

Through
change comes
opportunity

Annual Report 2021



Imagine if we
never changed?

If we just accepted things the
way they were and said to
ourselves 'that'll do...'

We don't think 'that'll do'. We ask questions, challenge the status quo and explore alternative ideas to find better ways to do things. Our intent is clear, strategic and thought through. We see the possibilities to innovate everywhere – for the good of our country, our environment, our communities and each other. Because if you're curious enough, even the best can be better.

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2021 Snapshot



Accolades

Finalists Customer Contact Network New Zealand Awards

Ashlea Martin and Sean Hanson from our Customer Experience team have been acknowledged as stand-out performers in customer service. Ashlea was nominated for Agent of the Year, and Sean was nominated for Multi-Media Agent of the Year in the Customer Contact Network New Zealand Awards. This is a sensational achievement by two of our awesome team members.



National Finalist for the New Zealand Workplace Safety Awards

Jason Graham from our Waipori Generation team was a finalist in the New Zealand Workplace Safety Awards for his invention of the rescue mat – a mat used for confined-space maintenance, enabling quicker and safer rescue of a worker, if required. This is a fantastic example of health and safety at the forefront of work.



Trustpower team celebrating innovative success for safety and wellbeing.

\$30.7 million

Group NPAT
down 68.5%

\$200.2 million

Group EBITDAF
up 7.3%

\$94.2 million

Group underlying earnings
up 24.9%

\$154.1 million

Generation EBITDAF
no change

\$47.0 million

Retail EBITDAF
up 32.9%

1,708 GWh

Generation Volume
down 2.9%

10.9c

Earnings per share
down 64%

Final dividend of 18.5c

per share (including 1.5c per share special dividend) bringing full year dividend to 35.5 cents per share

More than 99%

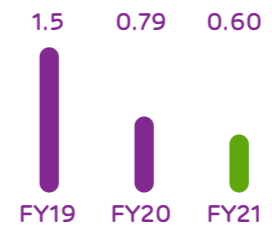
of our power is generated from renewable sources, through hydroelectric generation



421,000

Total customer connections, up 2.4%

Total Recordable Injury Frequency Rate



10

environmental incidents across 3,500 resource consent conditions

About Our Integrated Report

Integrated Reporting

This report has been developed using the integrated reporting <IR> framework and principles. Trustpower adopted this approach in FY20 and intends to improve on this year-on-year. An integrated approach recognises the dynamic complexity of the system we operate in (both natural and man-made), and promotes reporting on tangible and non-tangible aspects that create value for a business and its shareholders.

Report Sections

This report covers activities carried out during FY21 and outlines our prospects and intentions for the future. Material issues have been reported.



- The introductory sections of this report highlight who we are and our key performance metrics for the financial year.
- The Chair & Chief Executive Report reaffirms our strategy and our performance.
- How Trustpower creates value is then depicted through our value-creation model and later through our six capital areas guided by the integrated reporting framework.
- This report also discusses sustainability in relation to strategy and includes our commitments to the Task Force on Climate-related Financial Disclosures (TCFD) Framework.

It includes Greenhouse Gas Emissions reporting, as well as governance, strategy, risk management and performance indicators and targets.

- This report ends with all relevant audited financial information required as an NZX listed company.

Our Six Capitals for Integrated Reporting

Integrated reporting uses six capitals to group different areas of business, providing a fuller picture of company-wide value and growth – rather than financial performance alone. We have taken the six capitals of social/relationships, human, natural, manufacturing, intellectual and financial, and renamed them to best suit our business:

-  **Our Relationships** – Adding value to customers and community.
-  **Our People** – Our employees.
-  **Our Environment** – Our role of kaitiakitanga, as guardians of the environment for now and the future.
-  **Our Assets & Infrastructure** – Tangible aspects/property.
-  **Our Skills & Expertise** – Non-tangible skills and knowledge held within the business supporting success.
-  **Our Financials** – Our financial information.

Trustpower's Strategic Review

On 28 January 2021, Trustpower announced a strategic review of our mass market retail business. The review is set to test market interest in the strategic value of Trustpower's retail business.

At the time of writing, this process is still underway and there are many matters to be considered before a decision is reached.

In the meantime, operations at Trustpower continue as normal. Our stakeholders will be notified of any important developments as the outcomes become clearer.

We note that a sale may impact any future targets and business goals outlined in this report.

United Nations Sustainable Development Goals (SDGs)

In this report, we have identified SDGs that most align with our business and where we feel we can make the most impact.

Forward-looking Statements

This report contains forward-looking statements about Trustpower's operations and financial position. These were prepared based on information available at the time and may be subject to change. Some activities may not materialise. Unanticipated events and Trustpower's strategic review may affect the projected financial results and activities forecasted, and has bearing on the approach and preparation of this report.

Assurance

PricewaterhouseCoopers (PwC), our external auditor, has audited the financial statements included in this report.

Responsibilities for this Integrated Report

This report was prepared under the supervision of the Chief Financial Officer and Company Secretary Kevin Palmer.

The Board is ultimately responsible for ensuring the integrity of this integrated report, assisted by our external auditors PwC and supported by our Senior Leadership Team.

This report adheres to annual obligations under the NZX Board/market listing rules, Companies Act 1993 and Financial Markets Conduct Act 2013, and is in accordance with <IR> framework and principles.

We welcome your feedback and comments around any information provided in this report. Please send these through to comms@trustpower.co.nz

Chair & Chief Executive Report



Paul Ridley-Smith
– Chair

After a very challenging 2020, Trustpower recorded a positive result last year with an EBITDAF of \$200.2 million up 7.3% on prior year. This was despite unprecedented dry sequences across New Zealand, Tiwai Point uncertainty, reduced gas supplies and the ongoing impacts of the Covid-19 pandemic.

Both our generation and retail divisions contributed to our positive result. We delivered on planned maintenance activity across our generation fleet and continue to drive our asset investment pipeline through enhancements at a number of our key schemes. We also saw an increase in our retail customers for telecommunications, due to the continued development of our retail strategy and customer offerings.

The year was not without its challenges however, including increasing regulatory uncertainty, with key upcoming changes including the proposed new Transmission Pricing Methodology (TPM) as a result of the Electricity Authority's decision on TPM Guidelines, and the resource management and freshwater reforms.

We also engaged and submitted on the Climate Change Commission's (CCC) draft advice to Government. We are committed to developing and implementing solutions to accelerate electrification and decarbonise New Zealand. While we highlighted a number of areas where we would like increased clarity, we support the CCC recommendation that there needs to be far greater consistency in approach across government agencies with respect to integrating policy if New Zealand is to achieve its carbon reduction targets.



David Prentice
– Chief Executive and Director

“Our retail business is a success story and we have built a high-quality and valuable bundled customer base.”

Strategic Review

In January 2021, we announced a strategic review of our retail business. This review is aimed at testing market interest in the sale of our mass market retail business and examining if a potential buyer would place a higher strategic value on this than we do.

There is no doubt our retail business is a success story and we have built a high-quality and valuable bundled customer base which could represent a unique and potentially high-value proposition for a buyer. With anticipated changes in the energy and utility retailing markets such as electrification and decarbonisation, initiatives such as decentralised energy, digital trends in service provision and utilities convergence are continuing to shake up traditional operating models across the sector. As such, the Board has elected to examine the options available for our market position and this process is underway at the time of writing.

Our People, Safety and Wellbeing

We reported on our response to Covid-19 last year, noting that

we'd successfully transitioned to working from home, initiated programmes to support and check-in with our vulnerable customers, rapidly completed a significant ISP investment, and established a fund for our local communities. We remain vigilant with respect to Covid-19, with systems in place to protect our staff and support our customers. We continue to encourage our people to follow Government guidance around the pandemic.

In all catchments we operate in we have placed increased focus on public safety around our schemes and associated waterways. We have been proactively deploying visible and informative signage and have engaged with local communities to convey safety messaging. At our generation sites, access to hazardous equipment and areas has seen increased restriction, especially during outages.

Across the business, we've made an ongoing concerted effort to normalise safety reporting and reward proactive safety actions, and we continue to see a year-on-year reduction in our Total Recordable Injury Frequency Rate (TRIFR). The result for the year ending

31 March 2021 was 0.60, down from the previous year's result of 0.79, and notably reduced from 1.5 for the year ending 31 March 2019.

We particularly wish to note the commitment made by our people during and around the Covid-19 lockdown periods. Trustpower maintained its operations at close-to-normal levels over these periods, which required many staff going above and beyond usual duties.

Our Communities

Caring for people and place – Tiaki – is part of our organisational values and business aspirations, and affirms our commitment to making a difference for a sustainable future. Ongoing stakeholder engagement helps inform how we will make change to achieve New Zealand's sustainability aspirations and see communities thriving. Tangata whenua are among our key stakeholders in the hydro catchments we operate in. Our understanding and appreciation of mātauranga Māori and te mana o te wai continues to evolve and mature, as having a positive impact in the communities in which we operate is critical to us.



We demonstrate our care for people and place through various initiatives associated with our generation assets and the local communities where our people reside – providing funding to support educational scholarships, community group sponsorships, and environmental funds or trusts. We are proud to partner with people and their communities all around New Zealand to achieve better outcomes for society.

Climate Change and New Renewable Generation

It is estimated that New Zealand will need to grow its generation capacity by as much as 70% by 2050 to enable the electrification of the economy and meet New Zealand's Climate Change commitments.

Trustpower is a positive contributor to New Zealand's Climate Change effort. We are proactively engaged at many levels and intend to play our part in meeting New Zealand's climate change goals.

This year we refreshed our greenhouse gas data collection methodology, set new emissions reduction targets for ourselves, and further embedded climate change risk into our asset management programme. Although outside of the reporting period, we have also engaged and submitted on the CCC draft advice to Government which made recommendations for reducing emissions for New Zealand and policy direction to get there.

We agree with the report from the Interim Climate Change Committee, as well as the draft advice from the CCC, that pursuing a 100% renewable electricity supply target will be excessively costly. Furthermore, electricity generation only produces approximately 6% of total carbon emissions, while industrial process and heat and transport produce 21% and 24% respectively so pursuing a 100% renewable energy target is the wrong focus.

The better policy target is to increase, by a substantial amount,

the renewable energy supply so that industrial and transport electrification can occur faster and displace coal and liquid hydrocarbons. Better environmental outcomes will be achieved by retaining a small thermal generation capacity to provide dry year cover and help meet peak demand and deploying the capital otherwise required to eliminate the last few percent of thermal generation in industrial heat and transport electrification.

Ambitious goals require that the capital deployed is allocated as effectively as possible to achieve the greatest level of carbon reduction. The Emissions Trading Scheme is an excellent mechanism for properly identifying where and how the greatest level of carbon reduction can be achieved for the lowest cost. Equivalent cost benefit analysis should be applied to carbon reduction initiatives.

We understand the political imperative to be seen to be doing more and faster, but are disappointed that the Government is defaulting to costly 'Think Big' projects, like Lake Onslow. Trustpower will continue to oppose this type of policy direction and reiterate what we state above, that the solution lies in applying capital to increase the amount of renewable generation, not spending billions of dollars to simply move the renewable generation from one time period to another, and consume significant energy in the process. The Interim Climate Change Committee concluded that the marginal cost of carbon abatement by Lake Onslow is in the order of \$250 per tonne, a far greater cost than many other carbon reduction measures.

In the meantime, Trustpower has increased its activity in getting new renewable projects to an investment decision and will continue to deploy some capital in growth projects. We look forward to the Government reviewing its

"Ambitious goals require that the capital deployed is allocated as effectively as possible to achieve the greatest level of carbon reduction."

electricity sector priorities and providing a stable environment which will encourage Trustpower and others to take sound development projects from the boardroom to the construction site to help achieve shared goals.

We also consider the opportunity to utilise and operate existing hydro dams differently would allow generation output to increase or operate more flexibly at a lower cost than some alternatives now being promoted.

In 2020, as part of the Task Force on Climate-related Financial Disclosures (TCFD) framework, the Government flagged an intent to make climate-related financial disclosures mandatory for publicly listed companies by 2023. Trustpower is proactively reporting against some of the TCFD requirements this year, and will expand our coverage in future years. In practical terms this means we publicly share more information on how our Board gains oversight of, and addresses, climate change risks. We are working hard to understand how our locationally diverse portfolio may experience both risk and opportunities.

Government and Regulatory Landscape

The Government intends to reform the country's resource management system this term. To enable widespread decarbonisation, a considerably more supportive environmental regulatory framework will be required, with clear and coherent policy direction an imperative if we are to meet New Zealand's carbon reduction targets. Trustpower believes that the place to do this is within the proposed Natural and Built Environment Act

which is expected to be released as an exposure draft in May 2021.

In June 2020, the Electricity Authority (the Authority) published the new Transmission Pricing Methodology (TPM) Guidelines. This has triggered a significant work programme by Transpower to develop a new TPM that accords with these guidelines by 30 June 2021, ready for the Authority's regulated approval process. Trustpower remains an opponent to the proposal, holding significant concerns around the implications of the reforms. It is our view that the direction of TPM reform will not support the necessary investment across the supply chain required to meet New Zealand's electrification requirements and broader climate change ambitions. As a result, in July 2020 Trustpower commenced a judicial review of the Authority's decision to publish the TPM Guidelines. We expect the case to be heard in late 2021.

Our team will continue to work with industry and sector groups to help the Government understand the risks arising from their policy on energy security, affordability, and sustainability. If appropriate balance is not achieved, negative impacts may be felt by customers, the industry, and/or New Zealand depending on the nature and magnitude of the specific reforms.

Strategy and Growth

We have updated our strategic framework to provide better clarity around organisational goals by introducing new strategic aspirations and associated three-year targets. These aspirations are centred around how we drive financial performance, delivering climate action, respecting our



environment, how we value and look after our people, how we serve our customers and community and collaboration with our partners and suppliers.

The introduction of the strategic aspirations and targets are intended to provide stretch goals for the organisation, as well as create constructive tension between the different levers that we can pull to achieve our purpose and vision. We intend to report on our progress towards these targets for each of the six aspirations.

As noted earlier, we have expanded our generation development capability and are actively creating both near-term and long-term options for new generation. But implementation at reasonable scale will depend on sensible and balanced regulatory settings and Government policy.

Operating Performance

Despite the challenges last year particularly around continued record-low inflows, our generation division produced a solid result with an EBITDAF contribution of \$154.1 million in line with the prior year. The geographic diversity of our assets helps us to spread our generation risk and deliver reliable results by placing product to market at optimal times.

“Over 75% of our customer contacts are serviced via our digital channels and customer satisfaction continues to track at very high levels, with re-engagement rates of 80% or more.”

Pleasingly, in spite of Covid-19 restrictions, we improved our portfolio of hydro assets and added additional generation of 9.5GWh/yr through enhancements at the Waipori, Cobb and Kumara renewable hydroelectric power schemes. Underpinning this result, we saw improvement in the reliability and availability of our higher production volume assets, such as Highbank, Mangahao, Cobb, Coleridge, and Matahina.

Our retail performance was also very pleasing given the challenging environment the business faced in FY21. We saw a lift in retail EBITDAF of 32.9% on the prior year, with material improvements at a gross profit level across electricity and telecommunications. Further gains resulted from our continued focus on reducing costs to acquire and serve. These initiatives also delivered better customer outcomes. May 2020 saw the launch of our new mobile services, complementing our existing product set of electricity, gas, phone and broadband. As of 31 March 2021, over half of our customers were taking two or more products and we had around 6,000 mobile connections with a strong, weekly growth rate. Customer satisfaction amongst our early mobile adopters is very high.

We continue to build inclusive customer experiences, ensuring customers can choose the service channel that best suit their needs. Over 75% of our customer contacts are serviced via our digital channels and customer satisfaction continues to track at very high levels, with re-engagement rates

of 80% or more. New technologies implemented have enabled our people to support our customer needs seamlessly from any work setting, and new working-from-home options has had the added benefit of increasing our people's work satisfaction ratings. We know happy staff and great customer experiences go hand in hand, so this culture of staff and customer care remains a core focus for us.

Financial Performance

Net profit after tax (NPAT) of \$30.7 million is below last year's NPAT of \$97.6 million. Last year included a one-off gain of \$16.4 million resulting from the sale of our legacy meter business. However, the primary reason for the reduction is the increase in net fair value losses. These non-cash losses will reverse in future years as the underlying generation they support is produced. Underlying profit after tax (refer to note A2 of the financial statements for a full definition) which excludes fair value losses and one-off gains was \$94.2 million or 25% above last year. Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements in financial Instruments (EBITDAF) was \$200.2 million or 7.3% above last year's EBITDAF of \$186.5 million.

The improved financial performance occurred primarily in retail due to solid gains in electricity and telecommunications product margins, and reduced operating costs (mainly driven by Covid-19 lockdowns reducing customer acquisition activity.)



“While the outcome of the current strategic review is unknown, Trustpower will continue to maintain prudent financial management whatever the outcome.”

We are also likely to see more competition coming into the market. Overseas we've seen solar providers become grid electricity retailers, and electrification bringing changes to household purchasing behaviours. Trustpower is closely monitoring the sector changes, the shift to electric vehicles, the uptake of EVs, the role of batteries and how we can best leverage opportunities to support this shift. We anticipate that increased reliance on intermittent supply sources (wind and solar) may mean greater volatility in the wholesale market in the short term, increasing the value of our storage and controllable supply assets.

We will do our bit to help New Zealand meet the stated climate change goals. Not only does this mean reducing our own carbon footprint but also, assuming balanced regulatory settings, continuing to develop new generation opportunities.

David Prentice – Chief Executive & Director

Paul Ridley-Smith – Chair

Financial Position and Capital Structure

We have a strong balance sheet with sustainable levels of gearing. The debt to EBITDAF ratio of 3.6x is slightly higher than the 3.3x last year, driven by increased prudential requirements due to high spot electricity prices. While the outcome of the current strategic review is unknown, Trustpower will continue to maintain prudent financial management whatever the outcome.

Directors

There were two Board Director changes this financial year. Sam Knowles retired from the Board in July 2020 and Geoff Swier retired in November 2020. Both were long standing directors having been on the Board for approximately 14 years. Trustpower would like to acknowledge their commitment and leadership over such a long period and for their service and contribution to creating value for all our stakeholders.

Peter Coman and David Gibson were appointed to the Board as new Directors and following these changes, the composition of the standing Board committees was reviewed and updated with details provided later in this report.

Auditor

PricewaterhouseCoopers has indicated its willingness to continue in office.

Dividend

Given the uncertainty around the impact from Covid-19 that existed in 2020, the final dividend declared last year was 15.5 cents per share, lower than the previous dividends of 17.0 cents per share. Following the improved results this year, the Board has decided to declare a fully imputed dividend of 17.0 cents per share as well as a one-off special dividend of 1.5 cents per share, also fully imputed. The combined dividend of 18.5 cents per share reflects the ongoing level of dividends, as well as a catch up of the previous lower payout.

Together with the interim dividend of 17 cents per share paid in December 2020, this provides a total fully imputed dividend of 35.5 cents per share for the 2021 financial year.

Looking ahead

The future for Trustpower will be dependent on the outcome of the strategic review but whatever this looks like, we believe this will be positive and value accretive for all our stakeholders.

Regardless, we will find ourselves in a new era of working, with many people regularly taking up the option of working from home – leading to an increase in energy usage nationwide, as well as our digital enhancements creating better customer experiences.

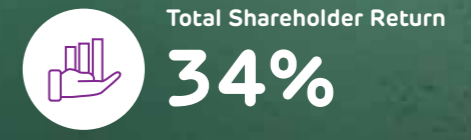
Business Overview

Bold, strategic, innovative effort has seen Trustpower change and grow to become New Zealand's fourth largest fixed-line telecommunications retailer and fifth largest electricity generator and energy retailer.

Listed as Trustpower Limited on the New Zealand Stock Exchange in 1994.

Established in 1923 as the Tauranga Electric Power Board.

Key shareholders are Infratil (51%) and Tauranga Energy Consumer Trust (TECT) (26.8%)



New Zealand hydro generation capacity of 498MW, producing an average of 1,937GWh per annum



Our Cobb Hydroelectric Power Scheme.

Our Senior Leadership Team



David Prentice
Chief Executive and Director



Sara Broadhurst
General Manager People & Culture



Peter Calderwood
General Manager Strategy & Growth



Stephen Fraser
General Manager Generation



Craig Neustroski
General Manager Markets



Kevin Palmer
Chief Financial Officer and Company Secretary



Fiona Smith
General Manager Customer Operations



Matt van Deventer
General Manager Technology & Delivery

Our Board of Directors



Paul Ridley-Smith
Chair



Kevin Baker
Director



Peter Coman
Director



David Gibson
Director



Susan Peterson
Director



Keith Turner
Director

Changes to our Senior Leadership Team over the past 12 months:

- Sara Broadhurst joined the Senior Leadership Team on 22 October 2020 as General Manager People & Culture.
- Matt van Deventer joined the Senior Leadership Team on 3 December 2020 as General Manager Technology & Delivery.
- Craig Neustroski resigned 6 May 2021, contemporaneously with Paul Bacon being appointed as General Manager Markets.

Changes to our Board over the past 12 months:

- David Gibson joined the Board effective 7 September 2020.
- Peter Coman joined the Board effective 6 November 2020, contemporaneously with Geoff Swier retiring.
- Sam Knowles retired from the Board, 24 July 2020.
- David Prentice (Chief Executive) remains a Director on the Board.

Where We Work

Trustpower is proud to generate more than 99% of our power sustainably through renewable hydroelectricity, with 26 generation schemes throughout New Zealand. Our workforce is spread throughout these schemes, as well as offices in Auckland, Tauranga, Oamaru, Christchurch, Darfield and Wellington.

North Island

- Auckland Office
- Tauranga Office
- Wellington Office

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

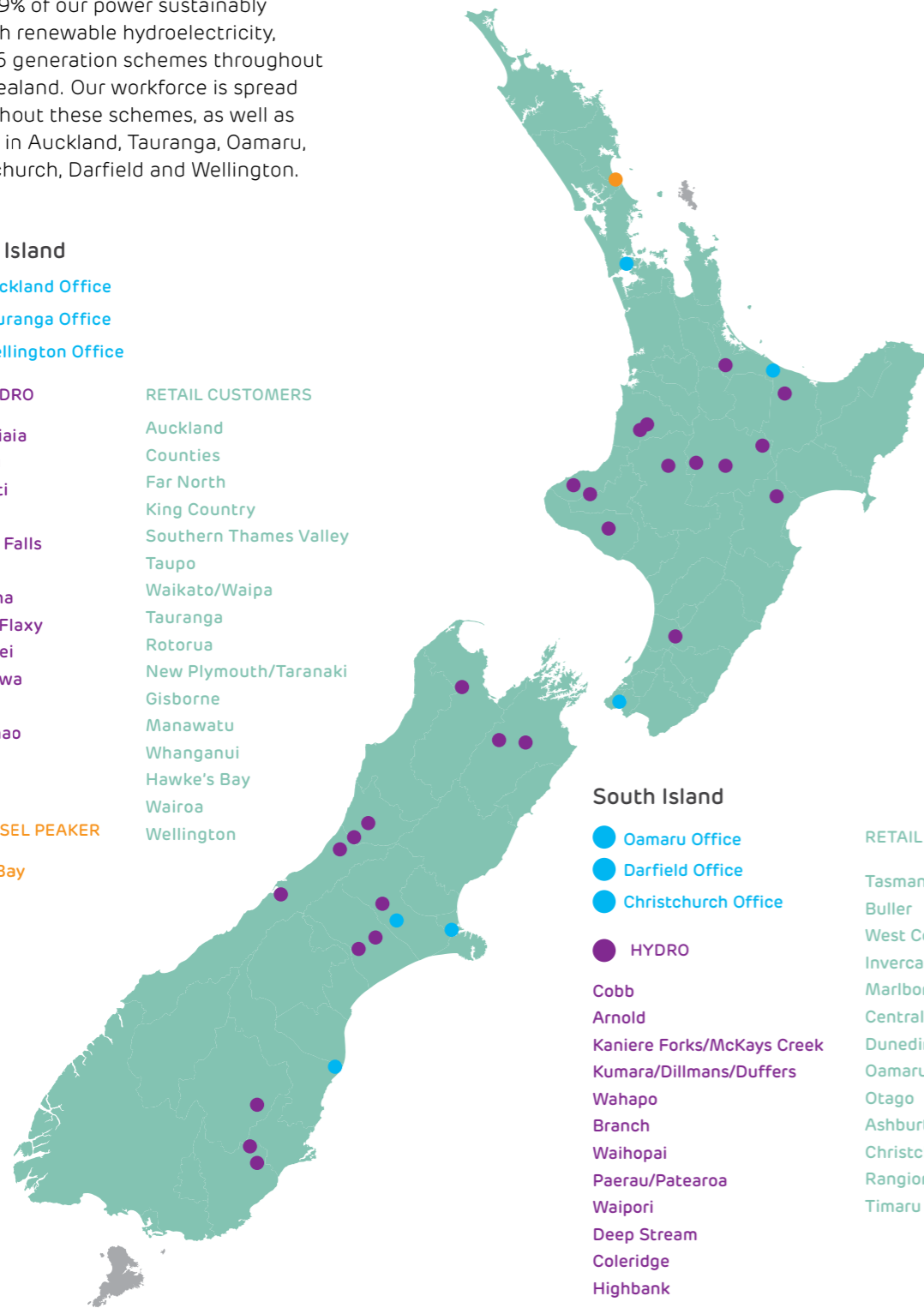
- RETAIL CUSTOMERS
- Auckland
- Counties
- Far North
- King Country
- Southern Thames Valley
- Taupo
- Waikato/Waipā
- Tauranga
- Rotorua
- New Plymouth/Taranaki
- Gisborne
- Manawatu
- Whanganui
- Hawke's Bay
- Wairoa
- Wellington

South Island

- Oamaru Office
- Darfield Office
- Christchurch Office

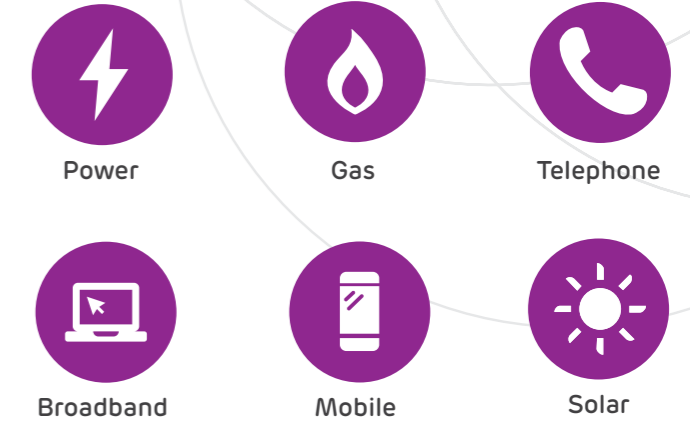
- HYDRO
- Cobb
- Arnold
- Kaniere Forks/McKays Creek
- Kumara/Dillmans/Duffers
- Wahapo
- Branch
- Waihopai
- Paerau/Patearoa
- Waipori
- Deep Stream
- Coleridge
- Highbank
- Montalto

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



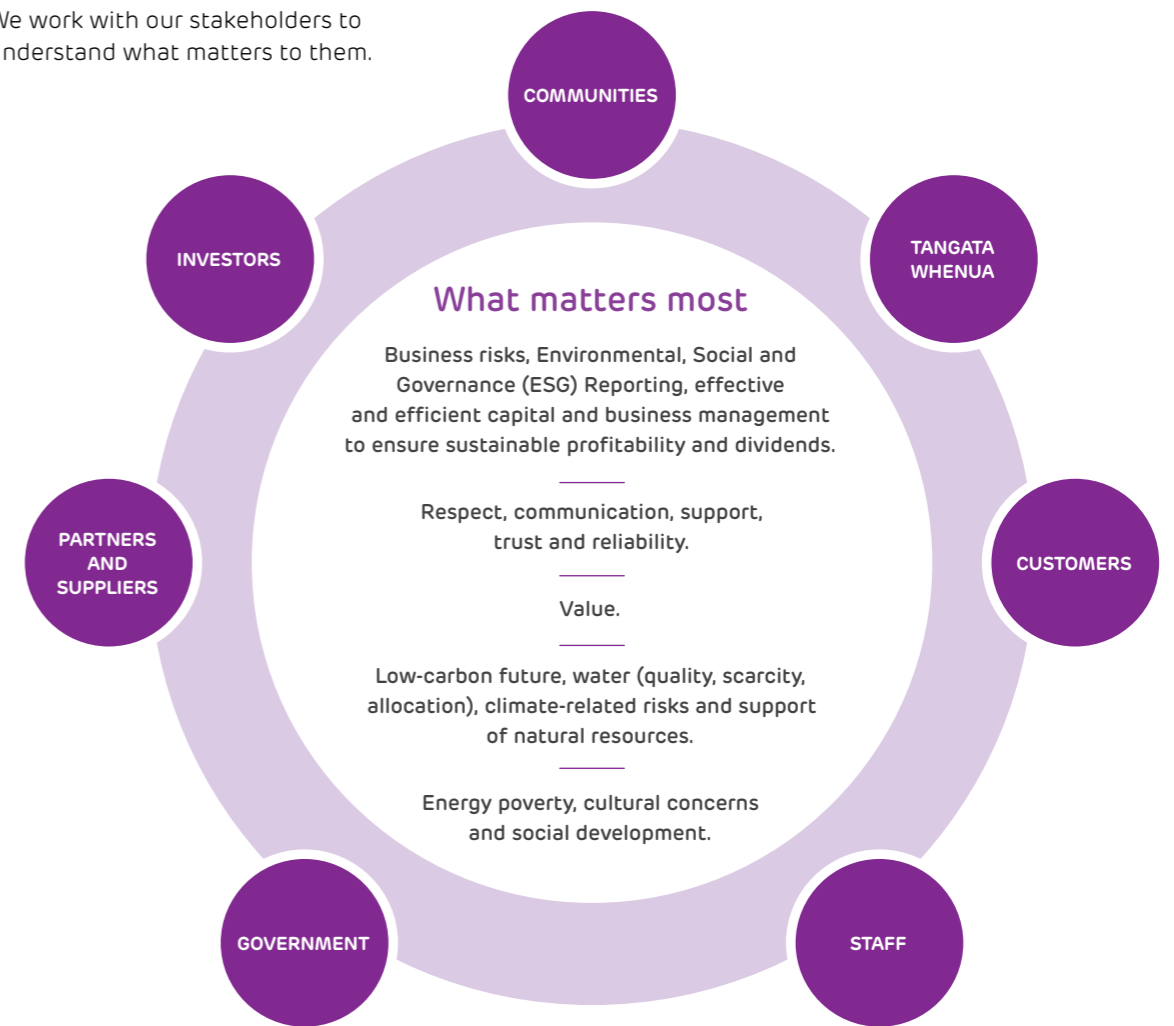
What We Offer

In recent years, Trustpower successfully disrupted the energy and telecommunication industries by creating a new approach to home services: providing bundled home offers of energy, broadband and telecommunications. Our range of products and services has continued to expand, with mobile added this year and solar options being actively explored.

