People make the difference

Annual Report 2020

Trustpower is the company that New Zealanders trust to keep them energised and connected. We work with our customers, our people, our partners and others to create a better future, together. We believe we can meet the needs of all our stakeholders while making a positive impact on our customers' lives and the greater world we live in.

This year's report is our opportunity to update you on our progress. You will notice a change in the way we report on our activities. We are using internationally-recognised integrated reporting frameworks to describe the resources we use and how we use them to create shared value – for a better future.

CONTENTS

2020 SNAPSHOT

$35.3 million
retail earnings, down 45%

$97.6 million
profit after tax up $4.9 million, or 5%

More than
99%
of our power is generated from renewable sources, through hydroelectric generation

96%
of our fibre customers are now taking medium and fast speed fibre plans (100+ MB download)

100,000
in October, we celebrated reaching 100,000 broadband customers

$186.4 million
operating earnings (EBITDAF) down $35.7 million, or 16%

79%
of customer interactions through digital platforms/virtual workforce – an increase of 11.0%

15.5¢
final dividend of 15.5 cents, taking the full year dividends to 32.5 cents, down 4%

30.4¢
earnings per share, up 5%

Trustpower is tied fourth equal for broadband market share and has been one of the fastest growing telecommunications companies in New Zealand

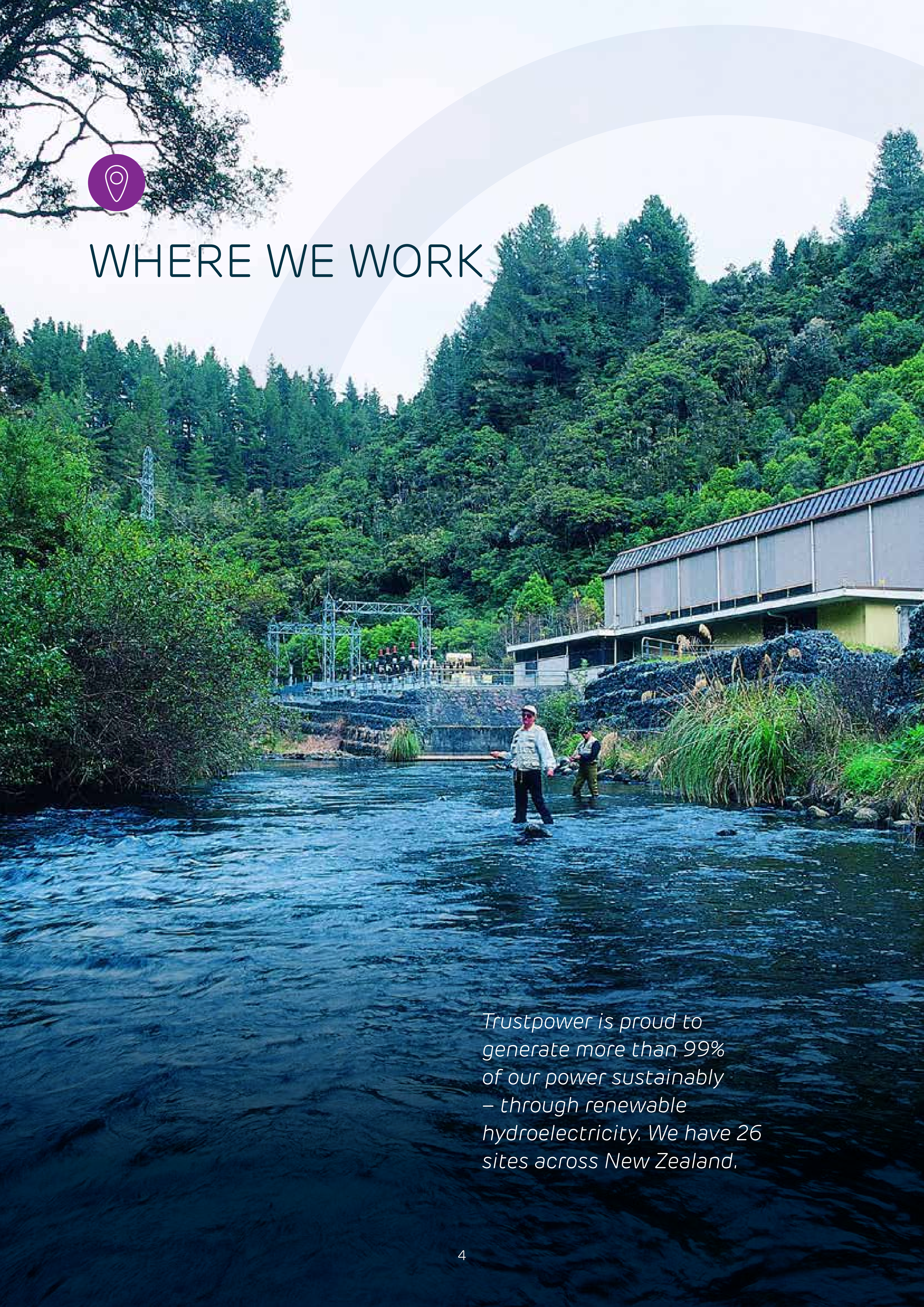
66,000
over the last five years Trustpower has lifted its telecommunications customer numbers by more than 66,000 (13,000 per annum)

1,759GWh
generation volume, down 11.8%

411,000
total customer connections, up 2.2%

73%
of our broadband customers are now on fibre internet connections, up from 62%

Trustpower's resilience is being demonstrated as our business plans have been implemented in response to the COVID-19 pandemic



WHERE WE WORK

Trustpower is proud to generate more than 99% of our power sustainably – through renewable hydroelectricity. We have 26 sites across New Zealand.

North Island

RETAIL CUSTOMERS

- Auckland
- Counties
- Far North
- King Country
- Southern Thames Valley
- Taupo
- Waikato/Waipa
- Tauranga
- Rotorua
- New Plymouth/Taranaki
- Gisborne
- Manawatu
- Whanganui
- Hawke's Bay
- Wairoa
- Wellington

HYDRO

- Hinemaiaia
- Kuratau
- Mokauti
- Piriaka
- Wairere Falls
- Kaimai
- Matahina
- Wheao/Flaxy
- Mangorei
- Motukawa
- Patea
- Mangahao
- Esk

DIESEL PEAKER

- Bream Bay

South Island

RETAIL CUSTOMERS

- Tasman/Nelson
- Buller
- West Coast
- Invercargill/Southland
- Marlborough
- Central Otago
- Dunedin
- Oamaru
- Otago
- Ashburton
- Christchurch
- Rangiora
- Timaru

HYDRO

- Cobb
- Arnold
- Kaniere Forks/McKays Creek
- Kumara/Dillmans/Duffers
- Wahapo
- Branch
- Waihopai
- Paerau/Patearoa
- Waipori
- Deep Stream
- Coleridge
- Highbank
- Montalto

CHAIR & CHIEF EXECUTIVE'S REPORT

Last year was a challenging one for the energy and telecommunications markets on many fronts. At the time of writing, the economic impact of COVID-19 is still unfolding and the effect on the local and global economies is uncertain.

Introduction

Last year was a challenging one for the energy and telecommunications markets on many fronts. At the time of writing, the economic impact of COVID-19 is still unfolding and the effect on the local and global economies is uncertain. Trustpower is a lifelines utility, with our business deemed an essential service, and our response has focused on ensuring we continue to provide gas, electricity and telecommunications services to our customers. A separate section follows, providing a more detailed update on our response so far.

There were a number of other significant events in the 2020 financial year, which unfortunately contributed to our financial result being down on the prior year. These included:

- Reduced customer demand for electricity due to a very mild autumn/early winter.
- Below average power generation due mostly to reduced hydrology in the North Island.
- A material, unplanned outage at our Highbank Generation scheme.
- The flow on effect of a number of accounting changes made in FY19.
- Reduced meter asset revenue following the successful sale of those assets.
- Increased costs as we develop capability.

Despite this, we continued to grow and strengthen our business and enjoyed a number of highlights throughout the year including:

- Establishing wireless broadband as a new product.
- A significant strengthening of our Internet Service Provider (ISP) network to meet the demands of the Rugby World Cup.
- The continued success of our bundled strategy both in terms of acquiring customers and reducing the number of customers we lose.
- Reaching the milestone of 100,000 broadband customers during the year.
- Several significant overhauls and upgrades to our generation stations.

As signalled in our report last year, the Interim Climate Change Committee (ICCC) report on Accelerated Electrification was delivered in April 2019. The report recognised that the use and growth of renewable electricity is a crucial step and requires significant policy action if New Zealand is to move towards a low carbon future. The ICCC further recommended that the Government ensures the value of existing hydro generation is given sufficient weight when decisions about freshwater use are made.

Following this, the Climate Change Response (Zero Carbon) Amendment Act was passed into legislation in late 2019 which, among other things, provides new domestic greenhouse gas emissions reduction targets for New Zealand. There are significant opportunities for Trustpower in this, which we are taking into account in our ongoing growth strategy.

The report on the Government-initiated Electricity Price Review (EPR) was also released in 2019. A number of Trustpower's recommendations were picked up, particularly with respect to the options aimed at strengthening the consumer voice and reducing energy hardship.

Response to COVID-19

COVID-19 has been unprecedented in terms of its impact on health, wellbeing, the economy and quite simply the way we go about daily life. Like all businesses, Trustpower has been significantly impacted. However, through the successful deployment of our business continuity plans during the COVID-19 Level 4 shutdown, there has been virtually no impact on generation capacity or services to customers.

Most Trustpower staff have been able to work remotely from home, supported by our recent investments in technology and capability. These investments, made over the last few years, enabled us to respond quickly and get our people working from home on stable and secure systems immediately from lockdown. Exceptions to this include the emergency faults team, our hydro-station site staff, the 24 hour generation operations centre, and some of our customer operations staff. In these situations, workstation separation distances and other measures were quickly implemented.

Our customers and their connectivity remain a priority. In the week prior to the lockdown we were already working with those customers facing hardship due to the pandemic. We also employed other measures, such as adding additional days to our prompt payment discount system and zero charges on exceedance of customer internet data caps. Our customer experience team proactively completed more than 10,000 wellness checks on our critical customers and those who are the most vulnerable.

We successfully arranged for the vast majority of the customer experience team to work from home, with around 60 team members continuing to come onto our sites in Tauranga and Oamaru. In the first two weeks of lockdown, the team helped keep the lights on and broadband connected for our customers, dealing with 251,000 customer interactions, the highest number of enquiries on record. We have invested over the past two years in customer-centred digital channels, and 85% of these interactions were able to be serviced by virtual agents, bots, the Trustpower app and our website. Payments and invoices have been processed remotely with no delays and we continue to monitor and assess all metrics across the business, including cash collection and credit.

Our generation stations continue to perform well and our focus remains on turning around both planned and unplanned outages, which are at expected levels, while working within the appropriate restrictions.

We are also working through our critical planned maintenance and compliance activities as scheduled, with minimal impact from COVID-19.

During the Level 3 and 4 lockdown, domestic electricity demand significantly increased, however this was more than offset by decreases in commercial and industrial usage. Total national demand was down by around 11%. We have also seen a reduction in wholesale electricity prices, particularly in the short-term. Early indications suggest that post Level 3 lockdown national demand has recovered to about the same levels as the same time last year.

Our ISP has seen significant increases in data demand and continues to provide reliable and consistent service. As a prudent step, we increased our Trans-Tasman cable bandwidth for the ISP network.

We will continue working with Government departments, the National Crisis Management Centre, Civil Defence and other agencies as we support New Zealand's response to risk presented by COVID-19. This includes involvement with the telecommunications and utilities forums to address relief for households in hardship, and consideration for education and broader community needs.

Our people's wellbeing remains a key focus at this time and we have active support programmes in place to ensure we can respond to any needs they may have. On behalf of the Board and Management, we would like to express our gratitude and acknowledge the dedication and hard work of all our people as we continue to support our customers over the coming months.

The economic consequences of COVID-19, both as a result of the Level 3 and 4 lockdown and the continuing subdued economic performance, will affect the New Zealand economy and New Zealanders for a number of years. Trustpower is likely less affected than some others in our community, but that doesn't absolve us from contributing. We have and will increase the credit support for our customers, we will help those in need access Government support, we will advocate for consumers in need, our directors have reduced their directors fees for the 2021 financial year by 10% and senior staff have agreed to a reduction in the 2021 bonus pool. We will also maintain our community sponsorship levels and from the savings in director and senior staff remuneration create an additional fund to help in the community.

Strategy

Trustpower continues to pursue its ambition to be the company that New Zealand trusts to keep it energised and connected. 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 – continue to drive the success of our business.

To support the above, our teams will continue to focus on five strategic capabilities:

- Building, maintaining and leveraging strong partnerships with our stakeholders.
- Delivering products, services, propositions and service that meet our customer needs.
- Considering sustainability in our decision making and reporting on our progress.
- Adopting digital mindsets to deliver platforms, actionable insights and continuously improving processes.
- Fostering an open organisational culture with a collective learning focus.

These five strategic capabilities have been invaluable in responding to the pandemic and will be even more important as the company moves to the new world post COVID-19.

Operating Performance

In the 2020 financial year, Trustpower's generation volumes were 1,759GWh. This was below the long-term average of 1,917GWh, and 11.8% below last year.

Hydro inflows were low in the last half of the year with generation in the North Island particularly impacted by the drought conditions. Other factors influencing generation volumes included planned maintenance at some of our schemes (such as Waipori scheme outage and Matahina repair work) and unplanned plant outages such as at Highbank.

Across our generation assets, we have identified a pipeline of opportunities that could add an estimated 60GWh per year to our annual output by augmenting our existing generation asset base for a modest investment.

Wholesale prices remained elevated for the first eight months of the year, before high inflows and wind saw a material reduction from December. The average price received by Trustpower generation was $106/MWh, compared to $125/MWh in the previous year.

Last year also saw a number of significant milestones reached in our customer business and now more than 116,000 customers are buying two or more products from us. We continue to successfully grow our telecommunications business, which now serves more than 100,000 broadband customers. We also continued to expand the range of products and services available to our customers, such as the addition of wireless broadband. This allows us to serve customers just outside the current fibre footprint and enables our customer service teams to tailor a package that best suits our customer needs. We also completed the capability build of our mobile resale offer, which has gone well, but are reviewing the launch at this stage to focus on our core business.

Across our generation assets, we have identified a pipeline of opportunities that could add an estimated 60GWh per year to our annual output by augmenting our existing generation asset base for a modest investment. These opportunities include turbine or generator upgrades that improve efficiency and capacity, and improved water capture to maximise generation and reduce spill.

We undertook an eight-week full scheme outage at Waipori late last year to complete a comprehensive programme of planned routine and preventative maintenance, as well as preparatory inspection work for some upcoming generator replacement projects.

Financial Performance

Net profit after tax (NPAT) of $97.6 million is broadly in line with last year's NPAT of $92.7 million. However this year includes a one-off gain of $16.4 million resulting from the sale of our legacy meter business. Underlying profit after tax (refer note A2 of the financial statements for a full definition) was $75.5 million or 26% below last year. Earnings Before Interest, Tax, Depreciation, Amortisation and Fair value movements in financial Instruments (EBITDAF) was $186.4 million or 16% below last year's EBITDAF of $222.2 million.

The reduced financial performance occurred across both the retail and generation sectors. In retail we experienced a $29.1 million decline in EBITDAF driven mainly by sharply increased energy costs that were not able to be passed through to retail customers in one year, a very mild autumn/early winter that caused below average electricity consumption, an increase in the provision of doubtful debts to reflect the uncertainty of COVID-19 and the flow through effect of accounting adjustments made to the treatment of customer acquisition costs last year.

In generation we saw increased energy prices largely offset by reduced generation volumes, a material unplanned outage at our Highbank scheme, reduced revenue from Avoided Cost of Transmission (ACOT) and reduced revenue following the sale of the meter assets.

A presentation for shareholders explaining these changes in more detail is available on our website.

Financial Position and Capital Structure

We have a strong balance sheet with relatively low levels of gearing. The reduced EBITDAF has resulted in a net debt to EBITDAF ratio of 3.3 which, while well within the Board's approved funding range, is higher than the preferred level of around 2.8. We expect this will improve next year if we experience normal hydrology and temperatures, but this depends significantly on the economic impact of COVID-19. We have successfully refinanced the bank facilities maturing in 2020 and are now well positioned to meet our obligations, even under the most adverse conditions.

Government and Regulatory Landscape

Investment and regulatory certainty will remain of high importance if we are to support the transition to a low emissions economy. The Select Committee recommendations on the Resource Management Amendment Bill suggest that climate change policy will soon be taken into greater account by all councils and consenting processes. By offering renewable energy generation, Trustpower is well placed to support this national direction.

The regulatory environment for business is also changing. The proposed mandatory climate-related financial disclosures for listed companies adds further impetus, and means Trustpower will identify, assess, take action, and disclose material climate-related financial risks to our stakeholders and investors.

Freshwater policy reform and the Resource Management Amendment Bill remain areas of particular interest to Trustpower, and we will continue to lobby government to take heed of the ICCC recommendations, and also to strengthen the National Policy Statement for Renewable Energy Generation. Any changes to access to freshwater, and the related planning and governance responsibilities, should be applied even-handedly across all hydroelectricity operators and rivers, and not favour some over others.

On a separate note, we are expecting to continue work with regulators and officials as the recommendations from the Electricity Price Review are further developed and implemented.

We have successfully refinanced the bank facilities maturing in 2020 and are now well positioned to meet our obligations, even under the most adverse conditions.

Finally, we support the Government rethinking its legislative and regulatory programme as a result of COVID-19, and assisting infrastructure spending, including by fast tracking consenting processes for certain projects. The economic recovery from COVID-19 will require careful consideration and direct Government assistance, with strong leadership from the infrastructure sector.

Health, Safety and Environment

We continue to make good progress in our desire to learn from both adverse incidents and successes. Allowing our people to show pride in their work by learning from things that don't go as well as planned, as well as the things that go better than planned, is an important element to our safety culture. Pleasingly, reporting on both is on the increase across the company.

Total Injury Frequency rate for the year ending 31 March 2020 was 0.72 compared to 1.5 for the year ending 31 March 2019.

Our People

Our people strategies continue to focus on delivering the capabilities we have identified as essential to our strategic intent. Key to this is fostering an open organisational culture with a collective learning focus.

In the last year, we also saw a successful process of engagement in redesigning our values to better represent our culture. We also enjoyed success in shifting our approach to community engagement, with the team partnering with our generation teams to do meaningful work in our local communities. Our involvement in the Tauranga STEM Festival – a celebration of science, technology, engineering and mathematics – was a particular highlight.

Our response to COVID-19 really highlighted the benefits of our long-term investment in our people, who showed amazing adaptability and resilience as we navigated the impacts of the pandemic. In two days, we shifted the majority of the workforce to work from home and required many of our people to flex into different roles. We fully expect the strong support and commitment from our people to continue as we move forward.

Acknowledgement of Vince Hawksworth

Vince Hawksworth left Trustpower on 24 January 2020 after approximately 10 years as Chief Executive. During his tenure, Vince was instrumental in leading the growth of Trustpower. He supported the transition of our retail business from a retailer predominantly supplying electricity to our incumbent provincial customer base, to a true multi-product energy and telecommunications business.

Vince also cared passionately about the development of talent and capability within the business and the need to have an open collaborative culture and work environment to support and nurture that.

There is no doubt that Trustpower is a very different place than it was when Vince first started as Chief Executive. On behalf of all stakeholders, the Board wishes to acknowledge and thank Vince for the significant contribution he has made to the success of Trustpower.

