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.

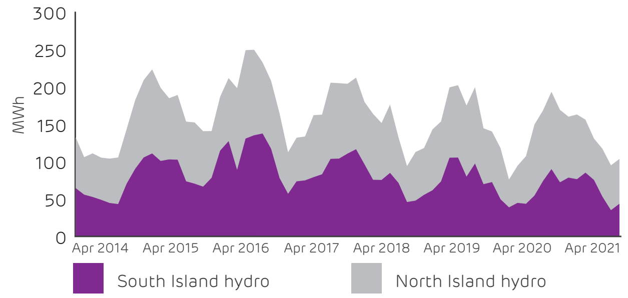
Trustpower's underlying earnings were strong year-on-year, due to good gains in retail margins and favourable wholesale prices for our generation production.

Balance Sheet/Dividend

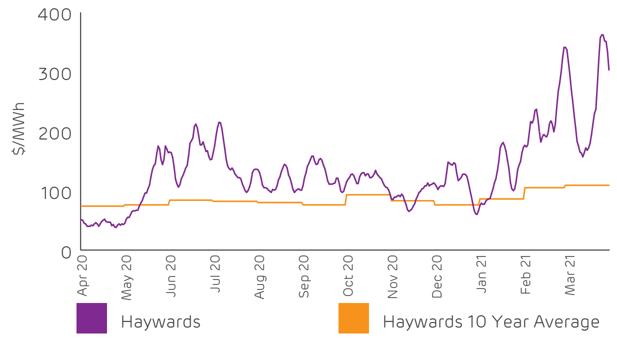
Trustpower's balance sheet remains in a strong position, despite an increase in net debt that was driven by market prudential requirements due to high wholesale prices and our net position in the market. A fully imputed final dividend of 18.5 cents per share has been declared, bringing total dividends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

There is also an appendix, from notes A1 to A20, which contains additional detailed disclosure readers may wish to use to supplement the disclosures in the primary sections of notes listed above.

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

Note index

Appendix index

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

PricewaterhouseCoopers, PwC Tower, 15 Customs Street West, Private Bag 92162, Auckland 1142 New Zealand
T: +64 9 355 8000, www.pwc.co.nz

Description of the key audit matter	How our audit addressed 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.	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.
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).	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.	We had no matters to report as a result of our procedures.
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
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.

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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:

PricewaterhouseCoopers

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

As at 31 March 2021	Note	2021 $000	2020 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	17	**2**	2
Revaluation reserve		**732,898**	732,898
Retained earnings		**267,472**	335,340
Cash flow hedge reserve	A10	**69,254**	7,987
Non-controlling interests		**17,278**	23,787
Total Equity		**1,086,904**	1,100,014
Represented by:			
Current Assets			
Cash at bank		**6,091**	8,662
Electricity market security deposits	A19	**95,899**	541
Accounts receivable and prepayments	A7	**110,306**	90,777
Capitalised customer acquisition costs	4	**34,959**	35,320
Derivative financial instruments	A11	**75,994**	14,121
Taxation receivable		**17,618**	–
		340,867	149,421
Non-Current Assets			
Property, plant and equipment	10	**1,839,150**	1,836,412
Right-of-use assets	16	**32,248**	35,455
Capitalised customer acquisition costs	4	**13,496**	20,078
Derivative financial instruments	A11	**73,830**	22,701
Loan receivable		**7,333**	8,000
Intangible assets	5	**35,466**	38,715
		2,001,523	1,961,361
Total Assets		**2,342,390**	2,110,782
Current Liabilities			
Accounts payable and accruals	A8	**109,636**	92,992
Unsecured senior bonds	14	**83,046**	–
Unsecured bank loans	14	**30,126**	35,000
Lease liabilities	16	**7,669**	6,924
Derivative financial instruments	A11	**87,111**	2,716
Taxation payable		**–**	6,003
		317,588	143,635
Non-Current Liabilities			
Unsecured bank loans	14	**273,168**	158,690
Unsecured senior bonds	14	**350,003**	432,208
Lease liabilities	16	**25,703**	29,176
Derivative financial instruments	A11	**54,377**	27,335
Deferred tax liability	22	**234,647**	219,724
		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			
Cash was provided from:			
Receipts from customers		925,149	1,013,593
		925,149	1,013,593
Cash was applied to:			
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			
Cash was provided from:			
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
Cash was applied to:			
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			
Cash was provided from:			
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
Cash was applied to:			
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 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)
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
Closing balance as at 31 March 2021					
Fair value	1,770,128	–	–	–	1,770,128
Cost	678	28,534	152	62,303	91,667
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

