TrustPower

INTERIM REPORT SEPTEMBER 2012

SUSTAINED GROWTH FROM WITHIN

TRUSTPOWER LIMITED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

TrustPower's profit after tax attributable to the shareholders of the Group was $69.8 million for the six months ended 30 September 2012 compared with $68.8 million for the prior period, an increase of 1.6 per cent. This includes the impact of fair value movements on financial instruments which were broadly in line with the prior period.

TrustPower's consolidated underlying surplus after tax was $76.2 million for the half year (an increase of 0.8 per cent) compared with $75.6 million for the same period last year. Underlying surplus after tax excludes fair value movements on financial instruments and one-off adjustments impacting on the prior period such as the change of company tax rate and the removal of depreciation deductibility for long life buildings both of which took effect from 1 April 2011 and affected the comparative result.

Earnings before interest, tax, depreciation, amortisation and fair value movements on financial instruments ("EBITDAF") increased by 2.8 per cent to $166.1 million from $161.6 million in the previous year. The primary driver of increased EBITDAF was trading gains from placement of generation to high priced periods as well as the sale of electricity forward contracts through ASX when wholesale electricity prices were firm earlier in the reporting period. Approximately $3.9 million relating to the cost of transacting currency options to hedge currency exposure was expensed during the period prior to the Group committing to the Snowtown Stage 2 wind farm investment. This amount was included in other operating expenses.

Total electricity volume sold in New Zealand was 1,986 GWh compared with 2,137 GWh in the prior year a decrease of 7 per cent. Electricity customer numbers decreased to 206,000 as at 30 September 2012 from 209,000 at 31 March 2012 and 218,000 as at 30 September 2011. Mass market sales were down 9 per cent versus prior period largely as a result of the decrease in customer numbers and to a lesser extent lower customer usage. Retail competition remained intense during the period with customer switching continuing albeit some reduction in customer churn has been experienced towards the end of the period.

Time of use sales decreased by 77 GWh to 1,076 GWh in the current period. However, this reduction was offset by 109 GWh of sales through ASX given attractive pricing available in this market.

The Company's total New Zealand generation production of 1,292 GWh for the first six months was down 122 GWh (9 per cent) due to lower hydro and wind production compared with the prior period. Production in the current period is consistent with expected long term average. Wholesale electricity prices were firmer than the prior period as South Island hydro storage levels fell below long term average in the first quarter.

The Snowtown Wind Farm in South Australia produced 186 GWh which was 5 per cent up on prior period and in line with expected long term average.

Debt (including subordinated bonds) to debt plus equity was 37 per cent at 30 September 2012 versus 36 per cent in the previous year reflecting commencement of capital spend on the Snowtown Stage 2 wind farm.

TrustPower continues to maintain high levels of committed credit facilities. Including subordinated bonds, the Company currently has just over $1.4 billion of committed debt funding in place. As at 30 September 2012 Group net debt was $849 million. The undrawn facilities will be used to fund the Snowtown Stage 2 wind project.

During the period TrustPower successfully refinanced $108 million of subordinated bonds maturing in September 2012 with a combined retail exchange and general market offer of 7 year subordinated bonds maturing September 2019. A total of $140 million was raised at an interest rate of 6.75 per cent.

The 3.8MW hydro project at Esk Valley in the Hawkes Bay is progressing well towards target commissioning in June 2013. The decision to proceed with the 2.6MW residual flow project at the existing Arnold hydro scheme has been delayed as project economics remain under review.

Earlier this month Environment Canterbury recommended changes to the Rakaia River Water Conservation Order. These recommended changes will now proceed through governmental approval processes. The Water Conservation Order amendment is an important step to enable TrustPower to provide reliable irrigation supply to landowners in the region.

Construction of the 270MW Snowtown Stage 2 wind farm in South Australia has commenced following financial close in July this year. The project remains on target to achieve final commissioning scheduled for November 2014. TrustPower recently announced that it had discontinued exclusive discussions with a party interested in owning the 126MW Snowtown South part of the Stage 2 development. TrustPower is now considering a competitive sales process following commissioning of Snowtown South which is targeted for May 2014.

The Directors are pleased to announce an interim dividend of 20 cents per share, fully imputed, payable 14 December 2012 (record date of 30 November 2012).