Our response to COVID-19 really highlighted the benefits of our long-term investment into our people, who showed amazing adaptability and resilience as we navigated the impacts of the pandemic.

Directors

There have been a number of governance changes this year. At the annual meeting, Alan Bickers (who joined the Board in 2014) and Richard Aitken (who joined in 2010) both retired. We thank Alan and Richard, on behalf of the Board and Management, for their service and contribution to creating value for all our stakeholders.

At the same meeting, Keith Turner and David Prentice were appointed to the Board as new directors. Following these changes, the composition of the standing Board committees was reviewed and updated. The Board took this opportunity to revise the fees paid to directors and committee members, resulting in an overall reduction in fees.

In December 2019, Vince Hawksworth resigned as Chief Executive effective 24 January 2020. David Prentice was appointed Acting Chief Executive while remaining on the Board as a director. This resulted in David resigning from all committees leading to a further review of the committee memberships.

More latterly the Board has established weekly meetings to oversee the company's response to COVID-19.

Auditor

PricewaterhouseCoopers has indicated its willingness to continue in office.

Dividend

There remains considerable uncertainty around the COVID-19 situation and what impact it will have on Trustpower's financial position. However, it is important that the Board takes a prudent position with respect to capital management and ensures we maintain a strong balance sheet and funding availability. Given the uncertainty and likely impact from COVID-19, the Board has decided to declare a fully imputed, final dividend of 15.5 cents per share.

Together with the interim dividend of 17 cents per share announced in June 2019, this provides a total fully imputed dividend of 32.5 cents per share for the 2020 financial year, a reduction of 4%.

Looking Ahead

Trustpower produces 99% of its electricity through hydroelectric power generation. We recently re-examined our operational activities to identify potential actions to address climate change and further minimise environmental impacts.

In 2020, Trustpower intends to refresh our asset management strategy, policy and plan to incorporate climate change adaptation and risk assessment.
We believe Trustpower's geographically diverse portfolio will help us manage this risk. We are well positioned to support a decentralised energy system and regional development. There are positive opportunities for Trustpower to invest in renewable and low carbon technologies – and become an even more attractive and responsible investment proposition.

With our new offering of wireless broadband we expect to be able to offer customers even more value through our bundled retail offers and see this part of our business as a positive growth opportunity.

The months, and possibly years, ahead will clearly be dominated by the impacts of the COVID-19 pandemic and at present are challenging to predict with any accuracy. However, we are in a strong position and will continue to remain vigilant and proactive in responding to the environmental, regulatory or societal changes that may impact or create opportunities for our business.

LEADERSHIP TEAM

Kevin Baker
Director

Peter Calderwood
General Manager Strategy and Growth

Simon Clarke
General Manager Technology and Delivery

Melanie Dyer
General Manager People and Culture

Stephen Fraser
General Manager Generation

Sam Knowles
Director

Craig Neustroski
General Manager Markets

Kevin Palmer
Chief Financial Officer and Company Secretary

Susan Peterson
Director

David Prentice
Chief Executive and Director

Paul Ridley-Smith
Chair

Fiona Smith
General Manager Customer Operations

Geoff Swier
Director

Keith Turner
Director

INTRODUCTION TO INTEGRATED REPORTING

Trustpower has undergone a major transformational journey in recent years. We have shifted from being an operationally-driven electricity generator and retailer to being a customer-driven company. Our predictable, slow-change environment has switched to a fast-changing, dynamic and competitive landscape.

To support this transformation, our operating model and culture has had to fundamentally change. We have become more agile, innovative, open, collaborative and empowered. These ways of working are critical for Trustpower to survive and thrive. Critically, we need the right people practices in place for business success.

We recognise that success extends beyond the bottom line. Our commitment to people and the planet is just as important as profit.

In order to better judge how we are doing across all of these areas, Trustpower is adopting a different format to our annual report this year. We have based it on internationally-recognised integrated reporting frameworks.

Previously, we have reported on our approach to five key areas: economic, our people, environmental, customers and community. We are expanding these areas of focus to include our infrastructure and our unique expertise.

We also reflect on the interdependencies between these areas, and explain how we use them to create value for all our stakeholders.

This is the beginning of the integrated reporting journey for Trustpower. We have included the issues that our stakeholders have identified as important, as well as others we recognise. We are confident in the integrity of this report, while acknowledging the limitations in some areas and the need to improve in years to come. In future, we will further test and refine our understanding of, and response to, these priorities.

Our intent is that our culture and values are demonstrated in an authentic and accountable way as we embark on this journey. We will be open about our challenges, the gaps in our knowledge or activities, and the strategies yet to be fully developed. We hope the end result will be an even greater understanding of the way Trustpower creates value for New Zealand.

INPUTS, ACTIVITIES, OUTPUTS, OUTCOMES

- Tauranga-based national electricity generator and retailer of energy and telecommunications services.
- Established in 1915 as the Tauranga Electric Power Board.
- Listed as Trustpower Limited on the New Zealand Stock Exchange in 1994.
- Key shareholders are Infratil (51%) and Tauranga Energy Consumer Trust (TECT) (26.8%).
- New Zealand hydro generation capacity of 487 megawatts, producing an average of 1,917GWh per annum.
- 116,000 customers purchase more than one product from Trustpower.
- Approximately 809 full time equivalent employees.

INPUTS

Trustpower harnesses the power of many resources, which can be broadly categorised as:

1. Our relationships with customers and community.
2. Our people.
3. Our environment.
4. Our assets and infrastructure.
5. Our knowledge.
6. Our finances.

ACTIVITIES

Trustpower generates electricity at 27 sites across New Zealand.

Our retail customers purchase products across our suite of electricity, gas, broadband and phone services.

Award-winning customer service across multiple platforms.

Fast, reliable broadband connections.

A digital business that delivers on our customers' expectations.

OUTPUTS

More than 99% of our power is generated from renewable sources, through hydroelectric generation.

Total generating capacity of 487MW.

We have more than 235,000 customers, including 116,000 that purchase multiple products.

High customer satisfaction.

Community partnerships that benefit people and the environment.

Some of New Zealand's fastest broadband.

OUTCOMES

Affordable, clean and efficient energy for New Zealand.

A smart and connected world.

The ease and convenience of one utilities bill for our customers.

A motivated, diverse, inclusive workforce that is continuously learning.

Resilient, prosperous communities connected to their natural environments.

Protected health of, and access to, fresh water.

Sustainable returns to shareholders.

WHAT MATTERS MOST TO OUR STAKEHOLDERS

The electricity and telecommunications industries are both dynamic and changing rapidly. Issues such as increasing demand for renewable energy generation, variable wholesale energy costs, ever-growing demand for data and a trend towards bundled services are among the external issues facing our industries.

We have asked our stakeholders what risks and opportunities they feel are material to Trustpower's ability to create value. Our stakeholders include anyone that has something to gain, or something to lose, from our activities. They include investors, partners, suppliers, staff, iwi, government agencies, customers and the communities in which we operate.

Material issues identified by our stakeholders include:

Planet:

- Addressing climate change.
- Protecting water quality and biodiversity.
- Genuine and authentic partnerships that benefit the community and the environment.

People:

- Staff retention and development.
- Health, safety and wellbeing.
- Adding value to customers' lives.
- Adding value to our communities.

Profitability:

- Investing in capability.
- Innovation and thought leadership for New Zealand.

In some areas, Trustpower is well advanced in implementing strategies to meet our aspirations in these areas. In other areas, we are still at the data-gathering stage. Uncertainties, such as the long-term effect of the COVID-19 pandemic, will be taken into account in our plans.

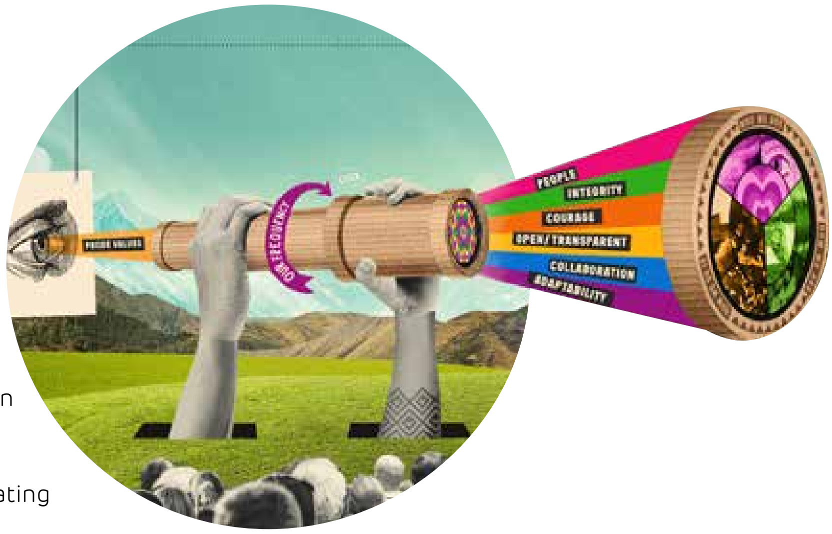
Regulatory framework and compliance

Trustpower operates in a heavily regulated industry. Our compliance activities in energy generation, trading and retail includes participation in an extensive annual audit regime undertaken by the Electricity Authority, as well as periodic audits by the Gas Industry Company Limited.

Additionally, as a signatory to the New Zealand Telecommunications Forum's (TCF) Broadband Product Disclosure, Customer Complaints and Emergency Services Calling codes, Trustpower participates in the TCF's annual self-certification compliance programme.

OUR VISION, VALUES AND APPROACH TO SUSTAINABILITY

Purpose:
New Zealanders **trust** us to keep them **energised** and **connected**



Our 2030 Vision:

- We will be the number one provider of smart utility solutions within New Zealand's low emission economy, which will be both highly electrified and digitised. We will thrive in a marketplace in which sustainability matters, and where generating electricity at our homes and businesses – and trading it within our communities – is commonplace.
- We will be a household name from Kaitaia to Bluff due to our success, and the way we consistently innovate to meet our customers' evolving needs.
- We will diversify, enhance and increase our asset base to embrace a low carbon economy.
- We will be a utility-based technology business that leverages artificial intelligence, digital services, smart and automated products to deliver value to all stakeholders. Our service delivery will be the benchmark other companies aspire to.
- Partnerships will be our way of doing business – with iwi, local environmental groups, our network operators, local business and the innovators we may collaborate with to differentiate our bundle of services and expand our reach into new services. Our relationships will deliver enduring benefits.
- Our people, passionate about our success, will thrive in a unique collaborative digital working environment. Diversity, curiosity, openness and trust are key to the success of the team into the future.
- From our home territory in the Western Bay of Plenty, and from metropolitan areas to small rural towns, we will be looked up to for our total contribution to our local communities. We will be genuinely there to help our neighbours. Our total societal impact will be a cohesive, interdependent story essential to our bottom line. We will be known for contributing to society in specific ways.
- Our success will create prosperity for New Zealand's environment and its people.

Our Values

Our values encapsulate who we are, how we are and how we do things. They guide us and underpin all the work we do. We have recently refreshed our set of values to ensure they reflect the way we work.

The world is facing an uncertain future, and the way Trustpower moves into the future will require adaptability and speed to make sure we are well positioned to continue to succeed. While our strategic focus or business opportunities may change, we will continually drive decisions from our values, call upon our embedded values to make the required changes, and hold on to our values to come out the other side still "us".

They are:

People – *people-centric decision-making*

Integrity – *constantly checking our moral compass*

Courage – *creating opportunities*

Open/transparent – *being trusting and trusted*

Collaboration – *diversity of thought making everything richer*

Adaptable – *the ability to pivot and adapt, whatever the focus.*

Our Approach to Sustainability

Last year we took an opportunity to revisit what sustainability means at Trustpower. When this project started the intention was to document and represent the existing activities we were undertaking that contributed to sustainability, and tell this story within our annual report.

The project unearthed a real desire internally for sustainability to be more than just a story telling exercise, and an appetite for Trustpower to take a genuine and authentic approach to making a difference.

To capture this energy we developed a framework that identifies what sustainability currently looks like at Trustpower, and what some key areas are to focus on into the future. It adopts a holistic approach that requires consideration of social, environmental, and financial pillars. In keeping with our values, it recognises that partnerships are critical for the success within these pillars.

This work represents an ongoing conversation around sustainability at Trustpower, with the next steps implementing and integrating it throughout the business. Our intention is to foster our culture of sustainability, and to develop the business capability to make better decisions based on our societal impact.

We have identified and aligned our aspirations with the United Nations Sustainable Development Goals (SDGs). These goals are recognised throughout business both in New Zealand and globally.

Trustpower's sustainability framework addresses four key areas: climate change, the environment, people and business.

1

CLIMATE CHANGE

We are leaders in New Zealand's transition to a low emissions future.

Short-term goals:

Trustpower will gather the data necessary to report annually on its carbon footprint (scope 1, 2 and 3 emissions). We are currently working on setting short, medium and long-term carbon reduction targets that Trustpower will commit to.

Introduce climate change considerations, risk assessment and adaptation into our Asset Management processes.

Medium-term targets:

Our initiatives will focus on reducing air travel and road-related emissions, including increasing our use of electric vehicles.

Alignment with United Nations Sustainable Development Goals:

13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts.

2

ENVIRONMENT

Trustpower recognises the need to protect the long-term health of and access to New Zealand's fresh water. Through partnering with communities, we are delivering projects to ensure New Zealand's ecosystems and biodiversity continue to thrive. This includes identifying environmentally sensitive areas around our generation assets.

Short-term goals:

We will partner with local or national native flora or fauna programmes. We will identify environmentally sensitive areas around our generation assets and establish community-based environmental initiatives around them.

Medium-term targets:

Our activities do not create or present a risk of land or water pollution.

Alignment with United Nations Sustainable Development Goals:

11 SUSTAINABLE CITIES AND COMMUNITIES — Make human settlements inclusive, safe, resilient and sustainable

14 LIFE BELOW WATER — Conserve and sustainably use marine resources for sustainable development.

3

PEOPLE

Trustpower aims to be the company that people want to work with and work for. We want to positively influence our communities, and help build resilient and sustainable societies and economies. We will celebrate cultural diversity, create career and business opportunities and support environmental projects.

Short-term goals:

We are developing people through cross-functional work, leadership development and skills training programmes. We will listen to our people and establish diversity and inclusion targets. We will improve safety and wellbeing reporting and investigation, and grow community partnerships.

Medium-term targets:

Successful collaborative projects that contribute to a cleaner and smarter New Zealand.

Alignment with United Nations Sustainable Development Goals:

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Make human settlements inclusive, safe, resilient and sustainable.

4

BUSINESS

We are committed to helping New Zealand meet its climate change aspirations through continued investment in clean renewable energy.

Trustpower contributes to the country's economic prosperity. Our digital mindset creates engagement and excitement amongst our key stakeholders, creating sustainable competitive advantage. Through products and services we help our customers make better decisions around managing their energy and internet use. Trustpower continues to provide reliable products and services that cater to different needs in a rapidly changing world.

Short-term goals:

We will implement our asset management plan and execute value-add projects. We will positively contribute to addressing customer hardship and the digital divide in the community. We will establish a code of conduct for our procurement processes and support our customer acquisition strategies through established partnerships.

Medium-term targets:

New renewable generation opportunities identified and executed.

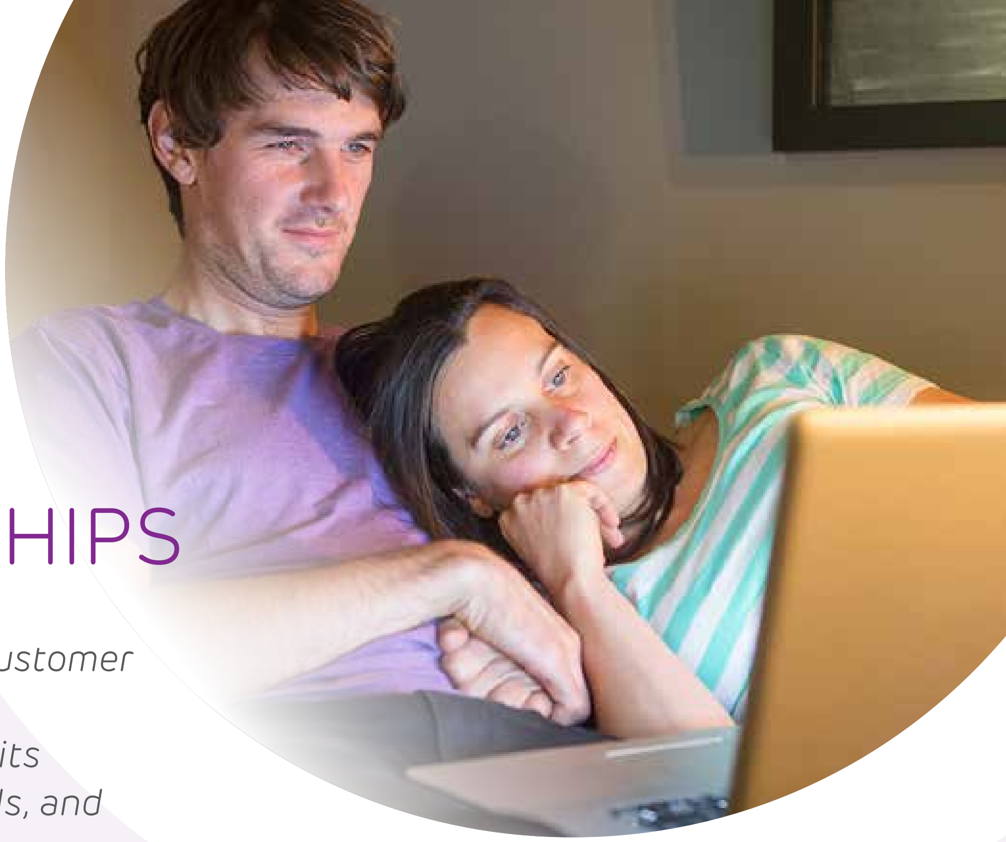
Alignment with United Nations Sustainable Development Goals:

Ensure access to affordable, reliable, sustainable and modern energy for all

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Reduce inequality within and among countries

Ensure sustainable consumption and production patterns.



OUR RELATIONSHIPS

Trustpower's legendary customer service is award-winning. Trustpower gets to know its customers and their needs, and quickly solves any problems.

Trustpower is harnessing the power of digital technology to make life even easier for its customers.

When people need or want to contact Trustpower, it is a quick, easy and seamless process using the communications channel of the customer's choice. They can email, message through Facebook, phone the contact centre or use web chat to communicate in real time with a human. Web chat conversations outstripped telephone traffic for the first time as the COVID-19 pandemic escalated in late March 2020.

Many of the easier transactions are handled by an artificially intelligent 'chat bot', Toni, who helps customers navigate the online self-service knowledge base and Trustpower's award-winning mobile app.

The app was launched in 2017 and is now active on more than 90,000 devices. The app's growing list of functions includes online bill payments, due date notifications, faults and outages alerts, usage history and LPG bottle ordering. A track and trace feature helps customers navigate the complex journey to connecting to fibre.

Giving customers the option to use digital channels means that Trustpower can keep waiting times as short as possible and free up humans to deal with more complicated problems. More than 78% of all customer contacts are now serviced by our non-staffed channels, with customer satisfaction on par with those enjoyed by our staffed channels.

Customer accounts are proactively reviewed regularly to ensure they are on the right plans and do not incur any unnecessary charges. Digital billing has avoided 5.9 million paper bills since 2017.

