

NOTE A2: NON-GAAP MEASURES

UNDERLYING EARNINGS AFTER TAX

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

Underlying Earnings is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Trustpower believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long-term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or gain/impairment of generation assets. While asset impairments are likely to occur in the future, any individual impairment is due to one-off factors and is, therefore, considered a one-off cost. Underlying earnings does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, FAIR VALUE MOVEMENTS OF FINANCIAL INSTRUMENTS, ASSET IMPAIRMENTS AND DISCOUNT ON ACQUISITION (EBITDAF)

EBITDAF is a non-GAAP financial measure but is commonly used within the electricity and telecommunications industries, and is used by Trustpower's management as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation.

Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector. EBITDAF does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.