



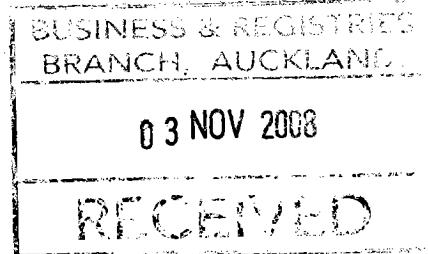
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PROSPECTUS

(Long Form)

for
the issue of Subordinated Bonds in
different Series by TrustPower Limited
under its Bond Programme.

Dated 1 November 2008



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Summary of the Bond Programme

Capitalised words and expressions appearing in this Prospectus are defined in the glossary to this Prospectus.

1. THE ISSUER

The issuer of the Series of Bonds offered in this Prospectus and of the Ordinary Shares to be issued upon any conversion of a Bond is TrustPower Limited, a company incorporated in New Zealand. TrustPower's registered office is at TrustPower Building, Truman Road, Te Maunga, Mount Maunganui.

1.1 The TrustPower Bond Programme

Shareholder Authorisation

At the Annual Meeting held in August 2002 the Shareholders approved the Programme pursuant to which TrustPower may from time to time issue Bonds with different features, particularly with different maturities and Coupon Rates, subject to certain defined limits, as approved by the Shareholders. Each issue of a different type of Bond is classed as a separate Series.

At the Annual Meeting held in July 2008, the Shareholders authorised TrustPower to raise finance through the issue of further series of bonds (including perpetual bonds) either in accordance with the Programme or any subsequent trust deed entered into for the purpose of issuing bonds. The Shareholders resolved that the maximum face value of further Bonds which may be issued in the twelve month period up to 31 July 2009 must not exceed \$200 million.

Amendments to Trust Deed

On 11 September 2008, TrustPower amended the Trust Deed to provide, among other matters, for the issue of Perpetual Bonds under the Programme and for the right of TrustPower to redeem Bonds for cash by giving five Business Days' notice of an early redemption date in respect of any Series of Bonds to which the Early Redemption Option applies (currently only Series 15) (which will be, in the case of Perpetual Bonds, any Business Day and, in the case of all other Bonds, any Business Day as long as it is at least 25 Business Days before the relevant Maturity Date).

Bond Programme

The Programme contemplates that Bonds may be offered directly to Shareholders, to existing Holders, to the public at large, to brokers, to institutions, or as a part of investment transactions. How a Series is issued will depend on market conditions and investor demand from time to time.

Under the Programme, when TrustPower wishes to issue Bonds of a new Series it will prepare an Issue Flyer, a Series Supplement and, if required in order to comply with the Securities Act, a Supplemental Prospectus and an Investment Statement, each in respect of such Series. The Issue Flyer, the Series Supplement, the Supplemental Prospectus and the Investment Statement will state the key commercial terms that will apply to the new Series, and specify any other relevant information. In particular, the Issue Flyer, the Series Supplement, the Supplemental Prospectus and the Investment Statement will state the:

- Maturity Date (if any);

- Coupon Rate or formula for determining the Coupon Rate;
- Coupon Payment Dates;
- Interest Period;
- Calculation and payment details of the first and subsequent interest payments;
- Interest Rate or process for determining the Interest Rate;
- Issue Price or process for determining the Issue Price;
- Conversion Percentage (see paragraph 2.4 of this Prospectus);
- Series Reference;
- Whether the Early Redemption Option applies;
- Whether the Series is to be partly or fully underwritten;
- How, and over what period, the Bonds in the relevant Series are to be offered to investors;
- Any special conditions that apply to the Series or any variations to the standard terms of issue.

A copy of the relevant Issue Flyer will be inserted into the Investment Statement.

Bond Issue

The aggregate Face Value of Bonds on issue under the Programme as at the date of this Prospectus (as approved by the Shareholders) is \$213,816,000. This Prospectus offers for subscription a further Series of Bonds (Series 15 Bonds) in an offer amount of up to \$200 million.

Bonds maturing in 2008

The Series 08 Bonds (in an amount of \$50.511 million) are due to mature on 15 December 2008. On or around 4 November 2008, TrustPower intends to give notice to the Holders of Series 08 Bonds confirming that it has elected to redeem the Series 08 Bonds for cash on 15 December 2008. The Holders of Series 08 Bonds will be able to ask that the redemption proceeds in respect of those Bonds are applied in subscription for Series 15 Bonds as set out in the relevant application form contained in the Investment Statement.

Current Bond Offer

The aggregate issue amount of all Series 15 Bonds must not exceed \$200 million. No over-subscriptions will be accepted.

TrustPower reserves the right to decline any application in whole or part without giving any reason. In the event an application is declined TrustPower will return the application form and cheque or bank draft to the applicant as soon as practicable and in any case within 10 Business Days from receipt of the application by TrustPower. Where an application by a Holder of Series 08 Bonds to have the redemption proceeds from some or all of their Series 08 Bonds applied towards Series 15 Bonds is declined by TrustPower, TrustPower will return the application form to the applicant and redeem the relevant Series 08 Bonds for cash on the Maturity Date in respect of

those Bonds or, if the application form is received by TrustPower less than 10 Business Days before the Maturity Date for those Bonds, as soon as reasonably practicable and in any case within 10 Business Days from receipt of the application by TrustPower.

Where an application is declined and TrustPower is in receipt of subscription money in respect of that application, TrustPower will not pay interest on money refunded to an applicant because such money will be held in a non-interest bearing account.

The procedure for applying for Bonds is set out in the Investment Statement.

The key commercial terms applying to the Series of Bonds offered under this Prospectus are set out in the Appendix to this Prospectus.

A timetable for the offer of Bonds is set out in the Investment Statement.

1.2 Permitted range of specific terms and conditions of Bonds

Each Series of Bonds shall be issued within certain parameters as approved by the Shareholders. The key parameters are as follows:

- Term to be between 5 and 15 years or perpetual;
- Issue Price to be between 95% and 105% of the Face Value;
- Conversion Percentage to be between 95% and 100%;
- Coupon Rate to be determined by the Directors at the time of issue, subject to it not being more than 3.0% per annum greater than the yield on New Zealand Government Stock with a maturity date that most closely matches the maturity date of the proposed Series of Bonds and, in the case of Perpetual Bonds, at a rate to be reset periodically (with such period to be determined by the Directors at the time of issue).

1.3 Terms of the Bonds and Shares

All Bonds are unsecured subordinated fixed rate convertible debt obligations of TrustPower. Provided TrustPower has not exercised the Early Redemption Option (if it applies), each Series of the Bonds will mature on the Maturity Date (if any) for that Series and, upon maturity, Holders will receive cash or Ordinary Shares based on the then market price of such Ordinary Shares. In respect of each Series of Perpetual Bonds, such Series of Bonds will only have a Maturity Date where, following a suspension of payment of interest on such series by TrustPower in terms of the Trust Deed, TrustPower elects to specify a maturity date in respect of that Series. In relation to a Series of Bonds where the Early Redemption Option is specified as applicable in the relevant Series Supplement or Issue Flyer, TrustPower may elect to redeem the Bonds in that Series for cash in accordance with the terms of the Trust Deed. Details of how Bonds may be redeemed for cash under the Early Redemption Option are set out in paragraph 2.3 of this Prospectus.

Each Series of the Bonds will bear interest at the Coupon Rate per annum specified in the relevant Issue Flyer and Series Supplement payable in arrears on the dates specified in the relevant Issue Flyer and Series Supplement. In the case of Perpetual Bonds, such Coupon Rate will be determined in accordance with the formula for calculating the coupon rate detailed in the relevant Issue Flyer and Series Supplement. Details of how the Bonds may convert into Ordinary Shares are set out in paragraph 2.4 of this Prospectus.

Ordinary Shares issued upon Conversion of the Bonds will rank equally with all other Ordinary Shares and will also receive the dividends and distributions for which the record date is after the end of the period during which the price for Ordinary Shares to be issued on Conversion is set.

1.4 Listing

Application has been made to NZX Limited (**NZX**) for permission to list all Bonds offered under this Prospectus and all requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. Ordinary Shares to be issued on Conversion of Bonds have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Prospectus.

1.5 Underwriting

TrustPower may arrange for a particular Series of Bonds issued under the Programme to be partly or fully underwritten. There is no underwriter for Series 15.

1.6 Overseas investment consent

The New Zealand Overseas Investment Act 2005 requires that an overseas person must obtain consent under the Overseas Investment Act 2005 before acquiring 25% or more of the Ordinary Shares. Any overseas person who, after taking into account any existing holding of Ordinary Shares following the Conversion of any Bonds, will exceed the 25% threshold will accordingly need to obtain consent prior to exercise or Conversion. If the overseas person fails to obtain any necessary consent or to take any necessary steps to obtain such consent and, as a result, TrustPower is unable to Convert any Bonds held by that overseas person, then TrustPower may elect to suspend the Conversion of the Bonds of that overseas person until such consent is obtained or such steps are taken. Interest will cease to accrue from the relevant Maturity Date.

1.7 Borrowing Group

Information in this Prospectus is provided on the basis that the Bonds are “debt securities” and that they come within the provisions of the Securities Act (Rights, Options and Convertible Securities) Exemption Notice 2002. For the purposes of the Securities Act, TrustPower is the borrowing group, as the subsidiaries of TrustPower, who together with TrustPower form the Consolidated Group, are not “guaranteeing subsidiaries”.

2. SUMMARY OF THE BONDS

The following is a summary of the main terms that will apply to each Series of Bonds.

2.1 Trust Deed

All terms and conditions relating to each Series of Bonds, except for the terms that will be contained in the relevant Series Supplement and Issue Flyer, are set out in the Trust Deed. A summary of the principal provisions of the Trust Deed which are not described elsewhere in this Prospectus is set out in paragraph 4 of this Prospectus.

The Trustee acts as trustee for the Holders in respect of each Series of Bonds, but not in respect of the Ordinary Shares issued on Conversion.

2.2 Interest rate and payments

Bonds in a Series will pay coupon interest at the Coupon Rate specified in, or calculated in accordance with the formula set out in, the relevant Issue Flyer, Series Supplement and, if applicable, Supplemental Prospectus and will yield the Interest Rate as specified, or determined in accordance with terms specified, in the relevant Issue Flyer, Series Supplement and Supplemental Prospectus. Interest will accrue from the Issue Date for the particular Bond. Interest in respect of each Bond will accrue from day to day and will cease to accrue from the earliest of the date of Conversion of that Bond, the date of redemption in cash of that Bond and the Commencement of Liquidation. TrustPower may suspend interest payments in the circumstances set out in paragraph 2.13 of this Prospectus.

On the first Coupon Payment Date for a Bond the payment will be made to either the initial Holder or the person registered as Holder on the relevant Bond Record Date, on TrustPower's election (such election to be specified in the relevant Series Supplement and Issue Flyer). The payment amount in relation to that Coupon Payment Date will ensure that the yield, over the full term of the Bond, on the Issue Price of the Bond reflects the Interest Rate per annum as specified, or determined in accordance with terms specified in the relevant Issue Flyer, Series Supplement and, if applicable, Supplemental Prospectus.

On Coupon Payment Dates, other than the first Coupon Payment Date for a Bond, the payment will be made to the person registered as the Holder on the relevant Bond Record Date. The payment amount in relation to those Coupon Payment Dates will reflect the Coupon Rate per annum as specified in, or calculated in accordance with the formula set out in, the relevant Issue Flyer, Series Supplement and, if applicable, Supplemental Prospectus, the number of days in the interest period since the previous Coupon Payment Date and the Face Value of the Bonds.

TrustPower, as the issuer, will set the Issue Price, the Coupon Rate and the Interest Rate.

2.3 Early redemption

In relation to a Series of Bonds where the Early Redemption Option is specified as applicable in the relevant Issue Flyer and Series Supplement, TrustPower may elect to redeem the Bonds in that Series for cash by giving five Business Days' notice to each relevant Holder of the date (being (in the case of Perpetual Bonds) any Business Day and (in the case of all other Bonds) any Business Day as long as it is not less than 25 Business Days before the Maturity Date for that Series of Bonds) on which TrustPower will redeem the Bonds. On that early redemption date, TrustPower will redeem each Bond in the relevant Series for the greater of:

- (a) an amount equal to its Face Value less all withholding tax and other withholdings or deductions required to be made; and
- (b) the average price, weighted by volume, of all trades of Bonds of that Series through NZDX over the ten Business Days up to (but not including) the fifth Business Day before the relevant early redemption date.