We have begun a three year smart metering deployment programme with our Australia-based partners Intellihub and more than 46,000 have been installed so far.

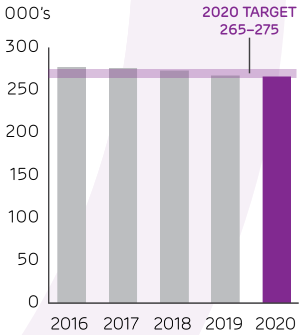
Community Partnerships

Trustpower has recognised and rewarded volunteers from around the country for more than 25 years through the Trustpower Community Awards and Youth Community Spirit Awards.

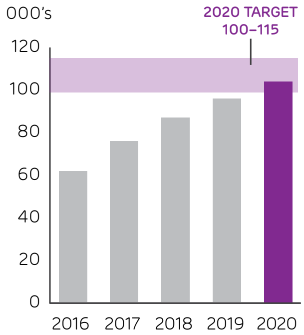
Trustpower has recently shifted its focus from the volunteer sector to community and environmental initiatives centred on its power schemes. Trustpower is working in partnership with local organisations and groups to support meaningful change and create a positive impact on the communities we operate in.

Every community is different, and our site teams are uniquely placed to connect with and support initiatives, projects and events that engage these communities. In November, we celebrated the 75th anniversary of the Cobb Power Station with a community open day. We partnered with the Tuariki Marae and other local organisations to host an 8 km fun run from the Matahina Dam in October. We also sponsored community events in our "home town" of Tauranga, including the Trustpower Photographic Exhibition and the Trustpower Tauranga Christmas Parade.

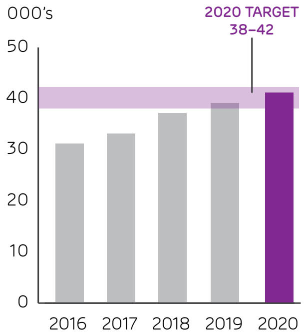
Electricity Connections



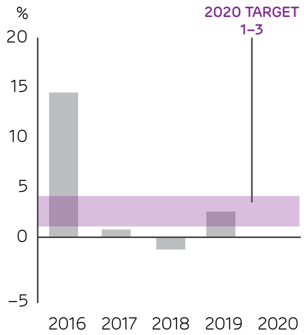
Telecommunication Connections



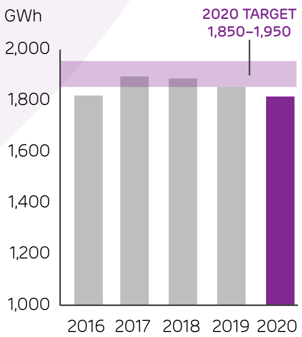
Gas Connections



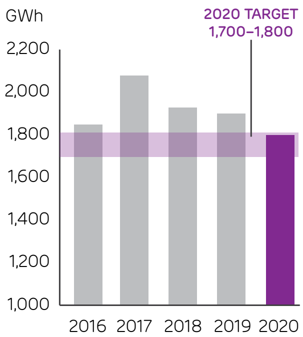
Customer Number Growth



Mass Market Sales



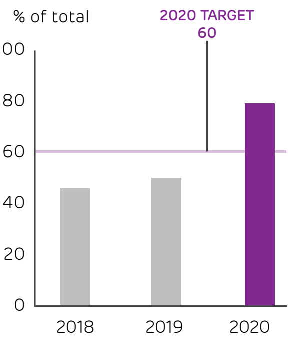
Half Hourly Metered Sales



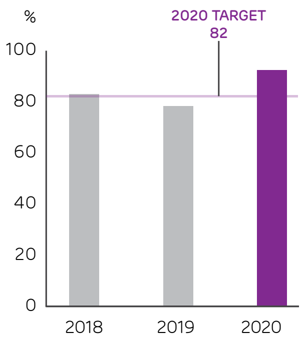
Annualised customer churn rate

Total market 20%

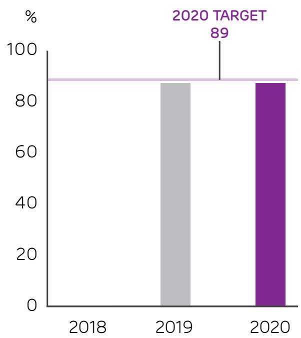
Automated Contacts



Satisfaction of Automated Contacts



Satisfaction of App Interactions



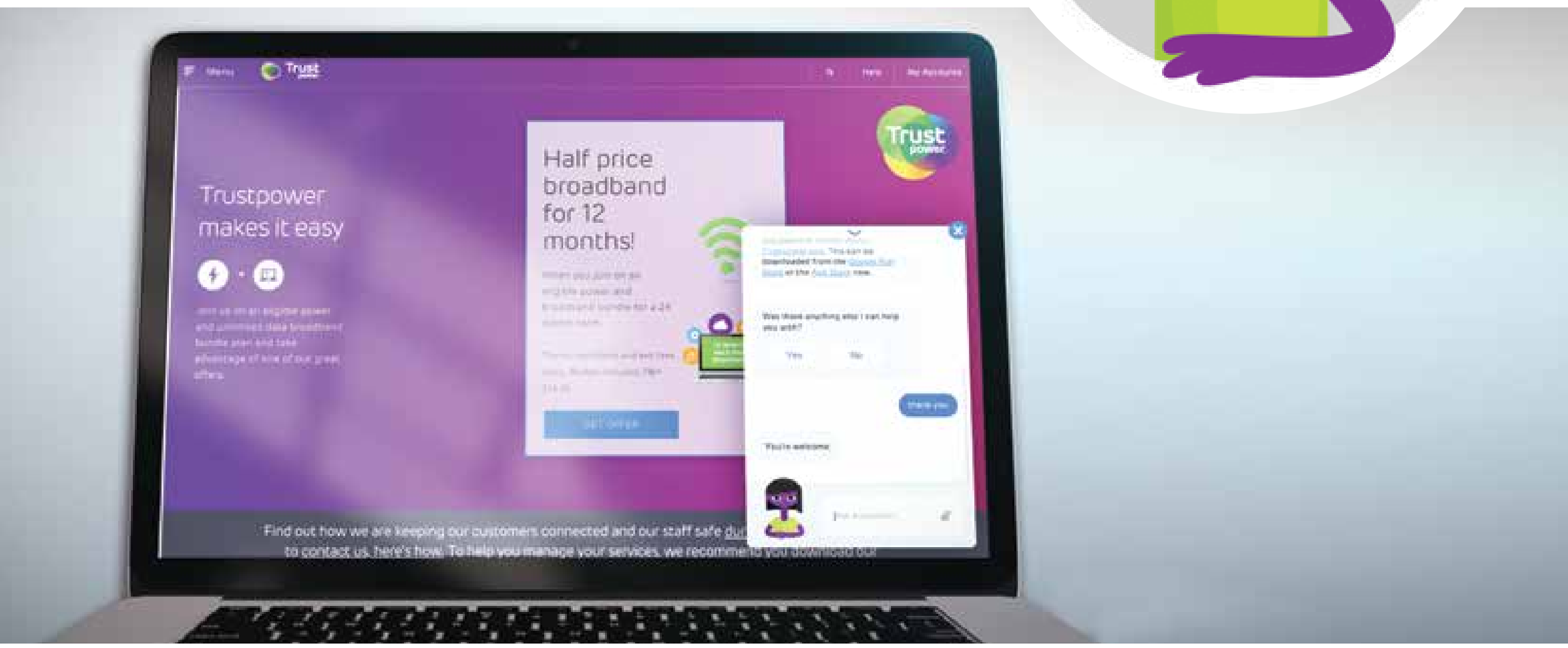
Future Focus

Trustpower will add new products and services if they are identified as right for our customers. Our commitment to excellent customer service will not waver. We are committed to leveraging customer insights to drive automated services, while ensuring we provide personalised assistance in the moments that matter. We will work with our industry partners and the regulators to ensure they continue to improve their processes to improve our customers' experience.

It is important for us to have genuine and mutually beneficial partnerships with the communities near our power generation schemes, and in our office locations of Tauranga and Oamaru.

TONI TO THE RESCUE

A virtual assistant is helping Trustpower customers navigate their services in the digital world.



Toni, Trustpower's chatbot, is a trustworthy advisor who can quickly and efficiently assist with common queries regarding balances, payments and products. She operates across Trustpower's website and app and can forward customers to human help if required.

Savonne Wadsworth, Trustpower's Digital CX Manager, says Toni's knowledge is growing by the day.

"Toni learns with each interaction, picking up sentiment and natural language. She has the ability to sense frustration and act accordingly. Toni's purpose is to be proactive and helpful to customers."

"We appreciate there is a fine line with this type of technology, which is why we are constantly reviewing customer feedback to ensure her conversations are delivering enhanced value to our customers," says Savonne.

"Toni's new in-app experience allows customers the ability to interact with Toni, as well as navigate seamlessly through our app. This equips Toni with the capability to educate customers on how to self-serve where possible.

"We are now developing Toni's ability to personalise our customers' experience a step further. We want her to proactively suggest improvements, such as serving up payment or plan options that could better suit their lifestyle, offer advice on how to reduce power consumption over winter or perform upcoming actions such as updating an expiring credit card," says Savonne.

"We see a strong role for her in our future and customers will be seeing Toni a lot more across our digital channels. She is designed to perform transactional tasks, offer advice, and point customers in the right direction for more complex enquiries."

Data security is a top priority as Trustpower looks at spreading Toni's presence across all its channels. Savonne says the feedback from customers has been very positive, especially as Trustpower experienced a surge in enquiries at the start of the COVID-19 Level 4 lockdown. Toni was quickly directed to handle the most common questions.

"Toni is really helping our customers stay in touch and in control of their account," says Savonne. "Her ability to instantly adapt has been invaluable as we deal with our customers' changing needs through the crisis."

Toni learns with each interaction, picking up sentiment and natural language. She has the ability to sense frustration and act accordingly.

OUR PEOPLE

Trustpower's strength is in its diverse mix of people and its strong leadership culture. We are focusing on developing our leaders to build our future capacity. We also have a strong safety culture, where risks are identified, controlled where possible and mitigated when required.

Trustpower's team is characterised by an openness and willingness to share.

People are encouraged to ask questions and offer ideas or opinions, regardless of their position, discipline, experience or department. Old, traditional methods are challenged and people are encouraged to take on extra responsibilities and develop their roles. This allows people to look at the whole and think strategically.

"Fast business improvement" facilitators help the business find solutions to challenging change management problems. Cross-functional teams look at wider industry developments and trends. Leadership programmes operate at all levels of the organisation, encouraging "learning by doing".

Trustpower's approach leads to innovation, integration of mixed ideas, fresh concepts and inter-department collaboration – all considered essential to the company's future success in a rapidly changing world.

Systems to Reward Performance

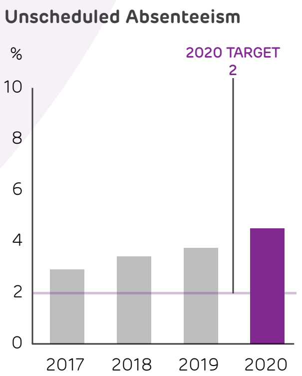
Trustpower has recently redesigned its remuneration and performance management framework to ensure it reflects the qualities and skills highly-prized by the company, as well as offering greater flexibility. The review also ensured that any gender-related pay discrepancies were identified and rectified.

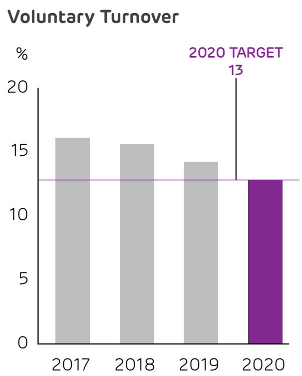
A wide range of benefits are made available to Trustpower employees, including annual flu vaccinations, fully subsidised life and trauma insurance, discounted medical insurance and income protection and flexible working options.

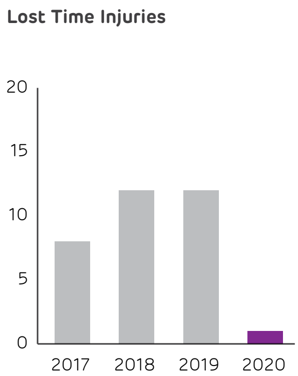
Shared Responsibility for Health and Safety

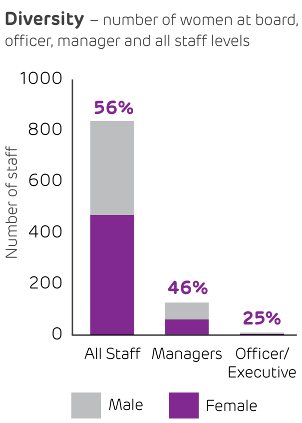
Trustpower has also made significant progress in implementing health and safety improvements and boosting the safety culture. We have focused on the roles and responsibilities of leaders, health and safety representatives and, most importantly, workers in taking a shared responsibility to keep safe. Reporting of hazards, incidents and near misses has increased following the recent implementation of a new incident management system.

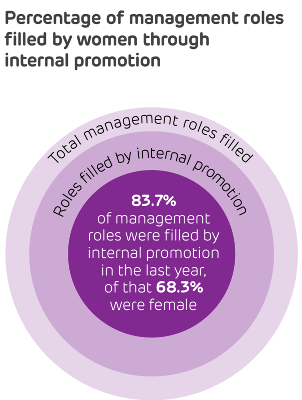
Our systems were put to the test as the COVID-19 pandemic response unfolded in March. Working groups were quickly formed to address the need for additional protective equipment and cleaning, and the wellbeing of our people. We also swiftly developed safety guidance for our workers and contractors in the field.











Future Focus

As the world of work changes, Trustpower is offering greater flexibility in order to attract and retain talent.

The safety of our staff and contractors is an ongoing focus. We seek direct and continuous feedback on the processes and support our people need to keep safe in changing and challenging situations every day, from remote work at isolated generation sites to dealing with dogs when meter reading.

LEADING OUR FUTURE

Trustpower is preparing its people for the future by fostering leadership in all parts of the organisation.

In its seventh year, the idea of fostering a learning philosophy encourages collaboration, adaptability and openness.

General Manager People and Culture, Melanie Dyer, says it is about everyone in the business taking responsibility for their leadership.

"Our approach is designed to improve feedback loops and make better decisions, faster," says Melanie.

One of Trustpower's platforms for developing leadership skills is a programme called "Leading Our Future," which involves learning by doing. Participants are coached and supported as they tackle a multi-disciplinary group project.

About 120 of Trustpower's 837 staff have been through the programme in the past six years.

One of Trustpower's platforms for developing leadership skills is a programme called "Leading Our Future," which involves learning by doing.

Melanie says the only prerequisite is an appetite for learning.

"Trustpower's people are always encouraged to ask questions and offer ideas, no matter where in the organisation they work or what their experience is," says Melanie.

"We know that, to prepare for the future, we have to be open to learning and collaboration. This will allow us to keep innovating and successfully navigate new challenges."

APOLLO PROGRAMME LAUNCHES CAREERS

Apollo takes Trustpower's next generation of employees to places where they have never been before.

The new Apollo programme gives participants a taste of working across the business while developing their leadership skills and technical capability. It differs from traditional graduate programmes in that it is open to non-graduates too and a broad range of attributes are considered.

"Life experience and community involvement are just as valuable as a degree in the Apollo programme," says Michelle Jacobs, Trustpower People and Capability Advisor.

"The mission is to develop and empower our leaders of the future."

The benefits to the business include increased connectivity, collaboration and knowledge-sharing between functions.

In the "generalist" stream, participants experience working in strategy and growth, community relations, the markets campaign programme team and generation support.

In the "technical" stream, recently-graduated engineers and analysts get to work in other departments to broaden their experience, including customer operations, generation, finance, markets and engineering.

"The best thing about the programme is that I get to experience all the teams and discover where my strengths lie."

Apollo programme participant, Ethan Cooke

All participants remain permanent employees at Trustpower at the end of the two year programme.

Participant Ethan Cooke started work at Trustpower as a sales representative and the Apollo programme has given him the opportunity to pursue his interest in renewable energy.

"The best thing about the programme is that I get to experience all the teams and discover where my strengths lie," he says.

"I see my future at Trustpower...it's a great place to work. You trust the company and the company trusts you."

OUR ENVIRONMENT

Through strong governance, Trustpower's Environmental Policy sets our direction for going about activities in an environmentally responsible and legally compliant matter.

Trustpower is dedicated to minimising the impact of its operations on the environment.

We want to have a positive impact, not only on the environments in which we work, but also on the communities we share those environments with. Through strong governance, Trustpower's Environmental Policy sets our direction for going about activities in an environmentally responsible and legally compliant matter.

Water Use

Trustpower recognises the multiple uses of the water that passes through our stations and is stored in our lakes. We work actively with the other users of the waterways to ensure the optimal use of the resource while it delivers electricity for New Zealand – be it recreation, flood management or community events. This includes popular recreational fishing spots.

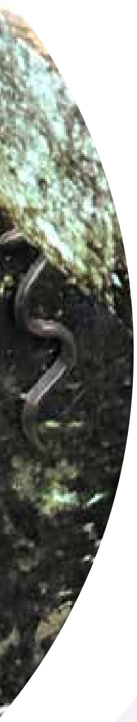
Some of our large hydro schemes are an important source of irrigation water for the surrounding agricultural community. Utilising storage lakes to hold water during a flood, and then for use by farmers during dry periods, offsets the need to construct alternative facilities. Constructing alternative storage facilities would be costly and potentially adverse to the environment.

Working with Communities

Trustpower partners with community groups on initiatives that deliver environmental and social outcomes, offering financial, technical and physical support where possible. Trustpower has partnered with BRaid (Braided River Aid) in Canterbury, which aims to halt the decline in braided river bird species through projects such as pest trapping, weed clearance and education.

The Rangitaiki River Environmental Fund was established in 2015 as a result of the resource consent renewal for Trustpower's Matahina power scheme in the Bay of Plenty. The fund, a partnership between Trustpower, the Rangitaiki Hapu Coalition, Te Runanga o Ngati Awa and Fonterra, has funded a number of local projects including improvements to local marae, wetland restoration, native flora planting and Edgecumbe town beautification. These are important commitments not only for the environmental benefits, but also for maintaining close and enduring relationships with our stakeholders.

Other partnerships include Trustpower's support of the Bay of Plenty's Ngamanawa Incorporation, and Ngati Hangarau hapu's investigation of kiwi activity within their rohe.



Climate Change

Trustpower produces more than 99% of its electricity through hydroelectric power generation. We believe we are well placed to support the transition to a low emissions economy, and are closely following how climate change policy will soon be taken into greater account by all councils and consenting processes.

We have recently re-examined our operational activities to identify potential actions to minimise climate change and environmental impacts.

As acknowledged in the Chair and Chief Executive's Report, the proposed mandatory climate-related financial disclosures for listed companies adds further impetus, and means Trustpower will identify, assess, take action, and disclose material climate-related financial risks to our stakeholders and investors in future.

Measuring and Reducing Carbon Emissions

Trustpower has looked closely at operations and processes to identify where we can reduce carbon emissions. Trustpower's current carbon impact is primarily diesel for generation purposes and gas purchases from producers.

We have collected scope 1 and 2 data and have started to collect data for scope 3[1].

