance & Nominations Committee<br>Member of People & Remuneration Committee |
| Paul Morton Ridley-Smith | $176,500 | – | – | – | $176,500 | $176,500 | Chair<br>Non-executive Director<br>Member of Governance & Nominations Committee<br>Member of People & Remuneration Committee |
| Geoffrey Jon Campbell Swier | $86,000 | $15,000 | $17,500 | – | $118,500 | $131,000 | Independent Director<br>Chair of People & Remuneration Committee<br>Member of Audit and Risk Committee |
| | | | | | **$810,000** | **$782,500** | |

# Statutory information

## Number of meetings held/attended

| Director | Board meeting | Audit and Risk Committee | People and Remuneration Committee | Governance and Nominations Committee | Comments |
|---|---|---|---|---|---|
| Total Meetings held | 12 | 4 | 4 | 2 | Board meetings comprised 9 face to face meetings and 3 conference calls |
| Richard Hammond Aitken | 12 | | | | |
| Kevin Maxwell Baker | 9 | 3 | | | Joined 1 June 2018 |
| Alan Norman Bickers | 11 | 1 | | | |
| Steven John Fitzgerald | 3 | | | | Resigned 1 June 2018 |
| Ian Samuel Knowles | 11 | 4 | | 2 | |
| Susan Ruth Peterson | 10 | | 4 | 2 | |
| Paul Morton Ridley-Smith | 12 | | 4 | 2 | |
| Geoffrey Jon Campbell Swier | 12 | 4 | 4 | | |

## Overall remuneration philosophy

The Board has established a People and Remuneration Committee to assist it in developing and implementing its remuneration philosophy. The committee charter and remuneration policy is available at https://www.trustpower.co.nz/Company-And-Investor-Information/Governance-Documents. The purpose of the Committee is to establish coherent people and remuneration strategies, policies and practices which:

- ensure the Company has the appropriate level of capability, culture, leadership and diversity within its workforce to meet its current and future requirements;
- ensure that there is appropriate succession planning;
- ensure that employees are treated fairly and respectfully, given opportunities for vocational and professional development, irrespective of identity, and that the employment environments are welcoming;
- enable the Company to attract, retain and motivate employees who will facilitate the efficient and effective management and operation of the Company and create value for shareholders;
- fairly and reasonably reward employees having regard to the performance of the Company, the performance of the employees and the external market; and
- comply with the relevant provisions of the Employment Relations Act, Holidays Act, Human Rights Act, Companies Act, NZX listing Rules and any other legal requirements relevant to people and remuneration issues.

## Remuneration components

There are three components to employee remuneration; fixed remuneration, pay for performance remuneration and other benefits.

## Fixed remuneration

Fixed remuneration is determined based on the role responsibilities, individual performance and experience, and available market remuneration data.

## Pay for performance remuneration

Pay for performance remuneration recognises and rewards high performing employees and comprises short-term incentives (cash), and long-term incentives (paid in shares).

### Short-term incentives (STIs)

The STIs are based 50% on employee performance and 50% based on Company performance. Employee performance is measured against key performance indicators (KPIs) linked directly to the employee's role. Company performance was based on:

- Shareholder return (25%)
- Health and safety (25%)
- Stakeholder management (25%)
- Operating performance (25%)

Employees receive STIs of up to 20% or 40% of their salary depending on seniority within the Company.

### Long-term incentives (LTIs)

The long-term incentive is based on Trustpower's Total Shareholder Return (TSR) over a three year period relative to the TSR of the other NZX 50 companies. Each employee is issued a notional share parcel equivalent in value to the share price at the start of the scheme grown by the TSR over the three years of the scheme. Employees generally receive parcels of either 20,000, 40,000 or 80,000 notional shares depending on seniority (during the demerger adjustments were made to the number of notional shares which means schemes that were in place prior to the demerger may have different amounts of notional shares). No bonus is paid unless Trustpower's TSR is in the top half of all NZX 50 companies with 50% of the value of the notional share parcel paid if Trustpower is at the 50th percentile and the full value of the notional share parcel payable if Trustpower's TSR is at or above the 80th percentile. The bonus is settled in cash but employees are required to use the net after tax proceeds to compulsorily acquire Trustpower shares.