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
Repayment terms:		
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
Undrawn facilities		
Less than one year	5,000	–
One to two years	45,000	–
Two to five years	51,832	–
Over five years	–	–
	101,832	–
Weighted average interest rate:		
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
Repayment terms:		
Less than one year	49,000	–
One to two years	61,000	83,046
Two to five years	83,690	127,734
Over five years	–	225,000
Bond issue costs	–	(3,572)
	193,690	432,208
Current portion	35,000	–
Non–current portion	158,690	432,208
	193,690	432,208
Undrawn facilities		
Less than one year	41,000	–
One to two years	36,000	–
Two to five years	99,500	–
Over five years	–	–
	176,500	–
Weighted average interest:		
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
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	–

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

	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
Generation Development	9
Borrowings	14
Cash Flow Statement	A20
Share Capital	17
Accounts Payable and Accruals	A8
Dividend Distribution	18
Foreign Currency Translation	A20
Adoption Status of Relevant New Financial Reporting Standards and Interpretations	A20

Apart from note A20, 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
Current Portion:			
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

	Note	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

	Note	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
Significant subsidiaries (31 March balance dates)				
Hopsta Limited	New Zealand	100	100	Electricity and telecommunications retailing
King Country Energy Holdings Limited	New Zealand	100	100	Asset holding
King Country Energy Limited	New Zealand	75	75	Electricity generation
Trustpower Insurance Limited	New Zealand	100	100	Captive insurance

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

Note A13: Reconciliation of net cash from operating activities with profit after tax attributable to the shareholders

	2021 $000	2020 $000
Profit after tax	30,737	97,608
Items classified as investing/financing		
Interest paid	30,042	31,819
Interest received	(541)	(648)
	29,501	31,171
Non-cash items:		
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
Decrease/(increase) in working capital:		
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
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	**131,482**	28,112
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**

	Note	Assets at amortised cost $000	Assets at fair value through profit or loss $000	Assets at fair value through other comprehensive income $000
As at 31 March 2020				
Assets per the statement of financial position				
Derivative financial instruments		–	23,017	13,805
Trade and other receivables excluding prepayments	A7	88,875	–	–
Cash and cash equivalents		8,662	–	–
Electricity market security deposits		541	–	–
Loan receivable		8,000	–	–
		106,078	23,017	13,805

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

	Note	Liabilities at fair value through profit or loss $000	Derivatives used for hedging $000	Other financial liabilities at amortised cost $000
As at 31 March 2020				
Liabilities per the statement of financial position				
Unsecured bank loans including bank overdrafts	14	–	–	158,690
Unsecured subordinated bonds	14	–	–	–
Unsecured senior bonds	14	–	–	432,208
Lease liabilities	16	–	–	36,100
Derivative financial instruments		29,750	301	–
Trade and other payables	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	
				Infratil Limited	Tilt Renewables Limited
		Number Held at 31 March 2021	Number Held at 31 March 2020	**Number Held at 31 March 2021**	**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

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Trustpower Building
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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

18 June 2021 Payment date of final dividend

15 July 2021 First quarter operating information

23 July 2021 Annual Meeting

15 October 2021 Second quarter operating information

08 November 2021 Half year announcement

26 Nov 2021 Record date interim dividend

03 Dec 2021 Payment interim dividend

21 Jan 2022 Third quarter operating information

15 April 2022 Fourth quarter operating information

16 May 2022 Full year announcement

www.trustpower.co.nz