EMISSION SOURCES BY SCOPE	CO_2-e (TONNES)
Total scope 1	2154.10
Total scope 2	898.64

1 – Direct Scope 1 emissions: these occur from sources that are owned or controlled by Trustpower;

– Indirect Scope 2 emissions: Indirect emissions from the generation of purchased energy (in the form of electricity, heat or steam) that the organisation uses and;

– Indirect Scope 3 emissions: these are a recommended reporting category that accounts for all other indirect emissions which are a consequence of the activities of Trustpower, which occur from sources not owned or controlled by Trustpower.

We are committed to reducing our carbon footprint. We are currently working on setting short, medium and long-term carbon reduction targets that Trustpower will commit to. In addition, we will embed climate change response in our core business strategy, financial planning and risk management framework. We will prioritise adapting our generation assets to mitigate climate change impacts and build resilience. We will continually seek opportunities to grow our renewable generation investment.

Environmental Compliance

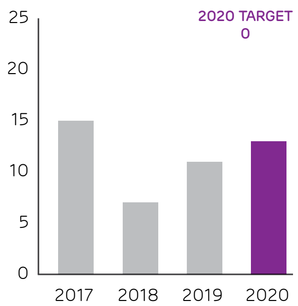
Trustpower generation stations operate within the constraints of 429 resource consents authorising their operation and maintenance. These consents list a total of 3,520 conditions, of which 472 are actively managed for compliance. In the past year, 42 environmental incidents or near misses were investigated, resulting in 13 resource consent non-compliances and seven instances of non-compliance not covered by existing consents (classified as unauthorised activities that occur where a resource consent would be required to authorise the activity). Of all the incidents, 19 were classified as low impact and one as medium impact, based on a ranking system that considers the environmental, reputational and legal effects of an incident. Following an initial 'triage' process, all incidents that are considered to carry the potential for non-compliance are investigated more thoroughly. Our investigation procedure follows the People, Process, Equipment, Environment and Organisational (PEEPO) data collection process to ascertain the root cause of the incident. Once the root cause is established, actions to prevent a repeat of the incident are developed and assigned for implementation. All investigations for the reporting year have been closed out.

Scientific investigations regularly assess the effects of Trustpower's hydroelectric power stations on stream biodiversity, riverbed erosion, fish passage and water quality.

We have continued to implement environmental management plans for all our activities in physical environments, in keeping with our continual improvement philosophy and guided by incident investigation recommendations on risk reduction and environmental improvement opportunities. Coupled with our Generation Project Management Framework, this ensures robust works planning through early engagement across our Generation teams, and has contributed to a reduction in environmental incident investigations.

In 2018, Trustpower revised the environmental induction and awareness training in its new learning management system, meaning all staff become competent in environmental management.

Resource Consent Non-compliance Events



Independent audit of oil containment capability across the generation portfolio

7
UNAUTHORISED INCIDENTS

9% decrease in total environmental incidents reported and investigated

Preferred consultant chosen for independent audit of incident lifecycle and reporting maturity

Future Focus

Trustpower actively participates in the shaping of government policy on resource management, including freshwater and indigenous biodiversity and reforms to the Resource Management Act. Water quality and native fish passage are current topics of discussion and new areas of research. While our operations don't have a material impact on water quality, understanding the environment in which we operate ensures we are responding appropriately.

NATIVE FISH HELPED ON THEIR WAY

Native elvers (juvenile eels) and kōkopu (a freshwater fish species) are given a helping hand to navigate their way through hydro power schemes.

More than 2.6 million elvers, mostly shortfin eels, were transferred upstream of Trustpower's Matahina Dam in the Bay of Plenty in the 2018-2019 season. Hundreds of kōkopu fish (banded, shortjaw and giant kōkopu) were also transferred.

Trustpower's Lead Environmental Advisor, Christopher Fern, says successful fish transfers have been undertaken in the Rangitaiki River catchment for more than two decades by the Kōkopu Trust founded by the late Bill Kerrison.

"Matua Bill sadly passed away earlier this year but his legacy continues through his family, who finished the transfer season that he started," says Christopher.

"Over the duration of his trap and transfer programme, Bill transferred millions of elver and native fish each year."

Bill's dedication saw him honoured as a Member of the New Zealand Order of Merit for services to river and wildlife conservation.

Successful fish transfers have been undertaken in the Rangitaiki River catchment for more than two decades by the Kōkopu Trust founded by the late Bill Kerrison.

To assist the fish transfer work, Trustpower's generation team has designed an upstream fish passage prototype based on the same concept as an Archidemes screw water pump. Instead of transporting water, it will move native fish and elver upstream.

The prototype has been shared with iwi, the regional council and other stakeholders and it is hoped it will be operational for the next upstream migration season.

OUR ASSETS AND INFRASTRUCTURE

Trustpower has a strong and diverse infrastructure portfolio that is geographically spread, providing lots of opportunities to innovate. The current focus is on maximising profitability, managing risk, making sure assets are as efficient as possible with an emphasis on operational excellence, all while keeping an eye on future new generation possibilities.

Trustpower's large portfolio of power stations across New Zealand generates greater than 99% of its electricity from renewable resources. In total, Trustpower has hydro generating capacity of 487 megawatts and its current average annual output is 1,917GWh per year.

We are investing in an asset management strategy refresh and roadmap exercise over the upcoming year. This continuous improvement activity will help us gain valuable insights from our asset performance and continue to invest in the right areas.

We continue to embed our recently developed project management framework. This means we engage stakeholders early in the framing and development phase, and front end load our engineering effort on our larger projects. With a healthy pipeline of value enhancing and risk reduction projects, execution discipline and certainty of delivered outcomes for these projects is important to securing value.

Over the past couple of years, a combination of targeted maintenance and small capital projects has helped Trustpower to futureproof its assets.

A continuous improvement philosophy has identified opportunities to improve profitability through relatively small, yet effective, initiatives. One recent example is the replacement of a diesel generator with a modern wind-powered version to feed the batteries that open and close gates at a remote power scheme.

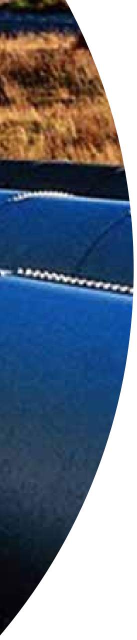
We have identified a pipeline of opportunities that could add an estimated 60GWh per year to our annual output by augmenting our existing generation asset base for a modest investment. These opportunities include turbine or generator upgrades that improve efficiency and capacity, improved water capture to maximise generation and reduce spill.

Upgrades Extend Lives of Assets

It is a credit to Trustpower's predecessors that some of the company's most valuable hydro assets are more than 100 years old. Trustpower expects to keep operating them for as long again, or longer by protecting, upgrading and enhancing these assets.

Trustpower recently completed a major upgrade of two generators at the Coleridge power station, which opened on Canterbury's Rakaia River in 1915. The project has ensured a further 40 years of reliable operation for the station.

We took the opportunity of an eight-week full scheme outage at Waipori required to undertake critical tunnel repairs, to complete a comprehensive programme of planned routine and preventative maintenance, including preparatory inspection work for some upcoming generator replacement projects.



Effectively doubled network capacity for the surge in internet traffic for the live streaming of the Rugby World Cup in September 2019

Investment in Internet Infrastructure

Trustpower's Internet team constantly monitors data use to maximise existing capacity and keep ahead of rapidly increasing demand. They can anticipate where additional bandwidth is required to maintain broadband speeds.

Trustpower's investment in greater network control, rather than outsourcing to other providers, has resulted in faster connections and better network resilience for Trustpower's customers. Trustpower now owns and operates sites in three countries – New Zealand, Australia and the United States.

Trustpower is now the country's fourth largest broadband retailer by number of connections and it's carrier-grade national Internet Service Provider (ISP) network performance has been ranked in the top 3 of Netflix's ISP independent speed survey every month over the year.

Free Public Wi-Fi

In September, we provided streaming services for the Anchor Aims Games production company, enabling the week-long sports tournament to be streamed internationally. We also leveraged our network to provide free public wi-fi across 13 sites for the 11,500 competitors and their supporters.

New Zealanders Hungry for Data

The average data consumption per household nationally continues to increase dramatically year on year, driven by the increasing popularity of 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 186GB in January 2020. Internet traffic peaked to record levels in late March as the impact of the New Zealand COVID-19 pandemic response took hold, with Trustpower quickly responding by increasing trans-Tasman bandwidth.

Future Focus

Trustpower has identified the need to better utilise its maintenance management systems to further improve performance. Our focus this year on reviewing our asset management strategy and roadmap exercise will ensure we continue to identify and prioritise routine and preventative maintenance at our power schemes. Part of this focus will be to review the way we use our computerised maintenance management system, and how we ensure we get the best data and insights from the use of the system. This means making the interaction with the system simple and more efficient.

Fibre connections, data speed and data usage will continue to grow as New Zealanders become more accustomed to relying on broadband for their businesses and entertainment. We will continue to invest in our own network capacity and move away from third party supply.

OUTAGE CREATES OPPORTUNITIES AT THE WAIPORI POWER SCHEME

Trustpower turned a rare eight week shutdown at one of its largest power schemes into an opportunity to undertake major maintenance, overhauls and improvements.

Disruptive repairs to an ageing tunnel at the Waipori scheme, southwest of Dunedin, gave Trustpower the chance to tackle more than 60 other jobs on site.

"We knew it was going to be a major job to fix the tunnel, but when it became clear that an extensive outage was required, we decided to make the most of this rare opportunity," says Luke Davey, Trustpower Project Manager.

"We pulled together close to 250 people from 40 companies to complete more than 18,000 hours of work on and off site."

The Waipori scheme's four power stations are in a narrow and rocky gorge, which plunges 165 metres over just four kilometres. With storage lake levels lowered for the outage, Trustpower used the window to inspect and test many of the scheme's major structures, repair or replace aged equipment, and spruce up the stations to ensure the ongoing reliability of the scheme. Seismic risks were addressed to protect the environment, the power stations and the communities downstream in the event of an earthquake.

Trustpower's staff dedication and strong relationships with its suppliers and partners ensured the large workload was completed on schedule.

Trustpower, its consultants and contractors had to contend with a number of challenges once work got under way. The outage began in snow, sleet and hail, and the main public access road had to be closed for two weeks due to slips. An electrical storm took out some key equipment and then helicopters had to be called in to fight a wildfire threatening crucial assets.

Despite these disruptions, Trustpower's staff dedication and strong relationships with its suppliers and partners ensured the large workload was completed on schedule, avoiding a series of smaller shutdowns in future.

"It is a testament to the team's resilience and the impressive way everyone pulled together to get the jobs done," says Luke.

MAXIMISING TRUSTPOWER'S GENERATION ASSETS

Trustpower's Generation Enhancement programme identifies, evaluates and implements improvements to existing generation assets, some of which are more than 100 years old.

The objective is to augment our assets to secure an estimated 60GWh a year by March 2024. The programme also targets $20 million worth of efficiency improvements through resource consents, availability and reliability initiatives.

Key to this are the high-value power scheme reviews where we undertake a 'water to wire' review to identify any barriers, including physical, environmental, legal, technical or financial constraints.

Trustpower's Generation Enhancements Lead Robert Shelton says the team, established just over a year ago, identifies and evaluates opportunities to remove or mitigate the constraints.

"If there is good potential, the enhancements can be scheduled to coincide with other asset maintenance or upgrade works. This reduces the cost of scheme outages and the time required to complete the work."

Trustpower's Generation Enhancements Lead Robert Shelton says the team, established just over a year ago, identifies opportunities to remove or mitigate the constraints.

An example of this is the recently completed Kawhaka Intake upgrade to the Dillman-Duffers-Kumara power scheme in the West Coast of the South Island. This intake was upgraded during a scheme maintenance outage and it will deliver additional water to three power stations.

OUR KNOWLEDGE

Trustpower has disrupted the energy industry by offering a one-stop-shop for its customers – an approach more commonly used in retailing than in the home electricity market. Trustpower bundles together power, internet, phone and gas into one convenient bill.

In a highly competitive market, Trustpower has taken a fresh approach, taking the opportunity to become a genuine retailer and offering customers a range of products with the convenience of single billing.

Understanding our Customers

Trustpower is building 'insight-led' relationships with its customers, which means it combines data from multiple sources to understand consumer attitudes, behaviours and needs. This approach reflects the fact that today's customers want more than just a fair price.

Underpinning the retail strategy is an unwavering belief in excellent customer service. The result is market-leading loyalty. Over three quarters of customers signing up elect to take two or more services. The more services they purchase, the better value they get and the more likely they are to stay with Trustpower. Many customers are also prepared to sign multi-year contracts.

Our customer-centric approach came to the fore as the COVID-19 emergency rapidly developed. We received an unprecedented number of customer enquiries as we rapidly progressed through the response levels to Level 4 lockdown. Our customer service team was able to manage most of them through digital channels and from home. The team proactively completed over 10,000 wellness checks on our critical customers and those who were the most vulnerable, and will repeat this as appropriate.

Innovative Peer-to-Peer Power Trading

Trustpower's Solar Buddies is the largest peer-to-peer electricity trading platform in New Zealand.

Solar Buddies allows people with solar panels to sell or gift their excess electricity to family, friends, organisations or charities.

The unique peer-to-peer exchange is easy to use and any power left over after it is distributed to "buddies" is purchased by Trustpower.

Solar Buddies was conceived and championed by a small team from across Trustpower that is passionate about solar and wanted to create a win-win for customers and the business.

Wireless Broadband

We continued to expand the range of products and services available to our customers, such as the addition of wireless broadband. This will appeal to many of Trustpower's regional customers who cannot access high speed fibre services. It will give those customers better access to Trustpower's core New Zealand-wide carrier grade internet service provider network and enables our customer service teams to tailor a package that best suits our customer needs.

Customers with two or more services

116,000
CUSTOMERS

Annualised customer churn rate

17
PERCENT

Total market 20%

Future Focus

Trustpower continues to explore new products to add to the existing bundles, as well as innovative ways to deliver services. Trustpower is building long-term relationships with its customers by listening to their views, understanding their behaviour and addressing their needs.

OUR FINANCES

Trustpower's financial strength comes from prudent use of funds to provide long-term stable returns. It does this by owning a geographically diverse portfolio of generation assets, operating a vertically integrated retail business that sells all of the electricity it generates, and by bundling electricity, gas and telecommunications to develop a loyal value adding customer base.

Debt Profile

As at 31 March 2020, net debt (including subordinated bonds) was $617.2 million, up 9.8% from $562.1 million the year before. This increase was primarily driven by the special dividend of $50 million paid in June 2019. Trustpower uses net debt/EBITDAF as the metric to measure the company's ability to repay debt. The current level of 3.3 is broadly in line with the average of our peers.

Trustpower has recently refinanced early all of its bank facilities maturing in 2020. It is now well placed to manage any contingencies that may arise due to the uncertain future caused by COVID-19.

Major Shareholders

Trustpower has just under 313 million shares on issue on the New Zealand Stock Exchange (NZX). We have two cornerstone shareholders, Infratil Limited and Tauranga Energy Consumer Trust, plus more than 12,000 small parcel shareholders and 12,000 bond holders.

Infratil, which has been a major shareholder since Trustpower's formation in 1994, is a specialist investor in infrastructure and utility assets. It holds 51% of voting shares.

The Tauranga Energy Consumer Trust (TECT) owns 26.8% of voting shares. TECT has also held shares since Trustpower's formation. The Trust's beneficiaries are account holders in Tauranga, who receive two distributions each year. The Trust also sponsors a number of community initiatives, including the TECT Bay of Plenty rescue helicopter.

Policies to Benefit all New Zealanders

Government policy settings continue to steer the economy towards increased electrification. The Climate Change Response (Zero Carbon) Amendment Act, and the associated establishment of the Climate Commission and setting of carbon reduction goals all encourage consumers to choose clean energy over fossil fuels.

We fully participate in the Government's policy development process with a preference for market mechanisms that facilitate innovation, open access for participants and suitable social policy protections of disadvantaged communities.

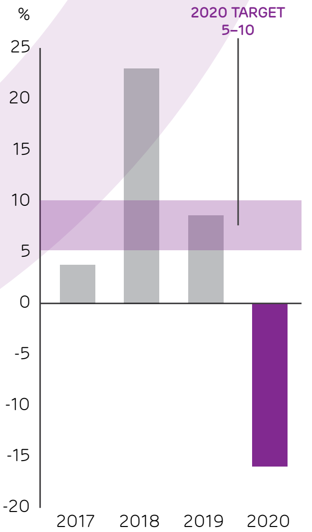
Trustpower is particularly focused on climate policy, pricing and telecommunications regulation.

Positioning the Company for Growth

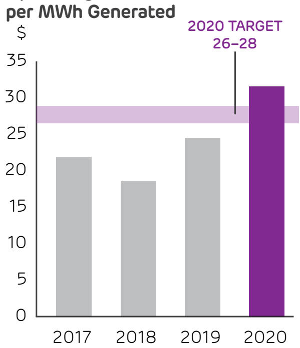
Over the last four years, Trustpower has sharpened its focus to be in a position to benefit from the expected decarbonisation, increased electrification and exponential growth in the demand for data. This has seen us divest our Australian operations to become solely New Zealand focused. We have commenced the rollout of smart meters, sold our existing meter asset business and outsourced our meter-reading business. We have developed wireless broadband services and completed the capability build of our mobile resale offer. Our Internet Service Provider capacity has been significantly increased and we continue to invest in infrastructure. We also acquired a 75% stake in King Country Energy, increasing our hydro generation portfolio.

We are now well positioned with the funding capacity to grow. A number of development options are under consideration by both the retail and generation parts of our business.

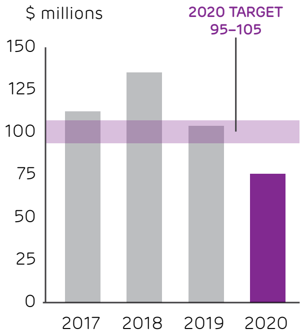
EBITDAF* Growth



Operating Cost per MWh Generated

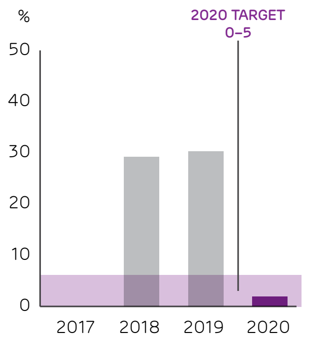


Underlying Earnings*

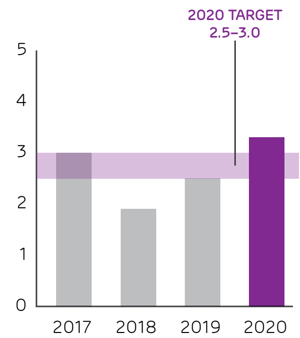


* EBITDAF are non-GAAP measures. Please refer to note A2 to the financial statements for a description of why we use these measures.

Total Shareholder Return



Net Debt to EBITDAF*



Future Focus

The telecommunications part of our business continues to grow strongly, with Trustpower well placed to capitalise on New Zealanders' growing appetite for fast, reliable broadband. Bundling telecommunications with electricity continues to give Trustpower a competitive advantage in the fight for loyal, value-adding customers. The generation business has the flexibility to cope with volatility and the capacity to grow as demand for electricity grows.

ENERGYMATE ASSISTS VULNERABLE CUSTOMERS

A small number of Trustpower customers struggle with energy poverty and we are concerned for their financial wellbeing. That's why we supported EnergyMate.

EnergyMate is a pilot programme helping families in hardship become more energy efficient and secure the best power plan for their needs.