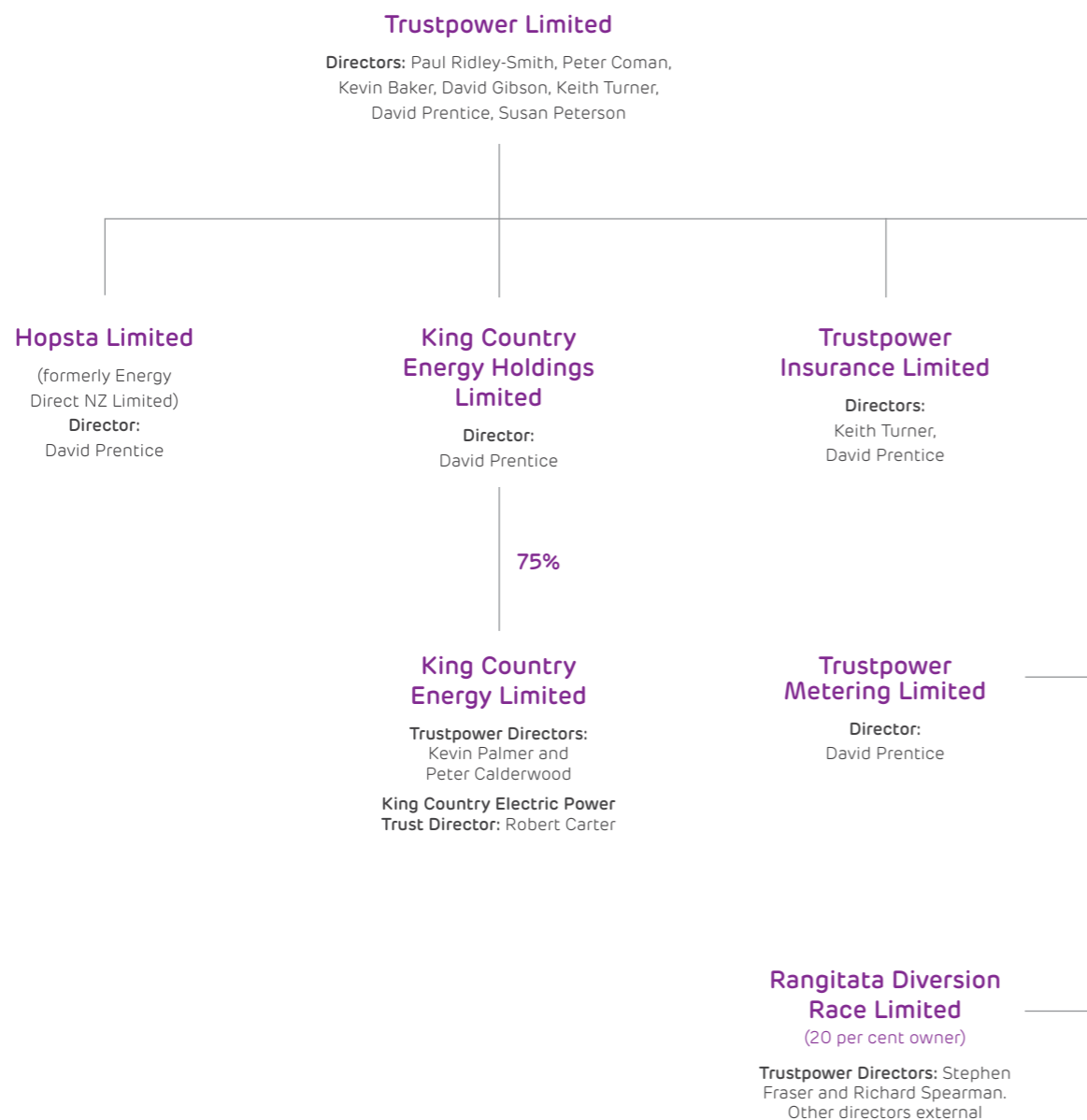


Our Stakeholders

We work with our stakeholders to understand what matters to them.



Our Corporate Structure



Our Board Committees

The Board has established three standing subcommittees being; the Audit and Risk Committee, the Governance and Nominations Committee and the People and Remuneration Committee. Each committee provides necessary oversight and management for key areas of governance.

Audit & Risk Committee

A standing Audit & Risk Committee assists the Board to fulfil its responsibilities in relation to risk management, culture, acceptance, and mitigation.

Quarterly reporting to this Committee ensures regular review of current and emerging risks (including climate change) in the context of our risk profile, our strategic aspirations and changing external conditions.

Audit & Risk Committee Members

- Susan Peterson**, Director (Committee Chair)
- Kevin Baker**, Director
- David Gibson**, Director

Governance & Nominations Committee

The Board has established a Governance and Nominations Committee to assist Trustpower with:

- ensuring Trustpower has good corporate governance and a process in place to promote continuous improvement in corporate governance;
- ensuring the Board has an appropriate balance of skills, experience, knowledge, judgement, and diversity to govern Trustpower appropriately; and
- selection and retention of directors based on merit, the collective needs of the Board and Trustpower's strategic objectives.

Governance & Nominations Committee Members

- David Gibson**, Director (Committee Chair)
- Susan Peterson**, Director
- Paul-Ridley Smith**, Board Chair

People & Remuneration Committee

To govern our remuneration and 'people' policies, the Board has established a People and Remuneration Committee. The primary purpose for this Committee is to establish coherent remuneration strategies, policies and practices for our people.

Responsibilities for the Committee include reviewing and recommending; remuneration levels and packages for directors and the Chief Executive and their direct reports; aggregate remuneration levels for non-executive staff; diversity and inclusion, code of ethics and protected disclosure policies; and key measurable objectives of diversity and inclusion. They also monitor our key 'people' risks including compliance with employment law and regulations.

People & Remuneration Committee Members

- Susan Peterson**, Director (Committee Chair)
- David Gibson**, Director
- Paul-Ridley Smith**, Board Chair

A full statement of roles and responsibilities for each committee, and their charters, can be found in our governance documents within our Investor Centre on the Trustpower website <https://www.trustpower.co.nz/investor-centre/governance-documents>

Our Value-Creation Model

INPUTS

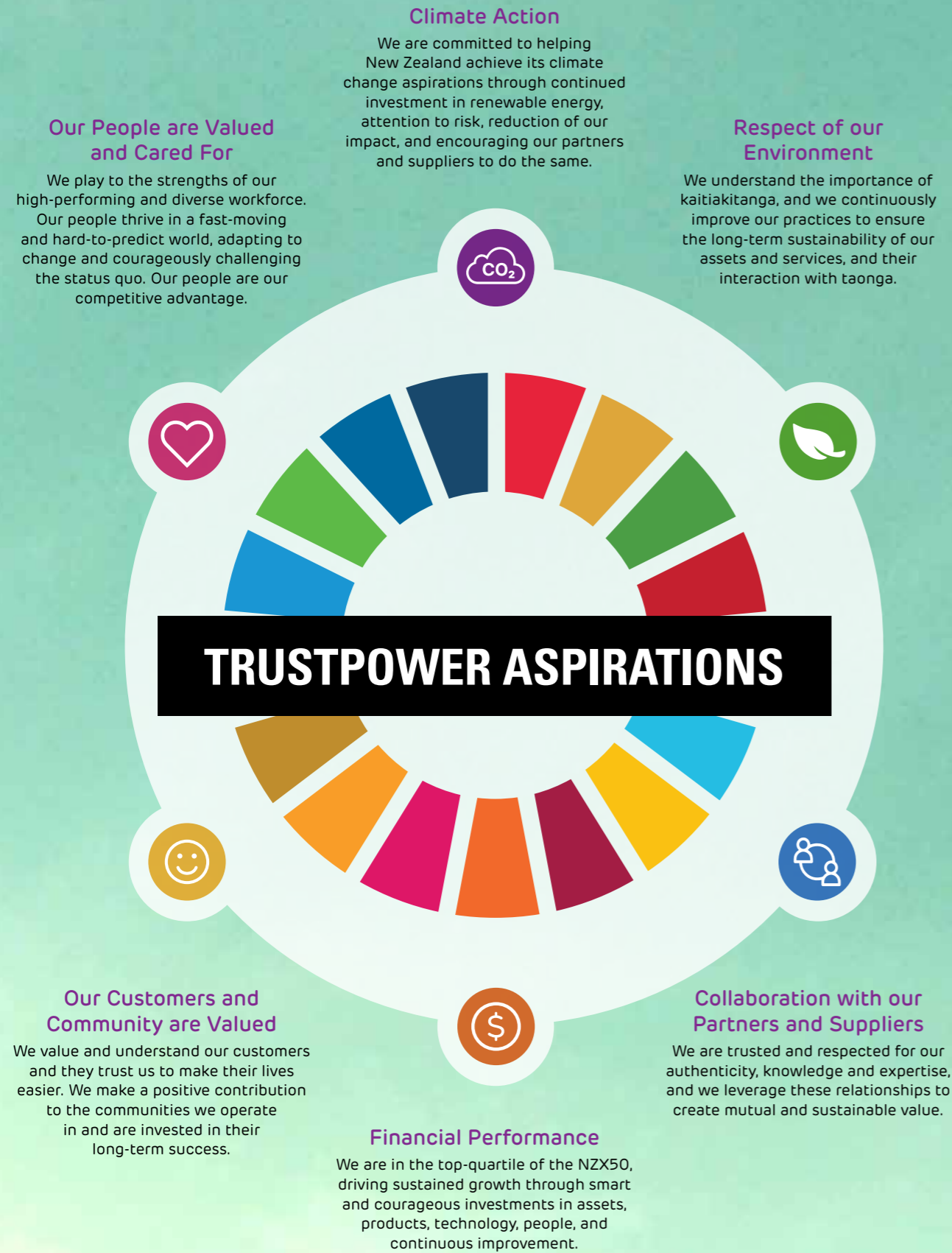
Our inputs represent Trustpower's value creation areas and are explained below.

- Our Relationships** – external stakeholder relationships important to us, essential to the operation and reputational management of our business, including community, customers, partners, suppliers, regulators, local council and Government.
- Our People** – our employees and contractors, including our leadership skills, capabilities and the experience held within this group.
- Our Environment** – natural resources or environmental assets (water, land, climate) fundamental to our business operations, and that we play a role as guardians for future generations.
- Our Assets & Infrastructure** – tangible operational and service-oriented goods and infrastructure owned or operated by Trustpower, including generation schemes and ISP networks.
- Our Skills & Expertise** – knowledge, capabilities, insights, intellectual property and brand held by Trustpower and our employees.
- Our Financials** – funds held by Trustpower or through investors, shareholders, bonds and bank loans.



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

Intended outcomes can be found with our Trustpower Aspirations on the following page.



OUR ASPIRATIONS AND INTENDED OUTCOMES

This year we updated our strategic framework to provide better clarity around organisational goals. Our new strategic aspirations and targets (which also serve as our intended outcomes from value creation) are centred around how we drive financial performance, deliver on climate action, respect our environment, value our people, serve our customers and community, and collaborate with our partners and suppliers. Aligned with our values (people, integrity, courage, open and transparent, collaboration and adaptability) our aspirations provide the roadmap for our people to achieve success.

We intend to report annually on our progress towards the targets for each of the six aspirations.

- Our Customers and Community are Valued**
Measures to include targets around increased customer Net Promoter Score (NPS) and development of key stakeholder relationship plans.*
- Our People are Valued and Cared For**
Measures to include targets around increased employee engagement, health and safety performance and culture, and diversity inclusion.*
- Collaboration with our Partners and Suppliers**
Measures to include targets around shared value partnerships, development of sustainable procurement standards and integration of life cycle thinking in the design/maintenance of our larger projects.*
- Climate Action**
Measures to include targets around reductions in greenhouse gas emissions and embedding risks and opportunities around climate action into business as usual operations.*
- Respect of our Environment**
Measures to include targets around how we work with tangata whenua in the catchments in which we operate and setting annual objectives around our top environmental improvement opportunities.*
- Financial Performance**
Measures to include targets around increased Total Shareholder Value (TSR), EBITDAF and secured generation investment options.*

*Targets will be confirmed once the outcome of the strategic review is known.

Our Approach to Sustainability

With a dedication to enterprise-wide sustainability, we are working towards a low-emissions future.

Our Esk Hydroelectric Power Scheme, Rimu intake.









































Our Approach to Sustainability

Sustainability is important to Trustpower and we are on a path of continuous improvement. Our internal and external stakeholders have helped us identify seven measurable sustainability parameters. These not only align with our company strategic aspirations, but also with the United Nations Sustainability Development Goals.

For each of the parameters we have a process to monitor compliance

in relation to our legal obligations and internal policies. Senior Leadership oversight ensures we are making meaningful and tangible progress on our path to improving the sustainability of our practices and our business.

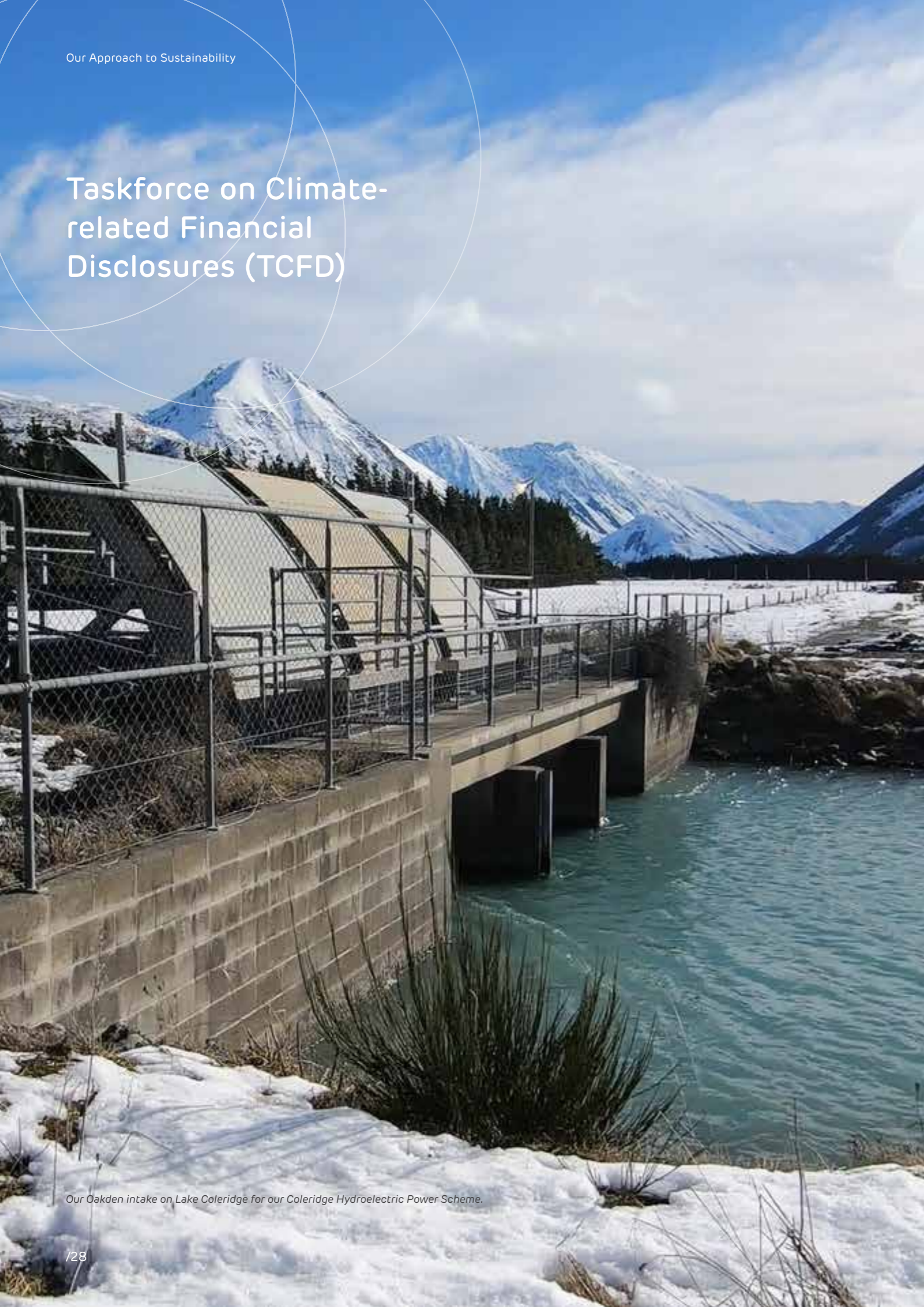
Our actions and commitments in relation to the varying parameters are integrated throughout this report, and we will be adding to this work and reporting more in future years.

Sustainability Parameters	Trustpower Strategic Aspiration	United Nations Sustainable Development Goals
Diversity and Inclusion	 	   
Safety and Wellbeing	  	 
Adding value to customers and community	  	    
Staff satisfaction and development		  
Ecology (biodiversity and freshwater habitat)		  
Lifecycle thinking for our products, services and procurement	  	  
Climate change adaptation and risk	  	   



Community engagement at our Cobb Hydroelectric Power Scheme.

Taskforce on Climate-related Financial Disclosures (TCFD)



Our Oakden intake on Lake Coleridge for our Coleridge Hydroelectric Power Scheme.

Climate change is happening. Investors and stakeholders are becoming increasingly interested in what companies are doing to mitigate and adapt to climate risks and opportunities. In 2020, the Government flagged an intent to make climate-related disclosures mandatory for publicly listed companies by 2023. It will require these businesses to report against their climate-related financial risks and opportunities using a framework known as the Taskforce on Climate-Related Financial Disclosures (TCFD).

With respect to our climate risk profile, this year we are voluntarily reporting on around 70 per cent of the TCFD Framework, with the intention to build on this year on year.

Climate Change Governance

In 2020, our major shareholder Infratil released a Climate Change Position Statement. We are strongly aligned with this position. We are working to understand what this means for our business and are committed to being transparent with our stakeholders about climate change risk and opportunity.

Our Governance is explained in Risk & Opportunity on page 34.

Metrics and Targets

To ensure Trustpower is abreast of changes and understands its climate-related risks and opportunities, we measure and monitor the following:

- Frequency and intensity of extreme rainfall events
- Electricity demand
- Price volatility
- Probable Maximum Flood (PMF) assessments
- Greenhouse gas (GHG) emissions

Target:

- Meet all TCFD mandatory requirements by FY23.

Task Force on Climate-related Financial Disclosures (TCFD) Framework

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organisation's governance around climate-related risks and opportunities.</p> <p>(Information found in <i>Our Board Committees</i>, page 19, and <i>Risk & Opportunity</i>, page 34)</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.</p> <p>(Information found in <i>Our Environment</i>, page 55)</p>	<p>Disclose how the organisation identifies, assesses, and manages climate-related risks.</p> <p>(Information found in <i>Risk & Opportunity</i>, page 34)</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p> <p>a) Describe the board's oversight of climate-related risks and opportunities.</p> <p>b) Describe the management's role in assessing and managing climate-related risks and opportunities.</p>	<p>Recommended Disclosures</p> <p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>Recommended Disclosures</p> <p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organisation's processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>Recommended Disclosures</p> <p>a) Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>

Greenhouse Gas Disclosures

Trustpower has been measuring its emissions across FY20 and FY21. Our reporting and measurement covers Scope 1 and 2, and some of Scope 3 emissions. This financial year we have gathered data on the Scope 3 categories we deemed most material to the business. We intend to explore more of Scope 3 in the future.

Adapted from the Greenhouse Gas (GHG) Protocol, our emissions have been classified under the following categories:

- Direct GHG emissions (Scope 1): emissions from sources that are owned or controlled by the business e.g. our generation.
- Indirect GHG emissions (Scope 2): emissions from the generation of purchased electricity e.g. our electricity bill.

- Indirect GHG emissions (Scope 3): emissions that occur because of business activities but from sources not owned or controlled by the business e.g. travel and waste.

Trustpower's overall emissions are largely made up of Scope 1 emissions, primarily due to fuel consumption associated with our Bream Bay diesel peaking station. This asset provides fast-start power generation for times when New Zealand's electricity supply is weak due to low inflows or wind. Corresponding market prices encourage this form of generation to ensure the supply of power is secure and uninterrupted.

Scope 1 accounts for 86.9% of Trustpower's overall emissions, with Bream Bay accounting for 76.2%. Scope 2 purchased energy

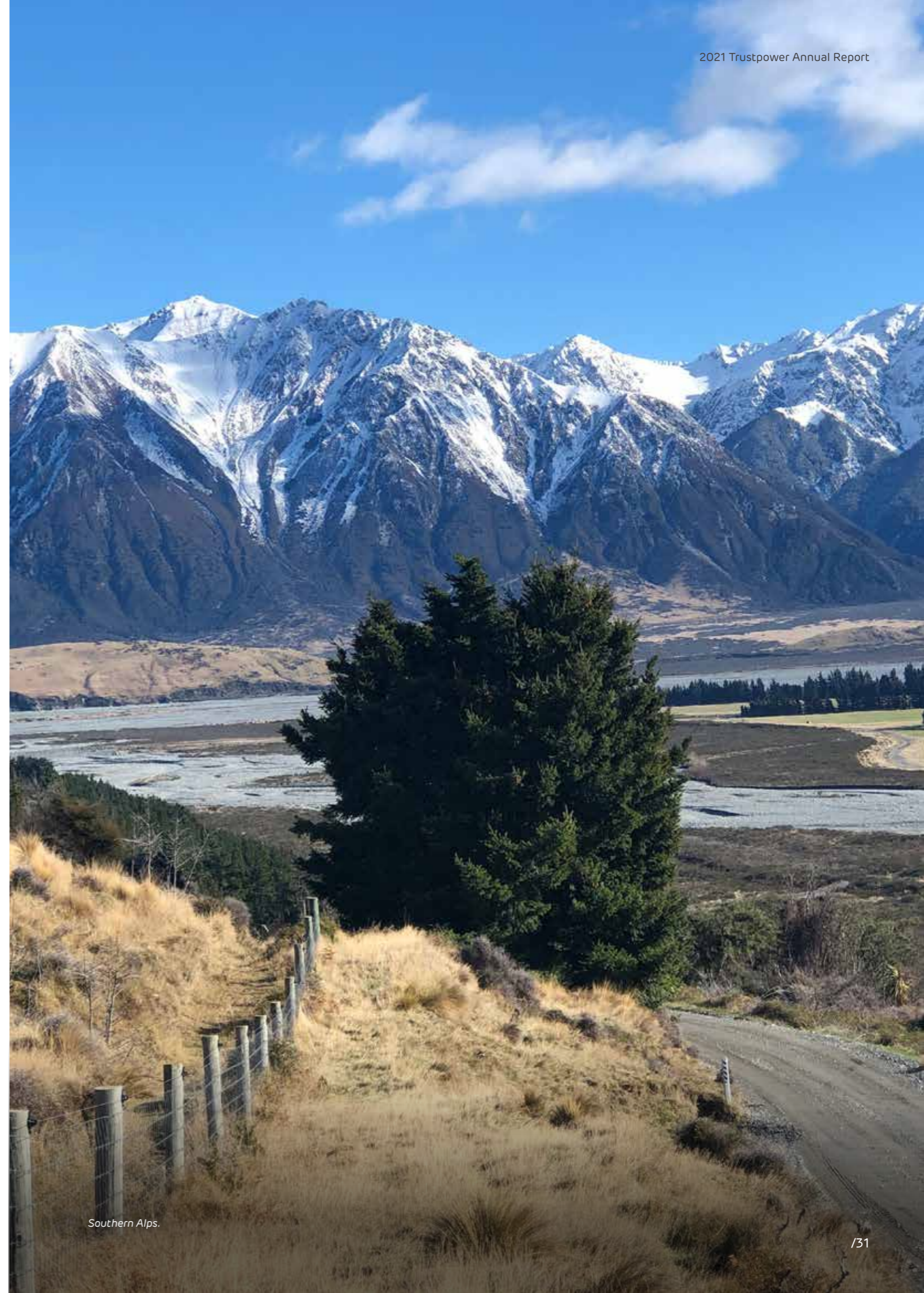
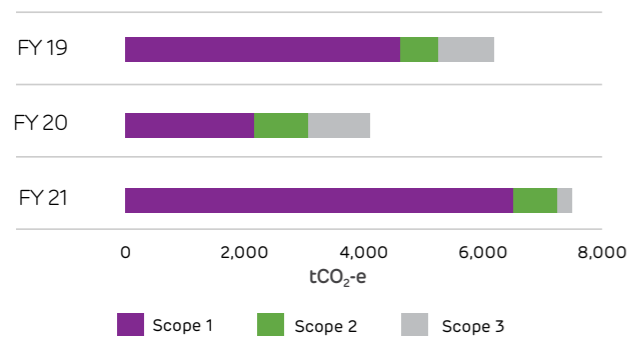
emissions account for 9.7%, with Scope 3 accounting for 3.4%. See Figure 1.

Our Scope 3 emissions are significantly reduced in FY21 mainly due to forced travel restrictions during Covid-19 lockdown periods. These low-travel behaviours have continued to be adopted as standard practice by our people.

Trustpower uses tonnes of carbon dioxide released per kilowatt hour of energy produced to measure its emission intensity. This metric is widely used throughout the electricity generation industry. This year Trustpower's emission intensity was higher than FY19 and FY20 mainly due to the use of Bream Bay. Overall generation was lower this year which also contributed to a higher emission intensity.

Figure 1.

Total emissions tCO₂-e



Southern Alps.

Risk & Opportunity

The world around us is continually throwing curveballs, offering us new challenges and opportunities.

To remain successful, we must continually adapt to manage our risks and take advantage of our opportunities.

Key Highlights:

- Improved governance and reporting across key risk areas of cybersecurity and privacy.
- Improved training across cybersecurity, privacy and quality management.
- Improved business continuity planning and resilience – establishing adaptable incident-response plans and working groups.
- The culture, leadership and technology already established within our business provided a robust foundation to respond to the Covid-19 situation, meaning we continued to provide our customers with essential services.

Our Kaimai Hydroelectric Power Scheme, tunnel inspection.

Risk Governance

Our Authorities, Responsibilities and Accountabilities diagram (see Figure 2) depicts how our risk is governed and the delegated authority that occurs. At the highest level, our Board has governance responsibility for Trustpower's risk.

Risk Management Framework

We have developed a comprehensive, Enterprise-wide Risk Management (ERM) framework, used to actively identify, assess and monitor new and existing risks including climate-related risks. Our Leadership Team regularly report to the Audit and Risk Committee and the Board on Trustpower's risk and our treatment of those risks. See Figure 3.

The ERM framework encourages risk-based decision making and is supported by a Risk and Assurance Policy and Guidelines document, all working to ensure risks are considered and acted upon accordingly.

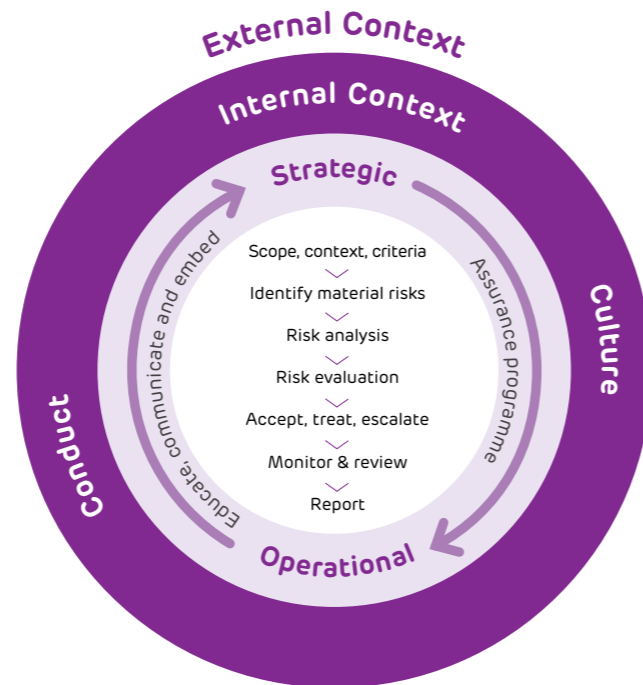
Our ERM framework is aligned with ISO 31000:2018. Climate change risk is captured within this system and also in our Asset Management Strategy and Policy for our generation operations. It is currently being addressed in our asset management plans, which in turn ensures it is identified and managed through routine asset management activity.

Risk management is embedded into all business activities and risks are analysed based on Financial, Reputation, Business Disruption Consequences and the Likelihood of Consequence.

Figure 2.



Figure 3.



Penstocks at our Patea Hydroelectric Power Scheme.

Risk Focus

The following information highlights areas of significant effort for FY21 in addressing risk.

Safety & Wellbeing

Our people's health and safety is always a top priority.

In FY21, we focused on reviewing our systems and processes to identify health, safety and wellbeing improvements for our contractors and third parties. We will build on this work continually reducing risk and improving our health, safety and wellbeing culture as an organisation.

Our dedicated Safety and Wellness team oversees Trustpower's safety policies and works with teams and individuals to meet regulatory and industry standards and address concerns regarding safety.

Within our key internal stakeholder group for safety (largely our generation division), there is an emphasis on health and safety reporting and celebration of health and safety implementation. This is documented in a monthly bulletin and in team reporting. These contributions build into a safety culture and help supplement planning and risk assessment work undertaken.

Our Wellness Committee is made up of volunteers from across the business, who come together to orchestrate events around mental health, physical activity and counselling/support services.

Each year we aim for zero major health and safety incidents and we continue to hold this as our goal.

Snapshot Safety Metrics FY21

Total Recordable Injury Frequency Rate	0.60
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Loss of Time Injuries	0
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Covid-19

Covid-19 has caused obvious disruption to day-to-day life for our customers, our suppliers and ourselves. Our technology stood up to the test during a rapid transition to work from home and increase in domestic demand for energy. Our business continuity planning proved robust during lockdown periods and continues to serve us well through the pandemic. We have upgraded some of our systems (e.g. our telephony platform), processes and guidelines where required, and for most of our office-based staff, having the flexibility to work from home has become an extension to the way that we work. Consequently, the disruption caused to the business as we move between alert levels is now minimal. We will continue to monitor and adapt to the pandemic situation and the impact it may have on our customers, our suppliers and our people.

Compliance & Regulation

Trustpower operates in a heavily regulated industry. Our compliance activities in energy generation, trading and retail include participation in an extensive annual audit regime undertaken by the Electricity Authority, as well as periodic audits by the Gas Industry Company Limited. Additionally, Trustpower participates in the New Zealand Telecommunications Forum's (TCF) annual self-certification compliance programme.

Changes to regulations have the potential to restrict our licence to operate and to impact us financially, while other regulatory changes may present an opportunity.

A regulatory risk of particular note relates to the proposed transmission pricing reforms. These reforms will have implications for the connection of new generation projects and will change the relative operating costs and competitiveness of generation plants in different locations. Trustpower has sought a judicial review of the Electricity Authority's decision to replace the transmission pricing methodology guidelines.

We advocate for sound regulatory mechanisms that provide for investment certainty as we strive to support New Zealand attaining its climate change aspirations. This includes submitting on the Climate Change Commission's 2021 *Draft Advice for Consultation* and we intend to do the same with respect to resource management reform. Refer to the feature story *Legislative Reform* for information on Freshwater and Resource Management reforms on page 59.

Consequently, we have a dedicated team of specialists who identify the potential impact of regulatory changes, involve themselves in sector and government consultations and provide decision-making insight for our strategy and risk response.

Cybersecurity

Like many other businesses, cybersecurity is also one of our top risks, and an area where we must constantly adapt to protect ourselves, our customers and our stakeholders. Over the last two years we have made significant improvements in this space, particularly in terms of cybersecurity governance; supply chain management; training, awareness and education for our people; monitoring and reporting; and network access management.

In accordance with the Government Communications Security Bureau (GCSB) recommendations (2019) for establishing resilient cybersecurity governance, some of the improvements we have adopted include:

- establishing a Cybersecurity Governance Group, to provide oversight of cybersecurity within the Senior Leadership Team,
- creating a cybersecurity policy that documents our cybersecurity framework and clear roles and responsibilities,

- implementing monthly reporting to the Board on the state of our cybersecurity.

We remain vigilant and are constantly working to combat new cyber-space developments across our networks and systems, including:

- Operational Technology Network and Systems
- Internet Service Provider Network
- Our Corporate IT Network and Systems



Our Paerau Canal intake.

Climate Change Risks, Opportunities, and Management Response

Changing weather patterns due to climate change could have an impact on revenue gained from hydro generation and could increase the risk of damage to our assets.

More frequent and intense droughts could mean lower inflows feeding New Zealand's key hydroelectric power schemes, potentially increasing energy pricing and forcing the use of alternative energy production, such as using diesel, to meet the energy demands of the country.

Heavy weather events and storms are likely to increase, posing a risk to our assets through flooding, high winds and heat waves (impacting cooling systems), but also offering some welcome inflow storage to some hydro lakes.

Short and long-term climate change risks have been considered through our ERM framework, and as a result we have recently incorporated climate assessment and new hydrology measures to help predict and understand climate change effects at our schemes.

Key physical risks to our assets from climate change are further discussed in Our Environment, on page 55.

Electricity Retail Market

As we transition to a low carbon future, we are likely to see more competition come into the market. For example, solar providers could become grid electricity retailers, as has occurred in some overseas

markets. Similarly, as households buy their first electric vehicle, they are likely to consider their electricity purchasing. These types of household purchasing behaviour changes present both a threat from new competition, and an opportunity to provide new compelling offers.