The Chief Executive and 12 other senior managers currently participate in the LTI scheme.

# Statutory information

## Chief Executive's remuneration

During the year the total remuneration for the Chief Executive was as follows:

| | Year ended 31 March 2019 $ | Year ended 31 March 2018 $ |
|---|---|---|
| Base Salary | **940,652** | 917,476 |
| Kiwisaver contribution | **55,208** | 44,720 |
| Short term incentives | **387,450** | 306,984 |
| Long term incentives | **513,686** | 266,204 |
| **Total** | **1,896,997** | 1,535,384 |

Short term incentives (STIs) were paid as follows:

| Incentive | Basis of measurement | % of total Bonus Received | $ received FY19 | $ received FY18 |
|---|---|---|---|---|
| Company performance | Company performance compared to target | 92% | **$130,410** | $146,000 |
| Individual KPI | Achievement of individual KPIs | 90% | **$170,100** | $100,000 |
| Board assessment | Subjective assessment by the Board of overall performance | 92% | **$86,940** | $76,500 |
| Other | Correction of overpayment in prior year | | **–** | ($15,516) |
| | | | **$387,450** | $306,984 |

The Board retains the right to adjust any STI at its absolute discretion and may if it chooses not pay any STI payments at all.

The long-term incentives (LTI) methodology is described above. The Company's approach to reporting the value of the LTI is to report the value of cash received (or shares that vest) in the relevant financial year rather than the value of the LTI expensed/accrued in the relevant financial year. Accordingly, the details behind the payment to the Chief Executive were as follows:

| | | |
|---|---|---|
| | Commencement date | 1 Nov 2016 |
| | Vesting date | 25 May 2018 |
| A | Number of notional shares | 81,810 |
| | Opening share price (being the volume weighted share price in the ten trading days post commencement date) | $4.78 |
| | Total Shareholder Return (TSR). Calculated using dividends paid and a closing share price based on the volume weighted share price for the ten days immediately post announcement of the annual result on 14 May 2018 | 40.27% |
| B | Share price of notional shares (being opening value adjusted for Trustpower TSR) | $6.70 |
| | Ranking in NZX 50 | 76% |
| C | Bonus percentage | 93.7% |
| | **Bonus paid (A*B*C)** | **$513,686** |

This payment was paid in cash which was them compulsorily used to acquire 60,275 Trustpower shares.

The fair value of the long term incentive payments accrued but not yet received by the Chief Executive was $1,234,703. These unpaid incentives have not been included in the above table but are detailed in the table below. Also see note A14 in the financial statements for further detail.

| Commencement date | 1 Nov 2016 | 30 May 2017 | 25 May 2018 |
|---|---|---|---|
| Vesting date | 31 May 2019 | 31 May 2020 | 31 May 2021 |
| Notional shares | 79,707 | 80,000 | 80,000 |
| Strike price/share | $4.78 | $5.03 | $5.92 |
| Accrued value as at 31 March 2019 | $517,261 | $415,362 | $302,080 |
| Accrued value as at 31 March 2018 | $326,920 | $234,984 | – |

The Chief Executive's base salary was 14 times the median fulltime employee's remuneration. This increases to 29 times when his STI and LTI bonuses are included. The average base salary of the remaining members of the Senior Leadership Team is 5 times the median fulltime employee's remuneration.

# Statistory information

### Employee remuneration

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

The value of remuneration benefits analysed includes:

- fixed remuneration including allowance/overtime payments
- employer superannuation contributions
- short-term cash incentives relating to FY18 performance but paid in FY19
- the value of equity-based long term incentives paid during FY19
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 31 March 2019 that relate to the year ended 31 March 2019.

Further details of the remuneration of the Chief Executive can be found on page 90.