In-home coaches assisted vulnerable families to manage their energy use so they could keep their homes warm, better understand their power bills and avoid wasting electricity. In one example, an in-home visit dramatically helped one Rotorua homeowner by connecting her with a plumber to fix leaky pipes and arranging a payment plan to smooth energy expenses.

The EnergyMate pilot, launched in April 2019, was delivered by the Electricity Retailers' Association (ERANZ) with the support of Trustpower, other retailers, lines companies, government agencies and community groups. An independent review was complimentary and suggested small enhancements to the programme before a wider rollout. Trustpower is excited to see the revamped programme.

ERANZ says some New Zealand households could save up to $200 a year by choosing the right power plan. Trustpower already proactively identifies which of its customers would be better off on another plan and lets them know. The regular checks ensure all customers are contacted if their usage better matches a cheaper plan.

In addition, Trustpower helps customers to use their energy more efficiently, sharing hints via social media and bill inserts. Ideas for small changes are always positively received.

Find out more about EnergyMate at www.energymate.nz

The EnergyMate pilot, launched in April 2019, was delivered by the Electricity Retailers' Association (ERANZ) with the support of Trustpower.

CORPORATE GOVERNANCE

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, how 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, as well as 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 three independent directors and four 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.

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**

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.

EXPLAINING THE FINANCIAL STATEMENTS

GENERATION PERFORMANCE

FY19 saw favourable production volumes and wholesale prices, which were not repeated to the same extent in FY20. Total production volumes were 1,759 GWh – 10% below the previous year, and 6% below our long-run average. Volumes were impacted by an unplanned outage at our Highbank scheme, low inflows in the North Island, and more storage of water due to unattractive pricing. The average price achieved for this generation was $107/MWh, compared to $125/MWh in FY19.

This was somewhat offset by an increase in the internal transfer price that Generation received for ~80% of its volume and strong irrigation revenue.

We took advantage of lower pricing (particularly in the second half of the year) and unplanned plant outages to undertake additional work at some schemes, which increased our operating costs.

A change in the allocation of corporate costs also increased the stated operational expenditure in our generation division.

The sale of our meter asset business in November 2019, the reduction of Avoided Cost of Transmission (ACoT) revenue, a revaluation of our carbon credit inventory, and late March COVID-19 impacts also impacted our divisional earnings for the year, relative to the prior period.

RETAIL PERFORMANCE

Key strategic indicators continue to track well in retail; however, the reported financial result is disappointing on the surface. A mild winter and the loss of some high-volume, low-margin commercial customers in FY20 saw lower volumes than the prior period. Strong underlying growth in telecommunications gross profit was more than offset by a reduction in electricity gross profit, due primarily to a significant increase in the transfer price of electricity not being passed through to customers in the first year. Higher operating costs in retail were driven by:

- Increased customer acquisitions and an increased focus on retention and cross-sell in FY20 through our high-value bundle offerings, rather than price-led campaigns (25% higher).
- A change in allocation of corporate costs.
- Bad debt provision increases due to COVID-19.
- Investment in people capability and a change in remuneration structure.
- Higher amortisation of previously capitalised customer acquisition costs due to NZ IFRS 15 methodology change adopted in FY19.

NZ IFRS 16 IMPLEMENTATION

Trustpower has fully adopted the new NZ IFRS 16 Leases accounting standard in FY20. This primarily affects our building and telecommunications service leases and results in an annualised ~$8.2m increase in EBITDAF*, with similar offsetting increases in depreciation and interest expenses.

ASSET REVALUATION

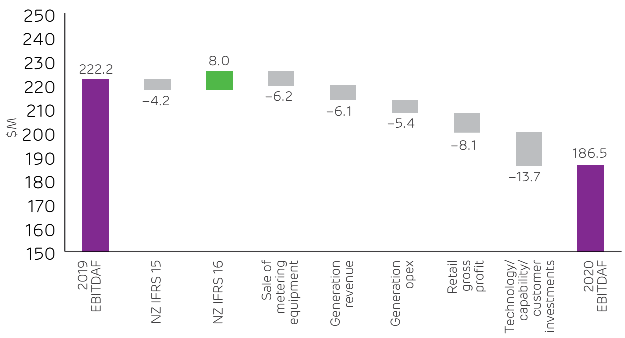
Given the uncertainty surrounding the current COVID-19 pandemic the Board considered it prudent to undertake a full revaluation of our generation assets. While there are a number of moving parts in the valuation, the overall impact was a relatively modest decline in value of $83 million or 4%.

METER ASSET SALE

On 18th November 2019, Trustpower announced the sale of our electricity meter assets to Financial Corporation Limited. The sale included meter assets at ~125,000 installations across the country. The sale represented an opportunity for Trustpower to continue its strategic evolution to a more digitally focused multi-product retailer and further support the transition of its retail customers to smart metering.

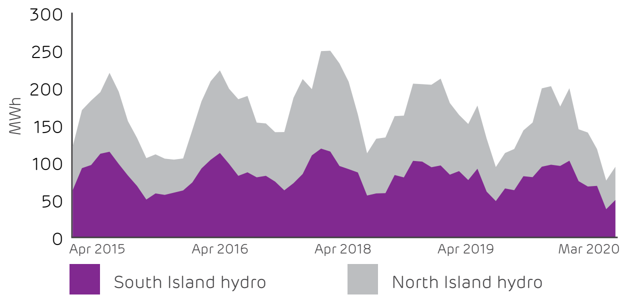
* EBITDAF is a non-GAAP measure. Please refer to note A2 to the financial statements for a description of why we use this measure.

Group EBITDAF* FY19 to FY20

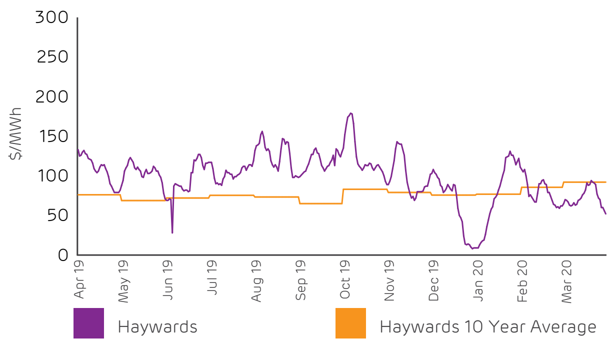


* EBITDAF is a non-GAAP measure. Please refer to note A2 to the financial statements for a description of why we use this measure.

Monthly Generation Volumes



Weekly Average Prices – 12 months to end of March 2020



BALANCE SHEET/DIVIDEND

Trustpower's balance sheet remains strong, with sufficient debt capacity to address even a severe economic downturn. However, given the current uncertainty the Directors have declared a fully imputed final ordinary dividend of 15.5 cents per share. This brings the total dividend for the year to 32.5 cents per share, a drop of 4% from the previous year.

GROUP RESULT

Group EBITDAF* result compared to the prior period was impacted by:

- Continued investment in technology, capability, and customers.
- Unfavourable hydrology and climate.
- Sale of metering equipment.
- Accounting standard impacts.

A more detailed explanation of the results can be found in our investor presentation at https://www.trustpower.co.nz/investor-centre/results

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 – 20**
Tax, Related Parties & Other Notes	**Notes 21 – 25**

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

There are also profitability analysis notes 3 and 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 shading behind them. Policies are placed within the note that is the most relevant, however the policy applies to all financial statements and notes.

KEY METRICS

	2020	2019	2018	2017	2016
Profit After Tax ($M)	**98**	93	114	94	68
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)* ($M)	**186**	222	243	218	208
Underlying earnings after tax ($M)	**75**	103	135	115	84
Basic earnings per share (cents per share)	**30.4**	29.0	40.9	29.6	21.7
Underlying earnings per share (cents per share)	**24.1**	32.8	43.1	36.6	26.8
Dividends paid during the year (cents per share)	**49.0**	59 .0	34 .0	33 .0	34 .0
Net debt to EBITDAF	**3.3**	2.5	1.9	3.0	3.5
Net tangible assets per share (dollars per share)	**3.12**	3.61	4.21	4.10	4.24
Customers, Sales and Service					
Electricity connections (000s)	**266**	267	273	276	277
Telecommunication connections (000s)	**104**	96	87	76	62
Gas connections (000s)	**41**	39	37	33	31
Total utility accounts (000s)	**411**	402	397	385	370
Customers with two or more services (000s)	**116**	107	100	90	77
Mass market sales – fixed price (GWh)	**1,817**	1,823	1,784	1,895	1,820
Time of use sales – fixed price (GWh)	**826**	902	945	835	823
Time of use sales – spot price (GWh)	**972**	1,028	1,086	1,244	1,389
Total customer sales (GWh)	**3,615**	3,753	3,815	3,974	4,032
Average spot price of electricity purchased ($/MWh)	**109**	131	91	55	64
Gas Sales (TJ)	**986**	1,006	1,012	1,013	1,046
Annualised customer churn rate	**17%**	20%	19%	17%	16%
Annualised customer churn rate - total market	**20%**	22%	21%	20%	21%
Generation Production and Procurement					
North Island generation production (GWh)	**849**	1,010	1,209	1,010	639
South Island generation production (GWh)	**910**	984	1,026	1,007	949
Total New Zealand generation production (GWh)	**1,759**	1,994	2,235	2,017	1,588
Average spot price of electricity generated ($/MWh)	**107**	125	88	52	60
Net third party fixed price volume purchased (GWh)	**1,512**	1,463	1,539	1,309	1,626
Other Information					
Resource consent non-compliance events	**13**	10	5	15	7
Staff numbers (full time equivalents)	**809**	818	803	786	727

*EBITDAF is a non-GAAP measure. Refer to note A2 for more information.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are pleased to present the financial statements of Trustpower Limited and subsidiaries for the year ended 31 March 2020.

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 2020 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 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

Dated: 27 May 2020

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 2020;
- 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 2020, 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 assurance engagements related to the Trustpower Insurance Limited solvency return and telecommunications development levy. We also provided an assessment over the financial system migration controls. 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

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T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

pwc

Generation assets carrying value

Description of the key audit matter	How our audit addressed the key audit matter
Generation assets were revalued at 31 March 2020 to $1,785 million, as set out in notes 10 and 11 to the financial statements. The fair value of generation assets is estimated by an independent external valuer using a discounted cash flow methodology. The level of inherent valuation judgement has increased as a result of the COVID-19 pandemic which occurred before balance date. This particularly impacts forecasting of the forward electricity price path and the rate used to discount future cash flows, the weighted average cost of capital. Given the market uncertainty at 31 March 2020 the valuer stated that the appropriate generation assets fair value may fall anywhere within the $1,569 million to $2,001 million range. In addition to forward electricity prices and the weighted average cost of capital the valuation involves other significant assumptions such as the forecast 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.	Our procedures included assessing the key inputs to the discounted cash flow valuation model. Utilising our PwC valuation and energy industry experts we performed a detailed assessment of the reasonableness of the key assumptions by: • Comparing the forward electricity price path to current externally derived market forecast data and our independent estimate of the price path incorporating the near-term impact of COVID-19; • Comparing the weighted average cost of capital in the valuation against our independently calculated rate reflecting current market conditions including the impact of COVID-19; • Assessing the appropriateness of forecast ACOT revenue included within the valuation, considering the assumptions applied by management and latest Electricity Authority announcements; • Comparing the inflation rate used to Reserve Bank of New Zealand forecasts; and • Meeting with the external valuers to discuss the assumptions and judgements made in their valuation. We assessed the appropriateness of the generation volumes and cost inputs by: • Comparing forecasted generation volumes to actual realised volumes over time; • Assessing forecasted operating and capital expenditure by reviewing the planned costs for each site against prior year actual costs and management's planned operational and capital spend. We also compared the costs to the actual operating and capital expenditure incurred for the current year to assess management's forecasting accuracy.

Additionally, we:

- Considered the overall appropriateness of the valuation range, using our PwC valuation experts' assessment of the reasonably possible changes in key valuation assumptions used to calculate the valuation range taking into account the current market uncertainty;
- Assessed the professional competence, independence and objectivity of the Group's valuation specialists;
- Checked the mathematical accuracy of the valuation model; and
- Considered the adequacy of the related financial statement disclosures.

The valuation adopted by management was within the range that we considered appropriate in the context of our audit.

Our audit approach

Overview

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

Overall Group materiality: $5.9 million, which represents approximately 5% of profit before tax excluding the gain on sale of metering equipment.

We chose profit before tax, which is a generally accepted benchmark, which we normalised by adjusting it for the gain on sale of metering equipment, because in our view, it is the benchmark against which the performance of the Group would be most commonly measured by users.

We have determined that there is one key audit matter as noted above:

- 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.

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.

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
27 May 2020

Auckland

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020	Note	2020 $000	2019 $000
Operating Revenue			
Electricity revenue	3, 9	**804,214**	861,023
Telecommunications revenue	3	**98,101**	87,699
Gas revenue	3	**29,934**	29,194
Revenue allocated to customer incentives	3	**27,865**	21,475
Other operating revenue		**29,818**	30,692
		989,932	1,030,083
Operating Expenses			
Line costs	3	**280,732**	284,498
Electricity costs		**207,138**	234,621
Generation production costs	9	**43,598**	43,443
Employee benefits		**74,156**	69,845
Telecommunications cost of sales	3	**63,236**	54,365
Gas cost of sales	3	**24,008**	23,159
Other cost of sales		**26,872**	23,133
Other operating expenses	A5	**83,726**	74,840
		803,466	807,904
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)*	A2	**186,466**	222,179
Impairment of assets	10	**7,531**	10,855
Gain on sale of metering equipment	10	**(16,431)**	–
Net fair value (gains) / losses on financial instruments	A9	**(16,169)**	5,774
Amortisation of intangible assets	5	**11,033**	15,378
Depreciation	10, 16	**31,541**	31,778
Operating Profit		**168,961**	158,394
Interest paid	15	**32,393**	29,613
Interest received	15	**(648)**	(1,434)
Net finance costs		**31,745**	28,179
Profit Before Income Tax		**137,216**	130,215
Income tax expense	21	**39,608**	37,537
Profit After Tax		**97,608**	92,678
Profit after tax attributable to the shareholders of the Company		**95,071**	90,650
Profit after tax attributable to non-controlling interests		**2,537**	2,028
Basic and diluted earnings per share (cents per share)	A3	**30.4**	29.0

*EBITDAF is a non-GAAP measure. Refer to note A2 for more information.

The accompanying notes form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020	Note	**2020 $000**	2019 $000
Profit after tax		**97,608**	92,678
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss:			
Revaluation losses on generation assets		**(78,304)**	(152,823)
Items that may be subsequently reclassified to profit or loss:			
Fair value (losses)/gains on cash flow hedges	A10	**(28,985)**	43,907
Tax effect of the following:			
Revaluation losses on generation assets		**9,282**	26,690
Fair value losses/(gains) on cash flow hedges	A10	**8,116**	(12,294)
Total Other Comprehensive Loss		**(89,891)**	(94,520)
Total Comprehensive Income/(Loss)		**7,717**	(1,842)
Attributable to shareholders of the Company		**5,180**	(3,870)
Attributable to non-controlling interests		**2,537**	2,028

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020	Note	Share capital $000	Revaluation reserve $000	Cash flow hedge 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 losses 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 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	18	–	–	–	(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 CHANGES IN EQUITY (CONTINUED)

	Note	Share capital $000	Revaluation reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total Shareholders' Equity $000	Non-controlling interest $000	Total Equity $000
Opening balance as at 1 April 2019		2	801,920	28,856	393,625	1,224,403	24,570	1,248,973
Profit after tax attributable to the shareholders of the Company		–	–	–	95,071	95,071	2,537	97,608
Disposal of revalued assets		–	–	–	–	–	–	–
Other comprehensive income – items that will not be reclassified to the profit or loss								
Revaluation losses on generation assets		–	(78,304)	–	–	(78,304)	–	(78,304)
Other comprehensive income – items that may be reclassified to the profit or loss								
Fair value gains/(losses) on cash flow hedges								
Realised		–	–	(16,895)	–	(16,895)	–	(16,895)
Unrealised		–	–	(12,090)	–	(12,090)	–	(12,090)
Tax effect of the following:								
Revaluation losses on generation assets		–	9,282	–	–	9,282	–	9,282
Fair value gains/(losses) on cash flow hedges		–	–	8,116	–	8,116	–	8,116
Total other comprehensive income		–	(69,022)	(20,869)	–	(89,891)	–	(89,891)
Transactions with owners recorded directly in equity								
Dividends paid	18	–	–	–	(153,356)	(153,356)	(3,320)	(156,676)
Total transactions with owners recorded directly in equity		–	–	–	(153,356)	(153,356)	(3,320)	(156,676)
Closing balance as at 31 March 2020		2	732,898	7,987	335,340	1,076,227	23,787	1,100,014

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020	Note	2020 $000	2019 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	17	**2**	2
Revaluation reserve		**732,898**	801,920
Retained earnings		**335,340**	393,625
Cash flow hedge reserve	A10	**7,987**	28,856
Non-controlling interests		**23,787**	24,570
Total Equity		**1,100,014**	1,248,973
Represented by:			
Current Assets			
Cash at bank		**8,662**	8,204
Electricity market security deposits		**541**	4,669
Accounts receivable and prepayments	A7	**90,777**	125,104
Capitalised customer acquisition costs	4	**35,320**	30,211
Derivative financial instruments	A11	**14,121**	17,484
		149,421	185,672
Non-Current Assets			
Property, plant and equipment	10	**1,836,412**	1,924,724
Right-of-use assets	16	**35,455**	–
Capitalised customer acquisition costs	4	**20,078**	22,810
Derivative financial instruments	A11	**22,701**	35,410
Loan receivable		**8,000**	8,845
Intangible assets	5	**38,715**	37,042
		1,961,361	2,028,831
Total assets		**2,110,782**	2,214,503
Current Liabilities			
Accounts payable and accruals	A8	**92,992**	112,453
Unsecured subordinated bonds	14	**–**	113,982
Unsecured bank loans	14	**35,000**	35,011
Lease liabilities	16	**6,924**	–
Derivative financial instruments	A11	**2,716**	9,875
Taxation payable		**6,003**	12,995
		143,635	284,316
Non-Current Liabilities			
Unsecured bank loans	14	**158,690**	113,500
Unsecured senior bonds	14	**432,208**	307,774
Lease liabilities	16	**29,176**	–
Derivative financial instruments	A11	**27,335**	23,431
Deferred tax liability	22	**219,724**	236,509
		867,133	681,214
Total liabilities		**1,010,768**	965,530
Net assets		**1,100,014**	1,248,973

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020	Note	2020 $000	2019 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		1,013,593	966,444
		1,013,593	966,444
Cash was applied to:			
Payments to suppliers and employees		814,560	771,366
Taxation paid		45,965	47,528
		860,525	818,894
Net Cash from Operating Activities	A13	153,068	147,550
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		19,436	1,846
Sale of other investments		765	–
Return of electricity market security deposits		14,400	23,330
Interest received		648	1,434
		35,249	26,610
Cash was applied to:			
Lodgement of electricity market security deposits		10,273	25,020
Purchase of property, plant and equipment		24,268	19,181
Purchase of other investments		–	2
Purchase of intangible assets		12,705	8,627
		47,246	52,830
Net Cash from/(used in) Investing Activities		(11,997)	(26,220)
Cash Flows from Financing Activities			
Cash was provided from:			
Bank loan proceeds		199,679	151,617
Senior bond issue proceeds		125,000	100,000
Sale of shares in subsidiary to outside equity interest		–	6,291
		324,679	257,908
Cash was applied to:			
Bond brokerage costs		1,359	1,454
Repayment of bank loans		154,500	170,300
Repayment of subordinated bonds		114,163	–
Repayment of lease liability		6,774	–
Interest paid		31,819	28,685
Dividends paid to owners of the Company		153,357	184,654
Dividends paid to non-controlling shareholders in subsidiary companies		3,320	5,731
		465,292	390,824
Net Cash used in Financing Activities		(140,613)	(132,916)
Net Increase/(Decrease) in Cash and Cash Equivalents		458	(11,586)
Cash and Cash equivalents at beginning of the year		8,204	19,790
Cash and Cash Equivalents at End of the Year		8,662	8,204

The accompanying notes form part of these financial statements

NOTES TO THE 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 2020.