Electricity Wholesale Market

It is projected that the drive towards a low carbon future will increase New Zealand's reliance on intermittent power generation (primarily wind in the short to medium term) and a decrease in controlled thermal generation. Trustpower anticipates that this may increase the volatility of wholesale prices, increasing the value of storage and controllable generation. Trustpower maintains a balance between uncontrolled generation (run-of-the-river), and controlled hydro with storage, and we look to enhance our overall market exposure with a range of risk management products.

We have a proven track record of delivering new products in a tight market and will continue to do so. Increased electricity demand due to the electrification of transport and industrial heat means there will be opportunity for increased revenue. Trustpower is closely monitoring the growth in the uptake of electric vehicles and is exploring options on how we can best support this. We are actively looking to grow our renewable generation portfolio to support the transition from other forms of energy to electricity.

Technology

Climate change action has driven significant research and development investment into renewable electricity sources and associated technologies. This has led to a rapid decline in the cost of decentralised electricity generation (primarily solar) and batteries.

Trustpower will continue to monitor new technology developments that aid the transition to a low carbon future and best position the business to be able to either participate or adapt. We are creating strong partnerships with stakeholders through this research and intend to develop commercial opportunities as the technology develops in this space.

Policy and legal

Changes to the existing regulatory settings have the potential to significantly impact Trustpower's business. For example, the Climate Change Commission's *2021 Draft Advice for Consultation* provides a positive framework for Trustpower to grow renewables to support a low-emissions future.

We continually work with industry and sector groups to help Government understand the risks arising from their policy on energy security, affordability, and sustainability. If appropriate balance is not achieved negative impacts may be felt by customers, the industry, and/or New Zealand depending on the nature and magnitude of the specific reforms.



OPPOSITE: Native trees ready for planting around our Matahina Hydroelectric Power Scheme.

How We Create Value

Our value-creation areas



Our Relationships
Page 42



Our People
Page 48



Our Environment
Page 54



Our Assets & Infrastructure
Page 60



Our Skills & Expertise
Page 66



Our Financials
Page 68

At Trustpower, we focus on value creation both now and in the long term.

Many efforts come together to achieve our overall results and in this next section we share an introduction to our key areas of value creation, providing a fuller picture of long-term value and performance.

For each area we provide insight into what is important to us, and highlight material activities, opportunities or challenges. We also share some measures and clear goals for future years.

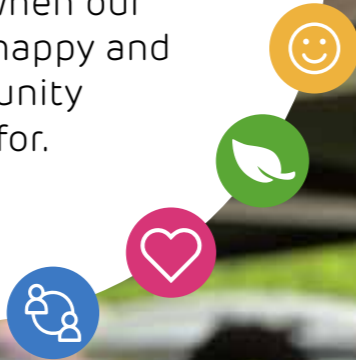
Our Kaimai Hydroelectric Power Scheme, Mangapapa intake weir.



CAPITAL #1

Our Relationships

We succeed when our customers are happy and our community is cared for.



Key Highlights

83%

of customer interactions through virtual/digital channels up 6%

97%

of broadband customers now on medium and fast plans, with 37% on greater than 100mbps

6,000+

mobile connections on our newly launched mobile offering

112,000

Total Telecommunication Connections (incl. mobile) up 7%

80%

of broadband customers now on fibre

Introduction

As part of Trustpower's commitment to deliver value to our customers, June 2020 saw us launch our 'Voice of Customer' programme. The programme allows us to better understand our customers experience at key moments in their life cycle with Trustpower. It allows us to prioritise effort in the areas that matter most to our customers and provides a robust dataset that will allow us to track our progress towards our customer satisfaction targets.

To improve our customer experience, we often focus on the things that aren't working, but through Voice of Customer we are exposed to feedback around the good things we are doing too. Some of these good things include expansion of our Internet Service Provider (ISP) network, enhancements to our customer facing tools and systems and supporting our communities through what has been a difficult time period.

We recognise that the impact of the Covid-19 pandemic has affected certain groups of customers more markedly than others. Proactive support for customers facing budget insecurity remains a key focus. For some customers, this may be the first time they have ever had to engage with a retailer around financial



The Internet of Things, Community STEM event.

difficulty, so we have created new hardship service channels ensuring our customers are well supported with good information and positive options to navigate their budget challenges. In addition, customer insight and data analytics are driving positive, more personalised contact with customers earlier in the payment cycle – which is delivering positive payment outcomes and we continue to experience low levels of disconnections.

Mobile is here

Trustpower launched our mobile service in May 2020. This new addition builds on our successful product-bundling strategy – making

it attractive and easy for customers to use mobile alongside their other household services. We have recently moved out of the pilot phase and now have over 6,000 active mobile users. The addition of mobile will continue to drive growth into the retail business. We have invested significantly in the end-to-end support processes for mobile, and have embedded mobile within the Trustpower App and online experience. This makes it easy for customers to keep tabs on their mobile use, and purchase additional services as required.

OPPOSITE: Community BBQ around our Kaimai Hydroelectric Power Scheme.

Solar now in residence

Trustpower's partnership with Harrison's Energy Solutions offers customers a better return on their solar power. When Harrison's Energy Solutions install a new solar system at a residential property, customers who switch their power to Trustpower can get a buy-back rate of 16c/unit for any surplus solar power they export (up to 500 units/month). This rate is guaranteed for the 24 months of the electricity contract. The customer will also get their export meter (if they need one) installed free of charge – a saving of around \$300. And, like any Trustpower customer with solar, the customer can join our Solar Buddies Programme: an innovative programme allowing energy sharing/gifting.

Milestone for Advanced Metering

Trustpower has reached 200,000 sites being billed off advanced meter reads. This milestone highlights our desire to deliver more meaningful data that will assist our customers. The move to advanced metering offers several opportunities, such as a better customer experience with less estimated bills and more offerings possible through the associated app (supporting alerts, forecasting and usage data). It will also support the ability to analyse consumption data enabling us to better match our products to the customers in-home needs.

Community Support

Trustpower is a supporter and sponsor of many community initiatives throughout Aotearoa. It is intrinsic to our values to care for people and place (Tiaki). We partner with communities to help strengthen society and enhance our environments for a sustainable future.

Community support highlights for FY21 included the launch of new community funds for Tauranga and Oamaru, as well as the doubling of the available funds from our existing Heartland Community Fund (thanks to a newly formed partnership with the King Country Electric Power Trust). In addition, we continued our support for the Tauranga STEM Festival - fostering future generations of engineering expertise – and the Oamaru Santa Parade. With the cancellation of the Trustpower Tauranga Christmas Parade due to uncertainty around large gatherings, we partnered with Downtown Tauranga to create the Trustpower Toi Tauranga Festival – bringing light, art and performance to the city centre for the festive season.

Features of our community support can be found on pages 47 and 58 of this report.



Community event for STEM, fostering future generations in engineering.

Key Metrics



Electricity Connections

265,000



Telecommunication (incl. mobile) Connections

112,000



Gas Connections

44,000



Customer Number Growth

0%

Mass Market Sales GWh

1,824

Half-Hourly Metered Sales GWh

1,309

Automated Contacts % of Total

83%

Satisfaction of Automated Contact

85%

Satisfaction of App Interactions

84%

Customers With Two or More Services

123,000

Trustpower Annualised Customer Churn Rate (electricity)

17%

Total Market Annualised Customer Churn Rate (electricity)

20%



Future Focus

- Leverage customer insights to improve our customers experience, with a focus on making things easy in their ever-changing lives.
- Deliver new products and services that add value and engage our customers.
- Continue to ensure vulnerable customers are proactively supported.
- Work with industry partners and regulators to improve customer outcomes.
- Continue to create genuine relationships and remain a part of the community surrounding our generation schemes and office locations.



Members of our contact centre team fielding customer queries.

Cloud-based Telephony System Providing Resilience

The emergence of the Covid-19 pandemic meant our Technology & Delivery team evaluated top cloud telephony options and in ten days stood up Amazon Connect for our Service and Sales teams. This new system enabled 300 agents to work remotely to service our customers' needs and queries, during a time where our people needed to work from home and the country needed the lights to stay on and the internet to stay connected.

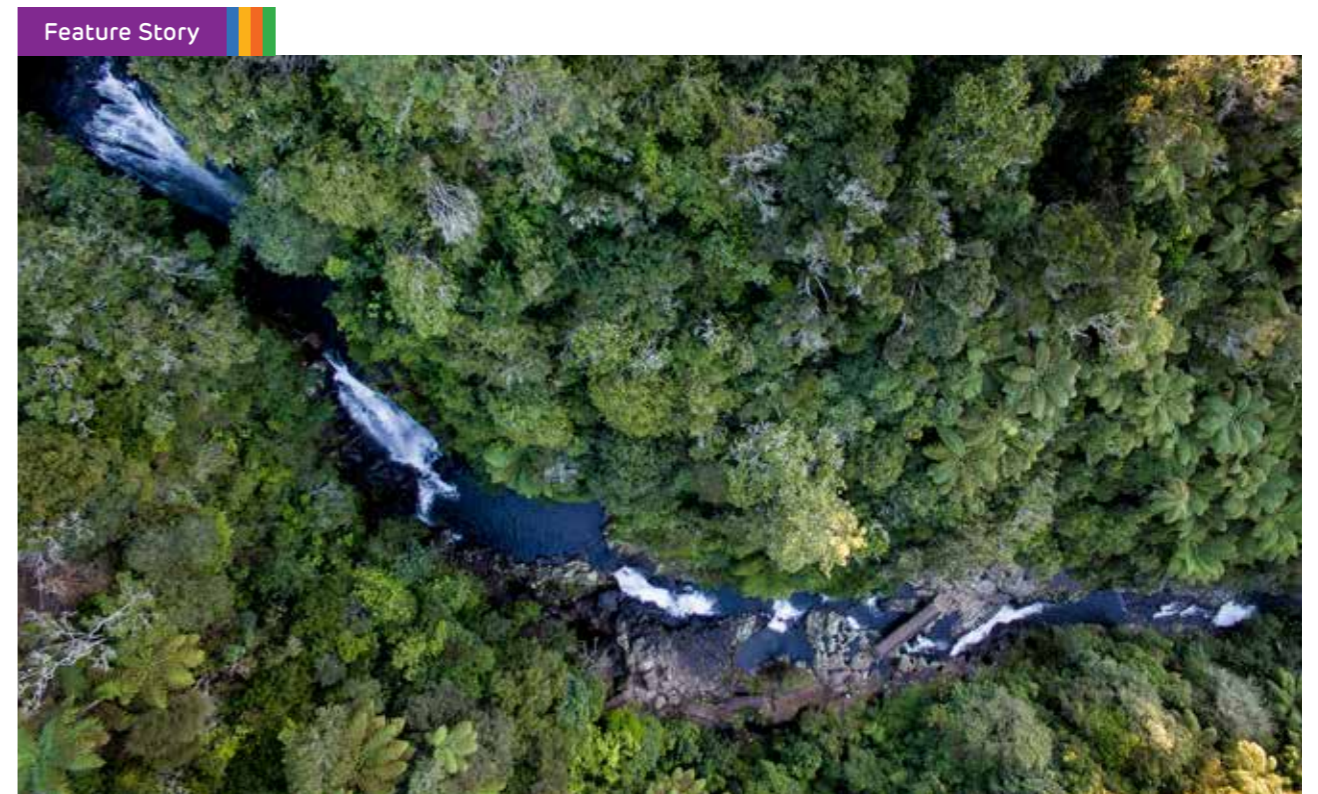
The addition of Amazon Connect to our technology portfolio is part of Trustpower adopting a multi-cloud approach. General Manager for Technology & Delivery, Matt van

Deventer says, "it's healthy to have options with different vendors as they all have different strengths and weaknesses and we want to be in a position where we can select the best tool for the job."

In December 2020, all agents completely moved off our legacy service platform and on to Amazon Connect.

As well as enabling work from home, the new platform provides dynamic new capabilities, such as interactive voice menus, self-service and personalised customer experiences.

This has been a huge step forward in enabling us to support our on-queue customer teams to adopt flexible working (which has become increasingly important during the Covid-19 alert level changes). Enabling our staff to work flexibly is a win-win, as happy supported staff are even more engaged in delivering a great experience for our customers.



\$30,000 donated to Million Meters to help restore the water quality of Kaiate Falls, featured here.

Community Matters

In a year that will be remembered for a global pandemic and a national lockdown, Trustpower's support for our communities was more important than ever.

The Covid-19 pandemic inspired some larger, one-off donations to various charitable causes throughout the country.

Trustpower's executives (Board and Senior Leadership Team) opted to each donate part of their annual remuneration to establish a \$450,000 community fund for organisations who had seen a loss in revenue or whose demand for services had increased significantly due to the pandemic. The fund saw donations made to Million Meters, Age Concern, The Key to Life Charitable Trust, Ronald McDonald

House South Island, Ronald McDonald House New Zealand, the Middlemore Foundation, New Zealand Portrait Gallery and BATS Theatre.

In addition, a smaller relief fund was established to address immediate needs relating to the lockdown. This fund has now transitioned into two ongoing funds: the Trustpower Tauranga Community Fund and the Trustpower Oamaru Community Fund. Together with the Lend a Hand Foundation partnership and the existing Heartland Community Fund (in partnership with the King Country Electric Power Trust), these new funds provide regular funding rounds for our communities throughout the year. With our values at their core, these funds look to recognise sustainable futures and provide a hand up.

Anzac Day fell during our first national lockdown, meaning the annual street appeal for the RSA could not go ahead. Trustpower donated \$50,000 to the appeal, in a gesture that not only reflected the national patriotism felt during the uncertain times Covid-19 presented, but that also resonated with our customer bases.

Continued community support is a key function of our business; providing support for the communities where we live and work, and providing valuable relationship support for our licences to operate our generation facilities.



CAPITAL #2

Our People

Our success is in our people. Our culture is connected with our values and moves us forward together.



Introduction

Our people are high-performing leaders who value collaboration and have health, safety and wellbeing at the forefront of our work. We put people at the heart of our decisions and we seek to learn and retain a healthy curiosity for new ways of working.

We have been deliberately strengthening our people capability to optimise opportunity within ambiguity and fast change. Key groups within the business help with this culture, including our facilitator volunteers, community of practices and fast business improvement technicians. For us, it's out with traditional practices and in with collaborative forums – mixing diverse opinion and experience to create innovation. Trustpower invests in our people as it's our people who are our competitive advantage.

Safety & Wellbeing

Trustpower cares about our people and we have formal and informal procedures and structures in place to help keep our people safe and well, and to build on our safety culture. One example is our revised sick leave benefit, where we enable our people to take the sick leave they need to care for their families and their own wellbeing. This contributes to a positive employee experience, focusing on peoples' wellbeing and enabling a healthy work/life balance. Through our actions, we are showing care for our people and sending a message that we encourage people to stay home and look after themselves if they are unwell.

This positively impacts on performance, motivation and retention of key employees – and attracting new talent due to a strong employer brand.



Some of our Waipori team at work in the power scheme.

Further benefits include support for families (removing pressure when time is needed for child illness), flexibility for a younger generation (our overall employee profile is becoming younger) and improved diversity and inclusion due to a supportive culture that caters to differing peoples' needs.

Diversity & Inclusiveness

Trustpower is committed to being a diverse business and we welcome different views, backgrounds and experiences. We understand that diversity in itself is not enough – our inclusive culture allows us to create an environment where our people can thrive and have their individual needs, wants and preferences valued. We know diversity and inclusion leads to better decision making, innovation and builds capability.

We have challenged ourselves to frame our approach to diversity and inclusion as a statement of intent, which we will use to guide our everyday behaviour, conversations and actions.

In FY21, our focus was broadening beyond gender, and partnerships are being formed with other organisations and schools to create innovative ways to source diverse talent and build capability.

We want to understand any barriers to opportunity and participation in our workplace from all points of view and work to reduce these barriers. We have recently sought volunteers from across the business to join our Diversity & Inclusion Collective, to discuss and plan new initiatives from the ground up.

This work builds on past training on unconscious bias and changes to our recruitment practices to help reduce bias and achieve our Diversity & Inclusion aspirations.

Code of Ethics

At Trustpower we are committed to high ethical standards and behaviours.

Our Code of Ethics describes the standards of conduct and moral judgement which we expect our people and directors to adopt in their professional capacity. Direction is included around receiving gifts, declaring conflicts of interest,

proper use of corporate information and acting within the law.

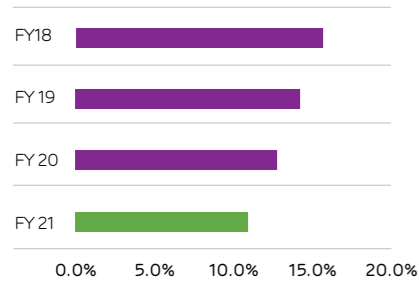
All our people have access to our Code of Ethics through our company intranet, and regular review of this policy is opened to the full business for feedback and involvement. We have just completed a refresh of our code, further intertwining our values with the traditional structure to provide

a fuller picture of what it is like to work at Trustpower, and to help all of our people engage with this critical document.

Our Code of Ethics works alongside our company values and our Protected Disclosures (Whistleblowing) and Financial Product Dealing (Insider Trading) policies, to guide the actions of our Board and all our people.

Key Metrics

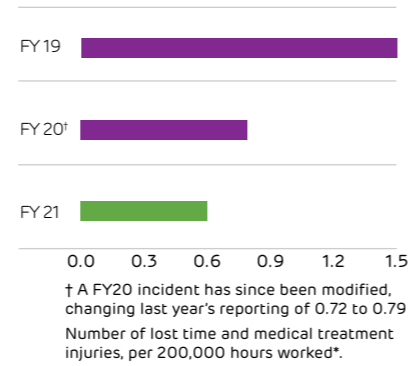
12 month voluntary full and part time turnover



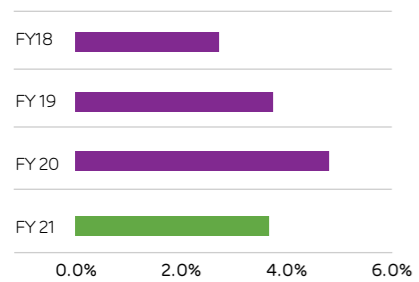
0
zero

Lost Time Injuries in FY20 and FY21

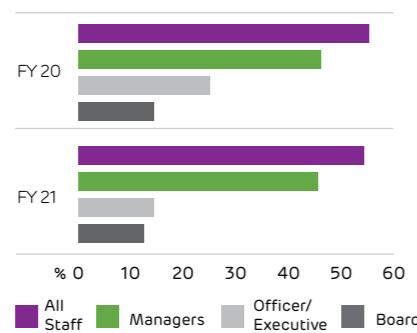
Total Recordable Injury Frequency Rate (TRIFR)



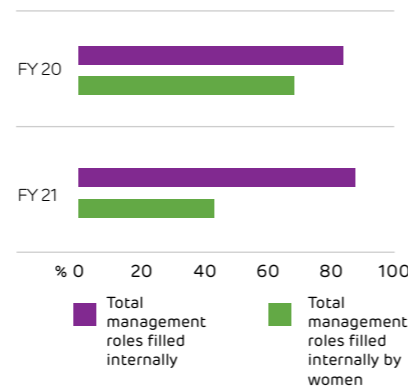
Unscheduled absences: as at March 2021



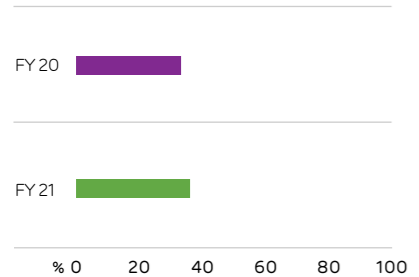
Percentage of women at board, officer, manager and all staff levels**



Percentage of management roles filled by women through internal promotion



Percentage of roles filled by internal candidates



*Note: Injuries of our staff and contractors working under our safety management system are recorded, those of outsourced contractors (eg. meter readers) are not.

** Note: In 2021, we introduced a 'gender neutral' category as part of our Diversity and Inclusion work. This change influences the comparison of FY20 and FY21 results.



Our engineers reviewing a turbine at Matahina Hydroelectric Power Scheme.



Our Apollo programme (development pathway) members staying connected.



Members of our Oamaru-based team.



Future Focus

- Grow employee engagement.
- Refresh our enterprise-wide Leadership Development Programme.
- Continue to offer flexibility to attract and retain talent.
- Work to ensure the safety of our people and contractors, with a keen focus on remote work locations at isolated generation sites.
- Have no serious health and safety incidents.
- Build on internal communications platforms to further develop collaboration and a sense of community.
- Continue to foster a culture grounded in our strategic aspirations and values.
- Further develop our Diversity and Inclusion Programme.



Our engineer Jason Graham's innovative Rescue Mat design.

Rescue Mat Innovation

Our Waipori Generation team have created an innovative solution to resolve a safety issue, by creating a confined-spaces rescue mat. During risk assessment for machine maintenance, it was commented that if anyone got stuck in the confined maintenance tunnel they would need to be pulled out by their ankles. This conversation of rescue soon turned to solutions, and the 'rescue mat' was born.

The mat is designed for workers to lie on when working in a confined space – creating a strong, grabbable platform that enables a quicker and easier rescue should it be needed. With input from the maintenance welding contractors, the concept was refined and then manufactured from a welding blanket-type material, to reduce the likelihood of damage during the work. The mat has the added

benefit of providing a more comfortable working environment by insulating workers from the cold steel of the tunnels. The rescue mat was a finalist in the New Zealand Workplace Health & Safety Awards 2020.



Our Oamaru team fielding customer queries.

New Office for Oamaru Team

Trustpower is currently building new office premises for our Oamaru-based team, as the current office is no longer fit for purpose. Starting from scratch has enabled us to design a workspace using the principles of Activity Based Working (ABW), a set up already established in our Tauranga head office with beneficial results.

ABW provides several different work settings (from high focus to group collaboration spaces, and formal meeting rooms to one-on-one chat spaces), meaning employees can choose a space that best suits

their task, enabling them to be high performing. Designing our building in this way enables varied work tasks within a smaller floor plan than a traditional office with fixed desks for all employees. This arrangement also matches the kind of environment employees expect. The new build feeds into our strategic ambitions of meeting our customers' needs and is also a key talent attractor for our employer brand. The building progress is on target and due to be completed and ready for our team to move in August 2021.

Close to 100 employees work out of our Oamaru site, including multi-skilled, on-queue staff (electricity, gas and telecommunications), and a 24-hour faults dispatch function. Several of our customer experience teams have team members split between our Oamaru and Tauranga offices. Having this capability provides significant risk mitigation in the event of site-specific system failures or in the case of a major incident or disaster-recovery situation.



CAPITAL #3

Our Environment

Trustpower is dedicated to understanding the environmental and cultural risks/impacts of our operations and taking action to ensure we operate in an environmentally sustainable and legally compliant manner.



McKays Creek intake at our West Coast Hydroelectric Power Scheme.

Introduction

Our greatest interface with our environment occurs at our hydroelectric power schemes.

Environmental Compliance

Trustpower's hydroelectric power schemes operate within the constraints of hundreds of resource consents authorising their operation and maintenance. These resource consents contain numerous conditions which govern operation, plus monitoring and maintenance to demonstrate we are operating in an environmentally sustainable and legally compliant manner.

In the past year, 27 environmental incidents or near misses were investigated, resulting in 10 environmental incidents. This represents a 99% compliance rate across approximately 3,500 total consent conditions. All the incidents were classified as low impact based on a ranking system that considers the environmental, reputational and legal effects of an incident. No material incidents were recorded.

As a result of our environmental incident investigations, we have completed an audit of our oil containment risks at our schemes and have committed to improving our performance in this space.

We acknowledge iwi aspirations and interests in water resources and our commitment to working with this important stakeholder group.

Generation Climate Change Strategy & Risk Management

Our conversation on climate change is dispersed between the following sections:

- TCFD (page 28)
- Risk & Opportunity (page 38)
- Our Environment



Lake Coleridge intake.

With respect to generation activities, climate change measurements are embedded in our new Generation Asset Management Framework, generation investments, and our risk management framework. Trustpower's Environmental Policy sets our direction and is supported by an environmental management system, ensuring responsible implementation and legal compliance.

The changing climate will have an impact on the way we operate in the medium to long term. There are areas where experts predict increased rainfall, for example at our West Coast and Taranaki hydro schemes, providing an opportunity for Trustpower to increase generation output. Changing weather patterns may also increase opportunity for new wind and solar generation.

More regular droughts and lower rainfall in some other areas means there could be higher demand to access stored water for multiple uses like potable water supply, industrial purposes, irrigation and/or hydro generation. This presents an

opportunity for alternative uses of Trustpower's hydro storage capacity and may also add value to our schemes that have this capability.

From a risk perspective, reduced rainfall in some areas could have an impact on revenue from certain hydro generation schemes, and increased severity of extreme rainfall events may increase the risk of damage to assets in other areas. Droughts and high temperatures may affect machine operations such as cooling systems.

To ensure we are managing these risks, we undertake operational hydrology studies considering climate change predictions. The results of those studies feed into investment decisions. The climate change predictions are used as a sensitivity check for project viability calculations. We also actively look for ways in which our existing hydro fleet can be enhanced and optimised to adapt to changes in the environment. Potential impacts on our business are proactively reduced through sound asset management planning practices.

Key Metric

10

environmental incidents
across 3,500 resource consent
conditions

To manage any associated dam safety risks, we have five-yearly comprehensive review cycles of our high and medium Potential Impact Category (PIC) hydro schemes, and ten-yearly comprehensive review cycles of our low PIC schemes. These reviews allow us to plan remediations and upgrades, helping identify any potential hydrological changes that feed into discussions with councils and communities.

Water Use

Trustpower actively works with communities associated with the waterways which supply our generation schemes. Our lakes, rivers and streams not only provide the capability for us to generate renewable energy, but they are of significant importance to Tangata Whenua and are also important recreational playgrounds for New Zealanders. We support a range of recreational groups in different ways, from water release for white-water kayakers, to providing and maintaining facilities used by boating clubs and fishing enthusiasts, and by supporting local events that happen on or alongside the water.

We take our utilisation of this resource seriously and work hard to ensure we use water as efficiently as possible. We have thousands of hydrological instruments in the field, recording various water measurements at sites throughout our schemes. Data gathered is used to inform operations and to ensure dam safety, and much of it is needed as a requirement to comply with our resource consent obligations and compliance.

This data is also useful for enhancement and engineering work, and in some instances helpful to the community, showing lake levels at boat ramps, for example. Water quality and habitat are important to us, with generation teams often extending their role to include invasive weed removal, predator trapping and introducing native fish migration programmes at our schemes across the country.



Lake Sylvester Residual Flow at our Cobb Hydroelectric Power Scheme.



Future Focus

- Continue to engage with key stakeholders including mana whenua, at the community level at all our catchments, to better understand fresh water and biodiversity aspirations in their rohe and deliver environmental and social outcomes.
- Engage with Government to ensure Resource Management reforms and new legislation protect existing and future renewable generation.
- Continue to minimise the impacts of our operations on the environment and work with our communities to enable multiple uses of the water resource.
- Progress our Asset Management programme to capitalise on strategic growth and efficiencies.
- Continue our journey to zero environmental incidents. We will reduce our highest risks relating to oil discharge by 2025.
- Meet all TCFD mandatory requirements by FY23.



Large trout caught as part of family fun fishing day on Lake Argyle.

Working with Communities

Trustpower provides funding to support educational scholarships, community group sponsorships, and environmental funds or trusts totalling approximately \$250,000 annually. Our team also contributes time to supporting these groups. Below are some examples of our environmental community support.

- We partner with Braided River Aid (BRaid) in Canterbury, to protect and enhance the Harper, Wilberforce and Rakaia braided river environments we operate in, by undertaking clearing of invasive and introduced vegetation species. This increases the nesting habitat area for endangered and nationally critical bird species and reduces predator cover. In addition, we carry out predator trapping and support initiatives that create awareness to reduce the impact of human activities on the riverbed.
- We partner with Ngamanawa Incorporation and the Department of Conservation to conduct surveys and predator control in the areas surrounding the Kaimai hydroelectric power scheme to help ensure both kiwi and kōkako will be seen and heard for generations to come.
- Alongside Fish and Game NZ, we support trout restocking for the area of Argyle Head Pond, part of Trustpower's Branch hydroelectric power scheme, a 'put and take' recreational fishery (a stocked fishery).
- We are long-term partners for the West Coast Wilderness Trail, a walk and cycle trail spanning from Greymouth to Ross and passing two of Trustpower's hydroelectric power schemes – Kumara Dillmans and Kaniere Forks/McKay's Creek.
- The Rangitaiki River Environmental Fund was established in 2015 as a result of the resource consent

renewal for Trustpower's Matahina hydroelectric 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 several local projects including improvements to local marae, wetland restoration, native flora planting and Edgecumbe town beautification.

- We are part of the Coleridge Habitat Enhancement Trust, seeking to improve the habitat of Lake Coleridge and its surrounds – to safeguard the life-supporting capacity of the Harper, Acheron, Wilberforce, and Rakaia Rivers and Lake Coleridge. Recently our team was involved in conducting Grebe surveys at Lake Coleridge and surrounding lakes.

These are all important commitments, not only for the environmental benefits, but also for maintaining close and enduring relationships with our stakeholders.



An overflow spillway at our Dillmans West Coast Hydroelectric Power Scheme.

Legislative Reform

Resource Management Reform

The Government plans to repeal the Resource Management Act 1991 (RMA) and replace it with three new pieces of legislation. Trustpower welcomes these changes and the opportunity they present for reforming the resource management system.

We would like to see any new legislation offer appropriate recognition and protection for the current renewable generation asset base (currently over 78 per cent of installed generation capacity in New Zealand comes from renewable electricity generation) – protecting it from restraints on operational flexibility, enabling it to respond to both environmental

and market conditions. To realise a renewable energy future, clear and decisive policy direction is needed within a regulatory framework that positively enables accelerated electrification, provides a more efficient and effective consenting system, and reduces complexity while retaining appropriate local democratic input. We are working with our energy sector colleagues to express a collective view and will participate in the relevant Government processes.

Freshwater Management

Recent Freshwater Management reforms under the RMA has placed greater requirements on improving the state of water quality in rivers and lakes throughout New Zealand.

In preparation of upcoming planning processes, Trustpower has embarked on additional water quality monitoring at hydro schemes. This will allow us to make informed decisions, using robust scientific data, to improve water quality where required. Trustpower actively participates in regional planning processes around New Zealand, to ensure our existing renewable electricity generation activities are protected and provided for at a regional level.



CAPITAL #4

Our Assets & Infrastructure

Trustpower sees future investment opportunities in renewable generation and is actively looking for development partners to meet increasing national demand. These developments will build on Trustpower's core competency of owning and operating small – mid scale renewable generation, with a focus on local communities.



Penstocks at our Coleridge Hydroelectric Power Scheme.

Asset Investment

We have a substantial portfolio of hydroelectric power schemes across New Zealand. Between March 2020 and March 2025, Trustpower intends to implement efficiencies and upgrades to enhance generation by 67GWh per annum. Several initiatives aimed at improving the use of water and inflows have already been completed, several plant upgrades have been scoped, and others are currently in execution phase.

Our Generation performance has been further enhanced by implementing better ways to understand and communicate our site-specific risk profiles, significant portfolio-wide programmes to improve the access and operability of our assets, operational technology infrastructure and system improvements to bolster our cybersecurity posture, and further use of technology to tailor the training needs of our people on the front line.



Renovated steel walkway, used by West Coast Wilderness Trail.

Major plant investments have been carried out at our Matahina, Waipori, Cobb and Coleridge schemes. Equipment renewals included new turbines/runners and power generation equipment. Major planned routine and preventative maintenance outage work also proceeded as planned.

In addition to asset investment, we are embarking on a major programme of works to improve our systems and processes for managing our assets. Our 'asset management transformation project' is now in full swing, accelerating work on increasing the performance and value of our generation assets. The areas of focus include a deeper understanding of asset criticality and health, moving to more proactive practices by using digital enhancements to enable data-informed decisions.