B.J. Harker

BJ Harker - Chairman

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2012	Note	**Unaudited 6 Months September 2012 $000**	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Operating Revenue				
Electricity revenue		**418,057**	404,718	763,570
Carbon revenue		**1,974**	3,066	5,181
Meter rental revenue		**3,518**	3,427	6,986
Other customer fees and charges		**1,162**	1,681	2,808
Telecommunications sales		**12,618**	11,579	23,427
Other revenue		**1,332**	2,095	5,088
		438,661	426,566	807,060
Operating Expenses				
Energy costs		**71,977**	69,377	137,225
Generation production costs		**20,421**	18,748	39,036
Line costs		**127,243**	124,968	225,495
Market fees and costs		**5,349**	6,378	11,594
Meter rental costs		**2,322**	2,299	4,713
Other customer connection costs		**863**	899	1,835
Loss/(gain) on sale of property, plant and equipment		**(66)**	216	(5)
Employee benefits		**17,779**	16,455	32,379
Telecommunications cost of sales		**9,852**	9,049	18,792
Other operating expenses		**16,820**	16,590	35,859
		272,560	264,979	506,923
Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments (EBITDAF)		**166,101**	161,587	300,137
Impairment of assets		**-**	-	428
Fair value (gains)/losses on financial instruments		**8,863**	9,480	7,544
Amortisation of intangible assets		**3,729**	2,567	5,357
Depreciation		**28,745**	26,831	52,880
Operating Profit		**124,764**	122,709	233,928
Interest paid	5	**32,490**	31,748	63,889
Interest received	5	**(455)**	(401)	(904)
Net finance costs		**32,035**	31,347	62,985
Profit Before Income Tax		**92,729**	91,362	170,943
Income tax expense	6	**22,890**	22,600	39,291
Profit After Tax Attributable to the Shareholders of the Company		**69,839**	68,762	131,652
Earnings per share (cents per share)		**22.2**	21.9	41.9
Diluted earnings per share (cents per share)		**22.2**	21.8	41.8

The Board of TrustPower Limited authorised these Interim Financial Statements for issue on 31 October 2012.

The accompanying notes form part of these interim financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2012	Note	**Unaudited 6 Months September 2012 $000**	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Profit after tax attributable to the shareholders of the Company		**69,839**	68,762	131,652
Other Comprehensive Income				
Fair value gains on generation assets	7	**-**	-	193,447
Currency translation differences on revaluation reserve	7	**(1,074)**	(4,350)	(6,231)
Fair value gains/(losses) on cash flow hedges	8	**(21,097)**	16,611	18,153
Other currency translation differences	9	**(586)**	(4,307)	(4,027)
Movements in employee share option reserve	9	**-**	(17)	(100)
Tax effect of the following:				
Disposal of revalued assets	7	**-**	14	(41,043)
Fair value (gains)/losses on cash flow hedges	8	**6,406**	(4,651)	(5,083)
Currency translation differences	9	**(1,703)**	(3,759)	(3,584)
Total Other Comprehensive Income		**(18,054)**	(459)	151,532
Total Comprehensive Income		**51,785**	68,303	283,184

The accompanying notes form part of these interim financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2012	Note	Share capital $000	Revaluation reserve $000	Cash flow hedge reserve $000	Other reserves $000	Retained earnings $000	Total equity $000
Opening balance as at 1 April 2011		170,750	880,391	(7,872)	19,903	355,319	1,418,491
Total comprehensive income for the period		-	(4,336)	11,960	(8,083)	68,762	68,303
Disposal of revalued assets		-	(48)	-	-	48	-
Transactions with owners recorded directly in equity							
Purchase of treasury shares by Directors		-	-	-	-	-	-
Own shares repurchased	10	(2,485)	-	-	-	-	(2,485)
Dividends paid	11	-	-	-	-	(62,930)	(62,930)
Total transactions with owners recorded directly in equity		(2,485)	-	-	-	(62,930)	(65,415)
Unaudited closing balance as at 30 September 2011		168,265	876,007	4,088	11,820	361,199	1,421,379
Opening balance as at 1 October 2011		168,265	876,007	4,088	11,820	361,199	1,421,379
Total comprehensive income for the period		-	150,509	1,110	372	62,890	214,881
Disposal of revalued assets		-	(3)	-	-	3	-
Transactions with owners recorded directly in equity							
Purchase of treasury shares by Directors		146	-	-	-	-	146
Own shares repurchased	10	(2,333)	-	-	-	-	(2,333)
Dividends paid	11	-	-	-	-	(62,742)	(62,742)
Total transactions with owners recorded directly in equity		(2,187)	-	-	-	(62,742)	(64,929)
Audited closing balance as at 31 March 2012		166,078	1,026,513	5,198	12,192	361,350	1,571,331
Opening balance as at 1 April 2012		**166,078**	**1,026,513**	**5,198**	**12,192**	**361,350**	**1,571,331**
Total comprehensive income for the period		**-**	**(1,074)**	**(14,691)**	**(2,289)**	**69,839**	**51,785**
Disposal of revalued assets		**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners recorded directly in equity							
Purchase of treasury shares by Directors		**146**	**-**	**-**	**-**	**-**	**146**
Own shares repurchased	10	**(260)**	**-**	**-**	**-**	**-**	**(260)**
Dividends paid	11	**-**	**-**	**-**	**-**	**(62,796)**	**(62,796)**
Total transactions with owners recorded directly in equity		**(114)**	**-**	**-**	**-**	**(62,796)**	**(62,910)**
Unaudited closing balance as at 30 September 2012		**165,964**	**1,025,439**	**(9,493)**	**9,903**	**368,393**	**1,560,206**