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 significant accounting policies is available in note A1. Any changes to accounting policies and standards are shown in note A19.

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

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 A17)
- electricity gross margin relating to unread electricity meters (Note 6)
- incremental borrowing rate used for the purpose of establishing lease liabilities (Note 16)

COVID-19

Trustpower has considered the potential impact of COVID-19 as part of its impairment testing of assets on its statement of financial position. The generation of electricity and retailing of electricity, telecommunications and gas are considered essential services and, as such, Trustpower can continue trading throughout all alert levels, including through the recent full lockdown. This has limited the impact of COVID-19 and the Government's response on Trustpower. The table below provides an assessment of the impact of COVID-19 on Trustpower's assets. It is acknowledged that there is significant uncertainty in how COVID-19 will impact the New Zealand economy and Trustpower in the future. This assessment is effective as at 27 May 2020 and has made use of all available information at that time.

NOTE 1: BASIS OF PREPARATION (CONTINUED)

ASSET	COVID-19 ASSESSMENT
Cash at bank	No impact to carrying value. All cash held with banks with Standard & Poor's credit ratings of A or better.
Electricity market security deposits	No impact to carrying value. Deposits held on trust.
Accounts receivable and prepayments	Trustpower has increased its provision for expected credit losses as a result of the deteriorating outlook for the New Zealand economy. See note A16(c) for more details.
Capitalised customer acquisition costs	The majority of capitalised customer acquisition costs are amortised over the term of the contract with the customer, and written off immediately if the customer leaves. There are no current indications of a change in customer behaviour as a result of COVID-19, as such there has been no impact on the carrying value of these assets. The remaining capitalised customer acquisition costs are amortised over the expected life of the customer relationship. Prior to COVID-19 this expected life had been trending moderately longer than assumed for amortisation purposes. There is no current indication this trend will be impacted by COVID-19 and, as such, there is no indication of impairment as a result of COVID-19. However, given the uncertainty, Trustpower has decided to keep the amortisation period at four years.
Derivative financial instruments	Derivative financial instrument counterparties are primarily New Zealand banks with Standard & Poor's credit ratings of A or better or they are electricity market participants. These electricity market participants are able to trade through all alert levels, Trustpower is not aware of any change to their creditworthiness and no adjustment has been made to the carrying value.
Property, plant and equipment	Trustpower's generation assets are held at fair value. These assets have been revalued as at 31 March 2020 following an independent valuation by Deloitte Corporate Finance. Please see note 11 for more detail on the inputs to the valuation and uncertainties caused by COVID-19.
Right-of-use assets	COVID-19 has not had any impact on any of the lease agreements underpinning these right-of-use assets. Trustpower has not sought any rent relief from landlords or changed its view on likely contract extensions.
Loan receivable	The counterparty is an electricity market participant and there has been no change in Trustpower's assessment of their creditworthiness.
Intangible assets	Trustpower continues to use its intangible assets to the fullest extent possible, as such, there are no indications of impairment of any of Trustpower's intangible assets as a result of COVID-19.

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 (this activity ceased during the financial year), 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 2020 ARE AS FOLLOWS:

	Note	Retail $000	Generation $000	Other $000	Total $000
Total segment revenue		923,807	212,277	6,221	1,142,305
Inter-segment revenue		–	(147,611)	(4,762)	(152,373)
Revenue from external customers		923,807	64,666	1,459	989,932
Total segment operating costs		888,464	58,063	9,312	955,839
Inter-segment operating costs		(162,342)	9,301	668	(152,373)
External operating costs		726,122	67,364	9,980	803,466
EBITDAF	A2	35,343	154,214	(3,091)	186,466
Amortisation of intangible assets		2,307	–	8,726	11,033
Depreciation		–	17,416	14,125	31,541
Capital expenditure including business acquisitions		–	11,840	22,987	34,827
Asset impairment		–	7,531	–	7,531

THE SEGMENT RESULTS FOR THE YEAR ENDED 31 MARCH 2019 ARE AS FOLLOWS:

	Note	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
Total segment operating costs		882,847	81,361	20,225	984,433
Inter-segment operating costs		(157,387)	(18,301)	(841)	(176,529)
External operating costs		725,460	63,060	19,384	807,904
EBITDAF	A2	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

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 266,000 homes and businesses (2019: 267,000), supplies 41,000 customers with gas (2019: 39,000) and connects 104,000 (2019: 96,000) 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 Segment 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

	Note	2020 $000	2020 $000	2019 $000	2019 $000
Operating Revenue					
Electricity revenue					
Mass market - fixed price		479,709		488,575	
Commercial & industrial - fixed price		122,593		125,917	
Commercial & industrial - spot price		154,536	756,838	184,600	799,092
Gas revenue			29,934		29,194
Telecommunications revenue			98,101		87,699
Revenue allocated to customer incentives			27,865		21,475
Other operating revenue			11,069		9,868
			923,807		947,328
Operating Expenses					
Electricity costs			357,583		375,634
Line costs			280,732		284,498
Telecommunications cost of sales			63,236		54,365
Employee benefits			40,597		36,257
Meter rental costs			28,214		24,356
Gas cost of sales			24,008		23,159
Market fees and costs			9,078		6,484
Marketing and acquisition costs			12,199		14,337
Other retail cost of sales			26,872		23,133
Bad debts			4,985		1,975
Other operating expenses*			40,960		38,649
			888,464		882,847
EBITDAF	A2		35,343		64,481
The analysis above includes the following transactions with the Generation segment:					
Electricity costs			150,445		141,013
Meter rental costs			4,951		9,644
Other operating expenses			2,812		2,596
			158,208		153,253

*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.

Electricity and gas revenue

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 (see note 6 for more details).

Telecommunications revenue

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.

Bundled revenue including revenue allocated to customer incentives

Trustpower currently offers new customers goods, including appliances and modems, as an incentive to enter into a contract for electricity and telecommunications services. Under NZ IFRS 15, these incentives are considered performance obligations in their own right and a proportion of the revenue expected to be received over the contract period is allocated to these physical goods proportionately to their stand alone selling price. This revenue is recognised immediately and a capitalised customer acquisition cost asset is recorded on the statement of financial position (refer note 4 for more details). Revenue is recognised at a point in time for the good, no revenue is recognised over the contract as appliance revenue. The capitalised asset is expensed during the contractual period to telecommunications and electricity revenue.

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.

Discounts

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

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

Other operating revenue

Other revenue is recognised when the service is provided. No individual component of other revenue is material.

NOTE 4: CAPITALISED CUSTOMER ACQUISITION COSTS

	2020 $000	2019 $000
Opening balance	**53,021**	47,023
Additions	**44,246**	33,004
Amortisation to electricity revenue	**(23,110)**	(12,045)
Amortisation to telecommunications revenue	**(9,645)**	(4,527)
Amortisation to marketing and acquisition costs	**(9,114)**	(10,434)
Closing balance	**55,398**	53,021
Current portion	**35,320**	30,211
Non-current portion	**20,078**	22,810
	55,398	53,021

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 amortised over the period of the fixed term contract, as a discount to revenue. All other costs, sales agent commissions for example, are amortised on a straight line basis over the expected average customer tenure of four years as an operating expense.

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 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**
Additions at cost	**–**	**12,213**	**–**	**12,213**
Amortisation	**(1,767)**	**(9,266)**	**–**	**(11,033)**
Impairment	**–**	**–**	**–**	**–**
Disposals at net book value	**–**	**–**	**–**	**–**
Transfers	**–**	**493**	**–**	**493**
Closing balance as at 31 March 2020				
Cost	**83,336**	**110,491**	**4,171**	**197,998**
Accumulated amortisation	**(74,351)**	**(84,932)**	**–**	**(159,283)**
	8,985	**25,559**	**4,171**	**38,715**

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 and only arise from a business combination as defined in NZ IFRS 3. 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 $1,480,000/$(1,480,000) (2019: increased/(decreased) by $390,000/$(390,000)).

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 (2019: 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 236,000 customers (2019: 235,000). The largest single customer accounts for 1 per cent (2019: 1 per cent) of Trustpower's total accounts receivable. Included in other accounts payable and accruals (refer to note A8) is $356,000 (2019: $384,000) 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 expected credit losses, established following the guidance on NZ IFRS 9, is $4,200,000 (2019: $2,800,000). See notes A7 and A16(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. 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% (2019: 75%) 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 Segment 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

	Note	2020 $000	2019 $000
Operating Revenue			
Electricity revenue		**187,224**	219,950
Meter rental revenue		**8,950**	15,323
Net other operating revenue*		**16,103**	17,951
		212,277	253,224
Operating Expenses			
Generation production costs		**43,598**	43,443
Employee benefits		**17,610**	14,359
Generation development expenditure		**612**	761
Other operating expenses including electricity hedge settlements		**(3,757)**	22,798
		58,063	81,361
EBITDAF	A2	**154,214**	171,863
The analysis above includes the following transactions with the Retail segment:			
Electricity revenue		**139,848**	158,018
Electricity hedge settlements		**10,597**	(17,005)
Meter rental revenue		**4,951**	9,644
Other operating revenue		**2,812**	2,596
		158,208	153,253

*Net other operating revenue includes carbon trading revenue and the sale of stored water and other irrigation services.

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. In line with the recognition criteria set out in NZ IAS 16 *Property, Plant and Equipment*, 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 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)
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**
Additions at cost	**9,146**	**311**	**2,694**	**10,463**	**22,614**
Depreciation	**(16,482)**	**(213)**	**(778)**	**(6,657)**	**(24,130)**
Disposals at net book value	**(26)**	**–**	**(1,747)**	**(929)**	**(2,702)**
Revaluations	**(78,304)**	**–**	**–**	**–**	**(78,304)**
Transfers/impairments	**(5,564)**	**(147)**	**(811)**	**732**	**(5,790)**
Closing balance as at 31 March 2020					
Fair value	**1,770,128**	**–**	**–**	**–**	**1,770,128**
Cost	**–**	**28,523**	**61**	**54,920**	**83,504**
Capital work in progress	**14,872**	**–**	**93**	**6,180**	**21,145**
Accumulated depreciation	**–**	**(1,388)**	**(55)**	**(36,922)**	**(38,365)**
	1,785,000	**27,135**	**99**	**24,178**	**1,836,412**

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 2020, 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.

On 15 November 2019 Trustpower sold its metering equipment, on approximately 121,000 installations, to Financial Corporation Limited for $18,178,000. These assets had a carrying value of $1,747,000 resulting in a gain on sale of $16,431,000.

Included within transfers/impairments is an impairment of $5,151,000 relating to the generation asset valuation and $2,380,000 from an abandoned generation project. These are considered one-off for the purposes of the Underlying Earnings non-GAAP disclosure (refer note A2 for more details).

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 some key inputs is given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant. The overall valuation range has been determined to be $1,568,900,000 to $2,001,000,000 and, while the mid-point selected for revaluation purposes, any value within this range would be considered appropriate. The sensitivities around weighted average cost of capital and avoided cost of transmission have been used to create this overall range. This range is wider than in the prior year where only weighted average cost of capital has been used to determine the overall range. The wider range has been determined to be appropriate given additional uncertainty introduced by COVID-19.

COVID-19 has introduced extra uncertainty into the valuation of these generation assets. While the forward electricity price path is observable for the first four years and this reflects the impact of COVID-19 and New Zealand's response, any longer term impact on the demand for electricity in New Zealand is uncertain and has not been incorporated in the valuation. Weighted average cost of capital is also uncertain as, since COVID-19 began impacting New Zealand, there have been very few transactions between willing buyers and willing sellers which could be used to observe the required returns of investors.

ASSUMPTION	LOW	HIGH	VALUATION IMPACT OF LOW/HIGH CHANGE IN ASSUMPTION
Forward electricity price path	Decreasing in real terms from $100/MWh to $76/MWh by 2024. Thereafter held constant.	Decreasing in real terms from $100/MWh to $86/MWh by 2024. Thereafter held constant.	–/+ $250,000,000
Generation volume	1,668GWh	2,205GWh	–/+ $370,000,000
Inflation	1.0%	3.0%	–$136,000,000 / +$147,000,000
Avoided Cost of Transmission	70% reduction in revenue from 2025	30% reduction in revenue from 2025	–$62,000,000 / +$18,000,000
Operating costs	$60,000,000 p.a.	$73,000,000 p.a.	+/– $123,000,000
Weighted average cost of capital	6.50%	7.50%	+$196,000,000 / –$160,000,000

Some of these inputs are not based on inputs observable in the market, and so under IFRS they are classified within level 3 of the fair value hierarchy. See note A17 for more information on the 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 $1,504,000/$(1,838,000) (2019: $1,648,000/$(2,014,000)).

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 7 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

	2020 $000	2019 $000
Capital commitments	**6,061**	676

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

Note 17: Share Capital

Note 18: Dividends On Ordinary Shares

Note 19: Imputation Credit Account

Note 20: 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.

	2020		
	Unsecured Bank Loans $000	Senior Bonds $000	Subordinated Bonds $000
Repayment terms:			
Less than one year	49,000	–	–
One to two years	61,000	83,046	–
Two to five years	83,690	127,734	–
Over five years	–	225,000	–
Bond issue costs	–	(3,572)	–
	193,690	432,208	–
Current portion	35,000	–	–
Non–current portion	158,690	432,208	–
	193,690	432,208	–
Undrawn facilities			
Less than one year	41,000	–	–
One to two years	36,000	–	–
Two to five years	99,500	–	–
Over five years	–	–	–
	176,500	–	–
Weighted average interest rate:			
Less than one year	1.8%	–	–
One to two years	2.9%	5.6%	–
Two to five years	1.9%	4.0%	–
Over five years	–	3.6%	–
	2.2%	4.1%	–

NOTE 14: BORROWINGS (CONTINUED)

	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:			
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%

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognised 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 are not materially different to the carrying values above. At 31 March 2020 the subordinated bonds had a fair value of nil (31 March 2019: $115,679,000) and the senior bonds had a fair value of $442,956,000 (31 March 2019: $321,788,000). The bonds have been classified as level 1 in the fair value hierarchy, see note A17 for a definition of the levels.

Subsequent to balance date Trustpower replaced $80,000,000 of bank debt maturing in less than one year with new facilities of $110,000,000 maturing in two to five years. $85,000,000 of these new facilities have been signed, with the remaining $25,000,000 facility expected to be signed in the coming weeks.

Trustpower has complied with all debt covenants during the year and the period subsequent to balance date.

NOTE 15: FINANCE INCOME AND COSTS

	2020 $000	2019 $000
Amortisation of debt issue costs	974	890
Interest paid on unsecured bank loans	4,880	5,300
Interest paid on unsecured subordinated bonds	3,312	7,884
Interest paid on unsecured senior bonds	16,068	10,041
Interest paid on lease liabilities	1,417	–
Other interest costs and fees	5,742	5,498
Total Interest Expense	32,393	29,613
Interest received on cash at bank	648	1,434
Total Interest Income	648	1,434

There was no capitalised interest in the year to 31 March 2020 (2019: none).

NOTE 16: LEASES

NZ IFRS 16 Leases replaces NZ IAS 17 Leases and removes the classification of leases as either operating leases or finance leases and consequently, for the lessee, all leases (other than short-term or low value leases) are recognised on the balance sheet. This has resulted in the Group recognising right-of-use assets and related lease liabilities on the statement of financial position. As a result, payments for leases previously classified as operating leases, which include leases of land and buildings and telecommunications equipment, have been reclassified from other operating expenses to depreciation and interest expense. Lessor accounting remains materially unchanged from current practice under the new standard.

Trustpower has adopted NZ IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for previous periods. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

The lease liabilities were measured at the present value of the remaining fixed lease payments and remaining variable lease payments dependent on an index or rate as appropriate. Lease payments are discounted at Trustpower's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to lease liabilities at 1 April 2019 was 4.0%. The associated right-of-use assets for leases were measured at the amount equal to the lease liability determined as at 1 April 2019, with no overall change in net assets.

In the process of adopting NZ IFRS 16, a number of judgements and estimates have been made. These include:

- incremental borrowing rate, being the rate that Trustpower would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions; and
- lease terms, including any rights of renewal where it is reasonably certain they will be exercised.

The impact of adoption of NZ IFRS 16 on Trustpower's Statement of Financial Position is summarised in the table below:

	31 March 2020 $000	1 April 2019 $000
Right-of-use assets		
Buildings	28,091	30,895
Telecommunications equipment	7,302	1,611
Other	62	57
	35,455	32,563
Lease liabilities		
Current liabilities	6,924	3,527
Non-current liabilities	29,176	29,036
	36,100	32,563

NOTE 16: LEASES (CONTINUED)

	2020 $000	2019 $000
Depreciation of right-of-use assets		
Buildings	2,804	–
Telecommunications equipment	4,516	–
Other	91	–
	7,411	–

	2020 $000	2019 $000
Right-of-use asset additions		
Buildings	–	–
Telecommunications equipment	10,207	–
Other	96	–
	10,303	–

Right-of-use assets are depreciated on a straight line basis over the life of the lease. The current rates are:
Buildings 8-41% Telecommunications equipment 32-70% Other 33%

The leases for buildings relate to a variety of office space throughout New Zealand. The leases for telecommunications equipment includes contracts where Trustpower has exclusive use over an asset or an identifiable part of that asset. These leases impose no restrictions or covenants on Trustpower. Any extension options are at Trustpower's discretion.

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 on Trustpower's Income Statement for the year to 31 March 2020 is summarised in the table below:

	Pre NZ IFRS 16 $000	Adjustments $000	Post NZ IFRS 16 $000
Operating expenses	811,657	(8,191)	803,466
Depreciation	24,129	7,412	31,541
Interest paid	30,976	1,417	32,393
Income tax expense	39,787	(179)	39,608

Of the operating expense adjustments listed above, $4,617,000 relates to the Retail segment and $3,574,000 relates to the Other segment.

The adoption of NZ IFRS 16 increased net cash flow from operations and net cash used in financing activities by $8,191,000 for the year to 31 March 2020.

	$000
Reconciliation of lease commitments to lease liabilities	
Operating lease commitments disclosed as at 31 March 2019	34,610
Operating lease commitments as at 31 March 2019 not previously disclosed	5,937
	40,547
Discounted at the incremental borrowing rate at the date of initial application	(7,984)
Net present value of future lease liability as at 1 April 2019	32,563

Operating lease commitments as at 31 March 2019 not previously disclosed

As part of Trustpower's adoption of NZ IFRS 16 certain operating lease commitments were identified that were not disclosed as part of Trustpower's 2019 financial statements. Trustpower has evaluated the impact of this non-disclosure and has determined that the impact is not material. 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. Additionally this non-disclosure had no impact on the financial position, performance or cash flows of Trustpower and impacted the other commitments note only.