Where the Bonds of the relevant Series have not traded on NZDX for at least half of the ten Business Days specified in (b) above, the average price of those Bonds for that period will be determined by an independent advisor appointed under the Trust Deed.

The Early Redemption Option may be specified as applicable to any Series of Bonds (including Perpetual Bonds).

2.4 Redemption/conversion on maturity at the option of TrustPower

Bonds of a particular Series that have a Maturity Date will mature on that Maturity Date. By giving notice to each Holder of Bonds in the relevant Series not later than 25 Business Days prior to the Maturity Date, TrustPower shall elect to:

- (a) redeem all Bonds in the relevant Series at their Face Value (less any withholding taxes and other withholdings or deductions) payable in cash; or
- (b) Convert all Bonds in the relevant Series by issuing to the Holders the number of Ordinary Shares obtained by dividing the Face Value by the product of the relevant Conversion Percentage and the Ordinary Share Market Value.

The Conversion Percentage will be as specified in the relevant Issue Flyer, Series Supplement and Supplemental Prospectus (if any).

If TrustPower fails to make the election above, TrustPower shall, subject to paragraph 2.7 of this Prospectus, be deemed to have elected to redeem the Bonds by Conversion into Ordinary Shares as described above.

If Conversion would result in a fraction of an Ordinary Share being issued, the number of Ordinary Shares issued is rounded down to the nearest whole number.

2.5 Perpetual Bonds

TrustPower may issue a Series of Perpetual Bonds (which have no maturity date specified in the relevant Series Supplement or Issue Flyer). Perpetual Bonds may be redeemed for cash under the terms of the Trust Deed in the following circumstances:

- (a) TrustPower may elect to redeem Perpetual Bonds for cash as described in paragraph 2.3 of this Prospectus if the Early Redemption Option is specified as applicable in the relevant Series Supplement or Issue Flyer;
- (b) TrustPower may specify a maturity date in respect of a Series of Perpetual Bonds in the event that interest is suspended for two years from the date that any interest payment first fell due as a result of circumstances described in paragraphs 2.13(a), (b) or (c) of this Prospectus; and
- (c) upon Commencement of Liquidation.

In the case of paragraph (b) above, Perpetual Bonds may also be converted into Ordinary Shares under the terms of the Trust Deed.

If TrustPower specifies a maturity date as described in paragraph (b) above, the Bonds shall mature on that date and the provisions described in paragraph 2.4 of this Prospectus will apply.

2.6 Ranking of Shares issued upon conversion

Ordinary Shares issued upon Conversion of Bonds will rank pari passu in all respects with all other Ordinary Shares then on issue and will also receive the dividends and distributions for which the record date is after the end of the period during which the price for Ordinary Shares to be issued on Conversion is set.

2.7 Shares not listed or unable to be issued

If, after having made the election to Convert, or being deemed to have elected to Convert, the Bonds for Ordinary Shares, the existing Ordinary Shares are not listed on

NZSX and the Trustee is not satisfied that Ordinary Shares issued on Conversion will be listed on NZSX within 30 days after the Maturity Date, or TrustPower is unable for any reason whatsoever other than the reasons specified below to issue Ordinary Shares in relation to the Bonds, then TrustPower shall be deemed to have elected to redeem the Bonds for cash. If TrustPower is unable to issue Ordinary Shares in relation to the Bonds because the Holder of those Bonds has failed to obtain consent under the Overseas Investment Act 2005 or failed to take any necessary steps to obtain such consent, then TrustPower may elect to suspend the Conversion of such Bonds until such consent has been obtained or such steps taken. In these circumstances, interest will cease to accrue from the relevant Maturity Date.

2.8 New issues of securities

Subject to compliance by TrustPower with the Constitution, the Trust Deed and the Listing Rules and the relevant Series Supplement, TrustPower shall be entitled from time to time to issue further securities, including Ordinary Shares and convertible securities, ranking equally with, in priority to, or subordinate to, the Bonds.

2.9 Transfers

Bonds may be transferred substantially in the same manner as Ordinary Shares, subject to the restriction that TrustPower or the Registrar may decline to register any transfer of Bonds where:

- (a) TrustPower has a lien on the Bonds;
- (b) there is insufficient evidence of entitlement to transfer; or
- (c) registration of such transfer, together with the registration of any further transfer or transfers then held by TrustPower and awaiting registration, would result in the proposed transferee holding Bonds at less than a Minimum Holding.

2.10 Voting rights

Bonds are not Ordinary Shares and do not generally carry any voting rights at meetings of Shareholders. However, in accordance with the Listing Rules, the Constitution and the Trust Deed, Holders will have the right to vote on certain matters. To the maximum extent permitted by the Listing Rules, the Constitution and the Trust Deed, Holders of all Series will vote together as one class in respect of matters to be determined by Holders independently of other classes of securities and with other holders of securities of TrustPower in relation to such matters to be considered by Holders and such other holders of securities.

2.11 Modification of the rights of Holders

In accordance with the Listing Rules and the Trust Deed, the rights of Holders may not be altered without the approval (by Extraordinary Resolution) of each "interest group". In broad terms, an "interest group" is a group of Holders whose rights are affected by the proposed alteration in the same way. For these purposes, the issue of further Ordinary Shares, Bonds or other securities that rank equally with, or in priority to, the Bonds, whether as to voting rights or distributions is not deemed to be an action affecting the rights of Holders.

For most matters Holders of different Series of Bonds will be a single "interest group" and vote as a single class on matters affecting Holders generally. Holders in a particular Series would vote as a separate "interest group" to approve the alteration of

rights specific to that Series of Bonds. This might include altering the maturity date of that Series specified in the relevant Issue Flyer or Series Supplement.

The Trustee may agree to certain alterations to the Trust Deed without the approval of Holders – see “Alterations to Trust Deed” in paragraph 4.10 of this Prospectus.

2.12 Bond priority

The Bonds constitute unsecured subordinated obligations of TrustPower. Bonds of the same or different Series will rank pari passu and without preference or priority among themselves.

(a) Subordination

The obligations of TrustPower to the Holders under, and the rights of the Holders (or the Trustee on behalf of the Holders) against TrustPower in respect of the Face Value of, and interest on, the Bonds are subordinated to the claims of Senior Creditors of TrustPower in that in, and upon the commencement of, liquidation, the claims of the Holders against TrustPower under and in respect of the Bonds in such liquidation are:

- (i) subordinated in point of priority and right of payment to, and rank behind, the claims of the Senior Creditors of TrustPower; and
- (ii) limited to the Liquidation Amount.

In the liquidation of TrustPower, neither the Trustee nor any Holder is entitled to prove for the Face Value of, nor interest on, any Bond except as a debt that is subject to, and contingent upon, prior payment of the Senior Creditors of TrustPower in full.

(b) Limited Rights of Enforcement

The Trust Deed contains provisions restricting the enforcement rights of the Trustee and the Holders in relation to the Bonds. These provisions are more particularly described in this Prospectus under the heading “Summary of the Trust Deed Constituting the Bonds”.

2.13 Suspension of interest

The Trust Deed provides for interest payments to be suspended (in whole or in part) where:

- (a) the Directors believe on reasonable grounds that the payment would, or would be likely to, result in a breach of the solvency test under the Companies Act;
- (b) the payment would, or would be likely to, result in any member of the Consolidated Group breaching any covenant, warranty or undertaking given by it to any of its Senior Creditors under the terms or conditions on which any financial indebtedness was advanced or provided to it; or
- (c) the payment would, or would be likely to, result in any member of the Consolidated Group breaching any other legal obligation.

Such suspension shall take effect from the date specified in a notice from TrustPower to the Trustee to that effect. Such date may be before delivery to the Trustee of the notice but shall not be more than 14 days before the delivery to the Trustee of the notice.

While interest payments are suspended, interest will continue to accrue on the Face Value of Bonds at the Coupon Rate specified in the relevant Issue Flyer and Series Supplement (but such interest will not be capitalised or compounded) and such accrued interest will be paid by TrustPower when the above circumstances in (a)-(c) above no longer exist and such payment will not cause any such circumstance to exist.

In the event that TrustPower does not pay interest on a Series of Bonds for two years from the date that an interest payment falls due, due to the circumstances in (a)-(c), then TrustPower may, at its election, accelerate the maturity date specified in the Series Supplement or Issue Flyer in respect of that Series and (in the case of Perpetual Bonds) specify a maturity date in respect of that Series on which to convert or redeem the Bonds in accordance with the provisions of the Trust Deed described in paragraph 2.4 of this Prospectus.

2.14 Buybacks

Subject to compliance with the Listing Rules and the Constitution, TrustPower may, or cause any Subsidiary to, acquire Bonds (which may then be cancelled) from any Holder, and TrustPower (or the relevant Subsidiary, as the case may be) need not comply with the provisions of the Companies Act relating to the acquisition of Ordinary Shares in acquiring any Bonds.

2.15 Other indebtedness permitted

Nothing in the Trust Deed in any way restricts the right of TrustPower to incur indebtedness or issue obligations ranking in priority to, or pari passu with, or subordinate to, the indebtedness and obligations of TrustPower in respect of any Bonds.

3. SUMMARY OF TRUSTPOWER SHARES

The following description has been included in this Prospectus to provide investors with a summary of the material rights, privileges, restrictions and conditions attaching to the Ordinary Shares that would be issued if any Bonds were Converted. The rights, privileges, restrictions and conditions attaching to Ordinary Shares are set out in full in the Constitution.

3.1 Dividends

Holders of Ordinary Shares are entitled to dividends as and when declared by the Board subject only to rights of holders of other Ordinary Shares from time to time entitled to special or prior rights to dividends. The Directors may declare dividends out of money available to be distributed as dividends. As at the date of this Prospectus there are no Ordinary Shares entitled to special or prior rights to dividends.

3.2 Voting rights

Subject to certain restrictions set out in the Constitution, a holder of a Share is entitled on a poll to one vote for each Share held at all general meetings of shareholders of TrustPower, other than a meeting of Shareholders constituting a specific interest group.

3.3 Liquidation

In the event of the liquidation of TrustPower, after payment of outstanding debts and subject to the prior rights attaching to any shares from time to time ranking senior in priority to the Ordinary Shares, the remaining net assets of TrustPower would be

applied in paying all surpluses to holders of Ordinary Shares in proportion to the amount paid up on such Ordinary Shares held by them. All Ordinary Shares allotted on the Conversion of the Bonds will be credited as fully paid. As at the date of this Prospectus there are no shares ranking senior to the Ordinary Shares.

3.4 Appointment and retirement of Directors

The Constitution permits such number of Directors as is determined by the Board from time to time but such number shall not be fewer than three nor more than seven. At least two of the Directors must be ordinarily resident in New Zealand. As at the date of this Prospectus there are seven Directors. The Constitution requires (subject to certain exemptions) that at the Annual Meeting of Shareholders in every year at least one third of the Directors for the time being (if one third is not a whole number then the nearest whole number) shall retire from office. Subject to the last sentence of this paragraph, the Directors to retire at an Annual Meeting shall be those Directors who have been longest in office since their last election. Such Directors are eligible for re-election. Directors who attain the age of 70 years while they are holding office as Director are automatically retired from office at the next succeeding Annual Meeting of TrustPower, but shall be eligible for re-election as Director, subject to certain limitations.

4. SUMMARY OF THE TRUST DEED CONSTITUTING THE BONDS

The following is a summary of the principal provisions of the Trust Deed, which have not been summarised elsewhere in this Prospectus.

4.1 The Trustee's duties

Under the Trust Deed, the Trustee represents the interests of all Holders. As convertible securities, the Bonds differ from other debt securities in their limited rights to payment in cash. In addition to the obligations placed on the Trustee by clause 1 of the fifth schedule to the Securities Regulations 1983, the Trustee's obligation to monitor the interests of Holders may be summarised as being to act on behalf of the Holders in the limited circumstances provided for in the Trust Deed. The Trustee's powers and duties are accordingly circumscribed.

4.2 TrustPower's obligations under the Trust Deed

For so long as any of the Bonds are outstanding, TrustPower has undertaken a number of obligations to the Trustee on behalf of the Holders, including the obligations set out below.