Kawhaka Intake

The Kawhaka intake for Dilman-Duffers-Kumara Scheme is a 10MW enhancement upgrade project that began in February 2020 and was completed in May 2020. The upgrade delivers additional water to three power stations. The intake was susceptible to flood events, potentially overtopping banks. The improvements raised the banks and provided armouring to reduce this susceptibility, and modifications were made to the intake to improve water capture and minimise spillage.

While carrying out the upgrade on the intake, the opportunity was taken to widen and refurbish the existing steel walkway bridge used by the West Coast Wilderness Trail. Trustpower allows access across

our land for this cycle trail through an agreement with the Department of Conservation (DOC) and the local councils, seeing 7,000 – 10,000 visitors brought to the area annually. In addition to improving the safety of the public around the intake, the overbridge widening enables people with disabilities the chance to experience the trail, so sports such as paraplegic mountain biking can take place. The project finished under budget, despite numerous washouts caused by high river flows.

Waipori 2 Weir Upgrade

The Waipori 2 Weir upgrade began in August 2020 and was completed in December 2020. Seismic studies revealed two metres of block work added to our Waipori 2 Weir during the '60s and '70s was seismically unsafe, requiring removal. If block work fell during a seismic event, the top two metres of stored water could release (approximately 100,000 cubic metres or 40 Olympic-sized swimming pools). Work began promptly to remove the block work and in the interim several temporary measures were put in place, such as lowering water levels in the weir to below the extension and creating exclusion zones covering the area which could be affected by falling blocks.

The risks for this removal job were complex, including working at heights, working above water and using excavators on barges. This required tight control of water levels as the barges were tethered to the weir. There was also the requirement to not allow any concrete dust to enter the water as the acidity of the concrete would have a negative effect on aquatic life.



Our Cobb project team working on the new runner.

In a project with so many identifiable risks (88 in total) our health and safety mindset required each person to look for safety improvement opportunities every minute of every day. Thanks to a capable team, project manager and reliable contractors, the project was completed safely and on time.

Cobb G5 Upgrade

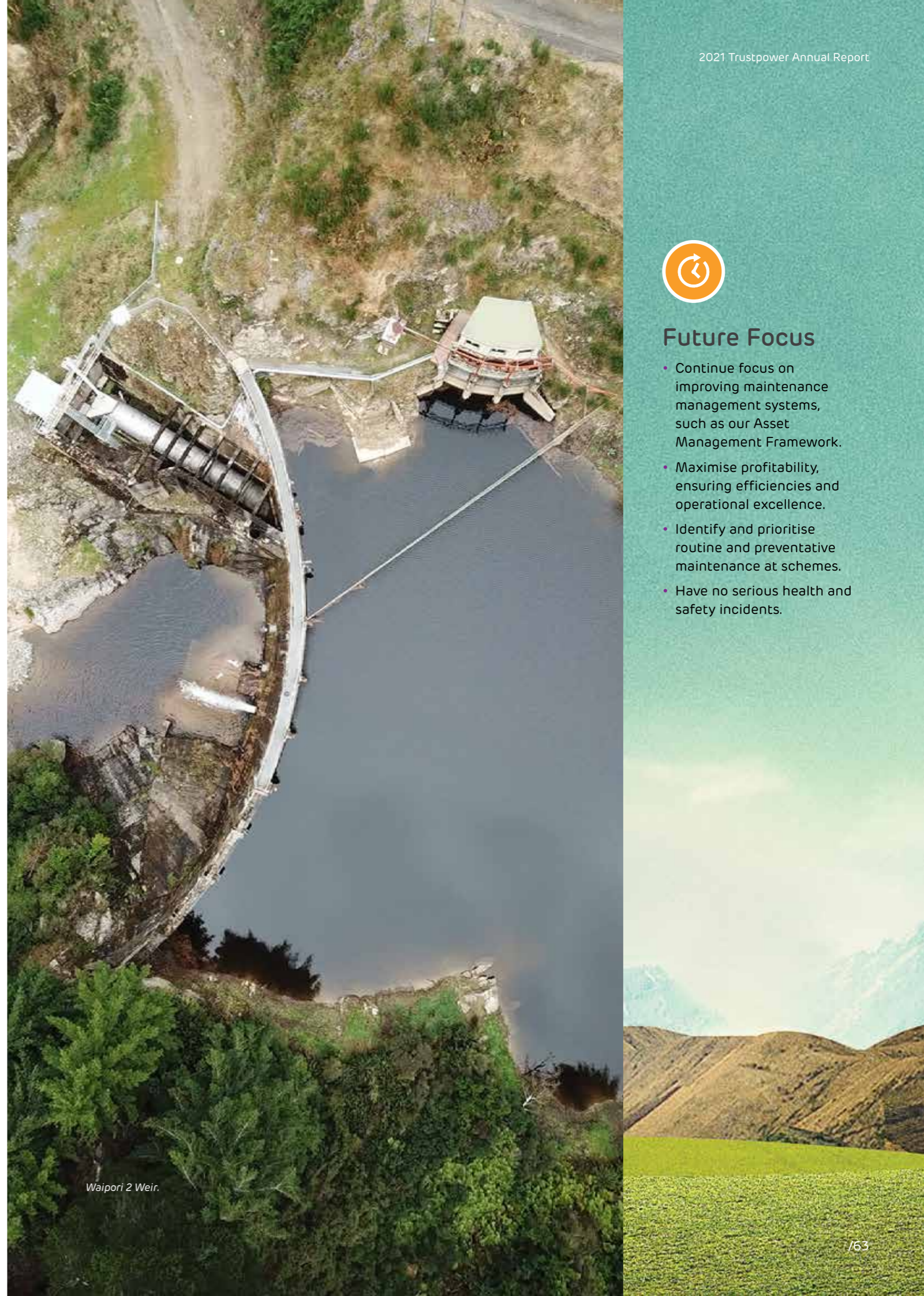
The Cobb G5 Upgrade began in May 2020 and was completed in February 2021. One of our highest strategic value assets, Cobb G5 was upgraded with a new monoblock runner. Previously, Cobb G5 consisted of cast buckets connected to a central hub using a specialised bolting process. This connection type is highly stressed

as the runners are subject to a large number of water pressure cycles over its expected life – this can result in fatigue, fretting and stress corrosion cracking. We designed a new monoblock runner, machined from one solid piece rather than several components bolted together.

The new runner is geometrically identical to the existing runners, however, the design and manufacturing method means the high-stress connection is completely removed and the risk of inherent defects is significantly reduced. This work significantly reduces Cobb's risk exposure to long, unplanned outages. G5's old runner can now be refreshed and held as a spare.



New Cobb runner installed.

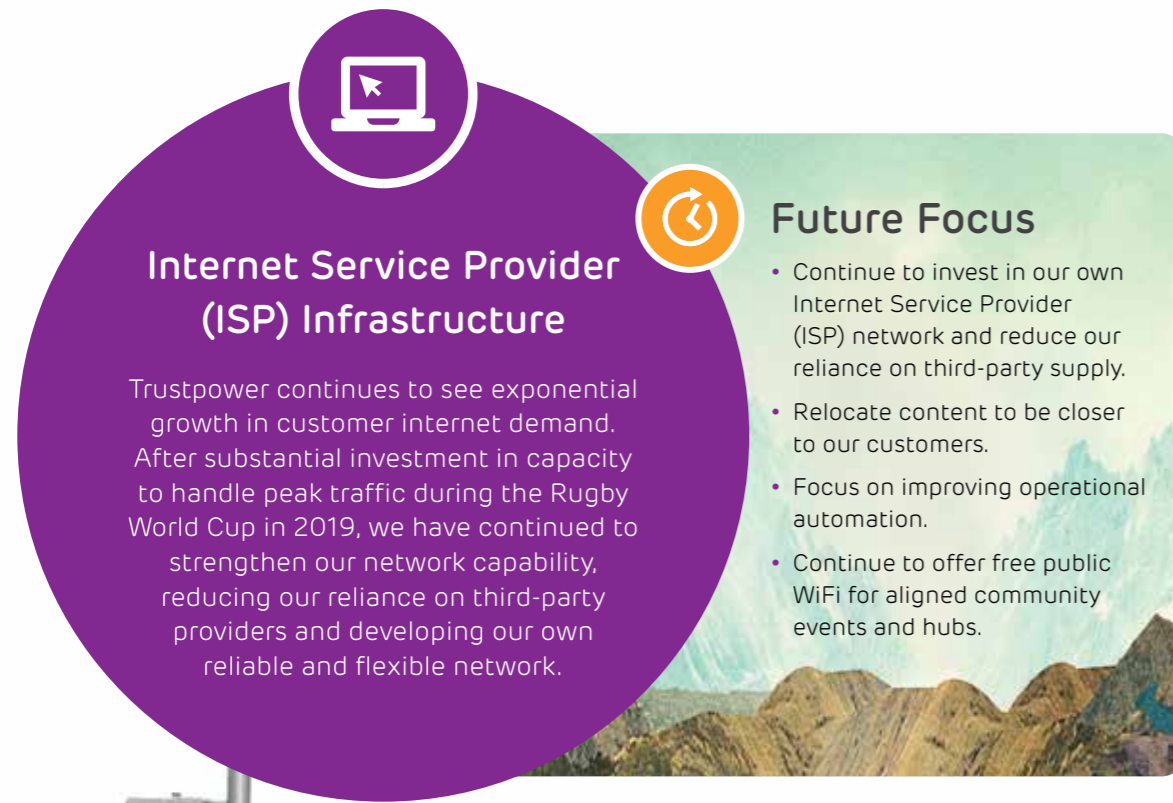


Waipori 2 Weir.



Future Focus

- Continue focus on improving maintenance management systems, such as our Asset Management Framework.
- Maximise profitability, ensuring efficiencies and operational excellence.
- Identify and prioritise routine and preventative maintenance at schemes.
- Have no serious health and safety incidents.

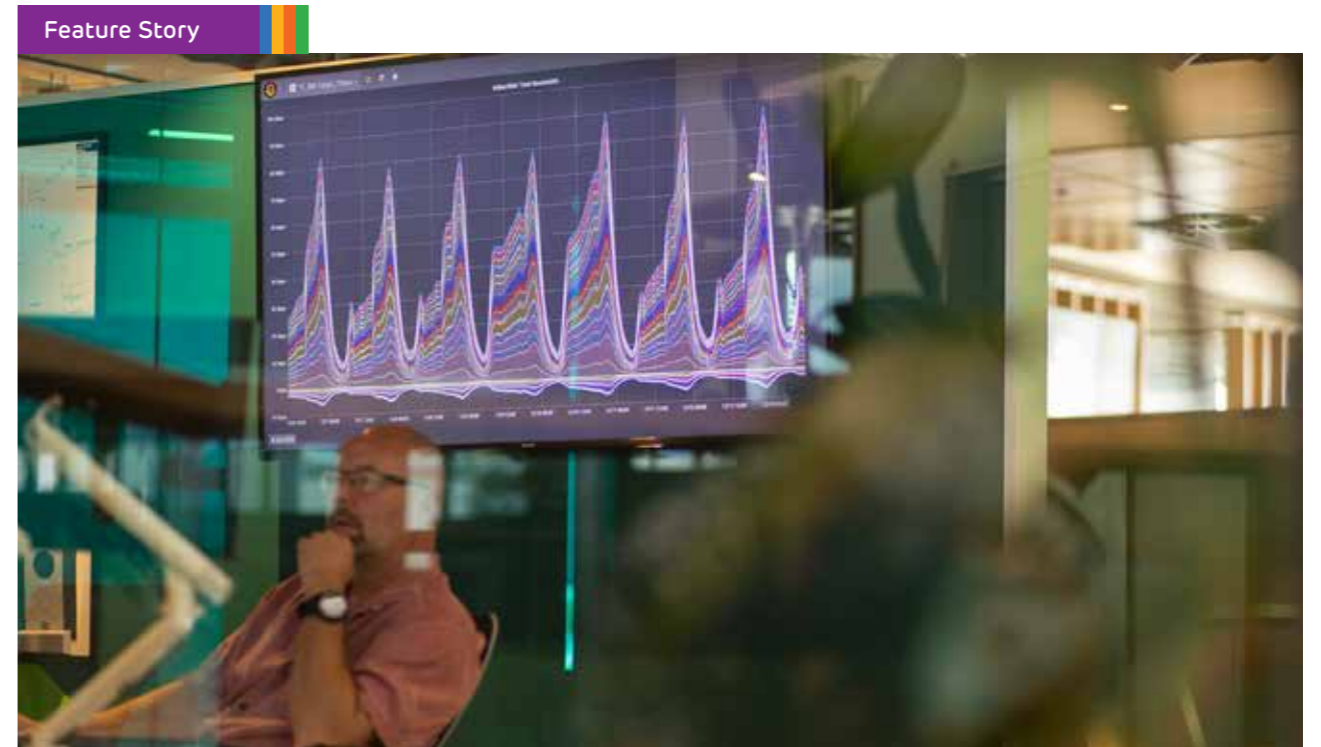


Internet Service Provider (ISP) Infrastructure

Trustpower continues to see exponential growth in customer internet demand. After substantial investment in capacity to handle peak traffic during the Rugby World Cup in 2019, we have continued to strengthen our network capability, reducing our reliance on third-party providers and developing our own reliable and flexible network.

Future Focus

- Continue to invest in our own Internet Service Provider (ISP) network and reduce our reliance on third-party supply.
- Relocate content to be closer to our customers.
- Focus on improving operational automation.
- Continue to offer free public WiFi for aligned community events and hubs.



Our ISP team keeping an eye on our networks.

Broadening Broadband

Building into Singapore

Like an electricity network, an ISP network must build capacity for the peaks – particularly in the evening, when households are home and internet usage is much higher. Over the last several years we have invested significantly to create a carrier-grade ISP network – a network designed and built to support Trustpower’s own consumer customer base but also our growing wholesale business.

We are always looking for ways to meet the ever-increasing needs of our customers wanting faster and better internet. Currently the content our customers consume through streaming services comes primarily from the USA and Asia. In 2019 we built sites in Portland and San Jose in the USA and in 2020 we expanded our network infrastructure into Singapore. This allows our customers to access this content directly,

which is more cost-effective and provides the best experience (latency, bandwidth, and reliability).

The process of building in Singapore was not as straightforward as previous builds, where we have been able to travel to site and build there. Due to Covid-19 travelling restrictions, our engineers had to install and configure all our equipment in New Zealand and ensure it would work in Singapore. The equipment was then shipped and on-site engineers in Singapore were hired to install it there.

The entire operation required extensive coordination and communication to ensure our system became operational and all the small details and little pieces made the journey. Thanks to diligent work from our ISP engineers and good service from our partners in Singapore the installation went smoothly, and we are now providing a superior experience for our customers.

Network Ownership Creates Opportunities

Ownership of a carrier grade ISP network is presenting new commercial opportunities to Trustpower. A range of existing business partners and customers are now taking up wholesale telecommunications services from Trustpower. These services provide connectivity and network capacity to our partners by leveraging the ISP network we have built to support our retail customer base. Trustpower is already selling these services to a range of organisations including other carriers, managed services and internet service providers. There is substantial opportunity to continue developing these offerings in the short to medium term.



CAPITAL #5

Our Skills & Expertise

To achieve success, Trustpower's people know the key is in sharing ideas, knowledge, resources and skills across our organisation, and getting comfortable working with differing views.



Introduction

The skills and expertise, organisational processes and structures and the collective knowledge held by our people are the intangible assets that contribute to Trustpower's success. Our business is full of talented people with developed and diverse skillsets. Expanding on these talents, we have been building capability to continue to succeed in a rapidly changing environment, focusing on leadership at all levels and being able to work with change to release our potential.

Leading through Change

The industries we work in have evolved from well-defined, slower-changing worlds where we had control (and change and competition were easily foreseeable), to fast-moving highly competitive worlds where change is disruptive and hard to predict.

To succeed in possible future states, we need to build certain capabilities and resilience among our people. We need both technical capability as well as people-centric and cross-functional understanding.

We see success being achieved by fostering the following for our people:

- We are agile and adapt to the changing environment.
- We develop effective relationships and leverage them to create value.
- We are authentic, consistent communicators who are aware of our impact on others.
- We identify opportunity and risk and act to create value.

- We energise and authorise our people to achieve high performance.
- We seek new knowledge to create future value.

We see success being achieved by fostering the following mindsets in our people:

- Authentic values-based leadership engages people.
- We are competing for the future.
- Focused collaboration achieves better business outcomes.
- We embrace risk to increase shareholder value; we speak up if it's not working.
- Knowledge is a competitive advantage.

For the past seven years we have run a learn-through-doing leadership programme named Leading our Future. We are currently refreshing our programme to ensure we have the people to lead us to the opportunities and through the challenges of the future.

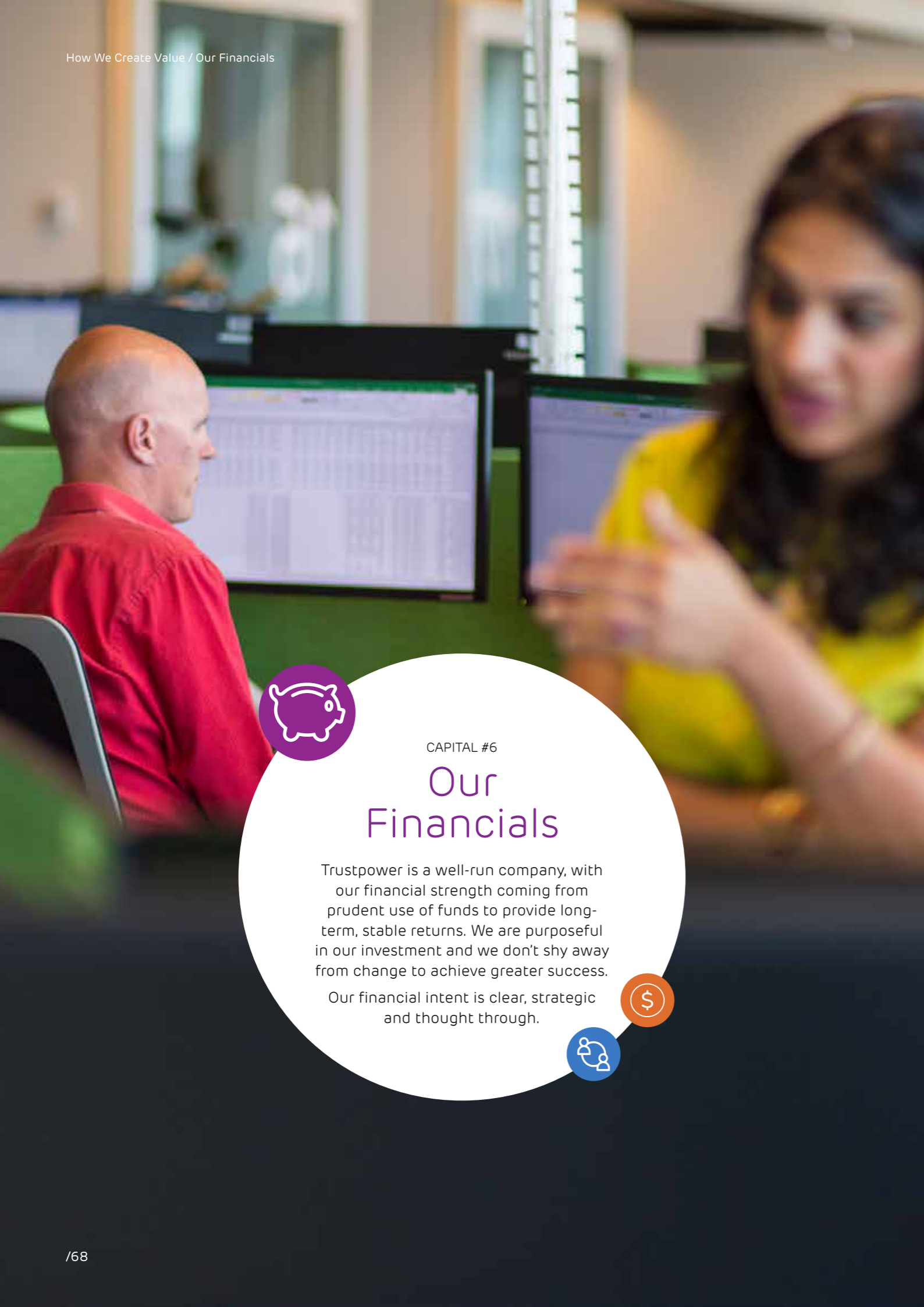
Change is the Constant

Trustpower's strategic review announced in January 2021 sees our people greet a new year with another layer of complexity. We have a dedicated people team that is focused on helping our people to manage transitions and prepare for any eventuality.



Future Focus

- Continue to build long-term relationships with stakeholders. We will do this by data collection and analysis and through listening to their views, understanding their motivators and subsequently meeting their needs.
- Further develop a continuous learning culture to build the capabilities required which will fulfil our aspirations.
- Continue to challenge ourselves to redefine what good leadership and individual purpose looks like.
- Continue to foster collaboration and develop tools and opportunities for people to leverage diverse ideas and skillsets.



CAPITAL #6

Our Financials

Trustpower is a well-run company, with our financial strength coming from prudent use of funds to provide long-term, stable returns. We are purposeful in our investment and we don't shy away from change to achieve greater success.

Our financial intent is clear, strategic and thought through.



Debt Profile

As at 31 March 2021, net debt was \$730.3 million, up 18% from \$617.2 million the year before. This increase was primarily driven by Trustpower funding electricity market security deposits. The amount required in the current year has significantly increased on the prior year as spot prices, and the ASX future prices, have increased significantly.

Trustpower uses net debt/EBITDAF as the metric to measure the company's ability to repay debt. The current level of 3.6x is heightened due the need to fund the electricity market security deposits as described above.

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 are aimed at encouraging 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.

Positioned for Growth

Over the last several years, Trustpower has sharpened our focus to be able to benefit from the expected decarbonisation and increased electrification. This has seen us divest our Australian operations to become solely New Zealand focused, and now undertake a strategic review to investigate generation investment large enough to meet expected future demand. Our Retail business has seen exponential growth, and successful investment in increasing

data supply to meet ever-increasing demand means we have secured a leading ISP network infrastructure, open to further opportunities.

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 (TECT), 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.

TECT owns 26.8% of voting shares and has also held shares since Trustpower's formation. The Trust's beneficiaries are account holders in Tauranga and Western Bay of Plenty, who traditionally receive two distributions each year. However, in light of Trustpower's strategic



Key Metrics

EBITDAF*
Growth
7.3%

Operating Cost
per MWh Generated
\$35.8

Underlying
Earnings*
**\$94.2
million**

Total
Shareholder Return
34.0%

Net Debt
to EBITDAF*
3.6

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

review announcement (in late January 2021) TECT are proposing to restructure and rename as TECT Consumer Trust, securing sufficient funds for beneficiary payments until 2050 with the balance being transferred to a new long-term community trust focused on grants for community projects. Even if a sale of Trustpower's mass market retail business does not eventuate from Trustpower's strategic review, TECT wish to proceed with this restructure.

A New Age of Reporting

Our Finance team began working from home on the 23rd of March 2020 as we entered national lockdown for the Covid-19 pandemic, eight days before balance date. Under usual circumstances, at financial end of year the team works closely with auditors PwC in the office and –

while our financial systems are fully automated – the human contact is normally a key part of the audit process.

The speed at which we could adopt a new digital environment was a testament to our robust systems, proving their resilience and agility. It is also a reflection of our resilient people; the team had no notice and were able to launch into their busiest time of year and deliver. Not only were we in a lockdown situation but this was also our first year auditing out of our new financial system, Workday.

Thanks to a phenomenal effort by a sound financial team, Trustpower was one of the first, (if not the first) listed company to complete a full set of audited financial statements without anyone from our finance team or our auditors actually being on site. Chief Financial Officer

Kevin Palmer says, "The key to success is not in the technology but having highly capable people who are prepared to innovate and roll their sleeves up to get the job done."

Reducing Uncertainty

Every year Trustpower has some bank debt or bond debt that matures, and we need to refinance. In 2020 we had \$80 million of bank debt facilities that were maturing in July 2020. Due to Covid-19, and the uncertainty of the impact it would have on financial markets, we accelerated the refinancing of this debt, and were able to secure (over a month ahead of the initial timetable) \$110 million of new facilities for the next few years. Trustpower is an organisation that values long-standing relationships with all our banks, meaning we were able to gain financial security during an uncertain period.



Future Focus

- Our rolling three-year shareholder value in the top quartile of our peers.
- Secure options to grow our generation business in line with national growth in electricity demand.
- Set profit growth targets for the business that focus on sustainable long term growth (further details to be provided once the outcome of the strategic review is known).

Corporate Governance

Trustpower is committed to sound corporate governance that will ensure the company operates as effectively as possible and with accountability and transparency.

The Board of Directors are elected by the shareholders and are responsible to shareholders for the performance of Trustpower and subsidiaries. The Board draws on relevant corporate governance consistent with best practice principles to assist and contribute to this performance.

This is a summary of Trustpower's Corporate Governance Statement, as of balance date 31 March 2021. A full copy of the statement and other policy documents, including committee charters, are available at trustpower.co.nz/investor-centre/governance-documents

Trustpower complies with the NZX Corporate Governance Code and is committed to maintaining the highest standards of honesty, integrity and ethical conduct. Any divergence from the code is explained.

Ethics

We have recently refreshed our Code of Ethics, reflecting the high ethical standards and behaviours acceptable from our Board and employees. More details can be found in *Our People* (page 50). This code works alongside our Protected Disclosures (Whistleblowing) and Financial Product Dealing (Insider Trading) policies.

Diversity and Inclusion

A summary of our Diversity and Inclusion statement can be found within *Our People* (page 49). We are committed to eliminating barriers and providing a workplace environment that promotes diversity and inclusion. We endeavour to ensure our workplaces are free of discrimination and other unlawful behaviours. This intent is explained in full in our Diversity and Inclusion Policy.

Safety and Wellbeing

Trustpower is committed to establishing and maintaining a safe and healthy workplace for our people (employees, contractors) and members of the public. We take a managed approach to working towards meeting the requirements outlined in the Health and Safety at Work Act and associated Act regulations; the approved codes of practice, guidelines and rules developed by WorkSafe, the Electricity Engineers' Association and StayLive; and safety of the public by accreditation to NZS7901: Public Safety around Electricity Generation Assets. Health and Safety risks, performance and management are included within this report in *Risk & Opportunity* (pages 34–36), *Our People* (page 49), and the *Chair & Chief Executive Report* (page 7).

Board of Directors

Our Directors are elected by shareholders and responsible for the performance and management of Trustpower, and relatedly the Group (see page 18 for Our Corporate Structure). The Board operates to a charter which outlines its responsibilities and commitments.

The Constitution and NZX Listing Rules require that while there is a total of seven directors, at least two must be independent directors. The Board has determined that SR Peterson and DEJ Gibson are independent directors and that all of PM Ridley-Smith, PJ Coman and K Baker (by being associated with Infratil Limited), KS Turner (by being associated with Tauranga Energy Consumer Trust) and DJ Prentice (since being appointed Chief Executive Officer in January 2020) are non-independent directors.

Recommendation 2.8 of the NZX Corporate Governance Code is that a majority of the board should be independent directors. Trustpower has not adopted Recommendation 2.8. Trustpower has five non-independent directors (determined as noted above) and two independent directors. While the non-independent directors are a majority, they have three different statuses, are independent of each other, and no one grouping represents an equality or majority of directors.

Recommendation 2.9 of the Corporate Governance Code is that an issuer should have an independent Chair of the Board and if the Chair is not independent, the Chair and the Chief Executive Officer should be different people. Trustpower does not adopt Recommendation 2.9 insofar as

it recommends an independent Chair. Infratil Limited, as majority shareholder, has requested that a nominee of it (currently PM Ridley-Smith) be Chair. The Board has accepted that request. Trustpower does comply with the recommendation that the Chair and Chief Executive Officer are different people.

Board Committees

Trustpower has three standing Board committees – the Audit and Risk Committee, the Governance and Nominations Committee and the People and Remuneration Committee. Each committee is summarised on page 19 of this report, with committee charters and comprehensive coverage of roles and responsibilities available in our Governance Documents in our investor centre.

Reporting and Disclosure

Trustpower 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

Trustpower operates a comprehensive, enterprise-wide risk management framework to identify and mitigate risk (see *Risk & Opportunity* page 34 for summarised details on functions and responsibilities).

We have established an internal audit function for monitoring Trustpower and the Group's system of internal financial control and the integrity of the financial information reported to the Board. Internal audit operates independently from the Board and reports its findings directly to the Audit and Risk Committee. The Board has engaged PricewaterhouseCoopers to act as external auditor.

Energy Trading

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

Treasury Policy

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

Environment

We recognise the importance of environmental issues and are committed to the highest levels of performance. To help meet this objective we have developed and implemented both environmental policies and a comprehensive environmental management system. Taskforce on Climate-Related Financial Disclosure reporting has also been included within this annual report.

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 Trustpower 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 required, the Board.

Results



Explaining the Financial Statements

Retail Earnings

FY21 showed a strong result with good momentum for our retail business. Product margins in electricity and telecommunications were up significantly. The electricity margin was driven by price changes undertaken primarily in calendar year 2020, and our telecommunication result was elevated on customer numbers and product mix.

The retail result was also buoyed by a reduction in cash operating and acquisition costs, primarily because of Covid-19 lockdowns reducing customer acquisition activity. This was offset by unfavourable IFRS15 adjustments, driven by a relative decrease in customer acquisition activity in FY21 compared to FY20.

Generation Earnings

Generation production volumes were hampered by historically low inflows across our portfolio; however, this was more than offset by materially higher wholesale prices.

Generation division revenues year-on-year were also impacted by the sale of Trustpower's meter asset business in November 2019 (\$7.8m year-on-year impact), increased share of corporate costs, and higher operating costs mainly relating to maintenance and direct costs of running plants more during high prices.

Group Result

Group NPAT was adversely impacted by the fair value losses incurred on some of our electricity price hedges. While the fair value movements of electricity price hedges in total represented a loss of only \$1.5 million, differences in accounting treatments have seen fair value gains of \$85.3 million taken to reserves while a loss of \$86.8 million is reflected in the income statement. These fair value movements are non-cash items.

Trustpower's underlying earnings were strong year-on-year, due to good gains in retail margins and favourable wholesale prices for our generation production.

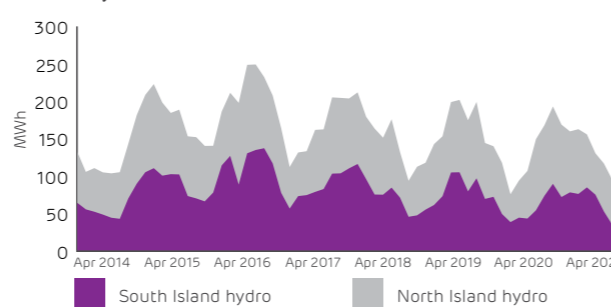
Balance Sheet/Dividend

Trustpower's balance sheet remains in a strong position, despite an increase in net debt that was driven by market prudential requirements due to high wholesale prices and our net position in the market. A fully imputed final dividend of 18.5 cents per share has been declared, bringing total dividends for the year to 35.5 cents per share, an increase of 9.2% on last year.

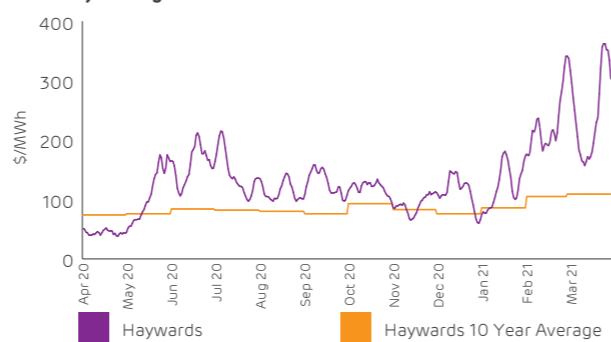
Group EBITDAF* FY20 to FY21



Monthly Generation Volumes



Weekly Average Prices - 12 months to end of March 2021



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

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 A20, which contains additional detailed disclosure readers may wish to use to supplement the disclosures in the primary sections of notes listed above.

There are also profitability analysis notes 3 and 9 for the Retail and Generation segments.