### Numbers of employees by band

| | Current | Discontinued | Total |
|---|---|---|---|
| $100,000 to $109,999 | 26 | – | 26 |
| $110,000 to $119,999 | 16 | 1 | 17 |
| $120,000 to $129,999 | 22 | – | 22 |
| $130,000 to $139,999 | 24 | 1 | 25 |
| $140,000 to $149,999 | 17 | – | 17 |
| $150,000 to $159,999 | 7 | 1 | 8 |
| $160,000 to $169,999 | 8 | – | 8 |
| $170,000 to $179,999 | 3 | – | 3 |
| $180,000 to $189,999 | 5 | – | 5 |
| $190,000 to $199,999 | 1 | 1 | 2 |
| $200,000 to $209,999 | 2 | – | 2 |
| $210,000 to $219,999 | 2 | – | 2 |
| $220,000 to $229,999 | 3 | – | 3 |
| $230,000 to $239,999 | 1 | – | 1 |
| $250,000 to $259,999 | 2 | – | 2 |
| $290,000 to $299,999 | 1 | – | 1 |
| $360,000 to $369,999 | 1 | – | 1 |
| $420,000 to $429,999 | 2 | – | 2 |
| $480,000 to $489,999 | 1 | – | 1 |
| $580,000 to $589,999 | 1 | – | 1 |
| $620,000 to $629,999 | 1 | – | 1 |
| $650,000 to $659,999 | 1 | – | 1 |
| $700,000 to $709,999 | 1 | – | 1 |
| $780,000 to $789,999 | 1 | – | 1 |
| $950,000 to $959,999 | 1 | – | 1 |
| $1,890,000 to $1,899,999 | 1 | – | 1 |

### Indemnification and insurance of Directors and Executives

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

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

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

The Company has also entered into deeds of indemnities with certain Trustpower officers acting as representatives on boards of other entities.

# Statistory information

### Subsidiary company directors

Set out below are details of the Directors of Trustpower's subsidiaries as at 31 March 2019.

| Director as at 31 March 2019 | Trustpower Group Company |
|---|---|
| Alan Norman Bickers | Trustpower Insurance Limited |
| Peter Stuart Calderwood | King Country Energy Limited |
| Robert Welsford Carter | King Country Energy limited |
| Vincent James Hawksworth | Trustpower Metering Limited<br>Trustpower Insurance Limited<br>Hopsta Limited<br>King Country Energy Holdings Limited |
| Kevin John Palmer | King Country Energy Limited |

The remuneration and other benefits received by employees acting as directors of subsidiaries during the financial year is disclosed in the relevant bandings for employee remuneration. No remuneration has been paid to directors of Trustpower who act as directors of its subsidiaries.

### General Notice Of Interests by directors of subsidiary companies

| Director | Interest | Entity |
|---|---|---|
| Alan Norman Bickers* | | |
| Vincent James Hawksworth | Chief Executive | Trustpower Limited |
| Peter Stuart Calderwood | GM Strategy & Growth | Trustpower Limited |
| Kevin John Palmer | Chief Financial Officer | Trustpower Limited |

*Refer General Notice of Interests by Directors

### Information used by directors of subsidiaries

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

### Directors' transactions and relevant interests in securities of the company

The relevant interests of Directors in securities of the Company as at 31 March 2019 are listed below.

| Director | Class of Security | Interests in Trustpower Limited | | Interests in Associated Companies | |
|---|---|---|---|---|---|
| | | | | Infratil Limited | Tilt Renewables Limited |
| | | Number Held at 31 March 2019 | Number Held at 31 March 2018 | Number Held at 31 March 2019 | Number Held at 31 March 2019 |
| RH Aitken (beneficial) | Ordinary Shares | 27,576 | 27,576 | 2,037 | – |
| KM Baker | Ordinary Shares | – | – | 410,125 | – |
| AN & EJ Bickers (beneficial) | Ordinary Shares | 6,102 | 6,102 | – | – |
| IS Knowles (beneficial) | Ordinary Shares | 42,716 | 42,716 | 60,000 | – |
| | Bonds | – | – | 50,000 | – |
| SR Peterson | Ordinary Shares | – | – | – | – |
| PM Ridley-Smith | Ordinary Shares | – | – | 38,256 | – |
| Maclagen Pty Ltd as Trustee for the Swier Family Trust (beneficial) | Ordinary Shares | 63,846 | 63,846 | – | 171,297 |

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

# Security holder information

## Substantial security holders

The Company's register of substantial security holders, prepared in accordance with Section 35C of the Securities Markets Act 1988 recorded the following information as at 30 April 2019.