(a) Covenants

- (i)** TrustPower will use its reasonable endeavours to ensure that the Ordinary Shares and Bonds remain quoted on NZSX and NZDX (as applicable) while there are any Bonds outstanding or until the Bonds no longer qualify for listing.
- (ii)** TrustPower will file a copy of each Series Supplement in the Companies Office.
- (iii)** TrustPower will not issue this Prospectus or the Investment Statement without providing a copy in draft form to the Trustee prior to the issue and in sufficient time for the Trustee to consider it in terms of its obligations under the Securities Act.

- (iv) TrustPower will provide the Trustee with audited annual financial statements in respect of itself, and audited consolidated financial statements in respect of itself and its subsidiaries, by the earlier of:
 - (aa) 90 days after the end of each financial year of TrustPower;
 - (bb) the date upon which they are provided to Shareholders; and
 - (cc) the date on which they are provided to NZX.
- (v) TrustPower will provide the Trustee with unaudited consolidated financial statements in respect of itself and its subsidiaries, by the earlier of:
 - (aa) 60 days after the end of the first half of each financial year of TrustPower;
 - (bb) the date upon which they are provided to Shareholders; and
 - (cc) the date on which they are provided to NZX.
- (vi) TrustPower shall provide the Trustee, at the same time as it provides the audited annual financial statements above, a separate report from the Auditors stating:
 - (aa) whether or not in the performance of their duties as auditors they have become aware of any matter which, in their opinion, is relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee by the Trust Deed or the Securities Act or by law or regulation, and if so giving particulars thereof;
 - (bb) whether or not their audit has disclosed any matter calling in their opinion for further investigation by the Trustee in the interests of the Holders and, if so, giving particulars thereof;
 - (cc) that they have perused each Directors' reporting certificate given since the last report by the Auditors and that, so far as matters which they have observed in the performance of their duties are concerned, the statements made and the facts stated in each such certificate are in their opinion reasonable; and
 - (dd) that they have performed an audit of the Register.
- (vii) TrustPower shall provide to the Trustee a signed certificate on behalf of the Directors, set out in the form provided in schedule 2 to the Trust Deed, within one month of the end of each of the above financial reporting periods or such other time period permitted by the Trustee.
- (viii) TrustPower will, at all times, comply with the provisions of, and its obligations under, the Companies Act and also with any relevant terms and conditions of Bonds approved from time to time by ordinary resolution of the Shareholders.
- (ix) TrustPower will, in offering a Series of Bonds to the public, at all times comply with the Securities Act (and regulations thereunder and exemption notices issued pursuant thereto), and the Listing Rules for so long as any Series of Bonds is listed, and if the Bonds are not listed,

then to the greatest extent possible except if the relevant Holders have specified otherwise by Extraordinary Resolution.

- (x) TrustPower will forthwith send to the Trustee a copy of each notice that it sends to any of NZX, the Holders, Shareholders, and the Companies Office.
- (xi) TrustPower will pass all resolutions and take all other action necessary to ensure that the required number of Ordinary Shares is issued to each Holder on Conversion of that Holder's Bonds in accordance with the terms of issue of the Bonds.

4.3 Enforcement

- (a) Limited rights of enforcement
 - (i) subject to the rights set out under the heading "Permitted Proceedings" in this Prospectus, the Trustee shall not be entitled to claim, demand, sue, prove for, compel or enforce payment or repayment from TrustPower of the Face Value of, or interest on, the Bonds or other sum due or payable in respect of the Bonds except following the commencement of the liquidation of TrustPower, and then, only by way of a claim, demand, suit or proof as may be necessary to preserve the claim thereto of any Holder(s) in the liquidation of TrustPower;
 - (ii) except as permitted by the rights set out under the heading "Permitted Payments and Receipts" in this Prospectus, the Trustee shall not be entitled to take or receive directly or indirectly (including by way of set-off or counterclaim or in any other manner) from TrustPower the Face Value of, or interest on, the Bonds or any other sum due or payable in respect of the Bonds, and the Trustee shall not be entitled to pay, or procure the payment, to or to the order of or for the benefit of, any Holder, or any other person on behalf of any Holder, any sums for the time being held by or under the control of the Trustee being by way of the Face Value of, or interest on, the Bonds or other sum due or payable in respect of the Bonds;
 - (iii) no Holder shall be entitled to take or receive, directly or indirectly (including by way of a set off or counterclaim or in any other manner), except a payment received as permitted by the rights set out under the heading "Permitted Payments and Receipts" in this Prospectus, nor be entitled to claim, demand, sue, prove for, compel or enforce payment or repayment from TrustPower or the Trustee or any other person of the Face Value of, or interest on, the Bonds or other sum due or payable in respect of the Bonds (except in the circumstances provided for in paragraph 4.3(b) of this Prospectus, but subject always to the restrictions as would have been applicable to the Trustee in respect thereof); and
 - (iv) except for payments permitted by the rights set out under the heading "Permitted Payments and Receipts" in this Prospectus, TrustPower shall not make to, or to any person on behalf of, any Holder any payment or repayment in respect of the Face Value of, or interest on, any Bond, or of any other sum in respect of any Bond,

unless and until all amounts owing to Senior Creditors of TrustPower have been fully paid or repaid.

(b) Enforcement by Trustee only

Subject to the provisions set out in the Trust Deed, only the Trustee may enforce the provisions of the Bonds and no Holder is entitled to proceed directly against TrustPower unless TrustPower is in breach of the Trust Deed and the Trustee fails to act (to the extent that it is able under the Trust Deed) with respect to that breach in a reasonable time.

(c) Claims by Holders

No Holder may claim or prove in the liquidation of TrustPower for any amount owing to that Holder under any Bond or the Trust Deed to the extent that the Trustee has claimed or proved for, or has determined to claim or prove for, such amount in such liquidation on behalf of such Holder, and any claim or proof made contrary to this clause must be withdrawn by such Holder.

(d) Enforcement of Holders

No Holder may proceed against TrustPower or the Trustee for the enforcement or performance of any provision of the Trust Deed or any condition of issue of the Bonds that is solely for the benefit of the Trustee.

4.4 Distribution on liquidation

Any amount received by the Trustee under or in respect of the Trust Deed or the Bonds in or upon the Commencement of Liquidation and not paid to the liquidator or other person charged with or responsible for the making of distributions on behalf of TrustPower, or where there is no liquidator or such other person, TrustPower, must be applied, subject to any direction made by any court and except as required by law:

(a) Trustee's expenses

first, in payment or retention of all costs, charges, expenses and liabilities incurred and payments made by or on behalf of the Trustee (or any officer, employee or agent of the Trustee) and of all remuneration, indemnified amounts and other money payable to the Trustee (or any officer, employee or agent of the Trustee) as provided for or referred to in the Trust Deed;

(b) Senior Creditors' indebtedness

secondly, in payment to TrustPower to be held by it to apply the same in or towards the discharge of the indebtedness of TrustPower to its Senior Creditors according to their respective rights and interests;

(c) Holders' indebtedness

thirdly, subject to the indebtedness of TrustPower to its Senior Creditors having been paid or satisfied or provided for in full, in or towards payment to each Holder, pari passu in proportion to the Face Value of the Bonds held by him or her, of the aggregate Liquidation Amount; and

(d) Surplus to TrustPower

fourthly, in payment of the surplus (if any) of such money to TrustPower, or to such other person as may otherwise be lawfully entitled to that money.

4.5 Reliance on liquidator

Following the Commencement of Liquidation, the Trustee will be entitled and is authorised to call for and to accept as conclusive evidence a certificate from the liquidator for the time being regarding the amount of indebtedness to Senior Creditors of TrustPower which has not been satisfied or otherwise provided for and the Trustee shall be entitled to rely upon a statement in writing from the liquidator to the effect that all such indebtedness has been satisfied or discharged.

4.6 Permitted payments and receipts

Until the Commencement of Liquidation, TrustPower is entitled to pay, and a Holder or the Trustee or any other person on behalf of a Holder is entitled to receive payment from or on behalf of TrustPower of, any amount payable in respect of interest on the Bonds or other amount payable in respect of the Bonds and the Trustee is entitled to pay any amounts to or for the benefit of the Holders or any other person on behalf of any Holders.

4.7 Permitted proceedings

Nothing in the Trust Deed or this Prospectus excludes, limits, defers or otherwise affects:

- (a) Proceedings seeking directions from court
 - the right of the Trustee to seek directions from a court in accordance with the Securities Act or to take any other proceedings seeking the directions of, or guidance by, any court or other authority as to the performance of its functions and duties hereunder or otherwise in relation to the Trust Deed; or
- (b) Proceedings seeking declaratory judgment
 - any proceedings taken by the Trustee or any Holder at any time seeking a judgment or order declaratory of the rights or obligations of any Holder or any party to the Trust Deed; or
- (c) Other proceedings
 - the right of the Trustee or a Holder, in the circumstances expressly permitted by the Trust Deed and the conditions of issue of the Bonds, to take any action permitted by the Trust Deed.

4.8 Commencement of Liquidation

Upon the Commencement of Liquidation the Face Value of the Bonds, together with all interest on the Bonds (including any interest suspended pursuant to the terms of the Trust Deed), will become repayable and each Bond will be due to be redeemed for an amount equal to the Liquidation Amount of the Bond.

4.9 No interest to accrue following Commencement of Liquidation

Upon the Commencement of Liquidation, interest on the Bonds will cease to accrue.

4.10 Alterations to Trust Deed

The terms of the Trust Deed may be altered if the alteration is approved by an Extraordinary Resolution of Holders. The Trustee and TrustPower may agree to an alteration without the approval of an Extraordinary Resolution of Holders if:

- (a) it is necessary or desirable to correct a manifest error, or to comply with the requirements of any statute, statutory regulations, or the Listing Rules;
- (b) it is of a formal or technical nature;
- (c) in the opinion of the Trustee it is not, or is not likely to become, prejudicial to the general interests of the Holders; or
- (d) in the opinion of the Trustee, it is in the interests of the Holders to amend the Trust Deed to accommodate changes in the law in New Zealand relating to securities.

The Trust Deed also provides that if a term of any Series Supplement is inconsistent with any provision of the Trust Deed, the Series Supplement shall prevail, but in respect of the relevant Series only.

4.11 Trustee provisions

TrustPower pays for the Trustee's services and all expenses incurred by the Trustee in relation to the Trust Deed. The Trustee has the power to invest any money held by it that is subject to the trusts of the Trust Deed. Subject to the Securities Act:

- (a) the Trustee may obtain and act, or not act, on any of:
 - (i) the opinion or advice of specified professionals and experts (e.g. barristers, solicitors, valuers, chartered accountants);
 - (ii) a certificate signed by two Directors on behalf of all of the Directors on any matter *prima facie* within the knowledge of TrustPower, or that any transaction, step or thing is expedient or commercially desirable and not detrimental to Holders' interests; or
 - (iii) the statements in any certificate or report given under the Trust Deed as conclusive evidence of the facts stated therein;
- (b) the Trustee shall not be responsible for relying on any resolution purporting to be passed at a meeting of Holders where the Trustee believes the resolution to have been properly passed;
- (c) the Trustee shall not be responsible for money subscribed for the Bonds or the application of such money;
- (d) the Trustee shall exercise reasonable diligence to ascertain whether TrustPower has breached the Trust Deed or the terms and conditions of issue of the Bonds;
- (e) the Trustee has absolute discretion in relation to the exercise of its powers, authorities, trusts and discretions under the Trust Deed and may refrain from exercising them unless directed by Extraordinary Resolution of the Holders;
- (f) the Trustee may determine all questions arising in relation to the Trust Deed as between itself and the Holders, and such determination shall bind the Trustee and Holders;
- (g) only the Trustee may exercise the powers, rights and remedies conferred on it under the Trust Deed, except a Holder may exercise such powers, rights and remedies with written consent of the Trustee or where the Trustee has failed to

exercise such power, right or remedy after being directed to do so by Extraordinary Resolution of Holders;

(h) whenever the Trustee thinks it expedient in the interests of the Holder to do so, it may:

- (i) delegate any of the trusts, powers, authorities or discretions vested in it by the Trust Deed which cannot be conveniently exercised by it or through its employees; and
- (ii) authorise such person as it thinks fit to act as its representative at any meeting; and
- (i) in the exercise of any trust, duty, power, authority or discretion under the Trust Deed, the Trustee shall consider the interests of Holders as a whole and not the consequences to individual Holders resulting from their being resident or domiciled in a place other than New Zealand.