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Accounting policies can be found throughout the notes to the financial statements and are denoted by a grey box surrounding them. Policies are placed within the note that is the most relevant, however the policy applies to all financial statements and notes.

Key Metrics

	2021	2020	2019	2018	2017
Profit After Tax (\$M)	31	98	93	114	94
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)* (\$M)	200	186	222	243	218
Underlying earnings after tax (\$M)	94	75	103	135	115
Basic earnings per share (cents per share)	10.9	30.4	29.0	40.9	29.6
Underlying earnings per share (cents per share)	30.1	24.1	32.8	43.1	36.6
Dividends paid during the year (cents per share)	33	49	59	34	33
Net debt to EBITDAF	3.6	3.3	2.5	1.9	3.0
Net tangible assets per share (dollars per share)	3.14	3.12	3.61	4.21	4.10
Customers, Sales and Service					
Electricity connections (000s)	265	266	267	273	276
Telecommunication connections (000s)	112	104	96	87	76
Gas connections (000s)	44	41	39	37	33
Total utility accounts (000s)	421	411	402	397	385
Customers with two or more services (000s)	123	116	107	100	90
Mass market sales – fixed price (GWh)	1,824	1,817	1,823	1,784	1,895
Time of use sales – fixed price (GWh)	483	826	902	945	835
Time of use sales – spot price (GWh)	826	972	1,028	1,086	1,244
Total customer sales (GWh)	3,133	3,615	3,753	3,815	3,974
Average spot price of electricity purchased (\$/MWh)	147	109	131	91	55
Gas Sales (TJ)	1,039	986	1,006	1,012	1,013
Annualised customer churn rate	17%	17%	20%	19%	17%
Annualised customer churn rate – total market	19%	20%	22%	21%	20%
Generation Production and Procurement					
North Island generation production (GWh)	777	849	1,010	1,209	1,010
South Island generation production (GWh)	931	910	984	1,026	1,007
Total New Zealand generation production (GWh)	1,708	1,759	1,994	2,235	2,017
Average spot price of electricity generated (\$/MWh)	144	107	125	88	52
Net third party fixed price volume purchased (GWh)	959	1,512	1,463	1,539	1,309
Other Information					
Resource consent non-compliance events	10	21	10	5	15
Staff numbers (full time equivalents)	801	809	818	803	786

*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 2021.

The Directors are responsible for ensuring that the financial statements fairly present the financial position of the Group as at 31 March 2021 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



Susan Peterson
Director

Company Registration Number
565426

Dated: 17 May 2021



Independent auditor's report

To the Shareholders of Trustpower Limited

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 2021, 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).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 31 March 2021;
- 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 and other explanatory information.

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.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 area of tax compliance, specifically the review of income tax returns and tax related correspondence. We are also engaged to provide general tax advisory services and to provide other assurance engagements related to the Trustpower Insurance Limited solvency return and telecommunications development levy. 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.



Description of the key audit matter

Classification of retail business assets and hedge ineffectiveness

As disclosed in note 1 to the financial statements, on 28 January 2021 Trustpower announced a strategic review of its mass market retail business to test market interest in that business.

A disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The held for sale classification is used if the sale of that group of assets is highly probable at balance date. Assessing the probability of a sale requires the application of significant judgement.

As outlined in note 1, the Directors have considered that at balance date the sale was not highly probable because there were a number of uncertainties, including the following:

- While indicative bids had been received, they had not been evaluated with due diligence still to be undertaken by bidders and final bids to be received;
- Regulatory approval would potentially be required by some bidders; and
- The Tauranga Electricity Consumer Trust (TECT) proposed restructure process was still in progress, with the possibility that it may require High Court approval.

As a result of the potential disposal of the retail business, the Directors have further determined that certain contracts for differences (CFDs) no longer meet the hedge accounting criteria as the hedged transactions, being forecast electricity spot market purchases required to service demand from mass market customers, are now no longer considered highly probable. The associated fair value of \$17,407,000 has been transferred from the cash flow hedge reserve to the income statement, resulting in a corresponding increase in profit. Refer to Notes 1 and A16(d).

How our audit addressed the key audit matter

Our procedures to assess the classification of retail business assets included:

- Obtaining a detailed timeline of events and corroborating the fact pattern supporting the Directors' assessment as to whether a sale is highly probable at balance date through:
 - Examination of Board minutes and papers of the Company including advisor reports relevant to the potential sale and details of the latest timetable;
 - Review of documents on the TECT website evidencing the status of their proposed restructure; and
 - Discussions with management and Directors both pre and post balance date on the status of the transaction and key fact patterns.
- Assessing the evidence against the criteria of the accounting standard; and
- Reviewing the disclosures in the financial statements outlining the significant judgements in relation to the potential sale.

In relation to the testing of hedge ineffectiveness our procedures included:

- Evaluating management's judgements regarding the probability of future electricity purchases considering the fact pattern surrounding the status of the strategic review, with reference to the guidance in NZ IFRS 9. This included assessing the estimated timing of a potential sale;
- Assessing the estimated forecast electricity purchase volumes required to service the continuing fixed price sales commercial and industrial customer base by comparing them to historical levels and understanding reasons for expected changes;
- Reviewing hedge documentation and, through discussions with management, obtaining a detailed understanding of the composition of the CFD hedge portfolio used to manage electricity price risk;
- Testing the fair value of the ineffective CFDs, with the assistance of our own valuation specialists; and
- Reviewing the presentation and disclosure of this matter in the financial statements.



Description of the key audit matter	How our audit addressed the key audit matter
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<p>These matters are a key audit matter due to the significance of the strategic review to users of the financial statements, the level of judgement in assessing whether the held for sale criteria is met and the judgement and estimation involved in determining and valuing the hedge ineffectiveness adjustment. In this regard, the key judgement is the timing of a possible sale and the key estimate is the forecast volume of electricity purchases required to service Trustpower's ongoing fixed price sales commercial and industrial customer base.</p>	<p>We had no matters to report as a result of our procedures.</p>
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Carrying value of generation assets

As described in notes 10 and 11 in the financial statements, generation assets are recorded at fair value and revalued every three years or more frequently if there is evidence of a significant change in value. The effect of this policy is to ensure that at each reporting date the carrying value materially approximates estimated fair value. Fair value is determined using a discounted cash flow methodology.

The valuation of generation assets involves a number of significant assumptions including forward electricity prices, the weighted average cost of capital used to discount future cash flows, estimated avoided cost of transmission (ACOT) revenues, the inflation rate, and operational inputs such as future generation volumes and operating costs. All these assumptions involve judgements about the future.

Since the generation assets were last revalued at 31 March 2020, there have been several significant developments that impact the key inputs used in determining the fair value as disclosed in note 11 to the financial statements. These matters include the announcement by New Zealand Aluminium Smelters Limited of its intention to close its aluminium smelter at Tiwai Point from 2025 and the Electricity Authority's release of its final Transmission Pricing Guidelines which would end Trustpower's avoided cost of transmission (ACOT) revenue from 1 April 2024.

In the current year, management, with the assistance of independent valuers, have estimated a valuation range at 31 March 2021 to determine whether the carrying value at year end materially represents fair value or whether a revaluation is required.

Utilising our energy sector valuation specialist we have reviewed and sensitised the key assumptions used to independently determine an estimated valuation range. Our procedures have included:

- Comparing the forward electricity price path to current externally derived market forecast data and our independent estimate of the price path;
- Comparing the weighted average cost of capital against our independently calculated rate reflecting current market conditions;
- Assessing the appropriateness of ACOT revenues, considering the latest Electricity Authority announcements; and
- Comparing the inflation rate used to the Reserve Bank of New Zealand forecast.

We assessed the appropriateness of the operational inputs' assumptions for generation volumes and costs by:

- Comparing forecast generation volumes to actual realised volumes over time; and
- Assessing forecasted operating and capital expenditure by understanding and evaluating the reasons for any significant changes between the costs included in the last revaluation and the current forecast.

Additionally we:

- Assessed the competence, independence and objectivity of the Group's valuation specialists;
- Checked the mathematical accuracy of the valuation estimate model;
- Met with the independent valuer to discuss the assumptions and judgements used to determine their valuation range estimate;
- Assessed the overall appropriateness of the valuation range; and
- Considered the adequacy of the related financial statement disclosures.

We had no matters to report as a result of our procedures.

Description of the key audit matter	How our audit addressed the key audit matter
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<p>The carrying value of the generation assets is within this range and near the midpoint. Consequently, the Directors have determined that the current carrying value represents fair value and a revaluation is not required.</p>	<p></p>
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Our audit approach Overview



Overall group materiality: \$6.5 million, which represents approximately 5% of profit before tax, adjusted to exclude fair value losses and hedge ineffectiveness adjustments on financial instruments used to manage electricity price risk.

Given the impact of the increased volatility in electricity pricing on profit before tax, we excluded fair value losses on financial instruments used to manage electricity price risk. We also excluded the gain on the hedge ineffectiveness that, due to its size and infrequent occurrence, causes an unusual fluctuation in profit before tax. In our view, adjusted profit as determined above is the benchmark which best reflects the performance of the Group for the year ended 31 March 2021.

Following our assessment of the risk of material misstatement, we performed:

- A full scope audit for Trustpower Limited
- Specified audit procedures and analytical review procedures on material balances in the remaining entities within the Group.

As reported above, we have two key audit matters, being:

- Classification of retail business assets and hedge ineffectiveness
- Carrying value of generation assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

How we tailored our group audit scope

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.

A full scope audit was performed for Trustpower Limited based on its financial significance. Specified audit procedures and analytical review procedures were performed on material balances in the remaining entities within the Group, being King Country Energy Holdings Limited, King Country Energy Limited and Trustpower Insurance Limited.



Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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/assurance-standards/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:

Chartered Accountants
Auckland, New Zealand
17 May 2021

Income Statement

For The Year Ended 31 March 2021	Note	2021 \$000	2020 \$000
Operating Revenue			
Electricity revenue	3, 9	760,898	804,214
Telecommunications revenue	3	105,234	98,101
Gas revenue	3	29,842	29,934
Revenue allocated to customer incentives	3	27,543	27,865
Other operating revenue		29,272	29,818
		952,789	989,932
Operating Expenses			
Line costs	3	242,709	280,732
Electricity costs		189,727	207,138
Generation asset maintenance costs	9	21,753	22,219
Employee benefits		75,697	74,156
Telecommunications cost of sales	3	67,199	63,236
Gas cost of sales	3	26,865	24,008
Customer incentives		20,742	26,872
Other operating expenses	A5	107,930	105,105
		752,622	803,466
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)*	A2	200,167	186,466
Impairment of assets	10	-	7,531
Gain on sale of metering equipment	10	-	(16,431)
Net fair value (gains) / losses on financial instruments	A9, A16	83,508	(16,169)
Amortisation of intangible assets	5	12,669	11,033
Depreciation	10,16	32,673	31,541
Operating Profit		71,317	168,961
Interest paid	15	30,846	32,393
Interest received	15	(541)	(648)
Net finance costs		30,305	31,745
Profit Before Income Tax		41,012	137,216
Income tax expense	21	10,275	39,608
Profit After Tax		30,737	97,608
Profit after tax attributable to the shareholders of the Company		34,123	95,071
Profit after tax attributable to non-controlling interests		(3,386)	2,537
Basic and diluted earnings per share (cents per share)	A3	10.9	30.4

*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 2021	Note	2021 \$000	2020 \$000
Profit after tax		30,737	97,608
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss:			
Revaluation losses on generation assets		-	(78,304)
Items that may be subsequently reclassified to profit or loss:			
Fair value (losses)/gains on cash flow hedges	A10	85,092	(28,985)
Tax effect of the following:			
Revaluation losses on generation assets		-	9,282
Fair value losses/(gains) on cash flow hedges	A10	(23,826)	8,116
Total Other Comprehensive Gains/(Losses)		61,266	(89,891)
Total Comprehensive Income		92,003	7,717
Attributable to shareholders of the Company		95,389	5,180
Attributable to non-controlling interests		(3,386)	2,537

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For The Year Ended 31 March 2021	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								
Disposal of revalued assets		-	-	-	95,071	95,071	2,537	97,608
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 on cash flow hedges		-	-	8,116	-	8,116	-	8,116
Total other comprehensive income		-	(69,022)	(20,869)	-	(89,891)	-	(89,891)
Contributions by and distributions to non-controlling interest								
Sale of shares in subsidiary to outside equity interest	25	-	-	-	-	-	-	-
Total contributions by and distributions to non-controlling interest		-	-	-	-	-	-	-
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 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 2020	2	732,898	7,987	335,340	1,076,227	23,787	1,100,014
Profit after tax attributable to the shareholders of the Company	-	-	-	34,123	34,123	(3,386)	30,737
Disposal of revalued assets	-	-	-	-	-	-	-
Other comprehensive income – items that will not be reclassified to the profit or loss							
Revaluation losses on generation assets	-	-	-	-	-	-	-
Other comprehensive income – items that may be reclassified to the profit or loss							
Fair value gains/(losses) on cash flow hedges							
Realised	-	-	(869)	-	(869)	-	(869)
Unrealised	-	-	85,962	-	85,962	-	85,962
Tax effect of the following:							
Revaluation losses on generation assets	-	-	-	-	-	-	-
Fair value gains/(losses) on cash flow hedges	-	-	(23,826)	-	(23,826)	-	(23,826)
Total other comprehensive income	-	-	61,267	-	61,267	-	61,267
Transactions with owners recorded directly in equity							
Dividends paid	-	-	-	(101,991)	(101,991)	(3,123)	(105,114)
Total transactions with owners recorded directly in equity	-	-	-	(101,991)	(101,991)	(3,123)	(105,114)
Closing balance as at 31 March 2021	2	732,898	69,254	267,472	1,069,626	17,278	1,086,904

The accompanying notes form part of these financial statements

Statement of Financial Position

Note	2021 \$000	2020 \$000
As at 31 March 2021		
Equity		
<i>Capital and reserves attributable to shareholders of the Company</i>		
Share capital	17	2
Revaluation reserve	732,898	732,898
Retained earnings	267,472	335,340
Cash flow hedge reserve	A10	69,254
Non-controlling interests	17,278	23,787
Total Equity	1,086,904	1,100,014
<i>Represented by:</i>		
Current Assets		
Cash at bank	6,091	8,662
Electricity market security deposits	A19	95,899
Accounts receivable and prepayments	A7	110,306
Capitalised customer acquisition costs	4	34,959
Derivative financial instruments	A11	75,994
Taxation receivable	17,618	-
	340,867	149,421
Non-Current Assets		
Property, plant and equipment	10	1,839,150
Right-of-use assets	16	32,248
Capitalised customer acquisition costs	4	13,496
Derivative financial instruments	A11	73,830
Loan receivable	7,333	8,000
Intangible assets	5	35,466
	2,001,523	1,961,361
Total Assets	2,342,390	2,110,782
Current Liabilities		
Accounts payable and accruals	A8	109,636
Unsecured senior bonds	14	83,046
Unsecured bank loans	14	30,126
Lease liabilities	16	7,669
Derivative financial instruments	A11	87,111
Taxation payable	-	6,003
	317,588	143,635
Non-Current Liabilities		
Unsecured bank loans	14	273,168
Unsecured senior bonds	14	350,003
Lease liabilities	16	25,703
Derivative financial instruments	A11	54,377
Deferred tax liability	22	234,647
	937,898	867,133
Total Liabilities	1,255,486	1,010,768
Net Assets	1,086,904	1,100,014

The accompanying notes form part of these financial statements

Cash Flow Statement

For The Year Ended 31 March 2021	Note	2021 \$000	2020 \$000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers		925,149	1,013,593
		925,149	1,013,593
<i>Cash was applied to:</i>			
Payments to suppliers and employees		721,005	814,560
Taxation paid		42,822	45,965
		763,827	860,525
Net Cash from Operating Activities	A13	161,322	153,068
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		–	19,436
Sale of other investments		667	765
Return of electricity market security deposits		127,550	14,400
Interest received		541	648
		128,758	35,249
<i>Cash was applied to:</i>			
Lodgement of electricity market security deposits		222,908	10,273
Purchase of property, plant and equipment		26,106	24,268
Purchase of intangible assets		9,420	12,705
		258,434	47,246
Net Cash used in Investing Activities		(129,676)	(11,997)
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Bank loan proceeds		245,404	199,679
Senior bond issue proceeds		–	125,000
Sale of shares in subsidiary to outside equity interest		–	–
		245,404	324,679
<i>Cash was applied to:</i>			
Bond brokerage costs		–	1,359
Repayment of bank loans		135,800	154,500
Repayment of subordinated bonds		–	114,163
Repayment of lease liability		8,666	6,774
Interest paid		30,042	31,819
Dividends paid to owners of the Company		101,990	153,357
Dividends paid to non-controlling shareholders in subsidiary companies		3,123	3,320
		279,621	465,292
Net Cash used in Financing Activities		(34,217)	(140,613)
Net Increase in Cash and Cash Equivalents		(2,571)	458
Cash and Cash equivalents at beginning of the year		8,662	8,204
Cash and Cash Equivalents at End of the Year		6,091	8,662

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 2021.

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 A20.

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

Critical accounting estimates and judgements

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

- fair value of Trustpower's generation assets (Note 11)
- useful lives of generation assets for depreciation (Note 11)
- fair value of derivatives and other financial instruments (Note A17)
- unbilled electricity gross margin as a result of unread electricity meters (Note 6)
- capitalised acquisition costs amortisation expense (Note 6)
- income tax treatment of certain revenue or expense items (Note 23)
- status of mass market retail business (see below)

Strategic review of mass market retail business

On 28 January 2021, Trustpower announced a strategic review of its mass market retail business which was designed to test market interest in that business. The mass market retail business is not considered held for sale for the purposes of NZ IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and the financial statements have been prepared on that basis. In order for an asset or disposal group to be considered held for sale under NZ IFRS 5, the sale must be highly probable at balance date. While indicative bids for the retail business had been received by 31 March 2021, any sale was not highly probable due to a number of uncertainties, including: the due diligence process had not yet begun; additional information on the indicative bids was still being sought and an assessment of the attractiveness of those bids was yet to be made; feedback on the proposed Tauranga Energy Consumer Trust (TECT) restructure was still being considered and had yet to be made public; the possibility that High Court approval of the TECT proposal be necessary and potential regulatory approvals required by some bidders.

Hedge ineffectiveness

The strategic review has caused some ineffectiveness, under NZ IFRS 9 Financial Instruments, of its electricity price hedges resulting in the release of a \$17,407,000 credit from the cash flow hedge reserve to net fair value (gains)/losses on financial instruments recorded in the income statement (see note A16 for more details).

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 year to 31 March 2021 included national and regional lockdowns and the impact on Trustpower's business was not material. As such, no specific Covid-19 related impairments are considered appropriate.

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 2020 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 2021 are as follows:

	Retail \$000	Generation \$000	Other \$000	Total \$000
Total segment revenue	888,061	227,286	549	1,115,896
Inter-segment revenue	–	(162,908)	(199)	(163,107)
Revenue from external customers	888,061	64,378	350	952,789
Total segment operating costs	841,078	73,142	1,509	915,729
Inter-segment operating costs	(164,538)	1,630	(199)	(163,107)
External operating costs	676,540	74,772	1,310	752,622
EBITDAF	46,983	154,144	(960)	200,167
Amortisation of intangible assets	4,813	–	7,856	12,669
Depreciation	–	16,311	16,362	32,673
Capital expenditure	–	22,062	14,182	36,244
Asset impairment	–	–	–	–

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	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	–	11,840	22,987	34,827
Asset impairment	–	7,531	–	7,531

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.

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 265,000 homes and businesses (2020: 266,000), supplies 44,000 customers with gas (2020: 41,000) and connects 112,000 (2020: 104,000) 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

	2021 \$000	2021 \$000	2020 \$000	2020 \$000
Operating Revenue				
Electricity revenue				
Mass market – fixed price	477,260		479,709	
Commercial & industrial – fixed price	73,099		122,593	
Commercial & industrial – spot price	164,137	714,496	154,536	756,838
Gas revenue		29,842		29,934
Telecommunications revenue		105,234		98,101
Revenue allocated to customer incentives		27,543		27,865
Other operating revenue		10,946		11,069
		888,061		923,807
Operating Expenses				
Electricity costs		351,669		357,583
Line costs		242,709		280,732
Telecommunications cost of sales		67,199		63,236
Employee benefits		40,646		40,597
Meter rental costs		28,422		28,214
Gas cost of sales		26,865		24,008
Market fees and costs		10,954		9,078
Marketing and acquisition costs		11,581		12,199
Customer incentives		20,742		26,872
Bad debts		3,198		4,985
Other operating expenses*		37,093		40,960
		841,078		888,464
EBITDAF		46,983		35,343
The analysis above includes the following transactions with the Generation segment:				
Electricity costs		161,942		150,445
Meter rental costs		–		4,951
Other operating expenses		2,596		2,812
		164,538		158,208

* 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. This activity ceased during the 2020 financial year.

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

	2021 \$000	2020 \$000
Opening balance	55,398	53,021
Additions	39,283	44,246
Amortisation to electricity revenue	(26,098)	(23,110)
Amortisation to telecommunications revenue	(12,679)	(9,645)
Amortisation to marketing and acquisition costs	(7,449)	(9,114)
Closing balance	48,455	55,398
Current portion	34,959	35,320
Non-current portion	13,496	20,078
	48,455	55,398

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, such as sales agent commissions and certain broadband connection costs, are amortised on a straight line basis over the expected average customer tenure of 4.5 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 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
Additions at cost	–	9,917	–	9,917
Amortisation	(1,464)	(11,205)	–	(12,669)
Impairment	–	–	–	–
Disposals at net book value	–	–	–	–
Transfers	–	(497)	–	(497)
Closing balance as at 31 March 2021				
Cost	83,336	118,677	4,171	206,184
Accumulated amortisation	(75,815)	(94,903)	–	(170,718)
	7,521	23,774	4,171	35,466

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 appropriate.

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 (decreased)/increased by \$(621,000)/\$621,000 (2020: increased/(decreased) by \$1,480,000/\$(1,480,000)).

Capitalised acquisition costs 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 (2020: 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 237,000 customers (2020: 236,000). The largest single customer accounts for 1 per cent (2020: 1 per cent) of Trustpower's total accounts receivable. Included in other accounts payable and accruals (refer to note A8) is \$167,000 (2020: \$356,000) 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 \$3,834,000 (2020: \$4,200,000). 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.

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% (2020: 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 segment profitability analysis

	Note	2021 \$000	2020 \$000
Operating Revenue			
Electricity revenue		206,715	187,224
Meter rental revenue		–	8,950
Net other operating revenue*		20,571	16,103
		227,286	212,277
Operating Expenses			
Generation asset maintenance costs		21,753	22,219
Electricity hedge settlements		(498)	(10,304)
Employee benefits		17,279	17,610
Generation development expenditure		1,328	612
Other operating expenses		33,280	27,926
		73,142	58,063
EBITDAF		154,144	154,214
The analysis above includes the following transactions with the Retail segment:			
Electricity revenue		160,312	139,848
Electricity hedge settlements		1,630	10,597
Meter rental revenue		–	4,951
Other operating revenue		2,596	2,812
		164,538	158,208

*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 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)
	1,770,128	–	–	–	1,770,128
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
Additions at cost	19,358	10	86	6,873	26,327
Depreciation	(15,749)	(237)	(5)	(7,504)	(23,495)
Disposals at net book value	(143)	(148)	–	(122)	(413)
Revaluations	–	–	–	–	–
Transfers/impairments	(93)	150	(86)	348	319
	1,770,128	–	–	–	1,770,128
Closing balance as at 31 March 2021					
Fair value	1,770,128	–	–	–	1,770,128
Cost	678	28,534	152	62,303	91,581
Capital work in progress	33,948	–	2	4,651	38,601
Accumulated depreciation	(16,381)	(1,624)	(60)	(43,181)	(61,246)
	1,788,373	26,910	94	23,773	1,839,150

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.

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. At 31 March 2020, the overall valuation range was 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 was determined to be appropriate given additional uncertainty introduced by Covid-19.

Assumptions as at 31 March 2020	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
Inflation	1.0%	3.0%	-\$136,000,000 / +\$147,000,000
Generation volume	1,668GWh	2,205GWh	-/+ \$370,000,000
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

Since the previous generation asset valuation at 31 March 2020, New Zealand Aluminium Smelters Limited has announced its intention to close its aluminium smelter at Tiwai Point from 2025. The Electricity Authority has also announced its final Transmission Pricing Guidelines which would end Trustpower's avoided cost of transmission (ACOT) revenue from 1 April 2024. Both of these developments are negative to the value of Trustpower's generation assets. However elevated short term electricity future pricing and continued low interest rates are positive to value. Trustpower has conducted a detailed review of the carrying value of these assets in light of this new data and the Directors have concluded that the value sits within a reasonable fair value range. This review included the use of independent experts, who provided a revision of the forward price of electricity and Trustpower's weighted average cost of capital.

The net impact of the changes to the forward electricity price path (including the impact of higher, short term electricity future prices) is not material. The impacts of the removal of avoided cost of transmission revenue and a reduction in the weighted average cost of capital have materially offset each other. The assessed fair value range at 31 March 2021 is slightly narrower, and completely within the 31 March 2020 valuation range described above. Apart from the removal of ACOT revenue, the nature and amount of the key valuation sensitivities has not significantly changed since 31 March 2020, as presented in the table above.

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

Depreciation expense

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

Sensitivity analysis

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by \$1,432,000/\$(1,750,000) (2020: \$1,504,000/\$(1,838,000)).

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 New Zealand.

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.

Climate Change Risk

Changing weather patterns due to climate change could increase the three risks listed above. The mitigations noted will still be the primary mitigations if this does occur.

Note 13: Generation commitments

	2021 \$000	2020 \$000
Capital commitments	19,022	6,061

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

Funding

This section explains how Trustpower is funded.

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

This section includes the following notes:

Note 14: Borrowings

Note 15: Finance Income And Costs

Note 16: 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.

	2021	
	Unsecured Bank Loans \$000	Senior Bonds \$000
<i>Repayment terms:</i>		
Less than one year	75,126	83,046
One to two years	102,000	127,734
Two to five years	126,168	-
Over five years	-	225,000
Bond issue costs	-	(2,731)
	303,294	433,049
Current portion	30,126	83,046
Non-current portion	273,168	350,003
	303,294	433,049
<i>Undrawn facilities</i>		
Less than one year	5,000	-
One to two years	45,000	-
Two to five years	51,832	-
Over five years	-	-
	101,832	-
<i>Weighted average interest rate:</i>		
Less than one year	1.9%	5.6%
One to two years	1.9%	4.0%
Two to five years	1.6%	-
Over five years	-	3.6%
	1.8%	4.1%

Note 14: Borrowings (continued)

	2020	
	Unsecured Bank Loans \$000	Senior Bonds \$000
<i>Repayment terms:</i>		
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
<i>Undrawn facilities</i>		
Less than one year	41,000	-
One to two years	36,000	-
Two to five years	99,500	-
Over five years	-	-
	176,500	-
<i>Weighted average interest:</i>		
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%

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 2021 the senior bonds had a fair value of \$455,850,000 (31 March 2020: \$442,956,000). The bonds have been classified as level 1 in the fair value hierarchy, see note A17 for a definition of the levels.

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

Note 15: Finance income and costs

	2021 \$000	2020 \$000
Amortisation of debt issue costs	842	974
Interest paid on unsecured bank loans	4,265	4,880
Interest paid on unsecured subordinated bonds	–	3,312
Interest paid on unsecured senior bonds	18,532	16,068
Interest paid on lease liabilities	1,311	1,417
Other interest costs and fees	5,896	5,742
Total Interest Expense	30,846	32,393
Interest received on cash at bank	541	648
Total Interest Income	541	648

There was no capitalised interest in the year to 31 March 2021 (2020: none).

Note 16: Leases

Lease payments are discounted at Trustpower's incremental borrowing rate as of 1 April 2020. The weighted average incremental borrowing rate applied to lease liabilities at 1 April 2020 was 3.8%. The associated right-of-use assets for leases were measured at the amount equal to the lease liability determined as at 1 April 2020, with no overall change in net assets.

	2021 \$000	2020 \$000
Right-of-use assets		
Opening Balance	35,455	32,563
Additions	5,971	10,303
Depreciation	(9,178)	(7,411)
	32,248	35,455
Lease liabilities		
Opening Balance	36,100	32,563
Additions	5,971	10,303
Payments – Building	(3,470)	(3,482)
Payments – Telecommunications Equipment	(6,438)	(4,603)
Payments – Other	(102)	(98)
Interest	1,311	1,417
	33,372	36,100
Lease liabilities		
Current liabilities	7,669	6,924
Non-current liabilities	25,703	29,176
	33,372	36,100

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.

Note 17: Share capital

	2021 000's of Shares	2020 000's of Shares	2021 \$000	2020 \$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

	2021 Cents Per Share	2020 Cents Per Share	2021 \$000	2020 \$000
Final dividend prior period	15.5	17.0	48,645	53,205
Interim dividend paid current period	17.0	17.0	53,346	53,205
Special dividend paid current period	–	15.0	–	46,946
	32.5	49.0	101,991	153,356

Final fully imputed dividend declared subsequent to the end of the reporting period payable 18 June 2021 to all shareholders on the register at 11 June 2021.

17.0	15.5	53,205	48,511
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Fully imputed special dividend declared subsequent to the end of the reporting period payable 18 June 2021 to all shareholders on the register at 11 June 2021.

1.5	–	4,695	–
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Dividend distribution

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

Note 19: Imputation credit account

	2021 \$000	2020 \$000
Imputation credits available for use in subsequent reporting periods	14,113	17,320

The above amounts represent the balance of the imputation account as at the end of the reporting period. 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	2021 \$000	2020 \$000
Net debt			
Unsecured bank debt	14	303,294	193,690
Unsecured senior bonds	14	433,049	432,208
Cash and cash equivalents		(6,091)	(8,662)
		730,252	617,236
EBITDAF	A2	200,167	186,466
Net debt to EBITDAF		3.6	3.3

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:

	2021 \$000	2020 \$000
Net debt	730,252	617,236
Equity		
Total equity	1,086,904	1,100,014
Remove net effect of fair value of financial instruments after tax	(69,254)	(7,987)
	1,017,650	1,092,027
Total capital funding	1,747,902	1,709,263
Gearing ratio	42%	36%

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

	2021 \$000	2020 \$000
Profit before income tax	41,012	137,216
Tax on profit @ 28%	11,483	38,420
Tax effect of non-deductible expenditure	838	948
Change in tax treatment of commercial buildings ¹	-	(1,543)
Income tax (over)/under provided in prior year	(2,046)	1,783
	10,275	39,608

Represented by:

Current tax	19,178	38,995
Deferred tax	(8,903)	613
	10,275	39,608

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	2021 \$000	2020 \$000
Balance at beginning of year		219,724	236,509
Current year changes in temporary differences recognised in profit or loss	21	(7,977)	1,636
Current year changes in temporary differences recognised in other comprehensive income		23,826	(17,398)
Reclassification of prior year temporary differences	21	(926)	(1,023)
Total deferred tax liabilities		234,647	219,724

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 2021				
Revaluations	140,859	-	-	140,859
Other property, plant and equipment movements	65,490	336	-	65,826
Employee benefits	(3,629)	623	-	(3,006)
Provision for impairment	(1,176)	102	-	(1,074)
Customer base assets	2,431	(350)	-	2,081
Financial instruments	(1,834)	(6,908)	23,826	15,084
Other	17,583	(2,706)	-	14,877
	219,724	(8,903)	23,826	234,647
	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

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 (2020: nil).

Subsequent to balance data some bidders have been invited to participate in a due diligence process as part of the strategic review of Trustpower's mass market retail business (see note 1 for more details). Final bids have not been received at the time of signing these financial statements.

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	2021 \$000	2020 \$000
Salaries and other employee benefits paid during the year		7,896	8,131
Fair value movements in cash settled, share based incentives	A14	(1,104)	1,259
		6,792	9,390

\$3,923,000 of this amount was unpaid at 31 March 2021 (2020: \$4,872,000).

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

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 \$3,095,000 (2020: \$1,946,000).