The accompanying notes form part of these interim financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012	Note	Unaudited September 2012 $000	Unaudited September 2011 $000	Audited March 2012 $000
Equity				
Capital and reserves attributable to shareholders of the Company				
Share capital	10	**165,964**	168,265	166,078
Revaluation reserve	7	**1,025,439**	876,007	1,026,513
Retained earnings		**368,393**	361,199	361,350
Cash flow hedge reserve	8	**(9,493)**	4,088	5,198
Other reserves	9	**9,903**	11,820	12,192
Total Equity		**1,560,206**	1,421,379	1,571,331
Represented by:				
Current Assets				
Cash at bank		**68,715**	20,822	20,488
Bond deposits on trust		**1,800**	1,800	1,791
Electricity market security deposits		**1,478**	-	-
Accounts receivable and prepayments		**116,757**	127,601	115,963
Derivative financial instruments	12	**7,979**	3,264	10,603
Taxation receivable		**4,980**	3,831	5,159
		201,709	157,318	154,004
Non Current Assets				
Property, plant and equipment		**2,643,421**	2,397,576	2,584,985
Derivative financial instruments	12	**7,711**	8,393	5,665
Investments		**5,005**	4,487	5,085
Intangible assets		**46,984**	39,372	45,895
		2,703,121	2,449,828	2,641,630
Total Assets		**2,904,830**	2,607,146	2,795,634
Current Liabilities				
Accounts payable and accruals		**77,128**	106,209	109,812
Unsecured subordinated bonds	18	**-**	108,592	108,592
Unsecured bank loans	17	**217,600**	-	-
Derivative financial instruments	12	**5,713**	2,238	3,896
Taxation payable		**5,126**	7,296	5,702
		305,567	224,335	228,002
Non Current Liabilities				
Unsecured bank loans	17	**195,590**	314,185	308,440
Unsecured subordinated bonds	18	**292,090**	153,417	153,685
Accounts payable and accruals		**4,169**	4,377	4,273
Unsecured senior bonds		**212,508**	211,848	212,178
Derivative financial instruments	12	**43,995**	18,167	17,510
Deferred tax liability	13	**290,705**	259,438	300,215
		1,039,057	961,432	996,301
Total Liabilities		**1,344,624**	1,185,767	1,224,303
Net Assets		**1,560,206**	1,421,379	1,571,331
Net Tangible Assets Per Share		**$4.82**	$4.40	$4.86

The accompanying notes form part of these interim financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2012	**Unaudited 6 Months September 2012 $000**	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers	**445,497**	411,426	816,396
	445,497	411,426	816,396
Cash was appplied to:			
Payments to suppliers and employees	**314,357**	255,593	501,742
Taxation paid	**28,570**	23,994	46,402
	342,927	279,587	548,144
Net Cash Flow from Operating Activities	**102,570**	131,839	268,252
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant & equipment	**137**	21	21
Return of bond deposits on trust	**-**	200	200
Return of electricity market security deposits	**12,950**	1,258	5,700
Interest received	**984**	401	904
Sale of other investments	**79**	-	-
	14,150	1,880	6,825
Cash was applied to:			
Capitalised interest in construction of property, plant and equipment	**721**	-	27
Lodgement of electricity market security deposits	**14,437**	-	4,457
Purchase of property, plant and equipment	**93,374**	12,957	35,863
Sale/(purchase) of other investments	**-**	114	711
Purchase of intangible assets	**4,818**	7,528	16,841
	113,350	20,599	57,899
Net Cash Flow from Investing Activities	**(99,200)**	(18,719)	(51,074)

The accompanying notes form part of these interim financial statements

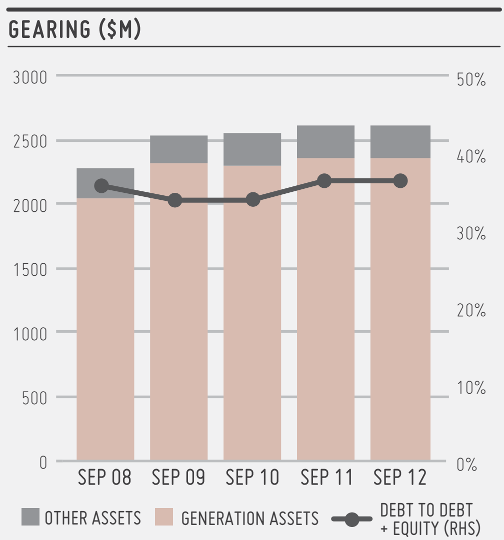
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