Unless TrustPower consents in writing, the Trustee shall not disclose confidential information made available to it by TrustPower to any Holder unless required by law, the Trust Deed, any ruling binding on it or a court order.

The Trustee entered the Trust Deed on the basis that its duties under clause 1 of the Fifth Schedule to the Securities Regulations 1983 ("Fifth Schedule Duties") will be interpreted to take into account that:

- (a) the terms of issue of the Bonds allow suspension of interest, and to this extent, payment by TrustPower cannot be compelled;
- (b) there is no acceleration right for a default under the Bond terms;
- (c) the Bonds have certain characteristics similar to shareholders' equity rather than debt security;
- (d) as some provisions of the Trust Deed derive from the Listing Rules, the Trustee is entitled to assume that TrustPower is complying with those provisions and the applicable provisions of the Listing Rules in the absence of notice to the contrary from TrustPower or NZX; and
- (e) Perpetual Bonds have no maturity date, as such,

and therefore shall to the maximum extent possible be limited accordingly. The Trustee substantially monitors TrustPower on the basis of the reporting provisions set out in the Trust Deed and Holders are deemed to know and accept the interpretation of the Trustee's Fifth Schedule Duties as described above.

The Trustee is also indemnified by TrustPower in respect of all liabilities and expenses incurred by it in the execution or purported execution of the powers or trusts under the Trust Deed, and against all actions, costs, claims and demands in relation to the Trust Deed except where the Trustee fails to act with reasonable care and diligence. The Holders will not be liable for any liability of the Trustee acting as trustee under the Trust Deed.

4.12 Purchase of Bonds by TrustPower

The Trust Deed authorises TrustPower and its Subsidiaries to purchase Bonds from any Holder. All Bonds so purchased may, at the option of TrustPower, be cancelled on registration of the transfer. TrustPower need not comply with the provisions of the

Companies Act applicable to the acquisition of Ordinary Shares in acquiring any Bonds.

4.13 Meetings/registers

The Trust Deed contains provisions for meetings of Holders. Meetings may be convened by TrustPower or the Trustee, and are required to be convened on the request of Holder(s) holding not less than 10% of the total Face Value of all the Bonds. At least 14 clear days notice of each meeting is required to be given.

The meetings are to be held in the city in which the registered office of TrustPower is situated, or at such other place as the Trustee determines or approves. Each Holder is entitled to attend in person or by proxy and vote at the meeting unless prohibited from voting by the Listing Rules. The quorum required for passing an Extraordinary Resolution is the holders of at least 25% of the total Face Value of all the Bonds. The quorum for any other business at a meeting of all Holders is the holders of at least 10% of the total Face Value of all the Bonds. An Extraordinary Resolution of Holders binds all Holders and the Trustee shall be bound to give effect thereto.

The Trust Deed also requires TrustPower to establish and maintain a register of Bonds. The Register records the details of each Series of Bonds and Holders. All payments in relation to a Bond will be made to the person named as Holder in the Register on the relevant Bond Record Date, other than the payment made on the first Coupon Payment Date, which will be made to either that Holder or the initial Holder of the Bond, such election to be made by TrustPower and specified in the relevant Series Supplement and Issue Flyer. If more than one person is named, payments will be made to the first person named.

4.14 General

Neither the Trustee, nor any Subsidiary of TrustPower, nor any other person guarantees or will guarantee any principal or interest or other amount in respect of the Bonds or Ordinary Shares issued on Conversion thereof.

4.15 NZX Listing Rules

The Trust Deed contains a number of provisions that reflect the Listing Rules. In particular:

- (a) If NZX has given a ruling authorising any act or omission which, in the absence of that ruling, would be in contravention of the Listing Rules, the Trust Deed or the Constitution, that act or omission shall, unless a contrary intention appears in the Constitution or the Trust Deed, be deemed to be authorised by the Listing Rules, the Trust Deed and the Constitution.
- (b) Failure to comply with the Listing Rules does not affect the validity or enforceability of any transaction, contract, action or other matter whatsoever (including the proceedings of, or voting at, any meeting), provided that a party to a transaction or contract who knew of the failure to comply with the Listing Rules or those provisions is not entitled to enforce that transaction or contract and the rights of any Holders or any holder of other securities of TrustPower against TrustPower or the Directors arising from such failure to comply are not affected.
- (c) For so long as any Series of Bonds is listed on NZDX, TrustPower shall comply with the Listing Rules subject to the requirements of the Securities Act and other legislation or regulatory requirements and the terms of any ruling given from time to time. If no Series of Bonds is listed on NZDX then, to the greatest extent possible, TrustPower shall continue to comply with the Listing Rules as

if the Bonds did remain listed except where the relevant Holders have passed an Extraordinary Resolution requiring TrustPower not to so comply.

- (d) For so long as the Bonds are listed on NZDX and subject to the provisions of the Trust Deed detailed in (c) above, each provision listed in Appendix 6 to the Listing Rules as each such provision applies from time to time and as modified by any Ruling relevant to TrustPower is incorporated in the Trust Deed in accordance with note 2 to Listing Rule 3.2.
- (e) For so long as the Bonds are listed on NZDX and subject to the provisions of the Trust Deed detailed in (c) above, if any provision in the Trust Deed is inconsistent with the Listing Rules or the Constitution, the Listing Rules shall prevail.

4.16 Governing law

The Trust Deed is governed by New Zealand law.

5. RISKS

Holders may not recover in full, or at all, the Issue Price paid for Bonds and may not receive all, or any of, the returns mentioned above in respect of Bonds held or Ordinary Shares issued on Conversion of Bonds. Holders should carefully consider the following risk factors, in addition to other information in this document, before subscribing for Bonds.

5.1 Insolvency

Insolvency of TrustPower

The major risk to investors is an inability to recover the original investment and accrued interest on redemption (or equivalent on conversion). The inability to recover the original investment and accrued interest could arise (among other reasons) because TrustPower is placed in receivership, administration, liquidation, or in statutory management. Investors could receive none of, or less than, the returns mentioned above if TrustPower became insolvent for any reason. These factors and risks may also affect the ability of TrustPower to pay interest on, or redeem, the Bonds for cash and to pay dividends on the Ordinary Shares.

Consequences of insolvency

If TrustPower were placed in liquidation, Holders would rank equally among themselves and other holders of bonds issued under the Trust Deed and behind the holders of charges on TrustPower's assets, and unsecured, unsubordinated creditors of TrustPower and creditors preferred by operation of law.

TrustPower has existing bank facilities with Bank of New Zealand, Westpac Banking Corporation, Commonwealth Bank of Australia, ABN AMRO and ANZ Banking Group (New Zealand) Limited. Any indebtedness due to the banks will have priority to the claims of the Holders in respect of the assets of TrustPower.

Shareholders will rank behind all secured and unsecured creditors (including Holders) if TrustPower is placed in liquidation.

If TrustPower were to become insolvent, no Holder (or Shareholder who receives Ordinary Shares on conversion of any Bond) would be required to pay any further amounts.

5.2 Economic risks

TrustPower faces many generic risks associated with operating in the New Zealand and global economic environments, for example currency volatility in relation to importation of wind turbines, long term interest rates, government policies, taxation, competitor activity, technology change, inflation, product delivery issues, fraud, malpractice, customer failure, terrorism, staffing etc.

Those risks and the risks detailed below may, either individually or in combination, lead to Holders not recovering in full, or at all, the Issue Price paid for Bonds or not receiving all or any of the anticipated returns in respect of Bonds issued or on Ordinary Shares following conversion. They may also lead to the insolvency of TrustPower.

TrustPower's financial performance

If TrustPower's financial performance is worse than expected, the future market price of a Bond may be less than its Issue Price. Further, the future market price of an Ordinary Share obtained following conversion of a Bond may decline after such conversion and dividends and distributions on Ordinary Shares after conversion may be less than anticipated. TrustPower's financial performance would be adversely affected if any of its Subsidiaries were to perform financially worse than expected or were to become insolvent. As at 31 March 2008 approximately 30% of the group's generation assets are owned by TrustPower's Subsidiaries. Loss of any of these assets would reduce revenue in a similar proportion to their asset value.

Following its investment through an Australian Subsidiary in a wind farm in South Australia, TrustPower also faces financial risks associated with operating its business in a foreign country. Three key additional risks faced as a consequence of operating in a foreign country are (i) failure to understand the construction environment leading to increased cost of asset construction, (ii) failure to understand the electricity market leading to reduced revenue and (iii) foreign currency fluctuations. TrustPower has mitigated to a large extent each of these risks respectively by entering a fixed price contract for construction, entering a contract to sell 90% of the output at a fixed price for ten years and borrowing the money for construction in Australian dollars.

TrustPower's creditworthiness

TrustPower's creditworthiness may decline due to circumstances beyond its control and for reasons that are not specific to TrustPower, e.g. a recession in New Zealand. If the actual or perceived risk profile of TrustPower falls, the market price of the Bonds or Ordinary Shares following conversion may fall so that any return on the sale of Bonds or Ordinary Shares may be less than anticipated.

Impact of alternative markets

A rise in the returns expected from alternative investments (including a rise in interest rates) and other market factors may result in the market price of the Bonds or Ordinary Shares following conversion falling so that any return on the sale of Bonds or Ordinary Shares may be less than anticipated.

Insolvency of TrustPower

Holders or holders of Ordinary Shares could receive no returns, or less than the returns mentioned above, if TrustPower became insolvent for any reason. For the rights of Holders upon insolvency see the section headed "Consequences of insolvency" above.

Delisting and liquidity risk – Bonds and Ordinary Shares

Holders or holders of Ordinary Shares may be unable to sell their Bonds or Ordinary Shares and therefore not realise their investment if TrustPower is delisted from NZX for any reason or the market for Bonds or Ordinary Shares following conversion becomes illiquid or ceases to exist.

Liquidity risk - general

There is a risk that TrustPower may not be able to raise the money required for its investment and other activities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities. Liquidity risk is monitored by TrustPower by continuously forecasting actual cash flows and matching the profiles of financial assets and liabilities.

Interest rate risk

In circumstances where Holders do not hold their Bonds until maturity, the price at which they are able to sell their Bonds may be less than the price they paid, due to market volatility or other reasons. This is because changes in market interest rates can affect the market value of Bonds. For instance, if market interest rates go up, the market value of Bonds may go down and vice versa.

This loss or gain of capital is a function or the effect of either a change in underlying market interest rates on the value of the investment, over which TrustPower has no control, or of the market's perception of the value of the Bonds, which may be affected by a rating change or other factors affecting the Bonds or TrustPower.

Cost of funds

TrustPower's bank borrowings are all on floating interest rates. If interest rates go up, this will increase TrustPower's cost of borrowing and will mean that TrustPower will have less cash available for other matters. TrustPower has various interest rate financial instruments to manage exposure to fluctuations in interest rates.

Credit Risk

If a debtor of TrustPower does not pay amounts it owes to TrustPower or becomes insolvent, this may impact on TrustPower's financial performance. TrustPower and its Subsidiaries have no significant concentrations of credit risk. They have 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. TrustPower has policies that limit the amount of credit exposure to any counterparty.

Restrictions on TrustPower

The ability of TrustPower to issue or transfer Bonds or to pay any other returns specified in this document will be subject to any general restrictions under TrustPower's constitution, the Companies Act 1993, the Securities Act 1978 and the Securities Regulations 1983, the Securities Markets Act 1988, the Listing Rules, or any other applicable laws.

Holders and Shareholders

There is no known circumstance in which any further call for money in respect of Bonds (other than the Issue Price for such Bonds), or in respect of Ordinary Shares issued on Conversion of Bonds, could be made on a Holder or Shareholder.

Perpetual Bonds

As Perpetual Bonds have no maturity date specified in the relevant Issue Flyer or Series Supplement, TrustPower will not be obliged to redeem the Perpetual Bonds for cash or convert the Perpetual Bonds to Ordinary Shares. TrustPower may elect to redeem the Perpetual Bonds for cash if the Early Redemption Option applies to the relevant Bond Series and it chooses to exercise that option. TrustPower may also elect, following a two year suspension of interest due to circumstances described in the Trust Deed, to specify a maturity date for the Perpetual Bonds in which case they will be redeemed for cash or converted to Ordinary Shares at TrustPower's election on that Maturity Date in accordance with the terms of the Trust Deed. This means that the only way a Holder of a Perpetual Bond can cash in his or her investment, other than on the election of TrustPower in the limited circumstances described above, is to sell it.