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:

	2021 \$000	2020 \$000
Purchases of electricity from Tilt Renewables	38,716	41,351
Revenue from generation dispatch services provided to Tilt Renewables	151	299

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

	2021 \$000	2020 \$000
Liability due to purchases of electricity	(1,895)	(3,058)
Asset due to revenue from generation dispatch services	30	25
	(1,865)	(3,033)

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:

	2021 \$000	2020 \$000
Lease payments	3,635	2,352
Purchase of telecommunications services	433	756
	4,068	3,108

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

	2021 \$000	2020 \$000
Right-of-use asset	3,614	1,870
Lease liability	(3,638)	(1,843)
Net assets	(24)	27

Shareholders

Trustpower is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% (2020: 51.0%) of Trustpower Limited's voting shares. The Tauranga Energy Consumer Trust owns 26.8% (2020: 26.8%) and the residual balance of 22.2% (2020: 22.2%) is widely held.

Except as noted above, no material 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 (2020: nil). Except as noted above there are no amounts outstanding at 31 March 2021 (2020: nil).

Appendices

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
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Adoption Status of Relevant New Financial Reporting Standards and Interpretations	A20

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

Note A2: Non-GAAP measures

Underlying Earnings after Tax

	Note	2021 \$000	2020 \$000
Profit after tax attributable to the shareholders of the Company (\$000)		34,123	95,071
Fair value losses / (gains) on financial instruments	A9	83,508	(16,169)
Gain on sale of metering equipment	10	-	(16,431)
Asset impairments	10	-	7,531
Adjustments before income tax		83,508	(25,069)
Change in income tax expense in relation to adjustments		(23,382)	7,019
Change in tax treatment of commercial buildings	21	-	(1,543)
Adjustments after income tax		60,126	(19,593)
Underlying Earnings After Tax		94,249	75,478

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	2021	2020
Profit after tax attributable to the shareholders of the Company (\$000)		34,123	95,071
Weighted average number of ordinary shares on issue (thousands)	17	312,973	312,973
Basic and diluted earnings per share (cents per share)		10.9	30.4
Underlying earnings after tax (\$000)	A2	94,249	75,478
Weighted average number of ordinary shares on issue (thousands)	17	312,973	312,973
Underlying earnings per share (cents per share)		30.1	24.1

Note A4: Net tangible assets per share

	Note	2021 \$000	2020 \$000
Total net assets		1,086,904	1,100,014
Less intangible assets (including capitalised customer acquisition costs)	4, 5	(83,921)	(94,113)
Less net tangible assets attributed to non-controlling interest		(21,504)	(28,017)
Net tangible assets attributed to shareholders		981,479	977,884
Number of ordinary shares on issue (thousands)	17	312,973	312,973
Net tangible assets per share (dollars per share)		3.14	3.12

Note A5: Other operating expenses

	Note	2021 \$000	2020 \$000
Remuneration of auditors	A6	644	832
Bad debt expense	A16	3,198	4,985
Directors' fees		648	727
Donations		1,271	903
(Gain)/loss on foreign exchange		(15)	79
Generation development expenditure		1,328	612
Market fees and costs		10,954	9,078
Meter rental costs		28,422	23,264
Net gain on sale of property, plant and equipment		(125)	(328)
Marketing and acquisition costs		11,581	12,199
Computer maintenance and support costs		16,742	17,068
Other administration costs		33,282	35,686
		107,930	105,105

Note A6: Remuneration of auditors

	2021 \$000	2020 \$000
During the year the following fees were payable to the auditors of Trustpower, PricewaterhouseCoopers:		
Audit and other assurance services		
Audit of financial statements	443	590
Other assurance services		
Audit of regulatory returns ¹	21	19
Review of half year financial statements	111	73
	575	682
Taxation services		
Tax compliance services ²	47	75
Tax compliance advice ³	1	33
	48	108
Other services		
Financial system migration controls assessment	-	22
Agreed upon procedures over the financial information for King Country Energy Limited	21	20
	21	42
Total remuneration of PricewaterhouseCoopers	644	832

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.

Note A7: Accounts receivable and prepayments

	2021 \$000	2020 \$000
<i>Current Portion:</i>		
Trade receivables including unbilled sales	90,389	81,223
Provision for expected credit losses	(3,834)	(4,200)
Electricity market receivables	5,095	776
Other receivables	15,719	10,938
GST receivable	137	138
Prepayments	2,800	1,902
	110,306	90,777

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

	2021 \$000	2020 \$000
Customer bond deposits	167	356
Electricity market payables	15,716	4,571
Employee entitlements	13,801	15,032
Interest accruals	1,738	1,473
GST payable	5,112	5,248
Other accounts payable and accruals	36,249	23,330
Trade accounts payable	36,853	42,982
	109,636	92,992

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 2021 are summarised below:

	2021 \$000	2020 \$000
	Note	
Recognised in the income statement		
Interest rate derivatives	3,325	(1,990)
Ineffective portion transferred from cash flow hedge reserve	A16 17,407	-
Electricity price derivatives	(104,240)	18,159
	(83,508)	16,169
	2021 \$000	2020 \$000

Recognised in the cash flow hedge reserve

Electricity price derivatives	102,713	(28,985)
Ineffective portion transferred to income statement	A16 (17,407)	-
Exchange rate derivatives	(214)	-
	85,092	(28,985)

Note A10: Cash flow hedge reserve

	2021 \$000	2020 \$000
Balance at beginning of year	7,987	28,856
Fair value (losses)/gains	A16 103,369	(12,090)
Ineffective portion transferred to income statement	(17,407)	-
Transfers to energy cost expense	(869)	(16,895)
	85,093	(28,985)
Tax on fair value losses/(gains)	(28,943)	3,385
Tax on ineffective portion transferred to income statement	4,874	-
Tax on transfers to energy cost expense	243	4,731
	(23,826)	8,116
	69,254	7,987

Note A11: Derivative financial instruments

	2021 \$000	2020 \$000
Current		
Interest rate derivative assets	–	–
Electricity price derivative assets	75,994	14,121
	75,994	14,121
Interest rate derivative liabilities	1,137	317
Electricity price derivative liabilities	85,781	2,399
Exchange rate derivative liabilities	193	–
	87,111	2,716
Non-current		
Interest rate derivative assets	4,216	8,649
Electricity price derivative assets	69,614	14,052
	73,830	22,701
Interest rate derivative liabilities	18,403	26,980
Electricity price derivative liabilities	35,953	355
Exchange rate derivative liabilities	21	–
	54,377	27,335

Note A12: Investments in subsidiaries

	Country of incorporation and place of business	% owned by Trustpower 2021	% owned by Trustpower 2020	Nature of business
<i>Significant subsidiaries (31 March balance dates)</i>				
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

	2021 \$000	2020 \$000
Profit after tax	30,737	97,608
<i>Items classified as investing/financing</i>		
Interest paid	30,042	31,819
Interest received	(541)	(648)
	29,501	31,171
<i>Non-cash items:</i>		
Amortisation of debt issue costs	842	974
Amortisation of intangible assets	12,669	11,033
Depreciation	32,673	31,541
Net gain on sale of property, plant and equipment	(125)	(328)
Other fixed and investment asset charges/(credits)	–	(8,884)
Movement in derivative financial instruments taken to the income statement	83,508	(16,169)
Decrease in deferred tax liability excluding transfers to reserves	(8,903)	613
	120,664	18,780
<i>Decrease/(increase) in working capital:</i>		
Accounts receivable and prepayments	(11,200)	33,096
Taxation payable/receivable	(23,642)	(6,969)
Accounts payable and accruals excluding capital expenditure accruals	15,262	(20,618)
	(19,580)	5,509
Net cash from operating activities	161,322	153,068

Note A14: Employee share based compensation

Certain members of Trustpower's executive management team and other employees 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 NZX50 index on a notional number of allocated shares. The return is calculated as the sum of dividends paid by Trustpower plus the increase in share price over the period. Payment is only made if the total shareholder return is greater than that of 50% of NZX50 companies. Additionally the scheme has a set maximum return above which no increase in the bonus is received by the participants. The total return is calculated for the full period of each agreement with reference to the average share price over the ten days prior to the scheme closing.

The fair value of the liability at 31 March 2021 has been determined by reference to Trustpower's and all other NZX50 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 2021 the total expense recognised in the income statement was \$1,920,000 (2020: \$1,737,000) and the liability recognised in the statement of financial position as at 31 March 2021 was \$4,013,000 (2020: \$5,115,000).

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:

	2021 \$000	2020 \$000
Generation assets (at cost)	1,021,737	1,002,522
Generation assets under construction (at cost)	33,948	14,872
Generation assets accumulated depreciation	(289,092)	(273,343)
	766,593	744,051

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 2021				
Net settled electricity price derivatives	11,157	61,881	17,433	24,980
Net settled interest rate derivatives	-	3,173	2,775	14,811
Accounts payable and accruals	107,898	-	-	-
Lease liabilities	750	3,688	4,355	30,592
Unsecured senior bonds	1,047	7,931	90,855	401,170
Unsecured bank loans	-	75,236	-	243,684
Total	120,852	151,909	115,418	715,237

	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 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	711,145

(b) Interest rate risk

The aggregate notional principal amount of the outstanding interest rate derivative instruments at 31 March 2021 was \$452,500,000 (31 March 2020: \$446,500,000).

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 2021, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

	2021 \$000	2020 \$000
Decrease to profit of a 100 basis point decrease in interest rates	(716)	(2,165)
Increase to profit of a 100 basis point increase in interest rates	638	2,050
Decrease to equity of a 100 basis point decrease in interest rates	(716)	(2,165)
Increase to equity of a 100 basis point increase in interest rates	638	2,050

Note A16: Financial risk management (continued)

(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 2021 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable.

At 31 March 2020, an additional \$900,000 provision was included due to forecast increases in unemployment and reductions in GDP in New Zealand.

It was noted at the time that there was uncertainty around that figure. Trustpower identified no material deterioration in customer payment behaviour in the year since that additional provision was made. No such provision has been made as at 31 March 2021.

On this basis the following table details the loss allowance at 31 March 2021:

	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	0.4%	31.8%	76.6%	78.7%	
Gross carrying amount – trade receivables including unbilled sales (\$000)	85,223	1,176	488	3,502	90,389
Loss allowance	330	374	374	2,756	3,834

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

	2021 \$000	2020 \$000
Opening balance	4,200	2,800
Provision for receivables impairment	3,198	4,985
Bad debts written off	(3,564)	(3,585)
Closing balance	3,834	4,200

(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 2021 was 2,754GWh (31 March 2020: 2,960GWh).

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 2021 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the income statement.

As a result of the strategic review of its mass market retail business (see note 1 for more details), the forecast electricity purchase transactions related to mass market customers are now no longer considered highly probable. Under NZ IFRS 9, Financial Instruments, these transactions can no longer be considered when assessing the effectiveness of the hedging relationship. This has resulted in a fair value gain of \$17,407,000 being transferred from the cash flow hedge reserve to the income statement.

The timing of a possible sale and the forecast amount of fixed price sales to commercial and industrial customers were the two critical estimates when calculating the level of hedge ineffectiveness.

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.

	2021 \$000	2020 \$000
Decrease to profit of a 10% increase in electricity forward price	(7,348)	(3,983)
Increase to profit of a 10% decrease in electricity forward price	7,469	3,983
Decrease to equity of a 10% increase in electricity forward price	14,210	10,897
Increase to equity of a 10% decrease in electricity forward price	(12,318)	(10,897)

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 to value electricity price derivative instruments	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 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 electricity price derivatives	Assumed counterparty cost of funds ranging from 2.2% to 3.1%

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

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

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

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

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2020: none).

Note A17: Fair value measurement (continued)

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
As at 31 March 2021				
Assets per the statement of financial position				
Interest rate derivative assets	-	4,216	-	4,216
Electricity price derivative assets	-	-	145,608	145,608
Exchange rate derivative assets	-	-	-	-
	-	4,216	145,608	149,824

Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	19,540	-	19,540
Electricity price derivative liabilities	-	-	121,734	121,734
Exchange rate derivative liabilities	-	214	-	214
	-	19,754	121,734	141,488

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
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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
Exchange rate derivative assets	-	-	-	-
	-	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

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

	2021 \$000	2020 \$000
Assets per the statement of financial position		
Opening balance	28,173	52,175
Gains and (losses) recognised in profit or loss		
Realised in energy cost expense	5,119	2,001
Unrealised	12,315	(46,815)
Gains and (losses) recognised in other comprehensive income		
Realised in energy cost expense	1,005	16,895
Unrealised	98,996	3,917
Closing balance	145,608	28,173
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period		

Liabilities per the statement of financial position		
Opening balance	2,754	15,929
(Gains) and losses recognised in profit or loss		
Realised in energy cost expense	(21,541)	(9,021)
Unrealised	115,681	(2,387)
(Gains) and losses recognised in other comprehensive income		
Realised in energy cost expense	(136)	-
Unrealised	24,976	(1,767)
Closing balance	121,734	2,754
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	92,199	3,462

Settlements during the year (18,769) 18,556

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 2021				
Assets per the statement of financial position				
Derivative financial instruments		-	46,739	103,085
Trade and other receivables excluding prepayments	A7	107,506	-	-
Cash and cash equivalents		6,091	-	-
Electricity market security deposits		95,899	-	-
Loan receivable		7,333	-	-
		216,829	46,739	103,085

		Assets at amortised cost \$000	Assets at fair value through profit or loss \$000	Assets at fair value through other comprehensive income \$000
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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	-	-
Electricity market security deposits		541	-	-
Loan receivable		8,000	-	-
		106,078	23,017	13,805

		Liabilities at fair value through profit or loss \$000	Derivatives used for hedging \$000	Other financial liabilities at amortised cost \$000
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As at 31 March 2021

Liabilities per the statement of financial position

Unsecured bank loans including bank overdrafts	14	-	-	303,294
Unsecured subordinated bonds	14	-	-	-
Unsecured senior bonds	14	-	-	433,049
Lease liabilities	16	-	-	33,372
Derivative financial instruments		134,588	6,900	-
Trade and other payables	A8	-	-	109,636
		134,588	6,900	879,351

		Liabilities at fair value through profit or loss \$000	Derivatives used for hedging \$000	Other financial liabilities at amortised cost \$000
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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	A8	-	-	92,992
		29,750	301	719,990

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

Note A19: Electricity market security deposits

Trustpower manages its electricity price risk by entering various hedge agreements (see notes 7 and A16 for further details). Some of these hedge agreements are traded on the New Zealand electricity futures market operated by the Australian Stock Exchange (ASX). Trustpower is required to deposit funds to a level to ensuring the fair value of all open trades can be settled at any point. Consequently this balance is larger when the fair value of the open ASX trades is lower and vice versa.

Note A20: Supplementary accounting information

A20.1 Cash flow statement

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

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

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

A20.2 Foreign currency translation

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

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

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 2021.

Director	Interest	Entity
Paul Ridley-Smith	Director	Arvida Group Limited
	Shareholder	Morrison & Co Group Limited Partnership
	Employee	HRL Morrison & Co
David Prentice	Chief Executive	Trustpower Limited
	Director	Trustpower Metering Ltd (100% Trustpower Ltd subsidiary)
	Director	Trustpower Insurance Ltd (100% Trustpower Ltd subsidiary)
	Director	Hopsta Limited (formerly Energy Direct NZ Ltd) (100% Trustpower Ltd subsidiary)
	Director	King Country Energy Holdings Ltd (100% Trustpower Ltd subsidiary)
	Director	Ngati Tuwharetoa Electricity Ltd
	Advisor	Gore District Council – Capital Works Committee
	Board Advisor	Antarctica NZ - Scott Base Development Project
	Chair	MartinJenkins
Peter Coman	Director	Morrison and Co PIP Limited
	Director	Morrison and Co PPP GP 2 Limited
	Director	Morrison and Co PPP GO 3 Limited
	Director	Morrison and Co PPP GP SE Limited
	Director	Morrison and Co Employee Co-Invest (PIP 2) Limited
	Director	Morrison and Co Employee Co-Invest (PIP 3) Limited
	Director	Morrison and Co Property Investments Limited
	Director	Woodward Infrastructure Limited
	Director	PIP Holding Company Pty Limited
	Director	PIP Melbourne Company Pty Limited
	Director	Infratil Infrastructure Property Limited
	Director	RA (Holdings) 2014 Pty Limited
	Director	RA 2014 Pty Limited
	Shareholder	Morrison & Co Group Limited Partnership
	Employee	HRL Morrison & Co Limited
Susan Peterson	Director	Xero Limited
	Director	Property For Industry Limited
	Chair	Vista Group International Limited
	Director	P.F.I. Property No. 1 Limited
	Director	Board of Arvida Group Limited (ARV - NZX)
	Chair	Organic Initiative Limited
	Co Chair	New Zealand Markets Disciplinary Tribunal
	Member Trustee	Global Women
David Gibson	Director	Goodman Property Trust ("GMT")
	Director	Rangatira Limited
	Director	NZME
	Director	Goodman (NZ) Limited
	Director	Goodman Property Aggregated Limited
	Trustee	Diocesan School for Girls
	Chair & Trustee	Diocesan School for Girls Heritage Foundation

Statutory information (continued)

Director	Interest	Entity
Keith Turner	Director	TransGrid in New South Wales
	Chair	Dam Watch
	Chair	Milford Opportunities
	Chair	Ministry of Environment Audit and Risk Committee
	Member	Expert reviewer of wind development in the Chatham Islands
Kevin Baker	Director	Infratil Infrastructure Property Limited
	Director	CDC Group Holdings Pty Limited
	Director	Ambient Holdings Pty Limited
	Director & Shareholder	Fenn Lanes Consultants Limited
	Shareholder	Morrison & Co Group Ltd Partnership
	Consultant	Morrison & Co

Information used by Directors

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

Directors' Fees

The following fee structure was in place for the full financial year:

Position	Current annual fee \$
Chair	180,000
Director	95,000
Chair Audit & Risk Committee	20,000
Member Audit & Risk Committee	-
Chair People & Remuneration Committee	15,000
Member People & Remuneration Committee	-
Chair Governance & Nominations Committee	15,000
Member Governance & Nominations Committee	-
Chair Trustpower Insurance Limited	5,000
Total fee payable	805,000

The Board's view is that the structure 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.

All Directors took a voluntary fee reduction and the Senior Leadership Team contributed part of their short term incentive to partially fund donations made to charitable organisations impacted by Covid-19.

Statutory information (continued)

Directors holding office and their remuneration

During the year to 31 March 2021 there were two director resignations Sam Knowles (effective July 2020) and Geoff Swier (effective November 2020). These directors were replaced by David Gibson (September 2020) and Peter Coman (November 2020). All other directors were directors for the entire year.

The Directors holding office during the year to 31 March 2021 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 Chair	People and Remuneration Committee Chair	Governance and Nominations Committee Chair	Trustpower Insurance Limited Chair	Total Remuneration FY21	Total Remuneration FY20	Responsibility Held during the year
Richard Aitken	-	-	-	-	-	-	\$28,667	Independent Director (until 26 July 2019)
Alan Bickers	-	-	-	-	-	-	\$28,667	Independent Director (until 26 July 2019)
Kevin Baker	\$85,500	-	-	-	-	\$85,500	\$98,000	Non-executive Director Member of Audit & Risk Committee
Peter Coman	\$35,625	-	-	-	-	\$35,625	-	Non-executive Director (from 6 November 2020)
David Gibson	\$48,813	-	-	\$7,875	-	\$56,688	-	Independent Director (from 7 September 2020) Chair of Governance & Nominations Committee (from 7 September 2020) Member of People & Remuneration Committee (from 7 September 2020) Member of Audit & Risk Committee (from 7 September 2020)
Sam Knowles	\$32,931	\$6,000	-	-	-	\$38,931	\$119,250	Independent Director (until 24 July 2020) Chair of Audit & Risk Committee (until 24 July 2020) Member of Governance & Nominations Committee (until 24 July 2020)
Susan Peterson	\$85,500	\$12,000	\$7,875	\$5,625	-	\$111,000	\$114,250	Independent Director Chair of Governance & Nominations Committee (until 6 November 2020) Chair of Audit & Risk Committee (from 24 July 2020) Chair of People & Remuneration Committee (from 6 November 2020)
David Prentice	-	-	-	-	-	-	\$46,000	Independent Director (from 26 July 2019 until 24 January 2020) Executive Director (from 24 January 2020)* Member of People & Remuneration Committee (from 1 October 2019 until 24 January 2020) Member of Audit and Risk Committee (from 1 October 2019 until 24 January 2020)
Paul Ridley-Smith	\$162,000	-	-	-	-	\$162,000	\$178,250	Chair of the Board Non-executive Director Member of Governance & Nominations Committee Member of People & Remuneration Committee
Geoffrey Swier	\$62,631	-	\$5,625	-	-	\$68,256	\$114,250	Independent Director (until 6 November 2020) Chair of People & Remuneration Committee (until 6 November 2020)
Keith Turner	\$85,500	-	-	-	\$4,500	\$90,000	\$64,333	Non-executive Director (from 26 July 2019)
						\$648,000	\$791,667	

*Upon appointment as Acting Chief Executive.

Statutory information (continued)

Number of meetings held/attended for the year ended 31 March 2021

Director	Board meeting	Audit and Risk Committee	People and Remuneration Committee	Governance and Nominations Committee	Comments
Total Meetings held	22	5	4	2	
Kevin Baker	22	5	-	-	
Peter Coman	4	-	-	-	Appointed 6 November 2020
David Gibson	4	2	2	1	Appointed 7 September 2020
Samuel Knowles	14	3	-	2	Resigned 24 July 2020
Susan Peterson	22	5	4	2	
David Prentice	22	5	-	-	
Paul Ridley-Smith	22	-	4	2	
Geoffrey Swier	18	3	2	-	Resigned 6 November 2020
Keith Turner	22	-	-	-	

There are eight scheduled Board meetings and one scheduled strategy day discussion. The Covid-19 pandemic resulted in a significant increase in unscheduled meetings in FY21.

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 and 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 NZX50 companies. Eligible employees are 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 NZX50 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 the structure of the LTI and the quantum of LTI issued each year.

Statutory information (continued)

There are 13 senior managers currently participating in the LTI scheme. 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 made in the financial year to 31 March 2021 were as follows:

Commencement date	26 May 2017
Vesting date	10 June 2020
A Number of notional shares	varies by individual from 20,000 to 40,000
Opening share price (being the volume weighted share price in the ten trading days post commencement date)	\$5.18
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	69.9%
B Share price of notional shares (being opening value adjusted for Trustpower TSR)	\$8.80
Ranking in NZX50	77%
C Bonus percentage	95.5%
Bonus paid (A*B*C)	\$8.40 per notional share

Chief Executive's remuneration

The remuneration paid to Mr Prentice as Chief Executive was as follows:

	Year ended 31 March 2021	Period 13 January 2020* to 31 March 2020
Base salary	900,000	176,538
Bonus	1,000	-
Employer contribution to Kiwisaver	27,030	5,296
Vehicle	13,111	2,185
Accommodation	32,077	5,893
Flights	30,910	3,600
Total	1,004,128	193,512

* Mr Prentice took on the responsibilities of Chief Executive on 13 January 2020 as such the comparative figures are not for a complete year.

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. Mr Prentice's Total Remuneration does not include a Short Term Incentive. Mr Prentice is entitled to an LTI bonus in the format described above. The bonus received in 2021 was paid to all staff in recognition of the extra effort applied to successfully negotiate through the Covid-19 pandemic. He receives an accommodation, vehicle and travel allowance of up to \$80,000.00 per annum, for Trustpower related work in Tauranga.

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 FY20 performance but paid in FY21
- the value of equity-based long term incentives paid during FY21
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 31 March 2021 that relate to the year ended 31 March 2021.

Further details of the remuneration of the Chief Executive can be found in the table above.

Statutory information (continued)

Salary band	Continuing employees	Discontinued employees	Total
\$100,000 to \$109,999	38	1	39
\$110,000 to \$119,999	25	1	26
\$120,000 to \$129,999	27	2	29
\$130,000 to \$139,999	24	1	25
\$140,000 to \$149,999	23	2	25
\$150,000 to \$159,999	14	-	14
\$160,000 to \$169,999	8	-	8
\$170,000 to \$179,999	5	-	5
\$180,000 to \$189,999	4	-	4
\$190,000 to \$199,999	1	1	2
\$200,000 to \$209,999	2	-	2
\$210,000 to \$219,999	5	1	6
\$220,000 to \$229,999	3	1	4
\$230,000 to \$239,999	4	-	4
\$240,000 to \$249,999	1	-	1
\$250,000 to \$259,999	1	-	1
\$260,000 to \$269,999	2	-	2
\$270,000 to \$279,999	-	2	2
\$440,000 to \$449,999	1	-	1
\$490,000 to \$499,999	1	-	1
\$510,000 to \$519,999	1	-	1
\$540,000 to \$549,999	1	-	1
\$570,000 to \$579,999	-	1	1
\$730,000 to \$739,999	-	1	1
\$870,000 to \$879,999	1	-	1
\$880,000 to \$889,999	1	-	1
\$920,000 to \$929,999	1	-	1
\$930,000 to \$939,999	1	-	1
\$950,000 to \$ 959,999	1	-	1
\$1,000,000 to \$1,009,999	1	-	1
Total	197	14	211

Indemnification and insurance of Directors and Executives

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

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

The Company has entered into deeds of indemnity in respect of each Director, 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.

Statutory information (continued)

Subsidiary company directors

Set out below are details of the Directors of Trustpower's subsidiaries as at 31 March 2021.

Director as at 31 March 2021	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 is disclosed 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 2021 are listed below.

Director	Class of Security	Interests in Trustpower Limited		Interests in Associated Companies	
		Number Held at 31 March 2021	Number Held at 31 March 2020	Infratil Limited Number Held at 31 March 2021	Tilt Renewables Limited Number Held at 31 March 2021
Kevin Baker	Ordinary Shares	-	-	515,047	-
	Bonds	-	-	850,000	-
Susan Peterson	Ordinary Shares	-	-	-	-
David Prentice	Ordinary Shares	-	-	595	258
Paul Ridley-Smith	Ordinary Shares	-	-	77,711	-
	Bonds	-	-	609,500	-
Keith Turner	Ordinary Shares	-	-	7,500	-
David Gibson	Ordinary Shares	-	-	5,230	-
Peter Coman	Ordinary Shares	-	-	270,769	-

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 2021.

As at 30 April 2021, Trustpower Limited had 312,973,000 ordinary shares on issue.

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

SPREAD OF HOLDERS AS AT 30 APRIL 2021

Shares	Holders	%	Shares	%
1 to 999	1,686	14.1%	791,508	0.3%
1,000 to 1,999	1,965	16.4%	2,401,248	0.8%
2,000 to 4,999	6,670	55.9%	16,334,026	5.2%
5,000 to 9,999	957	8.0%	6,242,279	2.0%
10,000 to 49,999	598	5.0%	10,286,365	3.3%
50,000 to 99,999	39	0.3%	2,521,915	0.8%
100,000 to 499,999	27	0.2%	4,941,866	1.6%
500,000 to 999,999	5	0.0%	3,900,452	1.2%
1,000,000 plus	11	0.1%	265,553,341	84.8%
	11,958	100.0%	312,973,000	100.0%

Senior Bonds	Holders	%	Senior Bonds	%
5,000 to 9,999	401	11.6%	2,284,000	0.5%
10,000 to 49,999	2,446	71.0%	48,515,000	11.1%
50,000 to 99,999	358	10.4%	21,061,000	4.8%
100,000 to 499,999	179	5.2%	28,798,000	6.6%
500,000 to 999,999	15	0.4%	10,232,000	2.3%
1,000,000 plus	47	1.4%	324,890,000	74.7%
	3,446	100.0%	435,780,000	100.0%

Shares	Holders	%	Shares	%
New Zealand	11,757	98.3%	311,795,728	99.6%
Australia	105	0.9%	246,061	0.1%
United Kingdom	28	0.2%	39,613	0.0%
United States of America	19	0.2%	683,474	0.2%
Other	49	0.4%	208,124	0.1%
	11,958	100.0%	312,973,000	100.0%

Senior bonds	Holders	%	Senior Bonds	%
New Zealand	3,424	99.4%	434,592,000	99.7%
Australia	7	0.2%	677,000	0.1%
United Kingdom	5	0.1%	151,000	0.0%
United States of America	4	0.1%	205,000	0.1%
Other	6	0.2%	155,000	0.0%
	3,446	100.0%	435,780,000	100.0%

Security holder information (continued)

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 2021)

Rank	Holder Name	Shares	%
1	Infratil Limited	159,742,389	51.04%
2	TECT Holdings Limited	83,878,838	26.80%
3	Custodial Services Limited	5,946,272	1.90%
4	Hobson Wealth Custodian Limited	3,400,559	1.09%
5	Forsyth Barr Custodians Limited	3,056,427	0.98%
6	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,880,501	0.92%
7	Citibank Nominees (New Zealand) Limited	2,126,170	0.68%
8	New Zealand Depository Nominee Limited	1,443,097	0.46%
9	HSBC Nominees (New Zealand) Limited	1,281,237	0.41%
10	Public Trust Class 10 Nominees Limited	1,238,008	0.40%
11	FNZ Custodians Limited	1,026,274	0.33%
12	Accident Compensation Corporation*	962,742	0.31%
13	JBWere (NZ) Nominees Limited	891,199	0.28%
14	BNP Paribas Nominees (NZ) Limited	807,600	0.25%
15	Clyde Parker Holland + Rena Holland	596,000	0.19%
16	Public Trust*	455,010	0.15%
17	Masfen Securities Limited	337,912	0.11%
18	Brett Anthony Hart + Lynn Marion Fitness + Judith Louise Burney	319,431	0.10%
19	Brett Anthony Hart	304,000	0.10%
20	ASB Nominees Limited	271,214	0.09%
		270,964,880	86.59%

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

Directory

Board of Directors

Paul Ridley-Smith (Chair)
Kevin Baker
Peter Coman
David Gibson
Susan Peterson
David Prentice
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

comms@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

11 June 2021 Record date of final dividend	15 July 2021 First quarter operating information	08 November 2021 Half year announcement	21 Jan 2022 Third quarter operating information
18 June 2021 Payment date of final dividend	23 July 2021 Annual Meeting	26 Nov 2021 Record date interim dividend	15 April 2022 Fourth quarter operating information
	15 October 2021 Second quarter operating information	03 Dec 2021 Payment interim dividend	16 May 2022 Full year announcement



www.trustpower.co.nz

Explaining the Financial Statements

Retail Earnings

FY21 showed a strong result with good momentum for our retail business. Product margins in electricity and telecommunications were up significantly. The electricity margin was driven by price changes undertaken primarily in calendar year 2020, and our telecommunication result was elevated on customer numbers and product mix.

The retail result was also buoyed by a reduction in cash operating and acquisition costs, primarily because of Covid-19 lockdowns reducing customer acquisition activity. This was offset by unfavourable IFRS15 adjustments, driven by a relative decrease in customer acquisition activity in FY21 compared to FY20.

Generation Earnings

Generation production volumes were hampered by historically low inflows across our portfolio; however, this was more than offset by materially higher wholesale prices.

Generation division revenues year-on-year were also impacted by the sale of Trustpower's meter asset business in November 2019 (\$7.8m year-on-year impact), increased share of corporate costs, and higher operating costs mainly relating to maintenance and direct costs of running plants more during high prices.

Group Result

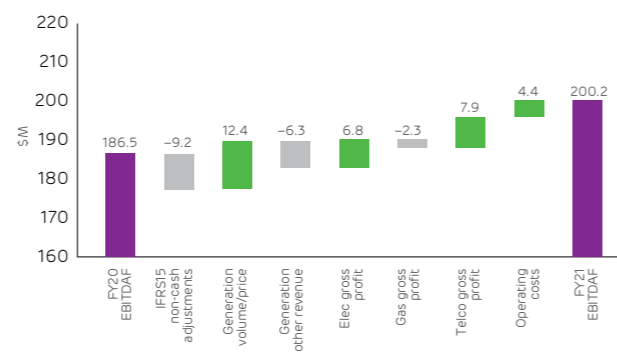
Group NPAT was adversely impacted by the fair value losses incurred on some of our electricity price hedges. While the fair value movements of electricity price hedges in total represented a loss of only \$1.5 million, differences in accounting treatments have seen fair value gains of \$85.3 million taken to reserves while a loss of \$86.8 million is reflected in the income statement. These fair value movements are non-cash items.