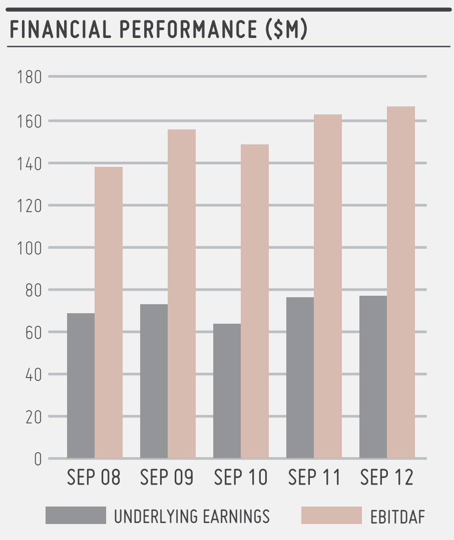
FOR THE PERIOD ENDED 30 SEPTEMBER 2012	**Unaudited 6 Months September 2012 $000**	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Cash Flows from Financing Activities			
Cash was provided from:			
Bank loan proceeds	**184,270**	27,764	20,728
Subordinated bond issue proceeds	**74,925**	-	-
Issue of shares	**145**	-	146
	259,340	27,764	20,874
Cash was applied to:			
Bond brokerage costs	**1,842**	-	-
Purchase of own shares	**260**	2,488	4,818
Repayment of bank loans	**74,024**	35,979	35,979
Repayment of subordinated bonds	**43,517**	-	-
Interest paid	**31,138**	30,547	63,082
Dividends paid	**62,796**	62,930	125,671
	213,577	131,944	229,550
Net Cash Flow from Financing Activities	**45,763**	(104,180)	(208,676)
Net (Decrease) / Increase in Cash, Cash Equivalents and Bank Overdrafts	**49,133**	8,940	8,502
Cash, cash equivalents and bank overdrafts at beginning of the period	**20,488**	12,568	12,568
Exchange gains/(losses) on cash	**(906)**	(686)	(582)
Cash, Cash Equivalents and Bank Overdrafts at End of the Period	**68,715**	20,822	20,488

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO THE SHAREHOLDERS

Profit after tax attributable to the shareholders of the Company	**69,839**	68,762	131,652
Interest paid	**31,138**	30,547	63,082
Interest received	**(984)**	(401)	(904)
Amortisation of debt issue costs	**900**	905	1,841
Non-cash transfer from cash flow hedge reserve to interest expense	**(138)**	(138)	(275)
Fixed, intangible and investment asset charges	**32,408**	29,614	58,660
Movements in financial instruments taken to the income statement	**8,863**	9,480	7,544
Option expense	**-**	(17)	(100)
Increase/(decrease) in deferred tax liability excluding transfers to reserves	**(5,206)**	(4,328)	(7,164)
(Increase)/decrease in working capital	**(34,250)**	(2,585)	13,916
Net Cash Flow from Operating Activities	**102,570**	131,839	268,252

The accompanying notes form part of these interim financial statements





	6 Months September 2012	6 Months September 2011	12 Months March 2012
Operating Statistics			
Electricity customer numbers (000's)	**206**	218	209
Telecommunication services provided (000's)	**38**	36	38
Mass market sales (GWh)	**910**	984	1,761
Time of use sales (GWh)	**1,076**	1,153	2,199
Total customer sales (GWh)	**1,986**	2,137	3,960
Average spot price of electricity purchased ($/MWh)	**96**	66	78
North Island hydro generation production (GWh)	**435**	508	922
South Island hydro generation production (GWh)	**555**	570	1,012
Total hydro generation production (GWh)	**990**	1,078	1,934
North Island wind generation production (GWh)	**254**	280	548
South Island wind generation production (GWh)	**48**	56	100
Total wind generation production (GWh)	**302**	336	648
Total New Zealand generation production (GWh)	**1,292**	1,414	2,582
Average spot price of electricity generated ($/MWh)	**97**	61	72
Australian wind production (GWh)	**186**	177	376
Resource consent non-compliance events	**4**	5	10
Staff numbers (full time equivalents)	**457**	456	458

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Reporting Entity

The principal activities of TrustPower Limited (the Company or Parent) and its subsidiaries (together the Group) are the development, ownership and operation of electricity generation facilities from renewable energy sources and the retail sale of electricity to its customers. All significant operations take place within New Zealand and Australia. The consolidated entity is designated as a profit-oriented entity for financial reporting purposes.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Truman Lane, Te Maunga, Mount Maunganui. The Company is listed on the New Zealand Stock Exchange.

These interim financial statements relate to the six months ended 30 September 2012 and have been approved for issue by the Board of Directors on 31 October 2012.

2. ACCOUNTING POLICIES

TrustPower Limited is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These unaudited interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* as well as International Accounting Standard 34 *Interim Financial Reporting* and should be read in conjunction with the previous annual report. Except as described below, the accounting policies and methods of computation are consistent with those used in the most recent annual report which can be obtained from TrustPower's registered office or www.trustpower.co.nz.

The following new standards and amendments to standards were applied during the period:

FRS 44 *New Zealand Additional Disclosures and Harmonisation Amendments*

FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by NZ IFRS. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Group's current disclosures.

The Harmonisation Amendments amend various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards. The significant amendments include:

- deletion of the requirement for an independent valuer to conduct the valuation of investment property and property, plant and equipment;
- inclusion of the option to account for investment property using either cost or fair value model;
- introduction of the option to use the indirect method of reporting cash flows that is not currently in NZ IAS 7.

In addition, various disclosure requirements have been deleted.

The Group has adopted FRS 44 and the Harmonisation Amendments from 1 April 2012.

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

3. UNDERLYING EARNINGS

Underlying earnings after tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing the non-cash fair value movements in financial instruments, impairment charges that management consider to be one-off and tax rate and rule changes.