5.3 Other risks

Detailed below are risks which may impact upon the electricity industry which may in turn impact on, among other matters, TrustPower's financial performance and its creditworthiness.

This may lead to Holders not recovering in full, or at all, the Issue Price paid for Bonds or not receiving all, or any, of the anticipated returns in respect of Bonds issued, the future market price of an Ordinary Share obtained following conversion of a Bond declining after such conversion or dividends and distributions on Ordinary Shares after conversion being less than anticipated. It may also lead to the insolvency of TrustPower.

Electricity prices

Price uncertainty is a natural part of the electricity industry and TrustPower is exposed to fluctuations in the spot price of electricity. Electricity is instantly perishable and consequently price can be volatile if there is any unexpected imbalance between supply and demand.

Over the long term, the price of electricity will depend, among other things, on the cost of new generation (i.e. new fuel and plant). The price of electricity will also be affected by the climate and this is considered in more detail in the section headed 'Climate' below.

Management of both expected and unexpected price volatility is a focus of TrustPower. TrustPower has entered into a number of electricity hedge contracts to reduce the commodity price risk from price fluctuations on the electricity spot market. These hedge contracts establish the price at which future specified quantities of electricity are purchased.

Climate

The climate impacts on the price of electricity, demand from TrustPower's customers, and TrustPower's ability to generate. Cold wet winters (resulting in the use of heaters and dryers) may push up consumption, but it is cold dry winters that most dramatically push up prices while also reducing TrustPower's own generation output.

Nothing can be done about output ups and downs which result from climatic conditions, but TrustPower has considerable ability to mitigate its exposure to price risk. TrustPower has in place sophisticated risk management policies and systems which aim to ensure that it is not unduly exposed to price risk during periods of lower than average generation output. The key outcomes of this risk management strategy are; an optimum level of fixed price retail customers, purchase agreements and hedging contracts with other generators, optimum use of stored water in hydro generation and a grouping of customers around key generation sites.

Environmental

All of TrustPower's generation is renewable and each power station requires a range of environmental consents. Most waterways have many different users who are interested in the local hydro power station.

Consents tend to be very long term (35 years), but TrustPower is continually aware of the need to maintain good relations with other responsible users of the waterways it uses for power generation. TrustPower has a policy of ongoing compliance with environmental standards.

Failure to comply with consenting conditions could result in severe operating restrictions being placed upon a scheme and ultimately to the loss of a right to generate electricity.

Natural disaster

Most of TrustPower's stations are in geologically active areas and the power schemes were constructed with this in mind. However major events such as the Edgecumbe earthquake (6.3 on the Richter scale and centred very close to the Matahina dam) may cause significant damage to generation facilities. Therefore TrustPower insures against such events for replacement and loss of output. Insurance is only placed with companies that have an A- or greater Standard & Poors (or equivalent) credit rating.

Competition

The electricity retail market in New Zealand is competitive, TrustPower therefore faces the risk of losing market share through the competitive action of other existing retailers or a new entrant. TrustPower seeks to reduce this risk by offering discounts for longer term contracts, regularly reviewing and adjusting prices and focussing on offering excellent customer service.

Shareholding

A substantial change to the financial situation of a major shareholder or a substantial change in the composition of major shareholders may have an impact on TrustPower's long term financial performance. Such changes cannot be foreseen.

Regulatory risk

Despite the Government reforms of the late 1990s, which have established a competitive environment in the electricity industry, there remains the risk of further regulation by Government in both New Zealand and Australia. It is difficult to anticipate the form that such regulation could take but it may involve actions that would undermine the ongoing profitability of TrustPower; for example price controls for customers, enforced customer management practices, subsidisation of competitors' activities etc.

Financial services regulation and government action

Recent New Zealand legislation has introduced new regulatory regimes (which are detailed below) in connection with the provision of financial services which may affect TrustPower. There remains the risk of further government action by way of legislation, regulation or other initiatives aimed at increasing stability and confidence in the financial market. It is difficult to anticipate the impact that such government action might have on TrustPower but it could (among other things) affect the market for the Bonds by favouring other types of investment, exclude Trustpower from certain protective measures afforded to other entities or lead to TrustPower incurring additional regulatory and compliance costs.

The Reserve Bank Amendment Act 2008 has introduced a new regulatory regime for non-bank deposit takers which by definition may include TrustPower. The Reserve Bank will now be responsible for setting the regulatory standards for this sector. The regulations, which will introduce requirements in respect of (among other matters) credit ratings, capital adequacy, capital ratios, exposures to related parties, liquidity and risk management and standards of governance, are expected to come into force in 2009. If it is considered that these regulatory standards will apply to TrustPower, TrustPower will seek an exemption under the Reserve Bank of New Zealand Act 1989 from the new rules, but there is no guarantee that the exemption will be granted. If it is not granted, TrustPower may incur additional regulatory and compliance costs in complying with the regulations.

The Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSPA**) has introduced a registration regime which will require those in the business of providing a financial service to be registered under the FSPA. The FSPA will also require each financial service provider to be a member of an approved dispute resolution scheme. These requirements will come into force on a date yet to be appointed by the Governor-General and, if applicable to TrustPower, may result in TrustPower incurring additional regulatory and compliance costs.

No Government guarantee

Many types of debt will have the benefit of the retail deposit guarantee scheme recently introduced by the Government. Subordinated debt, such as the Bonds, is never going to be entitled to the benefit of that guarantee.

Generation development

TrustPower has a significant number of wind and hydro generation projects at various stages of feasibility assessment. Currently none of these development opportunities has received Board approval to proceed to construction. Failure by TrustPower to complete generation projects on time and within budget, or to achieve expected performance criteria upon completion, could lead to loss of market confidence and negatively impact the future financial performance of TrustPower.

TrustPower enters into forward foreign exchange contracts and construction contracts to help manage this risk.

6. STATEMENT BY TRUSTEE

See overleaf.



31 October 2008

The Directors
TrustPower Limited
Truman Road
Mount Maunganui
TAURANGA

Clause 13(3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer of bonds ("the Securities") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 26 July 2002(as amended). These provisions are those which:

- (a) Entitle TrustPower Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Prospectus; and
- (b) Impose restrictions on the right of TrustPower Limited to offer the Securities; and

are described in the summary of the Trust Deed in the Prospectus.

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Securities set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) Set out above; and
- (b) That the Trustee relies on the information supplied to it by TrustPower Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

The Trustee draws your attention to the explanation of the Trustee's Duties described under the heading "Summary of the Trust Deed Constituting the Bonds" contained in the Prospectus.

The Trustee does not guarantee the repayment of the Securities or the payment of interest thereon.

Signed for and on behalf of
Trustees Executors Limited

Sean Roberts
Business Manager
Corporate Trust

7. FINANCIAL INFORMATION

7.1 Financial information of TrustPower to 2008

Summary of Financial Statements for TrustPower (the Borrowing Group) is presented in paragraph 7.2 of this Prospectus. This information has been extracted from financial statements prepared in accordance with the requirements of the Second Schedule of the Securities Regulations 1983.

Financial Statements for TrustPower (the Borrowing Group) and for the TrustPower Group of Companies (comprising TrustPower and its Subsidiaries, which are all non-guaranteeing Subsidiaries) are presented in paragraph 7.3 of this Prospectus. The financial statements for TrustPower in paragraph 7.3 (under the columns headed "Borrowing Group") are prepared in accordance with the requirements of the Second Schedule of the Securities Regulations 1983.

The Consolidated Group Financial Statements (presented in paragraph 7.3 of this Prospectus under the columns headed "Consolidated Group") are prepared in accordance with the Financial Reporting Act 1993 complying with generally accepted accounting practice.

In reviewing that information, investors should bear in mind that for the purposes of the Securities Regulations 1983, TrustPower is the issuer and the borrowing group and is the sole obligor of the Bonds. None of TrustPower's Subsidiaries guarantees its obligations in respect of the Bonds.

The Consolidated Group Financial Statements are provided for the information of those considering investing in the Bonds, on the basis that Bonds may be converted into Ordinary Shares in accordance with the terms of the Trust Deed (as described in paragraph 2.4 of this Prospectus).

7.2 Summary of Financial Statements

Summary of Financial Statements of TrustPower (As the Borrowing Group) Prepared to Comply With Clause 7 Second Schedule Securities Regulations 1983

	NZ IFRS Year Ended 31 March 2008 \$000	NZ IFRS ¹ Year Ended 31 March 2007 \$000	FRS ² Year Ended 31 March 2007 \$000	FRS Year Ended 31 March 2006 \$000	FRS Year Ended 31 March 2005 \$000	FRS Year Ended 31 March 2004 \$000
Income Statements						
Total Operating Revenue	681,360	626,317	626,317	676,044	611,829	630,758
Fair Value Losses/(Gains) on Financial Instruments	(654)	(2,425)	-	-	-	-
Amortisation of Intangible Assets	5,145	4,227	3,063	3,063	3,063	3,118
Depreciation	13,511	17,266	18,430	18,585	18,733	15,662
Interest Expense	39,506	27,165	27,165	28,486	32,704	28,675
Other Expense	486,158	430,013	430,013	497,643	445,170	494,306
Total Expense	543,666	476,246	478,671	547,777	499,670	541,761
Profit Before Income Tax	137,694	150,071	147,646	128,267	112,159	88,997
Taxation Expense	41,970	43,532	44,904	47,245	39,573	27,973
Operating Surplus after taxation	95,724	106,539	102,742	81,022	72,586	61,024
Dividend to Shareholders	91,439	78,719	78,719	67,754	56,610	69,965
Surplus Retained in Group	4,285	27,820	24,023	13,268	15,976	(8,941)
Dividend Cents per Share (cents)	29.0	25.0	25.0	21.5	18	44.5
Shares on Issue (thousands)	315,417	315,075	315,075	314,752	314,752	157,376

Balance Sheets	NZ IFRS	NZ IFRS ¹	FRS ²	FRS	FRS	FRS
	31 March	31 March	31 March	31 March	31 March	31 March
	2008	2007	2007	2006	2005	2004
	\$000	\$000	\$000	\$000	\$000	\$000
Tangible Assets	1,946,698	1,882,528	1,881,351	1,310,772	1,254,471	1,258,761
Intangible Assets	40,266	42,549	38,453	39,022	42,085	45,149
Total Assets	1,986,964	1,925,077	1,919,804	1,349,794	1,296,556	1,303,910
Current Liabilities	112,429	114,340	114,311	124,217	88,033	94,500
Bank Loans	336,971	211,612	211,612	63,233	64,000	85,000
Other Non-Current Liabilities	174,896	188,606	38,454	35,286	31,548	28,226
Subordinated Bonds (Net of Costs)	212,039	297,539	297,539	296,743	295,928	295,113
Total Liabilities	836,335	812,097	661,916	519,479	479,509	502,839
Total Equity	1,150,629	1,112,980	1,257,888	830,315	817,047	801,071

¹2007 financial statements as restated under the requirements of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

²2007 financial statements as reported under old New Zealand Financial Reporting Standards (FRS).

Notes to Financial Statements Summary

1. The financial information disclosed above has been extracted from audited financial statements.
2. For years ending prior to 1 April 2006 these summary financial statements are prepared under old New Zealand Financial Reporting Standards. For years ending after 1 April 2006 these summary financial statements are prepared under New Zealand Equivalents to International Financial Reporting Standards. For the year ended 31 March 2007 the information is given under both sets of accounting standards. Full details of the impact of this change are disclosed in the financial statements included in this Prospectus.
3. If years prior to 31 March 2007 were restated under NZ IFRS the only potentially material changes would be:
 - an increase in 'Other Non-Current Liabilities' and a decrease in 'Equity' as a higher deferred tax liability was recognised; and
 - an increase in liabilities and/or assets with a corresponding change in 'Equity' as the fair value of financial instruments was recognised. While recognising financial instruments could also impact on profit, the impact would be immaterial due to the adoption of hedge accounting.

4. There were no other material changes in the accounting policies used during the period to which the amounts relate.

7.3 Financial Statements of TrustPower and Consolidated Financial Statements of the Consolidated Group for the year ending 31 March 2008

Included overleaf are financial statements for TrustPower (the Borrowing Group) and TrustPower and its Subsidiaries (the Consolidated Group). For the purposes of the Securities Regulations 1983, TrustPower is the issuer and borrowing group and is the sole obligor of the Bonds. None of TrustPower's Subsidiaries guarantees its obligations in respect of the Bonds. The financial statements for TrustPower and its Subsidiaries (the Consolidated Group) are provided only for the information of the prospective investors and are not required (and do not contain the information required) by the Securities Regulations 1983.