Trustpower's underlying earnings were strong year-on-year, due to good gains in retail margins and favourable wholesale prices for our generation production.

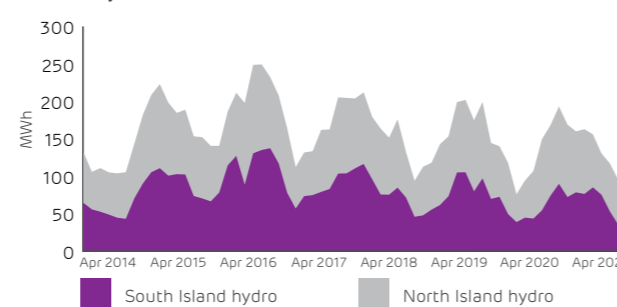
Balance Sheet/Dividend

Trustpower's balance sheet remains in a strong position, despite an increase in net debt that was driven by market prudential requirements due to high wholesale prices and our net position in the market. A fully imputed final dividend of 18.5 cents per share has been declared, bringing total dividends for the year to 35.5 cents per share, an increase of 9.2% on last year.

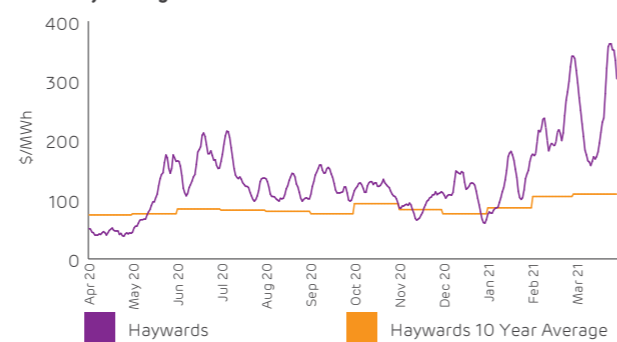
Group EBITDAF* FY20 to FY21



Monthly Generation Volumes



Weekly Average Prices - 12 months to end of March 2021



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

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 A20, which contains additional detailed disclosure readers may wish to use to supplement the disclosures in the primary sections of notes listed above.

There are also profitability analysis notes 3 and 9 for the Retail and Generation segments.

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Accounting policies can be found throughout the notes to the financial statements and are denoted by a grey box surrounding them. Policies are placed within the note that is the most relevant, however the policy applies to all financial statements and notes.

Key Metrics

	2021	2020	2019	2018	2017
Profit After Tax (\$M)	31	98	93	114	94
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)* (\$M)	200	186	222	243	218
Underlying earnings after tax (\$M)	94	75	103	135	115
Basic earnings per share (cents per share)	10.9	30.4	29.0	40.9	29.6
Underlying earnings per share (cents per share)	30.1	24.1	32.8	43.1	36.6
Dividends paid during the year (cents per share)	33	49	59	34	33
Net debt to EBITDAF	3.6	3.3	2.5	1.9	3.0
Net tangible assets per share (dollars per share)	3.14	3.12	3.61	4.21	4.10
Customers, Sales and Service					
Electricity connections (000s)	265	266	267	273	276
Telecommunication connections (000s)	112	104	96	87	76
Gas connections (000s)	44	41	39	37	33
Total utility accounts (000s)	421	411	402	397	385
Customers with two or more services (000s)	123	116	107	100	90
Mass market sales – fixed price (GWh)	1,824	1,817	1,823	1,784	1,895
Time of use sales – fixed price (GWh)	483	826	902	945	835
Time of use sales – spot price (GWh)	826	972	1,028	1,086	1,244
Total customer sales (GWh)	3,133	3,615	3,753	3,815	3,974
Average spot price of electricity purchased (\$/MWh)	147	109	131	91	55
Gas Sales (TJ)	1,039	986	1,006	1,012	1,013
Annualised customer churn rate	17%	17%	20%	19%	17%
Annualised customer churn rate – total market	19%	20%	22%	21%	20%
Generation Production and Procurement					
North Island generation production (GWh)	777	849	1,010	1,209	1,010
South Island generation production (GWh)	931	910	984	1,026	1,007
Total New Zealand generation production (GWh)	1,708	1,759	1,994	2,235	2,017
Average spot price of electricity generated (\$/MWh)	144	107	125	88	52
Net third party fixed price volume purchased (GWh)	959	1,512	1,463	1,539	1,309
Other Information					
Resource consent non-compliance events	10	21	10	5	15
Staff numbers (full time equivalents)	801	809	818	803	786

*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 2021.

The Directors are responsible for ensuring that the financial statements fairly present the financial position of the Group as at 31 March 2021 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



Susan Peterson
Director

Company Registration Number
565426

Dated: 17 May 2021



Independent auditor's report

To the Shareholders of Trustpower Limited

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 2021, 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).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 31 March 2021;
- 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 and other explanatory information.

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.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 area of tax compliance, specifically the review of income tax returns and tax related correspondence. We are also engaged to provide general tax advisory services and to provide other assurance engagements related to the Trustpower Insurance Limited solvency return and telecommunications development levy. 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.



Description of the key audit matter

Classification of retail business assets and hedge ineffectiveness

As disclosed in note 1 to the financial statements, on 28 January 2021 Trustpower announced a strategic review of its mass market retail business to test market interest in that business.

A disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The held for sale classification is used if the sale of that group of assets is highly probable at balance date. Assessing the probability of a sale requires the application of significant judgement.

As outlined in note 1, the Directors have considered that at balance date the sale was not highly probable because there were a number of uncertainties, including the following:

- While indicative bids had been received, they had not been evaluated with due diligence still to be undertaken by bidders and final bids to be received;
- Regulatory approval would potentially be required by some bidders; and
- The Tauranga Electricity Consumer Trust (TECT) proposed restructure process was still in progress, with the possibility that it may require High Court approval.

As a result of the potential disposal of the retail business, the Directors have further determined that certain contracts for differences (CFDs) no longer meet the hedge accounting criteria as the hedged transactions, being forecast electricity spot market purchases required to service demand from mass market customers, are now no longer considered highly probable. The associated fair value of \$17,407,000 has been transferred from the cash flow hedge reserve to the income statement, resulting in a corresponding increase in profit. Refer to Notes 1 and A16(d).

How our audit addressed the key audit matter

Our procedures to assess the classification of retail business assets included:

- Obtaining a detailed timeline of events and corroborating the fact pattern supporting the Directors' assessment as to whether a sale is highly probable at balance date through:
 - Examination of Board minutes and papers of the Company including advisor reports relevant to the potential sale and details of the latest timetable;
 - Review of documents on the TECT website evidencing the status of their proposed restructure; and
 - Discussions with management and Directors both pre and post balance date on the status of the transaction and key fact patterns.
- Assessing the evidence against the criteria of the accounting standard; and
- Reviewing the disclosures in the financial statements outlining the significant judgements in relation to the potential sale.

In relation to the testing of hedge ineffectiveness our procedures included:

- Evaluating management's judgements regarding the probability of future electricity purchases considering the fact pattern surrounding the status of the strategic review, with reference to the guidance in NZ IFRS 9. This included assessing the estimated timing of a potential sale;
- Assessing the estimated forecast electricity purchase volumes required to service the continuing fixed price sales commercial and industrial customer base by comparing them to historical levels and understanding reasons for expected changes;
- Reviewing hedge documentation and, through discussions with management, obtaining a detailed understanding of the composition of the CFD hedge portfolio used to manage electricity price risk;
- Testing the fair value of the ineffective CFDs, with the assistance of our own valuation specialists; and
- Reviewing the presentation and disclosure of this matter in the financial statements.



Description of the key audit matter **How our audit addressed the key audit matter**

These matters are a key audit matter due to the significance of the strategic review to users of the financial statements, the level of judgement in assessing whether the held for sale criteria is met and the judgement and estimation involved in determining and valuing the hedge ineffectiveness adjustment. In this regard, the key judgement is the timing of a possible sale and the key estimate is the forecast volume of electricity purchases required to service Trustpower's ongoing fixed price sales commercial and industrial customer base.

Carrying value of generation assets

As described in notes 10 and 11 in the financial statements, generation assets are recorded at fair value and revalued every three years or more frequently if there is evidence of a significant change in value. The effect of this policy is to ensure that at each reporting date the carrying value materially approximates estimated fair value. Fair value is determined using a discounted cash flow methodology.

The valuation of generation assets involves a number of significant assumptions including forward electricity prices, the weighted average cost of capital used to discount future cash flows, estimated avoided cost of transmission (ACOT) revenues, the inflation rate, and operational inputs such as future generation volumes and operating costs. All these assumptions involve judgements about the future.

Since the generation assets were last revalued at 31 March 2020, there have been several significant developments that impact the key inputs used in determining the fair value as disclosed in note 11 to the financial statements. These matters include the announcement by New Zealand Aluminium Smelters Limited of its intention to close its aluminium smelter at Tiwai Point from 2025 and the Electricity Authority's release of its final Transmission Pricing Guidelines which would end Trustpower's avoided cost of transmission (ACOT) revenue from 1 April 2024.

In the current year, management, with the assistance of independent valuers, have estimated a valuation range at 31 March 2021 to determine whether the carrying value at year end materially represents fair value or whether a revaluation is required.

We had no matters to report as a result of our procedures.

Utilising our energy sector valuation specialist we have reviewed and sensitised the key assumptions used to independently determine an estimated valuation range. Our procedures have included:

- Comparing the forward electricity price path to current externally derived market forecast data and our independent estimate of the price path;
- Comparing the weighted average cost of capital against our independently calculated rate reflecting current market conditions;
- Assessing the appropriateness of ACOT revenues, considering the latest Electricity Authority announcements; and
- Comparing the inflation rate used to the Reserve Bank of New Zealand forecast.

We assessed the appropriateness of the operational inputs' assumptions for generation volumes and costs by:

- Comparing forecast generation volumes to actual realised volumes over time; and
- Assessing forecasted operating and capital expenditure by understanding and evaluating the reasons for any significant changes between the costs included in the last revaluation and the current forecast.

Additionally we:

- Assessed the competence, independence and objectivity of the Group's valuation specialists;
- Checked the mathematical accuracy of the valuation estimate model;
- Met with the independent valuer to discuss the assumptions and judgements used to determine their valuation range estimate;
- Assessed the overall appropriateness of the valuation range; and
- Considered the adequacy of the related financial statement disclosures.

We had no matters to report as a result of our procedures.

Description of the key audit matter **How our audit addressed the key audit matter**

The carrying value of the generation assets is within this range and near the midpoint. Consequently, the Directors have determined that the current carrying value represents fair value and a revaluation is not required.

Our audit approach

Overview



Overall group materiality: \$6.5 million, which represents approximately 5% of profit before tax, adjusted to exclude fair value losses and hedge ineffectiveness adjustments on financial instruments used to manage electricity price risk.

Given the impact of the increased volatility in electricity pricing on profit before tax, we excluded fair value losses on financial instruments used to manage electricity price risk. We also excluded the gain on the hedge ineffectiveness that, due to its size and infrequent occurrence, causes an unusual fluctuation in profit before tax. In our view, adjusted profit as determined above is the benchmark which best reflects the performance of the Group for the year ended 31 March 2021.

Following our assessment of the risk of material misstatement, we performed:

- A full scope audit for Trustpower Limited
- Specified audit procedures and analytical review procedures on material balances in the remaining entities within the Group.

As reported above, we have two key audit matters, being:

- Classification of retail business assets and hedge ineffectiveness
- Carrying value of generation assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

How we tailored our group audit scope

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.

A full scope audit was performed for Trustpower Limited based on its financial significance. Specified audit procedures and analytical review procedures were performed on material balances in the remaining entities within the Group, being King Country Energy Holdings Limited, King Country Energy Limited and Trustpower Insurance Limited.



Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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/assurance-standards/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:

Chartered Accountants
Auckland, New Zealand
17 May 2021

Income Statement

For The Year Ended 31 March 2021	Note	2021 \$000	2020 \$000
Operating Revenue			
Electricity revenue	3, 9	760,898	804,214
Telecommunications revenue	3	105,234	98,101
Gas revenue	3	29,842	29,934
Revenue allocated to customer incentives	3	27,543	27,865
Other operating revenue		29,272	29,818
		952,789	989,932
Operating Expenses			
Line costs	3	242,709	280,732
Electricity costs		189,727	207,138
Generation asset maintenance costs	9	21,753	22,219
Employee benefits		75,697	74,156
Telecommunications cost of sales	3	67,199	63,236
Gas cost of sales	3	26,865	24,008
Customer incentives		20,742	26,872
Other operating expenses	A5	107,930	105,105
		752,622	803,466
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)*	A2	200,167	186,466
Impairment of assets	10	-	7,531
Gain on sale of metering equipment	10	-	(16,431)
Net fair value (gains) / losses on financial instruments	A9, A16	83,508	(16,169)
Amortisation of intangible assets	5	12,669	11,033
Depreciation	10,16	32,673	31,541
Operating Profit		71,317	168,961
Interest paid	15	30,846	32,393
Interest received	15	(541)	(648)
Net finance costs		30,305	31,745
Profit Before Income Tax		41,012	137,216
Income tax expense	21	10,275	39,608
Profit After Tax		30,737	97,608
Profit after tax attributable to the shareholders of the Company		34,123	95,071
Profit after tax attributable to non-controlling interests		(3,386)	2,537
Basic and diluted earnings per share (cents per share)	A3	10.9	30.4

*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 2021	Note	2021 \$000	2020 \$000
Profit after tax		30,737	97,608
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss:			
Revaluation losses on generation assets		-	(78,304)
Items that may be subsequently reclassified to profit or loss:			
Fair value (losses)/gains on cash flow hedges	A10	85,092	(28,985)
Tax effect of the following:			
Revaluation losses on generation assets		-	9,282
Fair value losses/(gains) on cash flow hedges	A10	(23,826)	8,116
Total Other Comprehensive Gains/(Losses)		61,266	(89,891)
Total Comprehensive Income		92,003	7,717
Attributable to shareholders of the Company		95,389	5,180
Attributable to non-controlling interests		(3,386)	2,537

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For The Year Ended 31 March 2021	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 on cash flow hedges		-	-	8,116	-	8,116	-	8,116
Total other comprehensive income		-	(69,022)	(20,869)	-	(89,891)	-	(89,891)
Contributions by and distributions to non-controlling interest								
Sale of shares in subsidiary to outside equity interest	25	-	-	-	-	-	-	-
Total contributions by and distributions to non-controlling interest		-	-	-	-	-	-	-
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 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 2020	2	732,898	7,987	335,340	1,076,227	23,787	1,100,014
Profit after tax attributable to the shareholders of the Company	-	-	-	34,123	34,123	(3,386)	30,737
Disposal of revalued assets	-	-	-	-	-	-	-
Other comprehensive income – items that will not be reclassified to the profit or loss							
Revaluation losses on generation assets	-	-	-	-	-	-	-
Other comprehensive income – items that may be reclassified to the profit or loss							
Fair value gains/(losses) on cash flow hedges							
Realised	-	-	(869)	-	(869)	-	(869)
Unrealised	-	-	85,962	-	85,962	-	85,962
Tax effect of the following:							
Revaluation losses on generation assets	-	-	-	-	-	-	-
Fair value gains/(losses) on cash flow hedges	-	-	(23,826)	-	(23,826)	-	(23,826)
Total other comprehensive income	-	-	61,267	-	61,267	-	61,267
Transactions with owners recorded directly in equity							
Dividends paid	-	-	-	(101,991)	(101,991)	(3,123)	(105,114)
Total transactions with owners recorded directly in equity	-	-	-	(101,991)	(101,991)	(3,123)	(105,114)
Closing balance as at 31 March 2021	2	732,898	69,254	267,472	1,069,626	17,278	1,086,904

The accompanying notes form part of these financial statements

Statement of Financial Position

Note	2021 \$000	2020 \$000
As at 31 March 2021		
Equity		
<i>Capital and reserves attributable to shareholders of the Company</i>		
Share capital	17	2
Revaluation reserve	732,898	732,898
Retained earnings	267,472	335,340
Cash flow hedge reserve	A10	69,254
Non-controlling interests	17,278	23,787
Total Equity	1,086,904	1,100,014
<i>Represented by:</i>		
Current Assets		
Cash at bank	6,091	8,662
Electricity market security deposits	A19	95,899
Accounts receivable and prepayments	A7	110,306
Capitalised customer acquisition costs	4	34,959
Derivative financial instruments	A11	75,994
Taxation receivable	17,618	-
	340,867	149,421
Non-Current Assets		
Property, plant and equipment	10	1,839,150
Right-of-use assets	16	32,248
Capitalised customer acquisition costs	4	13,496
Derivative financial instruments	A11	73,830
Loan receivable	7,333	8,000
Intangible assets	5	35,466
	2,001,523	1,961,361
Total Assets	2,342,390	2,110,782
Current Liabilities		
Accounts payable and accruals	A8	109,636
Unsecured senior bonds	14	83,046
Unsecured bank loans	14	30,126
Lease liabilities	16	7,669
Derivative financial instruments	A11	87,111
Taxation payable	-	6,003
	317,588	143,635
Non-Current Liabilities		
Unsecured bank loans	14	273,168
Unsecured senior bonds	14	350,003
Lease liabilities	16	25,703
Derivative financial instruments	A11	54,377
Deferred tax liability	22	234,647
	937,898	867,133
Total Liabilities	1,255,486	1,010,768
Net Assets	1,086,904	1,100,014

The accompanying notes form part of these financial statements

Cash Flow Statement

For The Year Ended 31 March 2021	Note	2021 \$000	2020 \$000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers		925,149	1,013,593
		925,149	1,013,593
<i>Cash was applied to:</i>			
Payments to suppliers and employees		721,005	814,560
Taxation paid		42,822	45,965
		763,827	860,525
Net Cash from Operating Activities	A13	161,322	153,068
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		-	19,436
Sale of other investments		667	765
Return of electricity market security deposits		127,550	14,400
Interest received		541	648
		128,758	35,249
<i>Cash was applied to:</i>			
Lodgement of electricity market security deposits		222,908	10,273
Purchase of property, plant and equipment		26,106	24,268
Purchase of intangible assets		9,420	12,705
		258,434	47,246
Net Cash used in Investing Activities		(129,676)	(11,997)
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Bank loan proceeds		245,404	199,679
Senior bond issue proceeds		-	125,000
Sale of shares in subsidiary to outside equity interest		-	-
		245,404	324,679
<i>Cash was applied to:</i>			
Bond brokerage costs		-	1,359
Repayment of bank loans		135,800	154,500
Repayment of subordinated bonds		-	114,163
Repayment of lease liability		8,666	6,774
Interest paid		30,042	31,819
Dividends paid to owners of the Company		101,990	153,357
Dividends paid to non-controlling shareholders in subsidiary companies		3,123	3,320
		279,621	465,292
Net Cash used in Financing Activities		(34,217)	(140,613)
Net Increase in Cash and Cash Equivalents		(2,571)	458
Cash and Cash equivalents at beginning of the year		8,662	8,204
Cash and Cash Equivalents at End of the Year		6,091	8,662

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 2021.

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 A20.

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

Critical accounting estimates and judgements

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

- fair value of Trustpower's generation assets (Note 11)
- useful lives of generation assets for depreciation (Note 11)
- fair value of derivatives and other financial instruments (Note A17)
- unbilled electricity gross margin as a result of unread electricity meters (Note 6)
- capitalised acquisition costs amortisation expense (Note 6)
- income tax treatment of certain revenue or expense items (Note 23)
- status of mass market retail business (see below)

Strategic review of mass market retail business

On 28 January 2021, Trustpower announced a strategic review of its mass market retail business which was designed to test market interest in that business. The mass market retail business is not considered held for sale for the purposes of NZ IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and the financial statements have been prepared on that basis. In order for an asset or disposal group to be considered held for sale under NZ IFRS 5, the sale must be highly probable at balance date. While indicative bids for the retail business had been received by 31 March 2021, any sale was not highly probable due to a number of uncertainties, including: the due diligence process had not yet begun; additional information on the indicative bids was still being sought and an assessment of the attractiveness of those bids was yet to be made; feedback on the proposed Tauranga Energy Consumer Trust (TECT) restructure was still being considered and had yet to be made public; the possibility that High Court approval of the TECT proposal be necessary and potential regulatory approvals required by some bidders.

Hedge ineffectiveness

The strategic review has caused some ineffectiveness, under NZ IFRS 9 Financial Instruments, of its electricity price hedges resulting in the release of a \$17,407,000 credit from the cash flow hedge reserve to net fair value (gains)/losses on financial instruments recorded in the income statement (see note A16 for more details).

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 year to 31 March 2021 included national and regional lockdowns and the impact on Trustpower's business was not material. As such, no specific Covid-19 related impairments are considered appropriate.

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 2020 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 2021 are as follows:

	Retail \$000	Generation \$000	Other \$000	Total \$000
Total segment revenue	888,061	227,286	549	1,115,896
Inter-segment revenue	–	(162,908)	(199)	(163,107)
Revenue from external customers	888,061	64,378	350	952,789
Total segment operating costs	841,078	73,142	1,509	915,729
Inter-segment operating costs	(164,538)	1,630	(199)	(163,107)
External operating costs	676,540	74,772	1,310	752,622
EBITDAF	46,983	154,144	(960)	200,167
Amortisation of intangible assets	4,813	–	7,856	12,669
Depreciation	–	16,311	16,362	32,673
Capital expenditure	–	22,062	14,182	36,244
Asset impairment	–	–	–	–

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	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	–	11,840	22,987	34,827
Asset impairment	–	7,531	–	7,531

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.

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 265,000 homes and businesses (2020: 266,000), supplies 44,000 customers with gas (2020: 41,000) and connects 112,000 (2020: 104,000) 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

	2021 \$000	2021 \$000	2020 \$000	2020 \$000
Operating Revenue				
Electricity revenue				
Mass market – fixed price	477,260		479,709	
Commercial & industrial – fixed price	73,099		122,593	
Commercial & industrial – spot price	164,137	714,496	154,536	756,838
Gas revenue		29,842		29,934
Telecommunications revenue		105,234		98,101
Revenue allocated to customer incentives		27,543		27,865
Other operating revenue		10,946		11,069
		888,061		923,807
Operating Expenses				
Electricity costs		351,669		357,583
Line costs		242,709		280,732
Telecommunications cost of sales		67,199		63,236
Employee benefits		40,646		40,597
Meter rental costs		28,422		28,214
Gas cost of sales		26,865		24,008
Market fees and costs		10,954		9,078
Marketing and acquisition costs		11,581		12,199
Customer incentives		20,742		26,872
Bad debts		3,198		4,985
Other operating expenses*		37,093		40,960
		841,078		888,464
EBITDAF		46,983		35,343
The analysis above includes the following transactions with the Generation segment:				
Electricity costs		161,942		150,445
Meter rental costs		–		4,951
Other operating expenses		2,596		2,812
		164,538		158,208

* 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. This activity ceased during the 2020 financial year.

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

	2021 \$000	2020 \$000
Opening balance	55,398	53,021
Additions	39,283	44,246
Amortisation to electricity revenue	(26,098)	(23,110)
Amortisation to telecommunications revenue	(12,679)	(9,645)
Amortisation to marketing and acquisition costs	(7,449)	(9,114)
Closing balance	48,455	55,398
Current portion	34,959	35,320
Non-current portion	13,496	20,078
	48,455	55,398

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, such as sales agent commissions and certain broadband connection costs, are amortised on a straight line basis over the expected average customer tenure of 4.5 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 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
Additions at cost	–	9,917	–	9,917
Amortisation	(1,464)	(11,205)	–	(12,669)
Impairment	–	–	–	–
Disposals at net book value	–	–	–	–
Transfers	–	(497)	–	(497)
Closing balance as at 31 March 2021				
Cost	83,336	118,677	4,171	206,184
Accumulated amortisation	(75,815)	(94,903)	–	(170,718)
	7,521	23,774	4,171	35,466

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 appropriate.

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 (decreased)/increased by \$(621,000)/\$621,000 (2020: increased/(decreased) by \$1,480,000/\$(1,480,000)).

Capitalised acquisition costs 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 (2020: 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 237,000 customers (2020: 236,000). The largest single customer accounts for 1 per cent (2020: 1 per cent) of Trustpower's total accounts receivable. Included in other accounts payable and accruals (refer to note A8) is \$167,000 (2020: \$356,000) 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 \$3,834,000 (2020: \$4,200,000). 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.

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% (2020: 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 segment profitability analysis

	Note	2021 \$000	2020 \$000
Operating Revenue			
Electricity revenue		206,715	187,224
Meter rental revenue		–	8,950
Net other operating revenue*		20,571	16,103
		227,286	212,277
Operating Expenses			
Generation asset maintenance costs		21,753	22,219
Electricity hedge settlements		(498)	(10,304)
Employee benefits		17,279	17,610
Generation development expenditure		1,328	612
Other operating expenses		33,280	27,926
		73,142	58,063
		154,144	154,214
The analysis above includes the following transactions with the Retail segment:			
Electricity revenue		160,312	139,848
Electricity hedge settlements		1,630	10,597
Meter rental revenue		–	4,951
Other operating revenue		2,596	2,812
		164,538	158,208

*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 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)
	1,770,128	–	–	–	1,770,128
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
Additions at cost	19,358	10	86	6,873	26,327
Depreciation	(15,749)	(237)	(5)	(7,504)	(23,495)
Disposals at net book value	(143)	(148)	–	(122)	(413)
Revaluations	–	–	–	–	–
Transfers/impairments	(93)	150	(86)	348	319
	1,770,128	–	–	–	1,770,128
Closing balance as at 31 March 2021					
Fair value	1,770,128	–	–	–	1,770,128
Cost	678	28,534	152	62,303	91,581
Capital work in progress	33,948	–	2	4,651	38,601
Accumulated depreciation	(16,381)	(1,624)	(60)	(43,181)	(61,246)
	1,788,373	26,910	94	23,773	1,839,150

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.

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. At 31 March 2020, the overall valuation range was 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 was determined to be appropriate given additional uncertainty introduced by Covid-19.

Assumptions as at 31 March 2020	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
Inflation	1.0%	3.0%	-\$136,000,000 / +\$147,000,000
Generation volume	1,668GWh	2,205GWh	-/+ \$370,000,000
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

Since the previous generation asset valuation at 31 March 2020, New Zealand Aluminium Smelters Limited has announced its intention to close its aluminium smelter at Tiwai Point from 2025. The Electricity Authority has also announced its final Transmission Pricing Guidelines which would end Trustpower's avoided cost of transmission (ACOT) revenue from 1 April 2024. Both of these developments are negative to the value of Trustpower's generation assets. However elevated short term electricity future pricing and continued low interest rates are positive to value. Trustpower has conducted a detailed review of the carrying value of these assets in light of this new data and the Directors have concluded that the value sits within a reasonable fair value range. This review included the use of independent experts, who provided a revision of the forward price of electricity and Trustpower's weighted average cost of capital.

The net impact of the changes to the forward electricity price path (including the impact of higher, short term electricity future prices) is not material. The impacts of the removal of avoided cost of transmission revenue and a reduction in the weighted average cost of capital have materially offset each other. The assessed fair value range at 31 March 2021 is slightly narrower, and completely within the 31 March 2020 valuation range described above. Apart from the removal of ACOT revenue, the nature and amount of the key valuation sensitivities has not significantly changed since 31 March 2020, as presented in the table above.

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

Depreciation expense

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

Sensitivity analysis

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by \$1,432,000/\$(1,750,000) (2020: \$1,504,000/\$(1,838,000)).

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 New Zealand.

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.

Climate Change Risk

Changing weather patterns due to climate change could increase the three risks listed above. The mitigations noted will still be the primary mitigations if this does occur.

Note 13: Generation commitments

	2021 \$000	2020 \$000
Capital commitments	19,022	6,061

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

Funding

This section explains how Trustpower is funded.

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

This section includes the following notes:

Note 14: Borrowings

Note 15: Finance Income And Costs

Note 16: 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.

	2021	
	Unsecured Bank Loans \$000	Senior Bonds \$000
<i>Repayment terms:</i>		
Less than one year	75,126	83,046
One to two years	102,000	127,734
Two to five years	126,168	-
Over five years	-	225,000
Bond issue costs	-	(2,731)
	303,294	433,049
Current portion	30,126	83,046
Non-current portion	273,168	350,003
	303,294	433,049
<i>Undrawn facilities</i>		
Less than one year	5,000	-
One to two years	45,000	-
Two to five years	51,832	-
Over five years	-	-
	101,832	-
<i>Weighted average interest rate:</i>		
Less than one year	1.9%	5.6%
One to two years	1.9%	4.0%
Two to five years	1.6%	-
Over five years	-	3.6%
	1.8%	4.1%

Note 14: Borrowings (continued)

	2020	
	Unsecured Bank Loans \$000	Senior Bonds \$000
<i>Repayment terms:</i>		
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
<i>Undrawn facilities</i>		
Less than one year	41,000	-
One to two years	36,000	-
Two to five years	99,500	-
Over five years	-	-
	176,500	-
<i>Weighted average interest:</i>		
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%

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 2021 the senior bonds had a fair value of \$455,850,000 (31 March 2020: \$442,956,000). The bonds have been classified as level 1 in the fair value hierarchy, see note A17 for a definition of the levels.

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

Note 15: Finance income and costs

	2021 \$000	2020 \$000
Amortisation of debt issue costs	842	974
Interest paid on unsecured bank loans	4,265	4,880
Interest paid on unsecured subordinated bonds	–	3,312
Interest paid on unsecured senior bonds	18,532	16,068
Interest paid on lease liabilities	1,311	1,417
Other interest costs and fees	5,896	5,742
Total Interest Expense	30,846	32,393
Interest received on cash at bank	541	648
Total Interest Income	541	648

There was no capitalised interest in the year to 31 March 2021 (2020: none).

Note 16: Leases

Lease payments are discounted at Trustpower's incremental borrowing rate as of 1 April 2020. The weighted average incremental borrowing rate applied to lease liabilities at 1 April 2020 was 3.8%. The associated right-of-use assets for leases were measured at the amount equal to the lease liability determined as at 1 April 2020, with no overall change in net assets.

	2021 \$000	2020 \$000
Right-of-use assets		
Opening Balance	35,455	32,563
Additions	5,971	10,303
Depreciation	(9,178)	(7,411)
	32,248	35,455
Lease liabilities		
Opening Balance	36,100	32,563
Additions	5,971	10,303
Payments – Building	(3,470)	(3,482)
Payments – Telecommunications Equipment	(6,438)	(4,603)
Payments – Other	(102)	(98)
Interest	1,311	1,417
	33,372	36,100
Lease liabilities		
Current liabilities	7,669	6,924
Non-current liabilities	25,703	29,176
	33,372	36,100

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.

Note 17: Share capital

	2021 000's of Shares	2020 000's of Shares	2021 \$000	2020 \$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

	2021 Cents Per Share	2020 Cents Per Share	2021 \$000	2020 \$000
Final dividend prior period	15.5	17.0	48,645	53,205
Interim dividend paid current period	17.0	17.0	53,346	53,205
Special dividend paid current period	–	15.0	–	46,946
	32.5	49.0	101,991	153,356

Final fully imputed dividend declared subsequent to the end of the reporting period payable 18 June 2021 to all shareholders on the register at 11 June 2021.

17.0	15.5	53,205	48,511
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Fully imputed special dividend declared subsequent to the end of the reporting period payable 18 June 2021 to all shareholders on the register at 11 June 2021.