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Profit After Tax Attributable to the Shareholders of the Company	**69,839**	68,762	131,652
Fair value losses / (gains) on financial instruments	**8,863**	9,480	7,544
One-off impairment of generation asset	**-**	-	566
	8,863	9,480	8,110
Change in income tax expense in relation to adjustments	**(2,482)**	(2,654)	(2,271)
Change in corporate tax rules	**-**	-	(2,031)
Adjustments after income tax	**6,381**	6,826	3,808
Underlying Earnings After Tax	**76,220**	75,588	135,460
Underlying earnings per share (cents per share)	**24.2**	24.0	43.1
Diluted underlying earnings per share (cents per share)	**24.2**	24.0	43.1

4. SEGMENT INFORMATION

Primary Reporting Format - Business Segments

As at 30 September 2012, the Group is organised into two main business segments:

- development, ownership and operation of electricity generation facilities from renewable energy sources including the trading of energy with Retail and external parties ("Generation")
- purchase of energy from Generation and retail sale of electricity to customers ("Retail")

The remaining activities of the Group are included in Other. This primarily relates to property services and some unallocated head office functions.

The Board has further segregated generation into New Zealand and Australian operations. Generation New Zealand includes the metering business which does not meet the criteria to be disclosed as a separate operating segment. Retail operates only in New Zealand and includes telecommunications operations which do not meet the criteria to be disclosed as a separate operating segment.

The unaudited segment results for the six months ended 30 September 2012 are as follows:

	Generation New Zealand $000	**Generation Australia $000**	**Retail $000**	**Other $000**	**Total $000**
Total segment revenue	**156,229**	**18,503**	**398,742**	**1,251**	**574,725**
Inter-segment revenue	**(135,109)**	**-**	**-**	**(955)**	**(136,064)**
Revenue from external customers	**21,120**	**18,503**	**398,742**	**296**	**438,661**
Adjusted EBITDAF	**148,276**	**8,577**	**8,910**	**(839)**	**164,924**
Amortisation of intangible assets	**-**	**-**	**1,904**	**1,825**	**3,729**
Depreciation	**20,199**	**7,569**	**-**	**977**	**28,745**
Capital expenditure	**11,321**	**77,372**	**-**	**10,122**	**98,815**
Asset impairment	**-**	**-**	**-**	**-**	**-**

4. SEGMENT INFORMATION (CONTINUED)

The unaudited segment results for the six months ended 30 September 2011 are as follows:

	Generation New Zealand $000	Generation Australia $000	Retail $000	Other $000	Total $000
Total segment revenue	146,071	17,104	391,472	1,209	555,856
Inter-segment revenue	(128,271)	-	-	(1,019)	(129,290)
Revenue from external customers	17,800	17,104	391,472	190	426,566
Adjusted EBITDAF	134,183	12,651	18,264	(898)	164,200
Amortisation of intangible assets	-	-	1,904	663	2,567
Depreciation	19,190	6,856	-	785	26,831
Capital expenditure	11,059	31	-	8,419	19,509
Asset impairment	-	-	-	-	-

The audited segment results for the 12 months ended 31 March 2012 are as follows:

	Generation New Zealand $000	Generation Australia $000	Retail $000	Other $000	Total $000
Total segment revenue	254,531	36,407	732,939	2,460	1,026,337
Inter-segment revenue	(217,116)	-	-	(2,161)	(219,277)
Revenue from external customers	37,415	36,407	732,939	299	807,060
Adjusted EBITDAF	212,594	22,886	68,730	(1,468)	302,742
Amortisation of intangible assets	-	-	3,808	1,549	5,357
Depreciation	37,463	13,756	-	1,661	52,880
Capital expenditure	24,119	5,138	-	19,216	48,473
Asset impairment	428	-	-	-	428

Inter-segment transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. The Board does not distinguish between revenue from internal or external customers when measuring the performance of segments. All revenue is reported to the Board on a basis consistent with that used in the income statement.

The Board assesses the performance of segments based on a measure of adjusted EBITDAF. This measure excludes the effects of non operational expenditure or gains such as loss/gain on disposal or impairments of property, plant and equipment, fair value changes in foreign currency financial assets/liabilities and costs of major business acquisitions.

Interest income and expenditure and taxation costs are not allocated to segments as this type of activity is driven by the central treasury function which manages them at a Group level.

The Board does not segregate assets and liabilities in assessing Group performance.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

A reconciliation of adjusted EBITDAF to profit before income tax is as follows:

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Adjusted EBITDAF	**164,924**	164,200	302,742
Depreciation	**(28,745)**	(26,831)	(52,880)
Amortisation	**(3,729)**	(2,567)	(5,357)
Fair value gains/(losses) on financial instruments	**(8,863)**	(9,480)	(7,544)
Foreign exchange gains/(losses)	**1,111**	(2,397)	(2,610)
Gain/(loss) on sale of property, plant and equipment	**66**	(216)	5
Impairment of assets	**-**	-	(428)
Interest received	**455**	401	904
Interest paid	**(32,490)**	(31,748)	(63,889)
Profit before income tax	**92,729**	91,362	170,943