TRUSTPOWER LIMITED AND SUBSIDIARIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

	Note	CONSOLIDATED GROUP		BORROWING GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Operating Revenue					
Electricity sales		656,961	617,707	656,961	617,707
Meter rental revenue		3,846	3,523	3,846	3,523
Other customer fees and charges		3,394	3,891	3,381	3,891
Telecommunications sales		12,670	675	12,670	675
Other operating revenue		4,585	521	4,502	521
		681,456	626,317	681,360	626,317
Operating Expenses					
Energy costs		179,643	160,391	179,643	160,391
Generation production costs		27,780	20,787	27,572	20,787
Line costs		187,947	186,552	187,947	186,552
Market fees and costs		18,183	14,282	18,183	14,282
Meter rental costs		2,606	2,408	2,606	2,408
Other customer connection costs		939	1,075	939	1,075
Other fixed and investment asset charges/(credits)	9	(408)	872	318	(5,266)
Employee benefits		24,554	20,819	24,554	20,819
Telecommunications cost of sales		9,246	598	9,246	598
Other operating expenses	10	22,933	22,102	35,150	28,367
		473,423	429,886	486,158	430,013
Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments (EBITDAF)					
		208,033	196,431	195,202	196,304
Fair value (gains) / losses on financial instruments	5	(985)	(2,425)	(654)	(2,425)
Amortisation of intangible assets	23	5,145	4,227	5,145	4,227
Depreciation	20	27,249	23,826	13,511	17,266
Operating Profit		176,624	170,803	177,200	177,236
Interest paid	11	41,274	28,940	45,647	33,619
Interest received	11	(1,462)	(1,584)	(6,141)	(6,454)
Net finance costs		39,812	27,356	39,506	27,165
Profit Before Income Tax		136,812	143,447	137,694	150,071
Income tax expense	12	38,679	41,018	41,970	43,532
Profit After Tax Attributable to the Shareholders of the Company		98,133	102,429	95,724	106,539
Basic earnings per share (cents per share)	7	31.1	32.5	30.4	33.8
Diluted earnings per share (cents per share)	7	31.1	32.4	30.3	33.7

TRUSTPOWER LIMITED AND SUBSIDIARIES
STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2008

	Note	CONSOLIDATED GROUP		BORROWING GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Fair value gains/(losses) [net of tax]:					
- Generation assets	15	-	416,988	-	372,976
- Cash flow hedges (including electricity price derivatives)	5	17,434	(55,339)	18,685	(52,463)
Effect of change in corporate tax rate on:					
- Revaluation reserve		14,169	-	13,509	-
- Cash flow hedge reserve		(206)	-	(206)	-
Currency translation differences	18	595	-	-	-
Movements in employee share option reserve	18	(21)	63	(21)	63
Net Income Recognised Directly in Equity		31,971	361,712	31,967	320,576
Profit for the Year		98,133	102,429	95,724	106,539
Total Recognised Income for the Year Attributable to the Shareholders		130,104	464,141	127,691	427,115

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
BALANCE SHEETS
AS AT 31 MARCH 2008

Note	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Equity				
<i>Capital and reserves attributable to shareholders of the Company</i>				
Share capital	14	176,055	174,658	176,055
Revaluation reserve	15	658,575	644,420	586,200
Retained earnings	16	411,574	404,866	373,720
Cash flow hedge reserve	17	10,269	(6,959)	14,396
Other reserves	18	853	279	258
Total Equity		1,257,326	1,217,264	1,150,629
				1,112,980
<i>Represented by:</i>				
Current Assets				
Cash and short term deposits		115,198	44,256	6,138
Bond deposits on trust		2,700	3,100	2,700
Electricity market security deposits		-	3,000	-
Accounts receivable and prepayments	19	99,143	63,277	98,175
Derivative financial instruments	5	3,905	53	3,905
Taxation receivable		7,279	3,314	6,722
		228,225	117,000	117,640
				116,739
Non Current Assets				
Term receivable		1,719	-	1,719
Property, plant and equipment	20	2,056,974	1,902,496	1,424,722
Derivative financial instruments	5	21,236	3,291	20,905
Investments in subsidiaries	22	-	-	381,712
Other investments		518	-	-
Intangible assets	23	40,266	42,549	40,266
Deferred tax asset	27	1,819	-	-
		2,122,532	1,948,336	1,869,324
				1,808,338
Total Assets		2,350,757	2,065,336	1,986,964
				1,925,077
Current Liabilities				
Accounts payable and accruals	24	222,061	120,495	110,118
Unsecured subordinated bonds	26	50,511	86,182	50,511
Derivative financial instruments	5	8,207	3,183	2,311
		280,779	209,860	162,940
				200,522
Non Current Liabilities				
Unsecured bank loans	25	443,888	211,612	336,971
Unsecured subordinated bonds	26	161,528	211,357	161,528
Derivative financial instruments	5	582	8,468	582
Deferred tax liability	27	206,654	206,775	174,314
		812,652	638,212	673,395
				611,575
Total Liabilities		1,093,431	848,072	836,335
				812,097
Net Assets		1,257,326	1,217,264	1,150,629
				1,112,980
Net Tangible Assets Per Share		\$3.86	\$3.73	\$3.52
				\$3.40

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

Note	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash Flows from Operating Activities				
<i>Cash was provided from:</i>				
Receipts from customers	643,869	674,437	644,732	674,446
<i>Cash was applied to:</i>				
Payments to suppliers and employees	445,963	472,915	445,733	472,556
Taxation paid	36,859	40,363	36,845	40,363
	482,822	513,278	482,578	512,919
Net Cash Flow from Operating Activities	28	161,047	161,159	162,154
Cash Flows from Investing Activities				
<i>Cash was provided from:</i>				
Sale of property, plant and equipment	2,967	194	2,109	194
Return of bond deposits on trust	400	-	400	-
Return of electricity market security deposits	15,800	37,400	15,800	37,400
Interest received	1,462	1,584	6,141	1,584
Sale of investments	-	360	-	360
	20,629	39,538	24,450	39,538
<i>Cash was applied to:</i>				
Advances to subsidiaries	-	-	86,264	150,774
Interest capitalised in construction of fixed assets	6,851	5,274	1,132	595
Lodgement of bond deposits on trust	-	100	-	100
Lodgement of electricity market security deposits	12,800	24,400	12,800	24,400
Purchase of property, plant and equipment	105,236	171,258	25,907	21,053
Purchase of intangible assets	2,860	2,495	2,860	2,495
	127,747	203,527	128,963	199,417
Net Cash used in Investing Activities		(107,118)	(163,989)	(104,513)
Cash Flows from Financing Activities				
<i>Cash was provided from:</i>				
Bank loan proceeds	282,010	186,300	175,092	186,300
Issue of shares	1,397	1,021	1,397	1,021
	283,407	187,321	176,489	187,321
<i>Cash was applied to:</i>				
Repayment of bonds	86,182	-	86,182	-
Repayment of bank loans	50,235	38,100	50,235	38,100
Interest paid	38,538	27,221	44,139	31,901
Dividends paid	91,439	78,719	91,439	78,719
	266,394	144,040	271,995	148,720
Net Cash Flow from/(used in) Financing Activities		17,013	43,281	(95,506)
Net Increase/(Decrease) in Cash, Cash Equivalents and Bank Overdrafts		70,942	40,451	(37,865)
Cash, cash equivalents and bank overdrafts at beginning of the year	44,256	3,805	44,003	3,754
Cash, Cash Equivalents and Bank Overdrafts at End of the Year	115,198	44,256	6,138	44,003

The accompanying notes form part of these financial statements

TRUSTPOWER LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

NOTE 1: GENERAL INFORMATION

Reporting Entity

The principal activities of TrustPower Limited (the Borrowing Group) and its subsidiaries (together the Consolidated 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.

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

These financial statements relate to the year ended 31 March 2008 and have been approved for issue by the Board of Directors on 15 May 2008.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these audited financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

These audited financial statements have been prepared in accordance with the Second Schedule of the Securities Regulations 1983. These audited financial statements have also been prepared in accordance with New Zealand generally accepted accounting practice (NZGAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

Entities reporting

The consolidated financial statements of the Consolidated Group are for the economic entity comprising TrustPower Limited and its subsidiaries. The consolidated entity is designated as a profit-oriented entity for financial reporting purposes.

Statutory base

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.

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

This is the first year the Group has prepared financial statements in accordance with NZ IFRS. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. Financial statements of the Group until 31 March 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Borrowing Group and Consolidated Group financial statements for the year ended 31 March 2007, the Consolidated Group has amended certain accounting and valuation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Consolidated Group's and the Borrowing Group's equity and their net income are provided in note 35.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of generation assets and derivative financial instruments which are stated at fair value.

Estimates

The preparation of financial statements in conformity with NZ IFRS requires the Consolidated Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.

Functional and Presentation Currency

The functional and reporting currency used in the preparation of these financial statements is New Zealand dollars, rounded to the nearest thousand.

2.2 Principles of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Consolidated Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Group and they are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Group. The cost of an acquisition is measured as the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Consolidated Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Consolidated Group companies are eliminated. Unrealised losses are also eliminated but are considered as an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Group.

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Consolidated Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement.

2.5 Financial Assets

The Consolidated Group classifies all of its investments as financial assets at fair value through the income statement, held to maturity financial assets or at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the income statement

Financial assets at fair value through the income statement are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as non-current assets where the remaining maturity of the asset is greater than 12 months; they are classified as current assets when the remaining maturity of the asset is less than 12 months.

Held to maturity financial assets

Held to maturity financial assets are stated at amortised cost less impairment losses.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost less any impairment write-downs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Advances to New Zealand based subsidiaries are interest free while advances to overseas based subsidiaries incur interest at a market rate.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Consolidated Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Consolidated Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within fair value movements of financial instruments, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Consolidated Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Consolidated Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Consolidated Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Consolidated Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.4.

2.6 Property, Plant and Equipment

Generation assets are shown at fair value, based on three-yearly valuations by independent external valuers, less subsequent depreciation. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of fixed assets.

The cost of assets constructed by the Consolidated Group, including capital work in progress, includes the cost of all materials used in construction, direct labour specifically associated, resource management consent costs, and an appropriate proportion of variable and fixed overheads. Financing costs on uncompleted capital work in progress are capitalised at the specific project finance interest rate, where these meet certain time and monetary materiality limits. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits will flow to the Consolidated Group and the cost of the item can be measured reliably. The carrying amount of any replaced item is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of generation assets are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity. All other decreases are charged to the income statement.

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method at rates calculated to allocate each asset's cost over its estimated useful life. Depreciation is charged on a straight line basis as follows:

Freehold buildings	2%	Generation assets	0.5%-5%
Metering equipment	5%	Plant and equipment	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other fixed and investment asset charges/(credits), in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

2.7 Emission Rights

The Consolidated Group receives tradable emission rights from specific energy production levels of certain renewable generation facilities. The future revenue arising from the sale of these emission rights is a key matter in deciding whether to proceed with construction of the generation facility and is considered to be part of the value of the generation assets recorded in the balance sheet. Proceeds received on the sale of emission rights are recorded as deferred income in the balance sheet until the committed energy production level pertaining to the emission right sold has been generated.

Emission rights produced are recognised in the balance sheet if the right has been verified, it is probable that expected future economic benefits will flow to the Consolidated Group, and the rights can be measured reliably. Emission rights are initially measured at cost. After initial recognition, the emission rights are carried at fair value with any changes taken to the income statement. Fair value is determined by reference to an active market. If the emission rights cannot be revalued because there is no active market, the emission rights are carried at cost less any subsequent accumulated impairment losses.

2.8 Intangible Assets

Customer base assets

Costs incurred in acquiring customers from other electricity supply companies and telecommunications companies are recorded as a customer base intangible asset. The customer bases are amortised on a straight line basis over the period of expected benefit. This period has been assessed as 20 years for electricity customer bases and 5 years for telecommunication customer bases. The carrying value of the customer bases is reviewed annually by the Directors and adjusted where it is considered necessary.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over three years on a straight line basis.

Costs associated with developing or maintaining computer programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Consolidated Group, and that will probably generate economic benefits exceeding costs for more than one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

2.9 Revenue Recognition

Revenue comprises the fair value of consideration received or receivable for the sale of electricity, telecommunications and related services in the ordinary course of the Consolidated Group's activities. Revenue is shown net of goods and services tax, rebates and discounts and after eliminating sales within the Consolidated Group.