1.5	–	4,695	–
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Dividend distribution

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

Note 19: Imputation credit account

	2021 \$000	2020 \$000
Imputation credits available for use in subsequent reporting periods	14,113	17,320

The above amounts represent the balance of the imputation account as at the end of the reporting period. 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	2021 \$000	2020 \$000
Net debt			
Unsecured bank debt	14	303,294	193,690
Unsecured senior bonds	14	433,049	432,208
Cash and cash equivalents		(6,091)	(8,662)
		730,252	617,236
EBITDAF	A2	200,167	186,466
Net debt to EBITDAF		3.6	3.3

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:

	2021 \$000	2020 \$000
Net debt	730,252	617,236
Equity		
Total equity	1,086,904	1,100,014
Remove net effect of fair value of financial instruments after tax	(69,254)	(7,987)
	1,017,650	1,092,027
Total capital funding	1,747,902	1,709,263
Gearing ratio	42%	36%

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

	2021 \$000	2020 \$000
Profit before income tax	41,012	137,216
Tax on profit @ 28%	11,483	38,420
Tax effect of non-deductible expenditure	838	948
Change in tax treatment of commercial buildings ¹	-	(1,543)
Income tax (over)/under provided in prior year	(2,046)	1,783
	10,275	39,608

Represented by:

Current tax	19,178	38,995
Deferred tax	(8,903)	613
	10,275	39,608

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	2021 \$000	2020 \$000
Balance at beginning of year		219,724	236,509
Current year changes in temporary differences recognised in profit or loss	21	(7,977)	1,636
Current year changes in temporary differences recognised in other comprehensive income		23,826	(17,398)
Reclassification of prior year temporary differences	21	(926)	(1,023)
Total deferred tax liabilities		234,647	219,724

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 2021				
Revaluations	140,859	-	-	140,859
Other property, plant and equipment movements	65,490	336	-	65,826
Employee benefits	(3,629)	623	-	(3,006)
Provision for impairment	(1,176)	102	-	(1,074)
Customer base assets	2,431	(350)	-	2,081
Financial instruments	(1,834)	(6,908)	23,826	15,084
Other	17,583	(2,706)	-	14,877
	219,724	(8,903)	23,826	234,647
	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

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 (2020: nil).

Subsequent to balance data some bidders have been invited to participate in a due diligence process as part of the strategic review of Trustpower's mass market retail business (see note 1 for more details). Final bids have not been received at the time of signing these financial statements.

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	2021 \$000	2020 \$000
Salaries and other employee benefits paid during the year		7,896	8,131
Fair value movements in cash settled, share based incentives	A14	(1,104)	1,259
		6,792	9,390

\$3,923,000 of this amount was unpaid at 31 March 2021 (2020: \$4,872,000).

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

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 \$3,095,000 (2020: \$1,946,000).

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:

	2021 \$000	2020 \$000
Purchases of electricity from Tilt Renewables	38,716	41,351
Revenue from generation dispatch services provided to Tilt Renewables	151	299
The sources of debt balances between Trustpower and Tilt Renewables are summarised below:		
	2021 \$000	2020 \$000
Liability due to purchases of electricity	(1,895)	(3,058)
Asset due to revenue from generation dispatch services	30	25
	(1,865)	(3,033)

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:

	2021 \$000	2020 \$000
Lease payments	3,635	2,352
Purchase of telecommunications services	433	756
	4,068	3,108
The impact on Trustpower's balance sheet of the contracts deemed leases is summarised below:		
	2021 \$000	2020 \$000
Right-of-use asset	3,614	1,870
Lease liability	(3,638)	(1,843)
Net assets	(24)	27

Shareholders

Trustpower is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% (2020: 51.0%) of Trustpower Limited's voting shares. The Tauranga Energy Consumer Trust owns 26.8% (2020: 26.8%) and the residual balance of 22.2% (2020: 22.2%) is widely held.

Except as noted above, no material 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 (2020: nil). Except as noted above there are no amounts outstanding at 31 March 2021 (2020: nil).

Appendices

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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Adoption Status of Relevant New Financial Reporting Standards and Interpretations	A20

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

Note A2: Non-GAAP measures

Underlying Earnings after Tax

	Note	2021 \$000	2020 \$000
Profit after tax attributable to the shareholders of the Company (\$000)		34,123	95,071
Fair value losses / (gains) on financial instruments	A9	83,508	(16,169)
Gain on sale of metering equipment	10	-	(16,431)
Asset impairments	10	-	7,531
Adjustments before income tax		83,508	(25,069)
Change in income tax expense in relation to adjustments		(23,382)	7,019
Change in tax treatment of commercial buildings	21	-	(1,543)
Adjustments after income tax		60,126	(19,593)
Underlying Earnings After Tax		94,249	75,478

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	2021	2020
Profit after tax attributable to the shareholders of the Company (\$000)		34,123	95,071
Weighted average number of ordinary shares on issue (thousands)	17	312,973	312,973
Basic and diluted earnings per share (cents per share)		10.9	30.4
Underlying earnings after tax (\$000)	A2	94,249	75,478
Weighted average number of ordinary shares on issue (thousands)	17	312,973	312,973
Underlying earnings per share (cents per share)		30.1	24.1

Note A4: Net tangible assets per share

	Note	2021 \$000	2020 \$000
Total net assets		1,086,904	1,100,014
Less intangible assets (including capitalised customer acquisition costs)	4, 5	(83,921)	(94,113)
Less net tangible assets attributed to non-controlling interest		(21,504)	(28,017)
Net tangible assets attributed to shareholders		981,479	977,884
Number of ordinary shares on issue (thousands)	17	312,973	312,973
Net tangible assets per share (dollars per share)		3.14	3.12

Note A5: Other operating expenses

	Note	2021 \$000	2020 \$000
Remuneration of auditors	A6	644	832
Bad debt expense	A16	3,198	4,985
Directors' fees		648	727
Donations		1,271	903
(Gain)/loss on foreign exchange		(15)	79
Generation development expenditure		1,328	612
Market fees and costs		10,954	9,078
Meter rental costs		28,422	23,264
Net gain on sale of property, plant and equipment		(125)	(328)
Marketing and acquisition costs		11,581	12,199
Computer maintenance and support costs		16,742	17,068
Other administration costs		33,282	35,686
		107,930	105,105

Note A6: Remuneration of auditors

	2021 \$000	2020 \$000
During the year the following fees were payable to the auditors of Trustpower, PricewaterhouseCoopers:		
Audit and other assurance services		
Audit of financial statements	443	590
Other assurance services		
Audit of regulatory returns ¹	21	19
Review of half year financial statements	111	73
	575	682
Taxation services		
Tax compliance services ²	47	75
Tax compliance advice ³	1	33
	48	108
Other services		
Financial system migration controls assessment	-	22
Agreed upon procedures over the financial information for King Country Energy Limited	21	20
	21	42
Total remuneration of PricewaterhouseCoopers	644	832

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.

Note A7: Accounts receivable and prepayments

	Note	2021 \$000	2020 \$000
<i>Current Portion:</i>			
Trade receivables including unbilled sales		90,389	81,223
Provision for expected credit losses	A16	(3,834)	(4,200)
Electricity market receivables		5,095	776
Other receivables		15,719	10,938
GST receivable		137	138
Prepayments		2,800	1,902
		110,306	90,777

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

	2021 \$000	2020 \$000
Customer bond deposits	167	356
Electricity market payables	15,716	4,571
Employee entitlements	13,801	15,032
Interest accruals	1,738	1,473
GST payable	5,112	5,248
Other accounts payable and accruals	36,249	23,330
Trade accounts payable	36,853	42,982
	109,636	92,992

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 2021 are summarised below:

	Note	2021 \$000	2020 \$000
Recognised in the income statement			
Interest rate derivatives		3,325	(1,990)
Ineffective portion transferred from cash flow hedge reserve	A16	17,407	-
Electricity price derivatives		(104,240)	18,159
		(83,508)	16,169
		2021 \$000	2020 \$000

Recognised in the cash flow hedge reserve

Electricity price derivatives		102,713	(28,985)
Ineffective portion transferred to income statement	A16	(17,407)	-
Exchange rate derivatives		(214)	-
		85,092	(28,985)

Note A10: Cash flow hedge reserve

	2021 \$000	2020 \$000
Balance at beginning of year	7,987	28,856
Fair value (losses)/gains	103,369	(12,090)
Ineffective portion transferred to income statement	(17,407)	-
Transfers to energy cost expense	(869)	(16,895)
	85,093	(28,985)
Tax on fair value losses/(gains)	(28,943)	3,385
Tax on ineffective portion transferred to income statement	4,874	-
Tax on transfers to energy cost expense	243	4,731
	(23,826)	8,116
	69,254	7,987

Note A11: Derivative financial instruments

	2021 \$000	2020 \$000
Current		
Interest rate derivative assets	–	–
Electricity price derivative assets	75,994	14,121
	75,994	14,121
Interest rate derivative liabilities	1,137	317
Electricity price derivative liabilities	85,781	2,399
Exchange rate derivative liabilities	193	–
	87,111	2,716
Non-current		
Interest rate derivative assets	4,216	8,649
Electricity price derivative assets	69,614	14,052
	73,830	22,701
Interest rate derivative liabilities	18,403	26,980
Electricity price derivative liabilities	35,953	355
Exchange rate derivative liabilities	21	–
	54,377	27,335

Note A12: Investments in subsidiaries

	Country of incorporation and place of business	% owned by Trustpower 2021	% owned by Trustpower 2020	Nature of business
<i>Significant subsidiaries (31 March balance dates)</i>				
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

	2021 \$000	2020 \$000
Profit after tax	30,737	97,608
<i>Items classified as investing/financing</i>		
Interest paid	30,042	31,819
Interest received	(541)	(648)
	29,501	31,171
<i>Non-cash items:</i>		
Amortisation of debt issue costs	842	974
Amortisation of intangible assets	12,669	11,033
Depreciation	32,673	31,541
Net gain on sale of property, plant and equipment	(125)	(328)
Other fixed and investment asset charges/(credits)	–	(8,884)
Movement in derivative financial instruments taken to the income statement	83,508	(16,169)
Decrease in deferred tax liability excluding transfers to reserves	(8,903)	613
	120,664	18,780
<i>Decrease/(increase) in working capital:</i>		
Accounts receivable and prepayments	(11,200)	33,096
Taxation payable/receivable	(23,642)	(6,969)
Accounts payable and accruals excluding capital expenditure accruals	15,262	(20,618)
	(19,580)	5,509
Net cash from operating activities	161,322	153,068

Note A14: Employee share based compensation

Certain members of Trustpower's executive management team and other employees 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 NZX50 index on a notional number of allocated shares. The return is calculated as the sum of dividends paid by Trustpower plus the increase in share price over the period. Payment is only made if the total shareholder return is greater than that of 50% of NZX50 companies. Additionally the scheme has a set maximum return above which no increase in the bonus is received by the participants. The total return is calculated for the full period of each agreement with reference to the average share price over the ten days prior to the scheme closing.

The fair value of the liability at 31 March 2021 has been determined by reference to Trustpower's and all other NZX50 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 2021 the total expense recognised in the income statement was \$1,920,000 (2020: \$1,737,000) and the liability recognised in the statement of financial position as at 31 March 2021 was \$4,013,000 (2020: \$5,115,000).

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:

	2021 \$000	2020 \$000
Generation assets (at cost)	1,021,737	1,002,522
Generation assets under construction (at cost)	33,948	14,872
Generation assets accumulated depreciation	(289,092)	(273,343)
	766,593	744,051

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 2021				
Net settled electricity price derivatives	11,157	61,881	17,433	24,980
Net settled interest rate derivatives	-	3,173	2,775	14,811
Accounts payable and accruals	107,898	-	-	-
Lease liabilities	750	3,688	4,355	30,592
Unsecured senior bonds	1,047	7,931	90,855	401,170
Unsecured bank loans	-	75,236	-	243,684
Total	120,852	151,909	115,418	715,237

	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 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	711,145

(b) Interest rate risk

The aggregate notional principal amount of the outstanding interest rate derivative instruments at 31 March 2021 was \$452,500,000 (31 March 2020: \$446,500,000).

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 2021, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

	2021 \$000	2020 \$000
Decrease to profit of a 100 basis point decrease in interest rates	(716)	(2,165)
Increase to profit of a 100 basis point increase in interest rates	638	2,050
Decrease to equity of a 100 basis point decrease in interest rates	(716)	(2,165)
Increase to equity of a 100 basis point increase in interest rates	638	2,050

Note A16: Financial risk management (continued)

(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 2021 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable.

At 31 March 2020, an additional \$900,000 provision was included due to forecast increases in unemployment and reductions in GDP in New Zealand.

It was noted at the time that there was uncertainty around that figure. Trustpower identified no material deterioration in customer payment behaviour in the year since that additional provision was made. No such provision has been made as at 31 March 2021.

On this basis the following table details the loss allowance at 31 March 2021:

	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	0.4%	31.8%	76.6%	78.7%	
Gross carrying amount – trade receivables including unbilled sales (\$000)	85,223	1,176	488	3,502	90,389
Loss allowance	330	374	374	2,756	3,834

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

	2021 \$000	2020 \$000
Opening balance	4,200	2,800
Provision for receivables impairment	3,198	4,985
Bad debts written off	(3,564)	(3,585)
Closing balance	3,834	4,200

(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 2021 was 2,754GWh (31 March 2020: 2,960GWh).

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 2021 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the income statement.

As a result of the strategic review of its mass market retail business (see note 1 for more details), the forecast electricity purchase transactions related to mass market customers are now no longer considered highly probable. Under NZ IFRS 9, Financial Instruments, these transactions can no longer be considered when assessing the effectiveness of the hedging relationship. This has resulted in a fair value gain of \$17,407,000 being transferred from the cash flow hedge reserve to the income statement.

The timing of a possible sale and the forecast amount of fixed price sales to commercial and industrial customers were the two critical estimates when calculating the level of hedge ineffectiveness.

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.

	2021 \$000	2020 \$000
Decrease to profit of a 10% increase in electricity forward price	(7,348)	(3,983)
Increase to profit of a 10% decrease in electricity forward price	7,469	3,983
Decrease to equity of a 10% increase in electricity forward price	14,210	10,897
Increase to equity of a 10% decrease in electricity forward price	(12,318)	(10,897)

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 to value electricity price derivative instruments	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 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 electricity price derivatives	Assumed counterparty cost of funds ranging from 2.2% to 3.1%

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

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

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

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

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2020: none).

Note A17: Fair value measurement (continued)

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
As at 31 March 2021				
Assets per the statement of financial position				
Interest rate derivative assets	-	4,216	-	4,216
Electricity price derivative assets	-	-	145,608	145,608
Exchange rate derivative assets	-	-	-	-
	-	4,216	145,608	149,824

Liabilities per the statement of financial position

Interest rate derivative liabilities	-	19,540	-	19,540
Electricity price derivative liabilities	-	-	121,734	121,734
Exchange rate derivative liabilities	-	214	-	214
	-	19,754	121,734	141,488

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
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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
Exchange rate derivative assets	-	-	-	-
	-	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

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

	2021 \$000	2020 \$000
Assets per the statement of financial position		
Opening balance	28,173	52,175
Gains and (losses) recognised in profit or loss		
Realised in energy cost expense	5,119	2,001
Unrealised	12,315	(46,815)
Gains and (losses) recognised in other comprehensive income		
Realised in energy cost expense	1,005	16,895
Unrealised	98,996	3,917
Closing balance	145,608	28,173
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period		
	131,482	28,112
Liabilities per the statement of financial position		
Opening balance	2,754	15,929
(Gains) and losses recognised in profit or loss		
Realised in energy cost expense	(21,541)	(9,021)
Unrealised	115,681	(2,387)
(Gains) and losses recognised in other comprehensive income		
Realised in energy cost expense	(136)	-
Unrealised	24,976	(1,767)
Closing balance	121,734	2,754
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	92,199	3,462
Settlements during the year	(18,769)	18,556

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 2021				
Assets per the statement of financial position				
Derivative financial instruments		-	46,739	103,085
Trade and other receivables excluding prepayments	A7	107,506	-	-
Cash and cash equivalents		6,091	-	-
Electricity market security deposits		95,899	-	-
Loan receivable		7,333	-	-
		216,829	46,739	103,085

		Assets at amortised cost \$000	Assets at fair value through profit or loss \$000	Assets at fair value through other comprehensive income \$000
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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	-	-
Electricity market security deposits		541	-	-
Loan receivable		8,000	-	-
		106,078	23,017	13,805

		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 2021

Liabilities per the statement of financial position

Unsecured bank loans including bank overdrafts	14	-	-	303,294
Unsecured subordinated bonds	14	-	-	-
Unsecured senior bonds	14	-	-	433,049
Lease liabilities	16	-	-	33,372
Derivative financial instruments		134,588	6,900	-
Trade and other payables	A8	-	-	109,636
		134,588	6,900	879,351

		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	A8	-	-	92,992
		29,750	301	719,990

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

Note A19: Electricity market security deposits

Trustpower manages its electricity price risk by entering various hedge agreements (see notes 7 and A16 for further details). Some of these hedge agreements are traded on the New Zealand electricity futures market operated by the Australian Stock Exchange (ASX). Trustpower is required to deposit funds to a level to ensuring the fair value of all open trades can be settled at any point. Consequently this balance is larger when the fair value of the open ASX trades is lower and vice versa.

Note A20: Supplementary accounting information

A20.1 Cash flow statement

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

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

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

A20.2 Foreign currency translation

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

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

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 2021.

Director	Interest	Entity
Paul Ridley-Smith	Director	Arvida Group Limited
	Shareholder	Morrison & Co Group Limited Partnership
	Employee	HRL Morrison & Co
David Prentice	Chief Executive	Trustpower Limited
	Director	Trustpower Metering Ltd (100% Trustpower Ltd subsidiary)
	Director	Trustpower Insurance Ltd (100% Trustpower Ltd subsidiary)
	Director	Hopsta Limited (formerly Energy Direct NZ Ltd) (100% Trustpower Ltd subsidiary)
	Director	King Country Energy Holdings Ltd (100% Trustpower Ltd subsidiary)
	Director	Ngati Tuwharetoa Electricity Ltd
	Advisor	Gore District Council – Capital Works Committee
	Board Advisor	Antarctica NZ - Scott Base Development Project
Peter Coman	Chair	MartinJenkins
	Director	Morrison and Co PIP Limited
	Director	Morrison and Co PPP GP 2 Limited
	Director	Morrison and Co PPP GO 3 Limited
	Director	Morrison and Co PPP GP SE Limited
	Director	Morrison and Co Employee Co-Invest (PIP 2) Limited
	Director	Morrison and Co Employee Co-Invest (PIP 3) Limited
	Director	Morrison and Co Property Investments Limited
	Director	Woodward Infrastructure Limited
	Director	PIP Holding Company Pty Limited
	Director	PIP Melbourne Company Pty Limited
	Director	Infratil Infrastructure Property Limited
	Director	RA (Holdings) 2014 Pty Limited
	Director	RA 2014 Pty Limited
	Shareholder	Morrison & Co Group Limited Partnership
	Employee	HRL Morrison & Co Limited
	Susan Peterson	Director
Director		Property For Industry Limited
Chair		Vista Group International Limited
Director		P.F.I. Property No. 1 Limited
Director		Board of Arvida Group Limited (ARV - NZX)
Chair		Organic Initiative Limited
Co Chair		New Zealand Markets Disciplinary Tribunal
Member Trustee		Global Women
David Gibson	Director	Goodman Property Trust ("GMT")
	Director	Rangatira Limited
	Director	NZME
	Director	Goodman (NZ) Limited
	Director	Goodman Property Aggregated Limited
	Trustee	Diocesan School for Girls
	Chair & Trustee	Diocesan School for Girls Heritage Foundation

Statutory information (continued)

Director	Interest	Entity
Keith Turner	Director	TransGrid in New South Wales
	Chair	Dam Watch
	Chair	Milford Opportunities
	Chair	Ministry of Environment Audit and Risk Committee
	Member	Expert reviewer of wind development in the Chatham Islands
Kevin Baker	Director	Infratil Infrastructure Property Limited
	Director	CDC Group Holdings Pty Limited
	Director	Ambient Holdings Pty Limited
	Director & Shareholder	Fenn Lanes Consultants Limited
	Shareholder	Morrison & Co Group Ltd Partnership
	Consultant	Morrison & Co

Information used by Directors

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

Directors' Fees

The following fee structure was in place for the full financial year:

Position	Current annual fee \$
Chair	180,000
Director	95,000
Chair Audit & Risk Committee	20,000
Member Audit & Risk Committee	-
Chair People & Remuneration Committee	15,000
Member People & Remuneration Committee	-
Chair Governance & Nominations Committee	15,000
Member Governance & Nominations Committee	-
Chair Trustpower Insurance Limited	5,000
Total fee payable	805,000

The Board's view is that the structure 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.

All Directors took a voluntary fee reduction and the Senior Leadership Team contributed part of their short term incentive to partially fund donations made to charitable organisations impacted by Covid-19.

Statutory information (continued)

Directors holding office and their remuneration

During the year to 31 March 2021 there were two director resignations Sam Knowles (effective July 2020) and Geoff Swier (effective November 2020). These directors were replaced by David Gibson (September 2020) and Peter Coman (November 2020). All other directors were directors for the entire year.

The Directors holding office during the year to 31 March 2021 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 Chair	People and Remuneration Committee Chair	Governance and Nominations Committee Chair	Trustpower Insurance Limited Chair	Total Remuneration FY21	Total Remuneration FY20	Responsibility Held during the year
Richard Aitken	-	-	-	-	-	-	\$28,667	Independent Director (until 26 July 2019)
Alan Bickers	-	-	-	-	-	-	\$28,667	Independent Director (until 26 July 2019)
Kevin Baker	\$85,500	-	-	-	-	\$85,500	\$98,000	Non-executive Director Member of Audit & Risk Committee
Peter Coman	\$35,625	-	-	-	-	\$35,625	-	Non-executive Director (from 6 November 2020)
David Gibson	\$48,813	-	-	\$7,875	-	\$56,688	-	Independent Director (from 7 September 2020) Chair of Governance & Nominations Committee (from 7 September 2020) Member of People & Remuneration Committee (from 7 September 2020) Member of Audit & Risk Committee (from 7 September 2020)
Sam Knowles	\$32,931	\$6,000	-	-	-	\$38,931	\$119,250	Independent Director (until 24 July 2020) Chair of Audit & Risk Committee (until 24 July 2020) Member of Governance & Nominations Committee (until 24 July 2020)
Susan Peterson	\$85,500	\$12,000	\$7,875	\$5,625	-	\$111,000	\$114,250	Independent Director Chair of Governance & Nominations Committee (until 6 November 2020) Chair of Audit & Risk Committee (from 24 July 2020) Chair of People & Remuneration Committee (from 6 November 2020)
David Prentice	-	-	-	-	-	-	\$46,000	Independent Director (from 26 July 2019 until 24 January 2020) Executive Director (from 24 January 2020)* Member of People & Remuneration Committee (from 1 October 2019 until 24 January 2020) Member of Audit and Risk Committee (from 1 October 2019 until 24 January 2020)
Paul Ridley-Smith	\$162,000	-	-	-	-	\$162,000	\$178,250	Chair of the Board Non-executive Director Member of Governance & Nominations Committee Member of People & Remuneration Committee
Geoffrey Swier	\$62,631	-	\$5,625	-	-	\$68,256	\$114,250	Independent Director (until 6 November 2020) Chair of People & Remuneration Committee (until 6 November 2020)
Keith Turner	\$85,500	-	-	-	\$4,500	\$90,000	\$64,333	Non-executive Director (from 26 July 2019)
						\$648,000	\$791,667	

*Upon appointment as Acting Chief Executive.

Statutory information (continued)

Number of meetings held/attended for the year ended 31 March 2021

Director	Board meeting	Audit and Risk Committee	People and Remuneration Committee	Governance and Nominations Committee	Comments
Total Meetings held	22	5	4	2	
Kevin Baker	22	5	-	-	
Peter Coman	4	-	-	-	Appointed 6 November 2020
David Gibson	4	2	2	1	Appointed 7 September 2020
Samuel Knowles	14	3	-	2	Resigned 24 July 2020
Susan Peterson	22	5	4	2	
David Prentice	22	5	-	-	
Paul Ridley-Smith	22	-	4	2	
Geoffrey Swier	18	3	2	-	Resigned 6 November 2020
Keith Turner	22	-	-	-	

There are eight scheduled Board meetings and one scheduled strategy day discussion. The Covid-19 pandemic resulted in a significant increase in unscheduled meetings in FY21.

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 and 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 NZX50 companies. Eligible employees are 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 NZX50 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 the structure of the LTI and the quantum of LTI issued each year.

Statutory information (continued)

There are 13 senior managers currently participating in the LTI scheme. 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 made in the financial year to 31 March 2021 were as follows:

Commencement date	26 May 2017
Vesting date	10 June 2020
A Number of notional shares	varies by individual from 20,000 to 40,000
Opening share price (being the volume weighted share price in the ten trading days post commencement date)	\$5.18
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	69.9%
B Share price of notional shares (being opening value adjusted for Trustpower TSR)	\$8.80
Ranking in NZX50	77%
C Bonus percentage	95.5%
Bonus paid (A*B*C)	\$8.40 per notional share

Chief Executive's remuneration

The remuneration paid to Mr Prentice as Chief Executive was as follows:

	Year ended 31 March 2021	Period 13 January 2020* to 31 March 2020
Base salary	900,000	176,538
Bonus	1,000	-
Employer contribution to Kiwisaver	27,030	5,296
Vehicle	13,111	2,185
Accommodation	32,077	5,893
Flights	30,910	3,600
Total	1,004,128	193,512

* Mr Prentice took on the responsibilities of Chief Executive on 13 January 2020 as such the comparative figures are not for a complete year.

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. Mr Prentice's Total Remuneration does not include a Short Term Incentive. Mr Prentice is entitled to an LTI bonus in the format described above. The bonus received in 2021 was paid to all staff in recognition of the extra effort applied to successfully negotiate through the Covid-19 pandemic. He receives an accommodation, vehicle and travel allowance of up to \$80,000.00 per annum, for Trustpower related work in Tauranga.

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 FY20 performance but paid in FY21
- the value of equity-based long term incentives paid during FY21
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 31 March 2021 that relate to the year ended 31 March 2021.

Further details of the remuneration of the Chief Executive can be found in the table above.

Statutory information (continued)

Salary band	Continuing employees	Discontinued employees	Total
\$100,000 to \$109,999	38	1	39
\$110,000 to \$119,999	25	1	26
\$120,000 to \$129,999	27	2	29
\$130,000 to \$139,999	24	1	25
\$140,000 to \$149,999	23	2	25
\$150,000 to \$159,999	14	-	14
\$160,000 to \$169,999	8	-	8
\$170,000 to \$179,999	5	-	5
\$180,000 to \$189,999	4	-	4
\$190,000 to \$199,999	1	1	2
\$200,000 to \$209,999	2	-	2
\$210,000 to \$219,999	5	1	6
\$220,000 to \$229,999	3	1	4
\$230,000 to \$239,999	4	-	4
\$240,000 to \$249,999	1	-	1
\$250,000 to \$259,999	1	-	1
\$260,000 to \$269,999	2	-	2
\$270,000 to \$279,999	-	2	2
\$440,000 to \$449,999	1	-	1
\$490,000 to \$499,999	1	-	1
\$510,000 to \$519,999	1	-	1
\$540,000 to \$549,999	1	-	1
\$570,000 to \$579,999	-	1	1
\$730,000 to \$739,999	-	1	1
\$870,000 to \$879,999	1	-	1
\$880,000 to \$889,999	1	-	1
\$920,000 to \$929,999	1	-	1
\$930,000 to \$939,999	1	-	1
\$950,000 to \$ 959,999	1	-	1
\$1,000,000 to \$1,009,999	1	-	1
Total	197	14	211

Indemnification and insurance of Directors and Executives

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

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

The Company has entered into deeds of indemnity in respect of each Director, 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.

Statutory information (continued)

Subsidiary company directors

Set out below are details of the Directors of Trustpower's subsidiaries as at 31 March 2021.

Director as at 31 March 2021	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 is disclosed 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 2021 are listed below.

Director	Class of Security	Interests in Trustpower Limited		Interests in Associated Companies	
		Number Held at 31 March 2021	Number Held at 31 March 2020	Infratil Limited Number Held at 31 March 2021	Tilt Renewables Limited Number Held at 31 March 2021
Kevin Baker	Ordinary Shares	-	-	515,047	-
	Bonds	-	-	850,000	-
Susan Peterson	Ordinary Shares	-	-	-	-
David Prentice	Ordinary Shares	-	-	595	258
Paul Ridley-Smith	Ordinary Shares	-	-	77,711	-
	Bonds	-	-	609,500	-
Keith Turner	Ordinary Shares	-	-	7,500	-
David Gibson	Ordinary Shares	-	-	5,230	-
Peter Coman	Ordinary Shares	-	-	270,769	-

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 2021.

As at 30 April 2021, 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 2021

Shares	Holders	%	Shares	%
1 to 999	1,686	14.1%	791,508	0.3%
1,000 to 1,999	1,965	16.4%	2,401,248	0.8%
2,000 to 4,999	6,670	55.9%	16,334,026	5.2%
5,000 to 9,999	957	8.0%	6,242,279	2.0%
10,000 to 49,999	598	5.0%	10,286,365	3.3%
50,000 to 99,999	39	0.3%	2,521,915	0.8%
100,000 to 499,999	27	0.2%	4,941,866	1.6%
500,000 to 999,999	5	0.0%	3,900,452	1.2%
1,000,000 plus	11	0.1%	265,553,341	84.8%
	11,958	100.0%	312,973,000	100.0%

Senior Bonds	Holders	%	Senior Bonds	%
5,000 to 9,999	401	11.6%	2,284,000	0.5%
10,000 to 49,999	2,446	71.0%	48,515,000	11.1%
50,000 to 99,999	358	10.4%	21,061,000	4.8%
100,000 to 499,999	179	5.2%	28,798,000	6.6%
500,000 to 999,999	15	0.4%	10,232,000	2.3%
1,000,000 plus	47	1.4%	324,890,000	74.7%
	3,446	100.0%	435,780,000	100.0%

Shares	Holders	%	Shares	%
New Zealand	11,757	98.3%	311,795,728	99.6%
Australia	105	0.9%	246,061	0.1%
United Kingdom	28	0.2%	39,613	0.0%
United States of America	19	0.2%	683,474	0.2%
Other	49	0.4%	208,124	0.1%
	11,958	100.0%	312,973,000	100.0%

Senior bonds	Holders	%	Senior Bonds	%
New Zealand	3,424	99.4%	434,592,000	99.7%
Australia	7	0.2%	677,000	0.1%
United Kingdom	5	0.1%	151,000	0.0%
United States of America	4	0.1%	205,000	0.1%
Other	6	0.2%	155,000	0.0%
	3,446	100.0%	435,780,000	100.0%

Security holder information (continued)

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 2021)

Rank	Holder Name	Shares	%
1	Infratil Limited	159,742,389	51.04%
2	TECT Holdings Limited	83,878,838	26.80%
3	Custodial Services Limited	5,946,272	1.90%
4	Hobson Wealth Custodian Limited	3,400,559	1.09%
5	Forsyth Barr Custodians Limited	3,056,427	0.98%
6	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,880,501	0.92%
7	Citibank Nominees (New Zealand) Limited	2,126,170	0.68%
8	New Zealand Depository Nominee Limited	1,443,097	0.46%
9	HSBC Nominees (New Zealand) Limited	1,281,237	0.41%
10	Public Trust Class 10 Nominees Limited	1,238,008	0.40%
11	FNZ Custodians Limited	1,026,274	0.33%
12	Accident Compensation Corporation*	962,742	0.31%
13	JBWere (NZ) Nominees Limited	891,199	0.28%
14	BNP Paribas Nominees (NZ) Limited	807,600	0.25%
15	Clyde Parker Holland + Rena Holland	596,000	0.19%
16	Public Trust*	455,010	0.15%
17	Masfen Securities Limited	337,912	0.11%
18	Brett Anthony Hart + Lynn Marion Fitness + Judith Louise Burney	319,431	0.10%
19	Brett Anthony Hart	304,000	0.10%
20	ASB Nominees Limited	271,214	0.09%
		270,964,880	86.59%

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

Directory

Board of Directors

Paul Ridley-Smith (Chair)
Kevin Baker
Peter Coman
David Gibson
Susan Peterson
David Prentice
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

comms@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

11 June 2021 Record date of final dividend	15 July 2021 First quarter operating information	08 November 2021 Half year announcement	21 Jan 2022 Third quarter operating information
18 June 2021 Payment date of final dividend	23 July 2021 Annual Meeting	26 Nov 2021 Record date interim dividend	15 April 2022 Fourth quarter operating information
	15 October 2021 Second quarter operating information	03 Dec 2021 Payment interim dividend	16 May 2022 Full year announcement