5. FINANCE INCOME AND COSTS

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Amortisation of debt issue costs	**900**	905	1,841
Interest paid on unsecured bank loans	**7,653**	8,175	16,117
Interest paid on unsecured subordinated bonds	**11,565**	11,171	22,342
Interest paid on unsecured senior bonds	**8,112**	8,112	16,225
Other interest costs and fees	**4,981**	3,385	7,391
Interest capitalised in construction of property, plant and equipment	**(721)**	-	(27)
Total Interest Paid	**32,490**	31,748	63,889
Interest received on cash at bank	**455**	401	904
Total Interest Received	**455**	401	904

6. INCOME TAX EXPENSE

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Profit before income tax	**92,729**	91,362	170,943
Tax on profit @ 28%	**25,964**	25,581	47,864
Foreign tax rate adjustment	**(237)**	(141)	(254)
Tax effect of permanent differences	**(2,837)**	(2,384)	(4,114)
Income tax (over)/under provided in prior period	**-**	(456)	(2,174)
Removal of tax depreciation on buildings	**-**	-	(2,031)
	22,890	22,600	39,291
Represented by:			
Current tax	**28,017**	27,144	44,267
Deferred tax	**(5,127)**	(4,544)	(4,976)
	22,890	22,600	39,291

7. REVALUATION RESERVE

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Balance at beginning of period	**1,026,513**	880,391	880,391
Revaluation of generation assets	**-**	-	193,447
Transfer (to)/from deferred tax liability	**-**	14	(41,043)
Transfer (to)/from retained earnings	**-**	(48)	(51)
Foreign exchange movements	**(1,074)**	(4,350)	(6,231)
	1,025,439	876,007	1,026,513

8. CASH FLOW HEDGE RESERVE

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Balance at beginning of period	**5,198**	(7,872)	(7,872)
Fair value gains/(losses)	**(22,784)**	8,894	12,226
Transfers to energy cost expense	**518**	7,075	4,680
Transfers to property, plant and equipment	**-**	(107)	(107)
Transfers to carbon revenue	**1,131**	728	1,629
Transfers to interest paid	**38**	21	(275)
	(21,097)	16,611	18,153
Tax on fair value gains/(losses)	**6,879**	(2,490)	(3,424)
Tax on transfers to energy cost expense	**(145)**	(1,981)	(1,310)
Tax on transfers to property, plant and equipment	**-**	30	30
Tax on transfers to carbon revenue	**(317)**	(204)	(456)
Tax on transfers to interest paid	**(11)**	(6)	77
	6,406	(4,651)	(5,083)
	(9,493)	4,088	5,198

9. OTHER RESERVES

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Foreign Currency Translation Reserve			
Balance at beginning of period	**12,189**	19,800	19,800
Transfer to deferred tax	**(1,703)**	(3,759)	(3,584)
Currency translation differences	**(586)**	(4,307)	(4,027)
	9,900	11,734	12,189
Employee Share Option Reserve			
Balance at beginning of period	**3**	103	103
Fair value movements charged to the income statement	**-**	(17)	(100)
	3	86	3
Total Other Reserves	**9,903**	11,820	12,192

10. SHARE CAPITAL

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Authorised and issued ordinary share capital at beginning of the period	**166,078**	170,750	170,750
Own shares repurchased	**(260)**	(2,485)	(4,818)
Purchase of treasury shares by Directors	**146**	-	146
	165,964	168,265	166,078

	000's of Shares	000's of Shares	000's of Shares
Authorised and issued ordinary shares at beginning of the period	**314,016**	314,679	314,679
Own shares repurchased	**(37)**	(353)	(683)
Purchase of treasury shares by Directors	**19**	-	20
	313,998	314,326	314,016

11. DIVIDENDS ON ORDINARY SHARES

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Dividends (forfeited)/reinstated	**-**	-	(99)
Final dividend prior period	**62,796**	62,930	62,930
Interim dividend current period	**-**	-	62,841
Supplementary dividend paid	**78**	71	141
Foreign investor tax credit	**(78)**	(71)	(141)
	62,796	62,930	125,672
Fully imputed dividend declared subsequent to the end of the reporting period payable 14 December 2012 to all shareholders on the register at 30 November 2012.	**62,800**	62,865	62,803
Cents per share	**20**	20	20

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Current			
Interest rate derivative assets	**78**	25	181
Electricity price derivative assets	**2,881**	1,626	8,313
Exchange rate derivative assets	**5,020**	1,613	2,109
	7,979	3,264	10,603
Interest rate derivative liabilities	**-**	332	168
Electricity price derivative liabilities	**4,350**	1,906	3,728
Exchange rate derivative liabilities	**1,363**	-	-
	5,713	2,238	3,896
Non-current			
Interest rate derivative assets	**5,499**	4,900	4,540
Electricity price derivative assets	**264**	1,883	44
Exchange rate derivative assets	**1,948**	1,610	1,081
	7,711	8,393	5,665
Interest rate derivative liabilities	**28,710**	16,674	17,031
Electricity price derivative liabilities	**14,673**	1,493	479
Exchange rate derivative liabilities	**612**	-	-
	43,995	18,167	17,510