Customer consumption of electricity 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 sales include an estimated accrual for units sold but not billed at balance date for non-half hourly metered customers.

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 balance date.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2.10 Employee Entitlements

Employee entitlements to salaries and wages, non monetary benefits, annual leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages, annual leave and sick leave as a result of services rendered by employees up to balance date.

Share-based compensation

The Consolidated Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the granting of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

Bonus plans

The Consolidated Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Consolidated Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Consolidated Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Consolidated Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.11 Foreign Currencies

Items included in the financial statements of each of the Consolidated Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in New Zealand dollars, which is the Borrowing Group's functional and presentation currency.

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rate on the date of the transaction. Monetary assets and liabilities arising from foreign currency transactions are translated at closing rates at balance date. Gains or losses from currency translation on these items are included in the income statement.

The results and financial position of all the consolidated group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at balance date
- income and expenses for each income statement are translated at average exchange rates
- all resulting exchange rate differences are recognised as a separate component of equity.

On consolidation, foreign exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve. When a foreign operation is partially disposed of or sold, such foreign exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.12 Generation Development

The Consolidated Group incurs costs in the exploration, evaluation, consenting and construction of generation assets. Costs incurred are expensed in the income statement unless such costs are highly likely to be recouped through successful development of, and generation of electricity from, a particular project. Where costs meet this criteria and are capitalised they will ultimately be amortised over the estimated useful life of a project once it is completed. The Directors review the status of capitalised development expenditure on a regular basis and in the event that a project is abandoned, or if the Directors consider the expenditure to be impaired, a write off or provision is made in the year in which that assessment is made.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

Borrowings are classified as current liabilities unless the Consolidated Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Insurance

The Consolidated Group has property, plant and equipment which is predominately concentrated at power station locations that has the potential to sustain major losses through damage to plant with resultant consequential costs.

To minimise the financial impact of such exposures, the major portion of the risk is insured by taking out appropriate insurance policies with appropriate counterparties. Any uninsured loss is recognised in the income statement at the time the loss is incurred.

2.15 Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each balance date.

2.16 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.17 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 fixed assets and investments
- financing activities are those activities, which result in changes in the size and composition of the capital structure of the Consolidated 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.

2.18 Goods and Services Tax (GST)

The income statement and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST, with the exception of billed receivables and payables which include GST invoiced.

2.19 Income Tax

The income tax expense comprises both current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the income tax is recognised directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by balance date and are expected to apply when the related deferred tax liability (asset) is settled (realised).

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.20 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are periodically remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Group designates certain derivatives as one of the following:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- hedges of highly probable forecast transactions (cash flow hedges)
- hedges of net investments in foreign operations.

The Consolidated Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Consolidated Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in note 5. Movements on the hedging reserve in shareholders' equity are shown in the statement of recognised income and expense. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in shareholders' equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in shareholders' equity are transferred from shareholders' equity and included in the measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity at that time remains in shareholders' equity and is recognised in accordance with the above policy when the transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' equity is immediately transferred to the income statement.

Net Investment Hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in shareholders' equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

2.21 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.24 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Consolidated Group's financial statements in the period in which the dividends are approved by the Board.

2.25 Adoption Status of Relevant New Financial Reporting Standards and Interpretations

The Consolidated Group has elected not to early adopt the following standards which have been issued but are not yet effective:

- NZ IAS 23 Borrowing Costs – revisions approved July 2007 and effective for annual reporting periods beginning on or after 1 January 2009; and
- NZ IFRS 8 Operating Segments – approved December 2006 and effective for annual reporting periods beginning on or after 1 January 2009.

The adoption of these standards is not expected to have a material impact on the Consolidated Group's financial statements.

NOTE 3: APPLICATION OF NZ IFRS 1

This is the first year the Consolidated Group has prepared financial statements in accordance with NZ IFRS. These financial statements have been prepared as described in note 2.1. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. The Consolidated Group's NZ IFRS adoption date was 1 April 2006.

In preparing these financial statements in accordance with NZ IFRS 1 the Consolidated Group has applied the applicable mandatory exemptions and certain of the optional exemptions from full retrospective application of NZ IFRS 1.

Optional exemptions applied:

(a) Business combinations exemption

Business combinations that took place prior to the 1 April 2006 transition date have not been restated.

(b) Deemed historical cost exemption

Net book value at 1 April 2006 has been taken to be deemed historical cost for certain generation assets.

Mandatory exemptions applied:

(c) Hedge accounting exemption

The Consolidated Group has applied hedge accounting from 1 April 2006 only if the hedge relationship meets all the hedge accounting criteria under NZ IAS 39.

(d) Estimates exception

Estimates under NZ IFRS at 1 April 2006 are consistent with estimates made for the same date under previous GAAP.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Consolidated Group's equity and its net income are provided in note 35.

NOTE 4: SEGMENT INFORMATION

Primary Reporting Format - Business Segments

As at 31 March 2008, the Consolidated Group is organised into two main business segments:

- development, ownership and operation of electricity generation facilities from renewable energy sources ("Generation")
- retail sale of electricity to customers ("Retail")

As the Generation segment derives substantially all of its revenue from internal transfers, it is not a separable reporting segment. Therefore, in accordance with the requirements of NZ IAS 14 *Segment Reporting*, there is only one reportable segment being Retail.

Secondary Reporting Format - Geographical Segments

The Consolidated Group's two business segments operate predominantly in New Zealand.

NOTE 5: FINANCIAL INSTRUMENTS

Financial Risk Management Objectives

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

Fair Value of Derivative Instruments

Current

Interest rate derivative assets
Electricity price derivative assets
Exchange rate derivative assets

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Interest rate derivative assets	174	-	174	-
Electricity price derivative assets	3,731	40	3,731	40
Exchange rate derivative assets	-	13	-	13
	3,905	53	3,905	53
Electricity price derivative liabilities	2,311	308	2,311	308
Exchange rate derivative liabilities	5,896	2,875	-	-
	8,207	3,183	2,311	308

Non-current

Interest rate derivative assets
Electricity price derivative assets

Interest rate derivative assets	2,055	1,797	1,724	1,797
Electricity price derivative assets	19,181	1,494	19,181	1,494
	21,236	3,291	20,905	3,291
Interest rate derivative liabilities	494	21	494	21
Electricity price derivative liabilities	88	8,447	88	8,447
	582	8,468	582	8,468

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 2008 are summarised below:

Recognised in the income statement

Interest rate derivatives
Electricity price derivatives

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Interest rate derivatives	(40)	2,016	(371)	2,016
Electricity price derivatives	1,025	409	1,025	409
	985	2,425	654	2,425

Recognised in the cash flow hedge reserve

Electricity price derivatives
Exchange rate derivatives

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Electricity price derivatives	26,707	(61,511)	26,707	(61,511)
Exchange rate derivatives	(3,034)	(21,084)	(14)	(16,791)
	23,673	(82,595)	26,693	(78,302)

Electricity Price Risk

The Consolidated Group is required to purchase a percentage of its electricity sold off the electricity spot market. This leaves the Consolidated Group exposed to fluctuations in the spot price of electricity. The Consolidated Group has entered into a number of electricity hedge contracts to reduce the commodity price 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 Consolidated 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.

The aggregate notional volume of the outstanding electricity derivatives at 31 March 2008 was 1,116GWh (31 March 2007: 1,224GWh).

The hedged anticipated electricity purchase transactions are expected to occur continuously throughout the next four years from balance sheet date consistent with the Consolidated Group'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 2008 will be continuously released to the income statement in each period in which the underlying purchase transactions are recognised in the income statement.

Sensitivity analysis

The following tables summarise the impact of increases/decreases of the relevant forward electricity prices on the Consolidated Group'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.

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Increase/(decrease) to profit of a 10% increase in electricity forward price	258	(63)	258	(63)
Increase/(decrease) to profit of a 10% decrease in electricity forward price	(258)	63	(258)	63
Increase/(decrease) to equity of a 10% increase in electricity forward price	(9,277)	(6,610)	(9,277)	(6,610)
Increase/(decrease) to equity of a 10% decrease in electricity forward price	9,277	6,610	9,277	6,610

Interest Rate Risk

The Consolidated Group's bank borrowings are all on floating interest rates. The Consolidated 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 Consolidated Group has elected not to hedge account for these instruments.

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2008 was \$325,768,000 (31 March 2007: \$95,000,000).

Interest payment transactions are expected to occur at various dates between one month and three years from the balance sheet date consistent with the Consolidated Group's forecast total borrowings.

Effective interest rates for the Borrowing Group and the Consolidated Group are disclosed in note 25.

Sensitivity analysis

At 31 March 2008, 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 would have been adjusted by the amounts in the table below, mainly as a result of the fair value change in interest rate derivative instruments which are not hedge accounted. There would be no effect on other components of equity.

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	(3,846)	(1,024)	(2,350)	(1,024)
Increase/(decrease) to profit of a 100 basis point increase in interest rates	3,872	1,055	2,428	1,055
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	-	-	-	-
Increase/(decrease) to equity of a 100 basis point increase in interest rates	-	-	-	-

Exchange Rate Risk

The Consolidated Group has entered into a number of 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 Consolidated Group has elected to apply cash flow hedge accounting to these instruments.

The aggregate notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2008 was \$38,014,000 (31 March 2007: \$113,738,000)

The hedged anticipated transactions denominated in foreign currency are expected to occur at various dates between one month and five months from balance sheet date. Gains and losses recognised in the cash flow hedge reserve in equity on forward foreign exchange contracts as at 31 March 2008 will be recognised in the cost of any asset acquired when the cash flow from the anticipated underlying transactions occurs.

Sensitivity analysis

At 31 March 2008, if the New Zealand dollar had weakened/strengthened by 10 per cent against the currencies with which the Consolidated Group has foreign currency risk with all other variables held constant, post-tax profit for the year would not have been materially different.

Other components of equity would have been \$2,485,000/\$2,033,000 higher/lower (31 March 2007: \$6,406,000/\$5,241,000), arising from foreign exchange gains/losses on revaluation of foreign exchange contracts in a cash flow hedge relationship.

Credit Risk

The Consolidated Group has no significant concentrations of credit risk (2007: none). 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 Consolidated Group has policies that limit the amount of credit exposure to any counterparty.

The carrying amounts of financial assets recognised in the balance sheet best represents the Consolidated Group's maximum exposure to credit risk at the reporting date without taking account of the value of any collateral obtained. As shown in note 19, the reported accounts receivable balance includes a provision for doubtful debts of \$1,100,000 (2007: \$1,100,000).

The Consolidated Group has around 222,000 customers (2007: 220,000), only four (2007: three) of which make up more than one per cent of the Consolidated Group's total accounts receivable balance. The largest of these customers accounts for 19 per cent (2007: 10 per cent) of the Consolidated Group's total accounts receivable.

Liquidity Risk

The Consolidated 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 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.

The tables below analyse the Consolidated Group's and the Borrowing Group'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 year end date. The amounts in the tables are contractual undiscounted cash flows.

CONSOLIDATED GROUP

At 31 March 2008

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Net settled electricity price derivatives	439	2,635	3,138	1,421
Net settled interest rate derivatives	-	-	22	526
Accounts payable and accruals	217,314	-	-	-
Unsecured subordinated debt	-	9,111	58,440	218,940
Unsecured bank loans	2,190	4,923	-	446,865

At 31 March 2007

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Net settled electricity price derivatives	374	496	6,034	4,970
Net settled interest rate derivatives	-	-	-	-
Accounts payable and accruals	117,301	-	-	-
Unsecured subordinated debt	-	98,899	9,012	286,491
Unsecured bank loans	744	-	-	215,017

BORROWING GROUP

At 31 March 2008

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Net settled electricity price derivatives	439	2,635	3,138	1,421
Net settled interest rate derivatives	-	-	22	526
Accounts payable and accruals	106,599	-	-	-
Unsecured subordinated debt	-	9,111	58,440	218,940
Unsecured bank loans	962	4,923	-	339,948

At 31 March 2007

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Net settled electricity price derivatives	374	496	6,034	4,970
Net settled interest rate derivatives	-	-	-	-
Accounts payable and accruals	110,838	-	-	-
Unsecured subordinated debt	-	98,899	9,012	286,491
Unsecured bank loans	744	-	-	215,017

The tables below analyse the the Consolidated Group's and the Borrowing Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the year end date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

CONSOLIDATED GROUP

At 31 March 2008

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Foreign currency forward contracts	-	31,882	-	-
Inflows (Outflows)	-	(38,014)	-	-

At 31 March 2007

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Foreign currency forward contracts	-	12,603	61,185	35,615
Inflows (Outflows)	-	(12,638)	(63,692)	(37,408)

BORROWING GROUP

At 31 March 2008

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Foreign currency forward contracts	-	-	-	-
Inflows (Outflows)	-	-	-	-

At 31 March 2007

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
Foreign currency forward contracts	-	12,603	8,768	-
Inflows (Outflows)	-	(12,638)	(8,831)	-

Fair Values

Except for subordinated bonds (see note 26), the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

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

- 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.