NOTE 17: SHARE CAPITAL

	2020 000's of Shares	2019 000's of Shares	**2020 $000**	2019 $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 18: DIVIDENDS ON ORDINARY SHARES

	2020 Cents Per Share	2019 Cents Per Share	**2020 $000**	2019 $000
Final dividend prior period	**17.0**	17.0	**53,205**	53,205
Interim dividend paid current period	**17.0**	17.0	**53,205**	53,206
Special dividend paid current period	**15.0**	25.0	**46,946**	78,243
	49.0	59.0	**153,356**	184,654
Final fully imputed dividend declared subsequent to the end of the reporting period payable 26 June 2020 to all shareholders on the register at 19 June 2020.	**15.5**	17.0	**48,511**	53,678
Unimputed special dividend declared subsequent to the end of the reporting period	**–**	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 19: IMPUTATION CREDIT ACCOUNT

	2020 $000	2019 $000
Imputation credits available for use in subsequent reporting periods	**17,320**	14,505

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 20: 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.

NOTE 20: FUNDING FINANCIAL RISK MANAGEMENT (CONTINUED)

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	2020 $000	2019 $000
Net debt			
Unsecured bank debt	14	193,690	148,511
Unsecured subordinated bonds	14	–	113,982
Unsecured senior bonds	14	432,208	307,774
Cash and cash equivalents		(8,662)	(8,204)
		617,236	562,063
EBITDAF	A2	186,466	222,179
Net debt to EBITDAF		3.3	2.5

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

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:

	2020 $000	2019 $000
Net debt	617,236	562,063
Equity		
Total equity	1,100,014	1,248,973
Remove net effect of fair value of financial instruments after tax	(7,987)	(28,856)
	1,092,027	1,220,117
Total capital funding	1,709,263	1,782,180
Gearing ratio	36%	32%

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 21: Income Tax Expense

Note 22: Deferred Income Tax

Note 23: Income Tax Critical Accounting Estimates And Judgements

Note 24: Contingent Liabilities And Subsequent Events

Note 25: Related Party Transactions

NOTE 21: INCOME TAX EXPENSE

	2020 $000	2019 $000
Profit before income tax	137,216	130,215
Tax on profit @ 28%	38,420	36,460
Tax effect of non-deductible expenditure	948	533
Australian capital gains tax over-provided in previous period	–	(66)
Change in tax treatment of commercial buildings[1]	(1,543)	–
Income tax (over)/under provided in prior year	1,783	610
	39,608	37,537
Represented by:		
Current tax	38,995	40,781
Deferred tax	613	(3,244)
	39,608	37,537

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.

1 On 25 March 2020, Parliament passed legislation that restored depreciation on non-residential buildings. This had the effect of resetting the tax base of these assets, which had been zero, thus reducing the deferred tax liability relating to these assets.

NOTE 22: DEFERRED INCOME TAX

	Note	2020 $000	2019 $000
Balance at beginning of year		236,509	254,083
Current year changes in temporary differences recognised in profit or loss	21	1,636	(5,409)
Current year changes in temporary differences recognised in other comprehensive income		(17,398)	(14,396)
Reclassification of prior year temporary differences	21	(1,023)	2,231
Total deferred tax liabilities		219,724	236,509

NOTE 22: DEFERRED INCOME TAX (CONTINUED)

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	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Closing Balance
For the year ended 31 March 2020				
Revaluations	**150,141**	**–**	**(9,282)**	**140,859**
Other property, plant and equipment movements	**64,437**	**1,053**	**–**	**65,490**
Employee benefits	**(3,666)**	**37**	**–**	**(3,629)**
Provision for impairment	**(784)**	**(392)**	**–**	**(1,176)**
Customer base assets	**2,866**	**(435)**	**–**	**2,431**
Financial instruments	**6,717**	**(435)**	**(8,116)**	**(1,834)**
Other	**16,798**	**785**	**–**	**17,583**
	236,509	**613**	**(17,398)**	**219,724**

	Opening Balance	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)	(1,979)	12,294	6,717
Other	14,695	2,103	–	16,798
	254,083	(3,178)	(14,396)	236,509

NOTE 23: 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 24: 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 (2019: 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 25: RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL

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

	Note	**2020 $000**	2019 $000
Salaries and other employee benefits paid during the year		**8,131**	7,449
Fair value movements in cash settled, share based incentives	A14	**1,259**	2,812
		9,390	10,261

$4,872,000 of this amount was unpaid at 31 March 2020 (2019: $6,054,000).

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

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

SUBSIDIARIES

King Country Energy Limited

Trustpower Limited owns 75.0% of the shares of King Country Energy Limited. King Country Energy Limited has contracted Trustpower Limited to provide generation asset operations and maintenance services. The total amount invoiced during the year was $1,946,000 (2019: $1,923,000).

ENTITIES UNDER COMMON CONTROL

Tilt Renewables Limited

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

Transactions with Tilt Renewables are summarised below:

	2020 $000	2019 $000
Purchases of electricity from Tilt Renewables	41,351	42,364
Revenue from generation dispatch services provided to Tilt Renewables	299	304

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

	2020 $000	2019 $000
Liability due to purchases of electricity	(3,058)	(1,732)
Asset due to revenue from generation dispatch services	25	25
	(3,033)	(1,707)

VODAFONE NEW ZEALAND LIMITED

49.9% of Vodafone was acquired by Infratil Limited (see below) on 1 August 2019. Trustpower has entered into a number of contracts with Vodafone for the provision of telecommunications services. Some of these contracts are considered leases under NZ IFRS 16 (see note 16 for more details).

Transactions with Vodafone (since 1 August 2019) are summarised below:

	2020 $000	2019 $000
Lease payments	2,352	–
Purchase of telecommunications services	756	–
	3,108	–

The impact on Trustpower's balance sheet of the contracts deemed leases is summarised below:

	2020 $000	2019 $000
Right-of-use asset	1,870	–
Lease liability	(1,843)	–
Net assets	27	–

SHAREHOLDERS

Trustpower is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% (2019: 51.0%) of Trustpower Limited's voting shares. The Tauranga Energy Consumer Trust owns 26.8% (2019: 26.8%) and the residual balance of 22.2% (2019: 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 (2019: nil). Except as noted above there are no amounts outstanding at 31 March 2020 (2019:nil).

NOTE A1: SIGNIFICANT ACCOUNTING POLICIES INDEX

Policy	Note
Basis of Preparation	1
Trade Receivables and Prepayments	A7
Capitalised Customer Acquisition Costs	4
Property, Plant and Equipment	10
Intangible Assets	5
Revenue Recognition	3
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Borrowings	14
Cash Flow Statement	A19
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Trade Payables	A8
Dividend Distribution	18
Foreign Currency Translation	A19
Adoption Status of Relevant New Financial Reporting Standards and Interpretations	A19

Apart from note A19, accounting policies are denoted by the box (blue shading) surrounding them.

NOTE A2: NON–GAAP MEASURES

UNDERLYING EARNINGS AFTER TAX

	Note	2020 $000	2019 $000
Profit after tax attributable to the shareholders of the Company		**95,071**	90,650
Fair value losses / (gains) on financial instruments	A9	**(16,169)**	5,774
Gain on sale of metering equipment	10	**(16,431)**	–
Asset impairments		**7,531**	10,855
Adjustments before income tax		**(25,069)**	16,629
Change in income tax expense in relation to adjustments		**7,019**	(4,656)
Change in tax treatment of commercial buildings		**(1,543)**	–
Adjustments after income tax		**(19,593)**	11,973
Underlying Earnings After Tax		**75,478**	102,623

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. While asset impairments are likely to occur in the future, any individual impairment is due to one-off factors and is, therefore, considered a one-off cost. Underlying earnings does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

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, and is used by Trustpower's management 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. EBITDAF does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

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	2020	2019
Profit after tax attributable to the shareholders of the Company ($000)		**95,071**	90,650
Weighted average number of ordinary shares on issue (thousands)	17	**312,973**	312,973
Basic and diluted earnings per share (cents per share)		**30.4**	29.0
Underlying earnings after tax ($000)	A2	**75,478**	102,623
Weighted average number of ordinary shares on issue (thousands)	17	**312,973**	312,973
Underlying earnings per share (cents per share)		**24.1**	32.8

NOTE A4: NET TANGIBLE ASSETS PER SHARE

	Note	2020 $000	2019 $000
Total net assets		**1,100,014**	1,248,973
Less intangible assets (including capitalised customer acquisition costs)	4, 5	**(94,113)**	(90,063)
Less net tangible assets attributed to non-controlling interest		**(28,017)**	(29,574)
Net tangible assets attributed to shareholders		**977,884**	1,129,336
Number of ordinary shares on issue (thousands)	17	**312,973**	312,973
Net tangible assets per share (dollars per share)		**3.12**	3.61

NOTE A5: OTHER OPERATING EXPENSES

	Note	2020 $000	2019 $000
Remuneration of auditors	A6	**832**	714
Bad debt expense	A16	**4,985**	1,975
Directors' fees		**727**	759
Donations		**903**	971
Loss/(gain) on foreign exchange		**79**	8
Generation development expenditure		**612**	761
Market fees and costs		**9,078**	6,484
Meter rental costs		**23,264**	14,766
Net (gain)/loss on sale of property, plant and equipment		**(328)**	(295)
Sales and marketing expenditure		**12,199**	14,337
Computer maintenance and support costs		**17,068**	16,354
Other administration costs		**14,307**	14,634
Rental and operating lease costs		**–**	3,372
		83,726	74,840

NOTE A6: REMUNERATION OF AUDITORS

	2020 $000	2019 $000
During the year the following fees were payable to the auditors of Trustpower, PricewaterhouseCoopers:		
Audit and other assurance services		
Audit of financial statements	**590**	440
Other assurance services		
Audit of regulatory returns[1]	**19**	15
Review of half year financial statements	**73**	54
	682	509
Taxation services		
Tax compliance services[2]	**75**	59
Tax compliance advice[3]	**33**	29
	108	88
Other services		
Financial system migration controls assessment	**22**	–
Regulatory consulting services	**–**	6
Technology consulting services[4]	**–**	95
Agreed upon procedures over the financial information for King Country Energy Limited	**20**	16
	42	117
Total remuneration of PricewaterhouseCoopers	**832**	714

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

	Note	2020 $000	2019 $000
Current Portion:			
Trade receivables including unbilled sales		**81,223**	97,929
Provision for expected credit losses	A16	**(4,200)**	(2,800)
Electricity market receivables		**776**	1,482
Other receivables		**10,938**	25,631
GST receivable		**138**	46
Prepayments		**1,902**	2,816
		90,777	125,104

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for expected credit losses.

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 expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required (see note A16).

NOTE A8: ACCOUNTS PAYABLE AND ACCRUALS

	2020 $000	2019 $000
Customer bond deposits	**356**	384
Electricity market payables	**4,571**	12,714
Employee entitlements	**15,032**	15,770
Interest accruals	**1,473**	1,882
GST payable	**5,248**	8,293
Other accounts payable and accruals	**23,330**	26,810
Trade accounts payable	**42,982**	46,599
	92,992	112,453

Accounts payables and accruals

Accounts payable and accruals 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 2020 are summarised below:

	2020 $000	2019 $000
Recognised in the income statement		
Interest rate derivatives	**(1,990)**	(7,189)
Electricity price derivatives	**18,159**	1,415
	16,169	(5,774)

	2020 $000	2019 $000
Recognised in the cash flow hedge reserve		
Electricity price derivatives	**(28,985)**	43,907
	(28,985)	43,907

NOTE A10: CASH FLOW HEDGE RESERVE

	2020 $000	2019 $000
Balance at beginning of year	**28,856**	(2,757)
Fair value (losses)/gains	**(12,090)**	80,326
Transfers to energy cost expense	**(16,895)**	(36,419)
	(28,985)	43,907
Tax on fair value losses/(gains)	**3,385**	(22,491)
Tax on transfers to energy cost expense	**4,731**	10,197
	8,116	(12,294)
	7,987	28,856

NOTE A11: DERIVATIVE FINANCIAL INSTRUMENTS

	2020 $000	2019 $000
Current		
Interest rate derivative assets	**–**	–
Electricity price derivative assets	**14,121**	17,484
	14,121	17,484
Interest rate derivative liabilities	**317**	579
Electricity price derivative liabilities	**2,399**	9,296
	2,716	9,875
Non-current		
Interest rate derivative assets	**8,649**	719
Electricity price derivative assets	**14,052**	34,691
	22,701	35,410
Interest rate derivative liabilities	**26,980**	16,798
Electricity price derivative liabilities	**355**	6,633
	27,335	23,431

NOTE A12: INVESTMENTS IN SUBSIDIARIES

	Country of incorporation and place of business	% owned by Trustpower 2020	% owned by Trustpower 2019	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	75	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

	2020 $000	2019 $000
Profit after tax	**97,608**	92,678
Items classified as investing/financing		
Interest paid	**31,819**	28,685
Interest received	**(648)**	(1,434)
	31,171	27,251
Non-cash items:		
Amortisation of debt issue costs	**974**	890
Amortisation of intangible assets	**11,033**	15,378
Depreciation	**31,541**	31,778
Net (gain)/loss on sale of property, plant and equipment	**(328)**	(295)
Other fixed and investment asset charges/(credits)	**(8,884)**	10,855
Movement in derivative financial instruments taken to the income statement	**(16,169)**	5,774
Decrease in deferred tax liability excluding transfers to reserves	**613**	(3,179)
	18,780	61,201
Decrease/(increase) in working capital:		
Accounts receivable and prepayments	**33,096**	(35,250)
Taxation payable/receivable	**(6,969)**	(6,813)
Accounts payable and accruals excluding capital expenditure accruals	**(20,618)**	8,483
	5,509	(33,580)
Net cash from operating activities	**153,068**	147,550

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 still employed by Trustpower at the end of each relevant period of the scheme are eligible to receive a bonus payment, the sum of which is determined by the total return of Trustpower 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 NZX 50 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 2020 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 2020 the total expense recognised in the income statement was $1,737,000 (2019: $4,346,000) and the liability recognised in the statement of financial position as at 31 March 2020 was $5,115,000 (2019: $6,350,000).

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:

	2020 $000	2019 $000
Generation assets (at cost)	**1,002,522**	993,402
Generation assets under construction (at cost)	**14,872**	14,530
Generation assets accumulated depreciation	**(273,343)**	(256,861)
	744,051	751,071

NOTE A16: FINANCIAL RISK MANAGEMENT

Financial risk management information that relates directly to the Retail and Generation segments has been included in notes 7 and 12.

(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 2020				
Net settled electricity price derivatives	**1,278**	**3,017**	**733**	**1,001**
Net settled interest rate derivatives	**21**	**3,923**	**4,098**	**29,964**
Accounts payable and accruals	**91,519**	**–**	**–**	**–**
Lease liabilities	**729**	**3,474**	**3,829**	**34,167**
Unsecured subordinated bonds	**–**	**–**	**–**	**–**
Unsecured senior bonds	**1,047**	**7,931**	**8,978**	**501,002**
Unsecured bank loans	**681**	**25,000**	**24,000**	**145,011**
Total	**95,275**	**43,345**	**41,638**	**711,146**

	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

(B) INTEREST RATE RISK

The aggregate notional principal amount of the outstanding interest rate derivative instruments at 31 March 2020 was $446,500,000 (31 March 2019: $279,500,000).

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 2020, 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 on page 93, as a result of the fair value change in interest rate derivative instruments.

NOTE A16: FINANCIAL RISK MANAGEMENT (CONTINUED)

	2020 $000	2019 $000
Decrease to profit of a 100 basis point decrease in interest rates	(2,165)	(8,060)
Increase to profit of a 100 basis point increase in interest rates	2,050	7,404
Decrease to equity of a 100 basis point decrease in interest rates	(2,165)	(8,060)
Increase to equity of a 100 basis point increase in interest rates	2,050	7,404

(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 2020 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable. An additional $900,000 provision has been included due to forecast increases in unemployment and reductions in GDP in New Zealand over the next year as a result of COVID-19. There is uncertainty around this figure as relying on historical customer payment patterns is unlikely to be accurate, however this figure has been determined to be a prudent provision. There has been no indication of a change in customer payment behaviour since balance date.

On this basis the following table details the loss allowance at 31 March 2020:

	Less than 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.0%	44.7%	68.6%	70.0%	
Gross carrying amount – trade receivables including unbilled sales ($000)	75,988	1,000	462	3,773	81,223
Loss allowance	794	447	317	2,642	4,200

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

	2020 $000	2019 $000
Opening balance	2,800	2,410
Provision for receivables impairment	4,985	1,975
Bad debts written off	(3,585)	(1,585)
Closing balance	4,200	2,800

(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 2020 was 2,960GWh (31 March 2019: 2,722GWh). 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 2020 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.

	2020 $000	2019 $000
Decrease to profit of a 10% increase in electricity forward price	(3,983)	(2,516)
Increase to profit of a 10% decrease in electricity forward price	3,983	2,516
Decrease to equity of a 10% increase in electricity forward price	10,897	18,753
Increase to equity of a 10% decrease in electricity forward price	(10,897)	(18,753)

NOTE A16: FINANCIAL RISK MANAGEMENT (CONTINUED)

FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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

FAIR VALUES

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

NOTE A17: FAIR VALUE MEASUREMENT

ESTIMATION OF FAIR VALUES

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

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

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

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

Valuation Input	*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).

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2019: none).

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

NOTE A17: FAIR VALUE MEASUREMENT (CONTINUED)

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
As at 31 March 2020				
Assets per the statement of financial position				
Interest rate derivative assets	–	8,649	–	8,649
Electricity price derivative assets	–	–	28,173	28,173
	–	8,649	28,173	36,822
Liabilities per the statement of financial position				
Interest rate derivative liabilities	–	27,297	–	27,297
Electricity price derivative liabilities	–	–	2,754	2,754
	–	27,297	2,754	30,051

	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

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

	2020 $000	2019 $000
Assets per the statement of financial position		
Opening balance	52,175	3,310
Gains and (losses) recognised in profit or loss		
Realised in energy cost expense	2,001	1,473
Unrealised	(46,815)	5,155
Gains and (losses) recognised in other comprehensive income		
Realised in energy cost expense	16,895	35,647
Unrealised	3,917	6,590
Closing balance	28,173	52,175
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	28,112	48,474
Liabilities per the statement of financial position		
Opening balance	15,929	12,389
(Gains) and losses recognised in profit or loss		
Realised in energy cost expense	(9,021)	(17,546)
Unrealised	(2,387)	23,472
(Gains) and losses recognised in other comprehensive income		
Realised in energy cost expense	–	772
Unrealised	(1,767)	(3,158)
Closing balance	2,754	15,929
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	3,462	6,256
Settlements during the year	18,556	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 A16.