As at 30 April 2019, Trustpower Limited had 312,973,000 ordinary shares on issue.

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

### Spread of holders as at 30 April 2019

| Shares | Holders | % | Shares | % |
|---|---|---|---|---|
| 1 to 999 | 1,600 | 12.97% | 758,120 | 0.24% |
| 1,000 to 1,999 | 1,963 | 15.91% | 2,406,634 | 0.77% |
| 2,000 to 4,999 | 7,079 | 57.39% | 17,340,787 | 5.54% |
| 5,000 to 9,999 | 1,036 | 8.40% | 6,737,618 | 2.15% |
| 10,000 to 49,999 | 581 | 4.71% | 10,265,934 | 3.28% |
| 50,000 to 99,999 | 39 | 0.32% | 2,482,395 | 0.79% |
| 100,000 to 499,999 | 22 | 0.18% | 3,884,878 | 1.24% |
| 500,000 to 999,999 | 6 | 0.05% | 4,986,893 | 1.59% |
| 1,000,000 plus | 9 | 0.07% | 264,109,741 | 84.40% |
| | **12,335** | **100.00%** | **312,973,000** | **100.00%** |

| Subordinated Bonds | Holders | % | Subordinated Bonds | % |
|---|---|---|---|---|
| 1 to 4,999 | – | 0.00% | – | 0.00% |
| 5,000 to 9,999 | 333 | 15.54% | 1,861,000 | 1.63% |
| 10,000 to 49,999 | 1,502 | 70.09% | 27,989,000 | 24.52% |
| 50,000 to 99,999 | 206 | 9.61% | 11,789,000 | 10.33% |
| 100,000 to 499,999 | 86 | 4.01% | 11,849,000 | 10.38% |
| 500,000 to 999,999 | 4 | 0.19% | 2,257,000 | 1.98% |
| 1,000,000 plus | 12 | 0.56% | 58,418,000 | 51.16% |
| | **2,143** | **100.00%** | **114,163,000** | **100.00%** |

| Senior Bonds | Holders | % | Senior Bonds | % |
|---|---|---|---|---|
| 1 to 4,999 | 243 | 9.67% | 1,338,000 | 0.43% |
| 5,000 to 9,999 | 1,643 | 65.35% | 33,655,000 | 10.83% |
| 10,000 to 49,999 | 371 | 14.76% | 20,940,000 | 6.74% |
| 50,000 to 99,999 | 214 | 8.51% | 33,296,000 | 10.71% |
| 100,000 to 499,999 | 12 | 0.48% | 7,425,000 | 2.39% |
| 500,000 to 999,999 | 31 | 1.23% | 214,126,000 | 68.90% |
| 1,000,000 plus | 243 | 9.67% | 1,338,000 | 0.43% |
| | **2,514** | **100.00%** | **310,780,000** | **100.00%** |

| Shares | Holders | % | Shares | % |
|---|---|---|---|---|
| New Zealand | 12,055 | 97.73% | 312,171,707 | 99.75% |
| Australia | 178 | 1.44% | 378,619 | 0.12% |
| United Kingdom | 31 | 0.25% | 45,825 | 0.01% |
| United States of America | 23 | 0.19% | 250,859 | 0.08% |
| Other | 48 | 0.39% | 125,990 | 0.04% |
| | **12,335** | **100.00%** | **312,973,000** | **100.00%** |