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

13. DEFERRED INCOME TAX

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Balance at beginning of period	**300,215**	257,316	257,316
Current period changes in temporary differences affecting tax expense	**(5,127)**	(4,088)	(4,714)
Current period changes in temporary differences affecting reserves	**(4,703)**	8,397	52,050
Reclassification of prior year temporary differences	**-**	(456)	(262)
Exchange rate movements on foreign denominated deferred tax	**320**	(1,731)	(2,144)
Effect of removal of tax depreciation on buildings on income tax expense	**-**	-	(2,031)
	290,705	259,438	300,215
Deferred tax liabilities consist of temporary differences on:			
Revaluations	**226,961**	184,996	227,344
Other property, plant and equipment movements	**71,001**	73,197	73,948
Employee benefits	**(1,414)**	(1,333)	(1,422)
Provisions	**(756)**	(770)	(504)
Carbon revenue recognition	**1,062**	3,292	1,062
Customer base assets	**5,351**	6,313	5,779
Financial instruments	**(9,546)**	(2,540)	(2,100)
Unrealised losses on Australian dollar loan	**(2,126)**	(3,654)	(3,829)
Other	**172**	(63)	(63)
Net deferred tax liability	**290,705**	259,438	300,215

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Assets acquired at cost	**98,378**	12,462	31,632
Net book value of assets disposed	**99**	288	392
Gain/(loss) on disposal	**66**	(216)	5

15. COMMITMENTS

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Capital Commitments	**478,493**	-	8,041

The capital commitments comprise mainly the contracts for the construction of Stage 2 of the Group's Snowtown Wind Farm.

Electricity Purchase Commitments

TrustPower has a long term contract with Mighty River Power Limited to purchase the output from the Rotokawa geothermal power station until 31 March 2013. This commitment cannot be quantified.

TrustPower has a contract with Pioneer Generation Limited to purchase all of the output from its various generation sites. This commitment cannot be quantified.

16. SEASONAL IMPACT ON REVENUE

The retail sale of electricity is subject to seasonal fluctuations, with peak demand in the second quarter, and to a lesser extent the first quarter, of each financial year. This is due to higher demand for electricity in colder weather. For the six months ended 30 September 2011, the volume of customer sales was 17% higher than for the six months ended 31 March 2012.

17. UNSECURED BANK LOANS

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
New Zealand dollar facilities			
Current portion	**-**	-	-
Non-current portion	**114,302**	124,896	119,605
	114,302	124,896	119,605
Australian dollar facilities			
Current portion	**217,600**	-	-
Non-current portion	**81,288**	189,289	188,835
	298,888	189,289	188,835
Total facilities			
Current portion	**217,600**	-	-
Non-current portion	**195,590**	314,185	308,440
	413,190	314,185	308,440

The Group has the following loan facilities with interest priced at between call and 180 day rates:

(i) $100,000,000 revolving loan expiring in two to five years

(ii) $75,000,000 revolving loan expiring in two to five years

(iii) $71,299,000 table loan maturing in over five years

(iv) $46,667,000 table loan maturing in over five years

(v) AUD 180,000,000 revolving loan expiring in under one year

(vi) AUD 194,800,000 revolving loan expiring in one to two years

(vii) AUD 220,000,000 revolving loan expiring in one to two years

18. UNSECURED SUBORDINATED BONDS

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Repayment terms and interest:			
Maturing in September 2012, 8.5% p.a. fixed coupon rate	-	108,592	108,592
Maturing in March 2014, 8.5% p.a. fixed coupon rate	54,713	54,713	54,713
Maturing in December 2015, 8.4% p.a. fixed coupon rate	100,000	100,000	100,000
Maturing in December 2017, 6.75% p.a. fixed coupon rate	140,000	-	-
Bond issue costs	(2,623)	(1,296)	(1,028)
	292,090	262,009	262,277

19. CONTINGENT ASSETS AND LIABILITIES

Inland Revenue is currently disputing the tax treatment adopted by the Group in relation to feasibility expenditure in the 2006, 2007 and 2008 financial years. Inland Revenue has now issued assessments for the 2006, 2007 and 2008 financial years. These assessments are based on the adjudication report previously issued by Inland Revenue and now allow a deduction for certain categories of expenditure which were previously disputed by Inland Revenue but contend that the costs of obtaining resource consents should have been capitalised. The assessments are based on Inland Revenue's determination of what should be considered resource consent costs. The Group does not agree with the basis of the assessments. It continues to believe the tax treatment it has adopted is correct and continues to defend its position. The case is currently scheduled to be heard in the High Court in August 2013.

Should Inland Revenue be completely successful in its claim for all three years, the resulting liability would give rise to an additional tax payment of $5,924,000 and interest expense of $2,797,000. Based on the principle of the assessments, the Group would need to revise its policy for capitalising the costs of resource consents for tax purposes in the 2009 and future years. This would give rise to a further estimated tax payment of $4,475,000 and interest expense of $970,000 in respect of the 2009 to 2013 years. This would primarily result in a balance sheet adjustment in the financial statements as most resource consents are depreciable intangible property. The impact of these adjustments on the tax expense in the income statement is difficult to estimate but is unlikely to exceed $3,600,000 for all years up to September 2012.