NOTE A18: FINANCIAL INSTRUMENTS BY CATEGORY

	Note	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 2020				
Assets per the statement of financial position				
Derivative financial instruments		**–**	**23,017**	**13,805**
Trade and other receivables excluding prepayments	A7	**88,875**	**–**	**–**
Cash and cash equivalents		**8,662**	**–**	**–**
Other deposits		**541**	**–**	**–**
Loan receivable		**8,000**	**–**	**–**
		106,078	**23,017**	**13,805**

	Note	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	A7	122,288	–	–
Cash and cash equivalents		8,204	–	–
Other deposits		4,669	–	–
Loan receivable		8,845	–	–
		144,006	10,403	42,491

	Note	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 2020				
Liabilities per the statement of financial position				
Unsecured bank loans including bank overdrafts	14	**–**	**–**	**158,690**
Unsecured subordinated bonds	14	**–**	**–**	**–**
Unsecured senior bonds	14	**–**	**–**	**432,208**
Lease liabilities	16	**–**	**–**	**36,100**
Derivative financial instruments		**29,750**	**301**	**–**
Trade and other payables	8	**–**	**–**	**92,992**
		29,750	**301**	**719,990**

	Note	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 2019				
Liabilities per the statement of financial position				
Unsecured bank loans including bank overdrafts	14	–	–	113,500
Unsecured subordinated bonds	14	–	–	113,982
Unsecured senior bonds	14	–	–	307,774
Lease liabilities	16	–	–	–
Derivative financial instruments		30,894	2,412	–
Trade and other payables	8	–	–	112,453
		30,894	2,412	647,709

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

NOTE A19: SUPPLEMENTARY ACCOUNTING INFORMATION

A19.1 CASH FLOW STATEMENT

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

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

This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

A19.2 FOREIGN CURRENCY TRANSLATION

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

A19.3 ADOPTION STATUS OF RELEVANT NEW FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

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

NZ IFRS 16: Leases

Please refer to note 16 for details.

There are no 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 2020.

Director	Interest	Entity
Kevin Baker	Director	Infratil Infrastructure Property Limited
	Director	CDC Group Holdings Pty Limited
	Director	Ambient Holdings Pty Limited
	Director and Shareholder	Fenn Lane Consultants Limited
	Shareholder	HRL Morrison & Co Group Limited Partnership
	Consultant	HRL Morrison & Co
I Samuel Knowles	Chair	OnBrand Limited
	Chair	Adminis Limited
	Director	Umajin Limited
	Director	Rangitira Limited
	Director	Synlait Milk Limited and various subsidiaries
	Director	Magritek Limited
	Director	Montoux Limited
	Director	Fire Security Services 2016
	Trustee	NZ-WWF
Susan 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 Women
David Prentice	Advisor	Gore District Council – Capital Works Committee
	Board Advisor	Antarctica NZ - Scott Base Development Project
	Chair	Martin, Jenkins & Associates Limited
	Chair	Interim Climate Change Committee (term ended 31 Dec 2019)
Paul Ridley-Smith	Director	Arvida Group Limited
	Trustee	James Wallace Arts Trust
	Trustee	Wallace Foundation
	Shareholder	HRL Morrison & Co Group Limited Partnership
	Employee	HRL Morrison & Co Limited
Geoffrey Swier	Board Member	Health Purchasing Victoria
	Director	Tilt Renewables Limited and various subsidiaries
	Consultant	Farrierswier
Keith Turner	Director	South Australia Power Networks
	Director	Victoria Power Networks
	Director	TransGrid in New South Wales
	Chair	Dam Watch
	Chair	Milford Opportunities
	Committee Member	Ministry for Environment Audit and Risk Committee
	Advisor	To Ministry of Business Innovation & Employment and Southland District Council on wind turbines for Stewart Island
	Member	Interim Climate Change Committee (term ended 31 Dec 2019)
	PIF Reviewer	State Services Commission

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.

STATUTORY INFORMATION (CONTINUED)

DIRECTORS' FEES

Following the Annual Meeting on 26 July 2019 and the election of two new directors the Board reconsidered the composition of committees and the associated fees.

The resulting fee structure is as follows:

Position	Previous annual fee $	Current annual fee $
Chair	176,500	**180,000**
Director	86,000	**95,000**
Chair Audit & Risk Committee	22,500	**20,000**
Member Audit & Risk Committee	15,000	**–**
Chair People & Remuneration Committee	17,500	**15,000**
Member People & Remuneration Committee	15,000	**–**
Chair Governance & Nominations Committee	17,500	**15,000**
Member Governance & Nominations Committee	15,000	**–**
Chair Trustpower Insurance Limited	–	**5,000**
Total fee payable	810,000	**805,000**

The revised fee structure was implemented effective from 1 October 2019.

The Board's view is that the revised structure more accurately reflects the expectation that all directors participate in the governance of the company outside the formal board process as well as recognising the additional responsibilities associated with being chair of the Board or of a committee.

STATUTORY INFORMATION (CONTINUED)

DIRECTORS HOLDING OFFICE AND THEIR REMUNERATION

During the year to 31 March 2020 Alan Bickers and Richard Aitken resigned effective from the end of the Annual Meeting on 26 July 2019. David Prentice and Keith Turner were elected by shareholders as their replacements at the same meeting. All other directors were directors for the entire year.

The Chief Executive resigned effective 24 January 2020. David Prentice became employed by the Company effective 13 January 2020 and became Acting Chief Executive effective 24 January 2020. The Board determined that Mr Prentice was therefore no longer an independent director. Mr Prentice resigned as a member of the Audit & Risk and People & Remuneration Committees effective 24 January 2020.

The Directors holding office during the year to 31 March 2020 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	Chair Trustpower Insurance Limited	Total Remuneration FY20	Total Remuneration FY19	Responsibility Held during the year
Richard Aitken	$28,667	–	–	–	–	**$28,667**	$86,000	Independent Director (until 26 July 2019)
Alan Bickers	$28,667	–	–	–	–	**$28,667**	$88,500	Non-executive Director (until 26 July 2019) Member of Audit and Risk Committee (until 1 June 2018)
Kevin Baker	$90,500	$7,500	–	–	–	**$98,000**	$84,167	Non-executive Director (from 1 June 2018) Member of Audit and Risk Committee (from 1 June 2018)
Steven Fitzgerald	–	–	–	–	–	**–**	$14,333	Non-executive Director (from 11 October 2017 until 1 June 2018)
Sam Knowles	$90,500	$21,250	–	$7,500	–	**$119,250**	$123,500	Independent Director Chair of Audit and Risk Committee Member of Governance & Nominations Committee
Susan Peterson	$90,500	–	$7,500	$16,250	–	**$114,250**	$118,500	Independent Director Chair of Governance & Nominations Committee Member of People & Remuneration Committee
David Prentice	$46,000	–	–	–	–	**$46,000**	–	Independent Director (from 26 July 2019 until 24 January 2020) Executive Director (from 24 January 2020)* Member of People & Remuneration Committee (until 24 January 2020) Member of Audit and Risk Committee (until 24 January 2020)
Paul Ridley-Smith	$178,250	–	–	–	–	**$178,250**	$176,500	Chair of the Board Non-executive Director Member of Governance & Nominations Committee Member of People & Remuneration Committee
Geoffrey Swier	$90,500	$7,500	$16,250	–	–	**$114,250**	$118,500	Independent Director Chair of People & Remuneration Committee Member of Audit and Risk Committee (until 30 September 2019)
Keith Turner	$61,833	–	–	–	$2,500	**$64,333**	–	Non-executive Director (from 26 July 2019)
						$791,667	**$810,000**	

*Upon appointment as Acting Chief Executive.

STATUTORY INFORMATION (CONTINUED)

NUMBER OF MEETINGS HELD/ATTENDED FOR THE YEAR ENDED 31 MARCH 2020

Director	Board meeting	Audit and Risk Committee	People and Remuneration Committee	Governance and Nominations Committee	Comments
Total Meetings held	10	4	4	2	Board meetings comprised 7 face to face meetings and 3 conference calls
Richard Aitken	3	–	–	–	Resigned 26 July 2019
Kevin Baker	9	4	–	–	
Alan Bickers	2	–	–	–	Resigned 26 July 2019
Samuel Knowles	8	4	–	2	
Susan Peterson	10	–	4	2	
David Prentice	6	2	1	–	Appointed 26 July 2019
Paul Ridley-Smith	10	–	4	2	
Geoffrey Swier	10	2	4	–	Resigned Audit & Risk Committee 30 September 2019
Keith Turner	6	–	–	–	Appointed 26 July 2019

OVERALL REMUNERATION PHILOSOPHY

We depend heavily on our people to deliver strong performance for our stakeholders. We have a comprehensive strategy that is designed to attract the best people we can and to retain them in our business. Our approach to remunerating our people, and rewarding them for delivering desired business performance and long-term value, is a key component of this strategy.

Our remuneration philosophy is guided by the principles that remuneration will:

- be clearly aligned with our company values, culture and strategy
- support us to attract, retain and engage employees
- be fair, equitable and flexible
- appropriately reflect market conditions and the organisational context
- recognise and reward high performance
- align with creating long-term value.

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.

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 (20%)
- Environment, social and governance (25%)
- Regulatory & stakeholder management (20%)
- Operating performance (35%)

Employees receive STIs of up to 20% or 40% of their salary depending on seniority within the Company. The Board approves executive balanced scorecard objectives, company financial performance targets and outcomes on an annual basis.

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.

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 notional shares at the Board's discretion depending on seniority. 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 Board retains an overall discretion as to structure of the LTI and the quantum of LTI issued each year.

Fifteen senior managers currently participate in the LTI scheme.

STATUTORY INFORMATION (CONTINUED)

CHIEF EXECUTIVE'S REMUNERATION

Vince Hawksworth resigned as Chief executive effective 24 January 2020. Remuneration for Vince Hawksworth was as follows:

	Period ended 24 January 2020	Year ended 31 March 2019
Base Salary	**872,629**	940,652
Kiwisaver contribution	**57,783**	55,208
Short-term incentives	**383,622**	387,450
Long-term incentives	**671,116**	513,686
Total	**1,985,149**	1,896,997

Short-term incentives (STI) were paid to Mr Hawksworth as follows:

Incentive	Basis of measurement	% of total Bonus Received	**$ Received FY20 (relating to FY19)**	$ Received FY19 (relating to FY18)
Company performance	Company performance compared to target	87.5%	**127,874**	130,410
Individual KPI	Achievement of individual KPIs	87.5%	**127,874**	170,100
Board assessment	Subjective assessment by the Board of overall performance	87.5%	**127,874**	86,940
			383,622	387,450

Mr Hawksworth will receive an STI payment for the 2020 financial year. That payment will be calculated at the average percentage of the STI bonus paid to other members of the senior leadership team. As at the date of this report that payment has not been calculated.

The long-term incentives (LTI) methodology is described on page 101. 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 Mr Hawksworth were as follows:

	Commencement date	1 Nov 2016
	Vesting date	24 May 2019
A	Number of notional shares	79,707
	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 13 May 2019	81.4%
B	Share price of notional shares (being opening value adjusted for Trustpower TSR)	$8.6723
	Ranking in NZX 50	83%
C	Bonus percentage	100.0%
	Bonus paid (A*B*C)	**$691,249**
	Comprising	
	Cash	$671,116
	Kiwisaver contribution	$20,133
	Total	**$691,249**

This payment was paid in cash which was taxed in the normal way and then compulsorily used to acquire 62,756 Trustpower shares at $7.38 each.

Upon his resignation Mr Hawksworth forfeited his rights to any further LTI payments. Accordingly there are no amounts accrued for LTI payments to Mr Hawksworth in the financial statements.

Mr Hawksworth's base salary was 12 times the median fulltime employee's remuneration. The average base salary of the remaining members of the Senior Leadership Team is 5 times the median fulltime employee's remuneration.

The remuneration paid to Mr Prentice as Acting Chief Executive is as follows:

	Period Commencing 13 January 2020* $
Base salary	**176,538**
Employer contribution to Kiwisaver	**5,296**
Vehicle	**2,185**
Accommodation	**5,893**
Flights	**3,600**
Total	**193,513**

*There was a two week transition period before Mr Prentice took on the responsibilities of Chief Executive.

STATUTORY INFORMATION (CONTINUED)

Mr Prentice is paid a base salary of $900,000 per annum, plus Kiwisaver at 3% of that base. He ceased to receive director fees effective 13 January 2020 and is not entitled to any STI or LTI payments. He also receives an accommodation, vehicle and travel allowance of up to $92,000 per annum.

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 FY19 performance but paid in FY20
- the value of equity-based long-term incentives paid during FY20
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 31 March 2020 that relate to the year ended 31 March 2020.

Further details of the remuneration of the Chief Executive can be found on page 102.

Salary band	Continuing employees	Discontinued employees	Total
$100,000 to $109,999	33	–	33
$110,000 to $119,999	20	3	23
$120,000 to $129,999	13	–	13
$130,000 to $139,999	33	–	33
$140,000 to $149,999	17	2	19
$150,000 to $159,999	8	–	8
$160,000 to $169,999	9	1	10
$170,000 to $179,999	4	–	4
$180,000 to $189,999	6	–	6
$190,000 to $199,999	4	1	5
$200,000 to $209,999	9	–	9
$210,000 to $219,999	1	–	1
$220,000 to $229,999	1	–	1
$230,000 to $239,999	1	–	1
$240,000 to $249,999	2	–	2
$250,000 to $259,999	2	–	2
$260,000 to $269,999	2	–	2
$280,000 to $289,999	1	1	2
$340,000 to $349,999	–	1	1
$470,000 to $479,999	1	–	1
$490,000 to $499,999	1	–	1
$500,000 to $509,999	1	–	1
$640,000 to $649,999	1	–	1
$700,000 to $709,999	1	–	1
$720,000 to $729,999	1	–	1
$810,000 to $819,999	1	–	1
$880,000 to $889,999	1	–	1
$950,000 to $959,999	1	–	1
$1,980,000 to $1,989,999	–	1	1
Total	**175**	**10**	**185**

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.

STATUTORY INFORMATION (CONTINUED)

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, and member of the Senior Leadership Team 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.

SUBSIDIARY COMPANY DIRECTORS

Set out below are details of the Directors of Trustpower's subsidiaries as at 31 March 2020.

Director as at 31 March 2020	Trustpower Group Company
Peter Calderwood	King Country Energy Limited
Robert Carter	King Country Energy Limited
Kevin Palmer	King Country Energy Limited
David Prentice	Trustpower Metering Limited Trustpower Insurance Limited Hopsta Limited King Country Energy Holdings Limited
Keith Turner	Trustpower Insurance 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. Remuneration paid to directors acting as directors of subsidiary companies under the directors' fees section.

GENERAL NOTICE OF INTERESTS BY DIRECTORS OF SUBSIDIARY COMPANIES

Director	Interest	Entity
Peter Calderwood	GM Strategy & Growth	Trustpower Limited
Kevin Palmer	Chief Financial Officer	Trustpower Limited
David Prentice*	Chief Executive	Trustpower Limited
Keith Turner*		

*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 2020 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 2020	Number Held at 31 March 2019	**Number Held at 31 March 2020**	**Number Held at 31 March 2020**
Kevin Baker	Ordinary Shares	–	–	470,047	–
	Bonds	–	–	600,000	–
I Sam Knowles (beneficial)	Ordinary Shares	42,716	42,716	60,000	
	Bonds	–	–	50,000	–
Susan Peterson	Ordinary Shares	–	–	–	–
David Prentice	Ordinary Shares	–	–	595	256
Paul Ridley-Smith	Ordinary Shares	–	–	38,256	–
	Bonds	–	–	609,500	–
Maclagen Pty Limited as Trustee for the Swier Family Trust (beneficial)	Ordinary Shares	63,846	63,846	–	183,481
Keith Turner	Ordinary Shares	–	–	–	–

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 2020.

As at 30 April 2020, 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 2020

Shares	Holders	%	Shares	%
1 to 999	1,725	13.8%	814,217	0.3%
1,000 to 1,999	2,046	16.3%	2,515,677	0.8%
2,000 to 4,999	6,973	55.6%	17,156,435	5.5%
5,000 to 9,999	1,087	8.7%	7,082,492	2.3%
10,000 to 49,999	624	5.0%	11,012,371	3.5%
50,000 to 99,999	39	0.3%	2,393,397	0.8%
100,000 to 499,999	26	0.2%	4,515,932	1.4%
500,000 to 999,999	7	0.1%	5,495,247	1.8%
1,000,000 plus	9	0.1%	261,987,232	83.7%
	12,536	**100.0%**	**312,973,000**	**100.0%**

Senior Bonds	Holders	%	Senior Bonds	%
1 to 4,999	403	10.5%	2,284,000	0.5%
5,000 to 9,999	2,678	69.5%	54,901,000	12.6%
10,000 to 49,999	457	11.9%	26,981,000	6.2%
50,000 to 99,999	253	6.6%	38,741,000	8.9%
100,000 to 499,999	26	0.7%	96,153,000	22.1%
500,000 to 999,999	34	0.9%	216,720,000	49.7%
1,000,000 plus	403	10.5%	2,284,000	0.5%
	3,851	**100.0%**	**435,780,000**	**100.0%**

Shares	Holders	%	Shares	%
New Zealand	12,256	97.8%	311,711,709	99.6%
Australia	182	1.5%	390,659	0.1%
United Kingdom	31	0.3%	43,072	0.0%
United States of America	19	0.2%	682,447	0.2%
Other	48	0.4%	145,113	0.1%
	12,536	**100.0%**	**312,973,000**	**100.0%**

Senior bonds	Holders	%	Senior Bonds	%
New Zealand	3,833	99.53%	351,678,000	99.70%
Australia	5	0.13%	630,000	0.18%
United Kingdom	3	0.08%	101,000	0.03%

SECURITY HOLDER INFORMATION (CONTINUED)

United States of America	4	0.10%	205,000	0.06%
Other	6	0.16%	120,000	0.03%
	3,851	**100.00%**	**352,734,000**	**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 2020)

Rank	Holder Name	Shares	%
1	Infratil Limited	159,742,389	51.04%
2	TECT Holdings Limited	83,878,838	26.80%
3	Forsyth Barr Custodians Limited	3,624,652	1.16%
4	NZ Superannuation Fund*	3,134,054	1.00%
5	Citibank Nominees (New Zealand) Limited*	2,241,091	0.72%
6	HSBC Nominees (New Zealand) Limited*	1,957,107	0.63%
7	Custodial Services Limited	1,509,227	0.48%
8	BNP Paribas Nominees (NZ) Limited*	1,149,746	0.37%
9	Investment Custodial Services Limited	1,040,783	0.33%
10	JBWere (NZ) Nominees Limited	942,838	0.30%
11	Accident Compensation Corporation*	780,499	0.25%
12	New Zealand Depository Nominee Limited	766,810	0.25%
13	FNZ Custodians Limited	701,697	0.22%
14	Clyde Parker Holland + Rena Holland	596,000	0.19%
15	Public Trust Class 10 Nominees Limited*	467,481	0.15%
16	Tea Custodians Limited Client Property Trust Account*	372,704	0.12%
17	Masfen Securities Limited	337,912	0.11%
18	Brett Anthony Hart + Lynn Marion Fitness + Judith Louise Burney	310,000	0.10%
19	Brett Anthony Hart	304,000	0.10%
20	ASB Nominees Limited <100652 MI A/C>	183,660	0.06%
		264,041,488	**84.37%**

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

DIRECTORY

Board of Directors

Paul Ridley-Smith (Chair)

Kevin Baker

Sam Knowles

Susan Peterson

David Prentice

Geoffrey Swier

Keith Turner

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

15 June 2020
Payment of June bond interest

19 June 2020
Record date of final dividend

26 June 2020
Payment date of final dividend

15 July 2020
First quarter operating information

24 July 2020
Annual Meeting

15 Sept 2020
Payment September bond interest

15 Oct 2020
Second quarter operating information

05 Nov 2020
Half year announcement

27 Nov 2020
Record date interim dividend

04 Dec 2020
Payment interim dividend

15 Dec 2020
Payment December bond interest

22 Jan 2021
Third quarter operating information

15 March 2021
Payment of March bond interest

15 April 2021
Fourth quarter operating information

17 May 2021
Full year announcement

www.trustpower.co.nz