# Security holder information

| Subordinated bonds | Holders | % | Subordinated Bonds | % |
|---|---|---|---|---|
| New Zealand | 2,139 | 99.80% | 114,041,000 | 99.89% |
| Australia | 1 | 0.05% | 25,000 | 0.02% |
| United Kingdom | 1 | 0.05% | 7,000 | 0.01% |
| United States of America | 1 | 0.05% | 80,000 | 0.07% |
| | **2,143** | **100.00%** | **114,163,000** | **100.00%** |

| Senior bonds | Holders | % | Senior Bonds | % |
|---|---|---|---|---|
| New Zealand | 2,495 | 99.24% | 309,639,000 | 99.63% |
| Australia | 6 | 0.24% | 645,000 | 0.21% |
| United Kingdom | 4 | 0.16% | 126,000 | 0.04% |
| United States of America | 4 | 0.16% | 205,000 | 0.07% |
| Other | 5 | 0.20% | 165,000 | 0.05% |
| | **2,514** | **100.00%** | **310,780,000** | **100.00%** |

### Voting rights

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

### Stock exchange listing

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

### Current credit rating status

Trustpower does not currently have an external credit rating.

### Current NZX waivers

Trustpower does not have any current NZX waivers.

### NZX disciplinary action

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

### Largest security holders (as at 30 April 2019)

| Rank | Holder Name | Shares | % |
|---|---|---|---|
| 1 | Infratil Limited | 159,742,389 | 51.04% |
| 2 | TECT Holdings Limited | 83,878,838 | 26.80% |
| 3 | HSBC Nominees (New Zealand) Limited* | 7,384,945 | 2.36% |
| 4 | Custodial Services Limited | 7,271,839 | 2.32% |
| 5 | Forsyth Barr Custodians Limited | 2,202,928 | 0.70% |
| 6 | Citibank Nominees (New Zealand) Limited* | 1,992,150 | 0.64% |
| 7 | Investment Custodial Services Limited | 1,866,494 | 0.60% |
| 8 | BNP Paribas Nominees (NZ) Limited* | 1,468,843 | 0.47% |
| 9 | JBWere (NZ) Nominees Limited | 943,161 | 0.30% |
| 10 | FNZ Custodians Limited | 894,129 | 0.29% |
| 11 | Accident Compensation Corporation* | 727,994 | 0.23% |
| 12 | TEA Custodians Limited* | 668,962 | 0.21% |
| 13 | New Zealand Depository Nominee Limited | 661,379 | 0.21% |
| 14 | Public Trust Class 10 Nominees Limited* | 482,342 | 0.15% |
| 15 | Masfen Securities Limited | 337,912 | 0.11% |
| 16 | Brett Anthony Hart + Lynn Marion Fitness + Judith Louise Burney | 310,000 | 0.10% |
| 17 | Brett Anthony Hart | 304,000 | 0.10% |
| 18 | JPMorgan Chase Bank* | 285,214 | 0.09% |
| 19 | Rangatira Limited | 223,000 | 0.07% |
| 20 | PT (Booster Investments) Nominees Limited | 214,377 | 0.07% |
| | | **271,860,896** | **86.86%** |

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

# DIRECTORY

## Board of Directors

Paul M Ridley-Smith – Chair
Richard H Aitken
Alan N Bickers
Kevin Baker
I Sam Knowles
Susan R Peterson
Geoffrey JC Swier

## Registered office

Trustpower Building
108 Durham Street
Tauranga 3110

## Postal address

Private Bag 12023
Tauranga Mail Centre
Tauranga 3110
Telephone: 07 572 9800
Facsimile: 07 572 9825

## Email address

trustpower@trustpower.co.nz

## Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland 1142

## Share registrar

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

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

## Stock exchange listing

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

## Website

www.trustpower.co.nz

# FINANCIAL CALENDAR

**07** June 2019
Record date of final dividend

**14** June 2019
Payment date of final dividend

**17** June 2019
Payment of June bond interest

**15** July 2019
First quarter operating information

**26** July 2019
Annual Meeting

**16** Sept 2019
Payment September bond interest

**15** Oct 2019
Second quarter operating information

**07** Nov 2019
Half year announcement

**22** Nov 2019
Record date interim dividend

**06** Dec 2019
Payment interim dividend

**16** Dec 2019
Payment December bond interest

**20** Jan 2020
Third quarter operating information

**16** March 2020
Payment of March bond interest

**15** April 2020
Fourth quarter operating information

**18** May 2020
Full year announcement

Trust
power™