20. RELATED PARTY TRANSACTIONS

The Group is controlled by Infratil Limited (incorporated in New Zealand) which owns 50.7% of the Company's shares. The Tauranga Energy Consumer Trust owns 33.1% and the residual 16.2% are widely held.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and Mr M Bogoievski, a Director of TrustPower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited. Infratil Limited is a significant shareholder in TrustPower Limited and $8,000 (30 September 2011: nil, 31 March 2012: $56,000) was paid to H.R.L. Morrison & Co Limited and related entities during the period for consultancy services. As at 30 September 2011 none of this amount was outstanding (30 September 2010: nil, 31 March 2011: nil).

For the year ended 31 March 2012 consultancy fees of $11,000 were paid to Lumo Energy Pty Ltd which is a subsidiary of the Group's ultimate parent. As at 31 March 2011 none of this amount was outstanding. No consultancy fees were paid in the six-month period ended 30 September 2012 (30 September 2011: nil).

Mr RH Aitken, a Director of TrustPower Limited, is the Executive Chairman of the engineering firm Beca. $136,000 was paid to Beca for engineering services in the six months to 30 September 2012 (30 September 2011: $225,000, 31 March 2012: $374,000). As at 30 September 2012 $12,000 of this amount was unpaid (30 September 2011: $5,000, 31 March 2012: $32,000).

Mr RWH Farron, Chief Financial Officer and Company Secretary of TrustPower Limited, is a Director of the engineering supplies firm BGH Group Limited and its New Zealand based subsidiaries. $2,000 has been charged by a subsidiary, Bay Engineers Supplies Limited in the six months to 30 September 2012 (30 September 2011: $1,000, 31 March 2012: $11,000). As at 30 September 2012 $1,000 of this amount was unpaid (30 September 2011: $1,000, 31 March 2012: nil).

All Directors participate in a share purchase plan where the Directors' purchase shares in the Company to the value of half of their annual Directors' fees. During the six months to 30 September 2012 all Directors purchased their shares directly from the Company at the average market price for the preceding 20 business days from the treasury stock that the Company was holding. A total of 19,000 shares (30 September 2011: nil, 30 March 2012: 20,000) were purchased for $146,000 (30 September 2011: nil, 31 March 2012: $146,000).

TrustPower Limited owns 20.0% of the ordinary shares of Rangitata Diversion Race Management Limitd (RDR) which owns and operates an irrigation canal in Canterbury. RDR's operating and capital expenditure is funded by advances from its shareholders. During the six months to 30 September 2012 the Group advanced RDR nothing (30 September 2011: $84,000,31 March 2012: $84,000) and the total balance of the advance at 30 September 2012 was $1,884,000 (30 September 2011: $1,884,000,31 March 2012: $1,884,000). This balance is included in other investments in the statement of financial position.

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

	Unaudited 6 Months September 2012 $000	Unaudited 6 Months September 2011 $000	Audited 12 Months March 2012 $000
Salaries and other short-term employee benefits	**2,548**	2,291	4,048
Share based payments	**-**	-	21
	2,548	2,291	4,069

Except as noted above, no transactions, other than within the Group, took place with related parties during the period. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the period. Except as noted above there are no amounts outstanding at 30 September 2012 (30 September 2011: nil, 31 March 2012: nil).

21. FINANCIAL RISK MANAGEMENT

TrustPower's activities expose it to a variety of financial risks: electricity price risk, interest rate risk, exchange rate risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out under policies approved by the Board.

Electricity Price Risk

The Group is required to purchase a percentage of its electricity sold off the electricity spot market. This leaves the Group exposed to fluctuations in the spot price of electricity. The Group has entered into a number of electricity hedge contracts to reduce the risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased. Any resulting differential to be paid or received is recognised as a component of energy costs through the term of the contract. The Group has elected to apply cash flow hedge accounting to those instruments it deems material and which qualify as cash flow hedges while immaterial contracts will not be hedge accounted.

Interest Rate Risk

The Group's bank borrowings are all on floating interest rates. The Group has various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to be paid or received on the instruments is recognised as a component of interest paid. The Group has elected to hedge account for only a limited number of these instruments.

Exchange Rate Risk

The Group has from time to time entered into forward exchange contracts to reduce the risk from price fluctuations of foreign currency costs associated with the construction of generation assets. Any resulting differential to be paid or received is recognised as a component of the cost of the project. The Group has also entered into forward foreign exchange contracts to reduce the risk from price fluctuations of foreign exchange income associated with the sale of emission rights. The Group has elected to apply cash flow hedge accounting to these instruments.

Credit Risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are 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. Derivative counterparties and cash transactions are limited to high credit quality financial institutions and other large electricity market participants. The Group has policies that limit the amount of credit exposure to any counterparty.

Liquidity Risk

The Group's ability to readily attract cost effective funding is largely driven by its credit standing.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through, and adequate amount of, committed credit facilities and the spreading of debt maturities.

Liquidity risk is monitored by continuously forecasting actual cash flows and matching the profiles of financial assets and liabilities.

Capital Risk Management Objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Estimation of fair values

The fair values and net 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 market-quoted rates based on discounted cash flow analysis.
- 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 (for the relevant underlying interest rates, foreign exchange rates or commodity prices); and
- discount rates.

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.

22. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 September 2012.

TrustPower