Capital Risk Management Objectives

The Consolidated Group's objectives when managing capital are to safeguard the Consolidated 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 Consolidated 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 Consolidated Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

- Net debt is calculated as total borrowings less short term deposits. Total borrowings are calculated using a value of unsecured bank loans plus unsecured subordinated bonds.
- Total capital funding is calculated as Total Equity as shown in the balance sheet, adjusted for the fair value of financial instruments, plus net debt.

The gearing ratio is calculated below:

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Net debt				
Unsecured bank debt	25 443,888	211,612	336,971	211,612
Unsecured subordinated bonds	26 212,039	297,539	212,039	297,539
Short term deposits	(115,198)	(44,256)	(6,138)	(44,003)
	540,729	464,895	542,872	465,148
Equity				
Total equity	1,257,326	1,217,264	1,150,629	1,112,980
Remove net effect of fair value of financial instruments after tax	(10,269)	6,959	(14,396)	4,083
	1,247,057	1,224,223	1,136,233	1,117,063
Total capital funding	1,787,786	1,689,118	1,679,105	1,582,211
Gearing ratio	30%	28%	32%	29%

NOTE 6: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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. The Consolidated Group 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 discussed below.

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. The Consolidated Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at each balance date. The Consolidated Group has used discounted cash flow analysis for various electricity price hedges that are not traded in an active market.

Electricity gross margin

Three key estimates are made when determining electricity gross margin. The accrual for all three factors is based on an estimate of unbilled units.

• Revenue recognition

An accrual is estimated for units sold but not billed at balance date for non-half hourly metered customers. This estimate is based on units bought from the wholesale electricity market as well as historic factors. Significant judgement is required in making this determination.

• Line cost recognition

Some electricity lines companies bill the Consolidated Group based on the units and days that the Consolidated Group has billed its customers. An accrual, similar to the revenue recognition accrual, is estimated for line charges incurred but not billed at balance date.

• Energy cost recognition

An accrual is estimated for units that the Consolidated Group believes it has consumed but has not yet been billed for by M-Co Limited, the Energy Clearing House. Significant judgement is required in making this determination.

Sensitivity analysis

If the estimated unbilled units had been 10% higher/lower, operating profit for the year would have (decreased)/increased by (\$291,000)/\$332,000 (2007:increased/(decreased) by \$256,000/(\$251,000)).

Generation property, plant and equipment

The Consolidated Group's generation property, plant and equipment is stated at fair value as determined by an independent valuation undertaken on a three-yearly basis. The basis of the valuation is a discounted cash flow analysis of the future earnings of the assets. The major inputs that are used in the valuation model that require management judgement include sales volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation station.

Depreciation expense

A significant amount of management judgement is used when determining the useful lives of the Consolidated Group's generation assets for depreciation purposes. This is especially so for the Consolidated Group's longer lived assets.

Sensitivity analysis

If the estimated useful lives of generation assets was 10% higher/lower, operating profit for the year would have increased/decreased by \$2,079,000/\$2,542,000 (2007: \$1,717,000/\$2,098,000).

Amortisation expense

Management judgement is used when determining the useful lives of the Consolidated Group's intangible assets for amortisation purposes.

Sensitivity analysis

If the estimated useful lives of intangible assets was 10% higher/lower, operating profit for the year would have increased/decreased by \$458,000/\$560,000 (2007: \$384,000/\$469,000).

Changes to accounting estimates

Following a detailed engineering review the total economic lives of some classes of assets were revised as follows:

Dams and major civil works - original life 100 years, revised life 200 years
Reinforced concrete structures - original life 50 years, revised life 100 years
Major generation plant - original life 50 years, revised life 100 years

The impact of this change has been to reduce the depreciation expense by \$6,883,000. This impact will continue into future years.

NOTE 7: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders by the weighted average number of ordinary shares on issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive ordinary shares.

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
Profit attributable to the equity holders (\$000)	98,127	102,429	95,724	106,539
Weighted average number of ordinary shares in issue (thousands)	315,246	314,860	315,246	314,860
Basic earnings per share (cents per share)	31.1	32.5	30.4	33.8
Profit attributable to the equity holders (\$000)	98,127	102,429	95,724	106,539
Weighted average number of ordinary shares in issue plus share options outstanding (thousands)	315,961	315,977	315,961	315,977
Diluted earnings per share (cents per share)	31.1	32.4	30.3	33.7

The share options outstanding referred to in the diluted earnings per share calculation relate to share options issued to certain employees.

NOTE 8: DISCONTINUED ACTIVITIES

There have been no discontinued activities in the year ended 31 March 2008 (2007: nil).

NOTE 9: OTHER FIXED AND INVESTMENT ASSET CHARGES/(CREDITS)

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
\$000	\$000	\$000	\$000	\$000
Gain on sale of investments in other companies	-	(360)	-	(360)
Loss/(gain) on sale of property, plant and equipment	233	1,232	(135)	1,228
Reversal of prior period impairments for property, plant and equipment	(641)	-	(641)	-
Provision against advances to subsidiaries	-	-	1,094	(6,134)
	(408)	872	318	(5,266)

NOTE 10: OTHER OPERATING EXPENSES

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
\$000	\$000	\$000	\$000	\$000
Audit fees and expenses	164	162	164	162
Fees paid for other audit related services provided by the auditors*	42	31	42	31
Fees paid for taxation advice, compliance and planning services provided by the auditors	132	148	132	148
Bad debts written off	1,131	900	1,131	900
Directors' fees	456	429	456	429
Donations	672	619	672	619
(Gain)/loss on foreign exchange	(140)	(23)	(916)	96
Generation development expenditure	9,428	10,297	8,562	9,570
Other administration costs	10,836	9,329	10,958	9,642
Rental and operating lease costs	212	210	13,949	6,770
	22,933	22,102	35,150	28,367

* Other services provided by the auditors includes reviews of unaudited interim financial statements and assistance with cost of capital determination.

NOTE 11: FINANCE INCOME AND COSTS

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
\$000	\$000	\$000	\$000	\$000
Amortisation of debt issue costs	1,183	976	1,183	976
Interest paid on unsecured bank loans	25,621	6,999	24,275	6,999
Interest paid on unsecured subordinated bonds	21,321	25,226	21,321	25,226
Other interest costs and fees	-	1,013	-	1,013
Interest capitalised in construction of property, plant and equipment	(6,851)	(5,274)	(1,132)	(595)
Total Interest Paid	41,274	28,940	45,647	33,619
Interest received on cash at bank	1,462	1,584	1,375	1,584
Interest received on intercompany advances	-	-	4,766	4,870
Total Interest Received	1,462	1,584	6,141	6,454

NOTE 12: INCOME TAX EXPENSE

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
\$000	\$000	\$000	\$000	\$000
Profit before income tax	136,812	143,447	137,694	150,071
Tax on profit @ 33%	45,148	47,338	45,439	49,523
Tax effect of permanent differences	(456)	423	(45)	752
Tax effect of change in corporate tax rate on current year deferred tax	(1,077)	-	(254)	-
Tax effect of change in corporate tax rate on opening deferred tax liability	(4,837)	-	(3,073)	-
Income tax over provided in prior year	(97)	(6,743)	(97)	(6,743)
	38,679	41,018	41,970	43,532
Represented by:				
Current tax	32,895	34,547	42,499	39,419
Deferred tax	5,784	6,471	(529)	4,113
	38,679	41,018	41,970	43,532

NOTE 13: DIVIDENDS ON ORDINARY SHARES

Dividends (forfeited)/reinstated
Final dividend prior year
Interim dividend paid current year
Supplementary dividend paid
Foreign investor tax credit

GROUP & BORROWING GROUP			
2008 Cents Per Share	2007 \$000	2008 \$000	2007 \$000
-	-	-	(11)
14.0	12.0	44,130	37,770
15.0	13.0	47,309	40,960
-	-	305	3,879
-	-	(305)	(3,879)
29.0	25.0	91,439	78,719

Final partially imputed dividend declared subsequent to balance date payable
6 June 2008 to all shareholders on the register at 23 May 2008

15.0 14.0 47,313 44,110

NOTE 14: SHARE CAPITAL

Authorised and issued ordinary shares at beginning of year
Issue of shares pursuant to the employee share option scheme

GROUP & BORROWING GROUP			
2008 000's of Shares	2007 \$000	2008 \$000	2007 \$000
315,075	314,752	174,658	173,504
342	323	1,397	1,154
315,417	315,075	176,055	174,658

All shares rank equally with one vote attached to each share, have no par value and are fully paid.
Subsequent to 31 March 2008, 20,000 ordinary shares have been issued under the employee share option scheme for cash consideration of \$119,000.

NOTE 15: REVALUATION RESERVE

Balance at beginning of year
Revaluation of generation assets
Transfer (to)/from deferred tax liability
Transfer (to)/from retained earnings
Tax effect of change in corporate tax rate on deferred tax liability

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
644,420	227,537	572,698	199,826
-	455,514	-	402,396
-	(38,526)	-	(29,420)
(14)	(105)	(7)	(104)
14,169	-	13,509	-
658,575	644,420	586,200	572,698

There are no restrictions on the distribution of this reserve to the equity holders.

NOTE 16: RETAINED EARNINGS

Balance at beginning of year
Profit for the year
Transfer (to)/from revaluation reserve
Dividends on ordinary shares

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
404,866	381,051	369,428	341,504
98,133	102,429	95,724	106,539
14	105	7	104
(91,439)	(78,719)	(91,439)	(78,719)
411,574	404,866	373,720	369,428

NOTE 17: CASH FLOW HEDGE RESERVE

Balance at beginning of year
Fair value gains/(losses)
Tax on fair value gains/(losses)
Transfers to energy cost expense
Tax on transfers to energy cost expense
Transfers to property, plant and equipment
Tax on transfers to property, plant and equipment
Tax effect of change in corporate tax rate on deferred tax liability

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
(6,959)	48,380	(4,083)	48,380
17,141	(82,278)	29,108	(77,967)
(4,280)	27,151	(8,733)	25,729
(2,382)	(8,583)	(2,382)	(8,583)
715	2,832	715	2,832
8,914	8,266	(33)	8,248
(2,674)	(2,727)	10	(2,722)
(206)	-	(206)	-
10,269	(6,959)	14,396	(4,083)

NOTE 18: OTHER RESERVES

Foreign Currency Translation Reserve

Balance at beginning of year
Currency translation differences

Employee Share Option Reserve

Balance at beginning of year
Fair value movements

Total

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
-	-	-	-
595	-	-	-
595	-	-	-
279	216	279	216
(21)	63	(21)	63
258	279	258	279
853	279	258	279

NOTE 19: ACCOUNTS RECEIVABLE AND PREPAYMENTS

Billed debtors and unbilled sales
Provision for doubtful debts
Electricity market receivables
Other receivables
Prepayments

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
62,672	49,652	62,672	49,652
(1,100)	(1,100)	(1,100)	(1,100)
32,662	11,695	32,662	11,695
3,572	1,923	2,652	1,915
1,337	1,107	1,289	1,107
99,143	63,277	98,175	63,269

NOTE 20: PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Generation Assets				
Balance at beginning of year				
Fair value	1,641,000	1,174,100	1,352,000	975,900
Cost	-	66,971	-	10,241
Capital work in progress	213,145	18,367	14,042	3,850
Accumulated depreciation	-	(39,646)	-	(26,614)
	1,854,145	1,219,792	1,366,042	963,377
Additions at cost	175,675	199,428	19,345	14,296
Depreciation	(23,002)	(20,042)	(9,265)	(13,482)
Disposals at net book value	(1,226)	(1,247)	-	(1,244)
Revaluations/transfers	1,454	456,214	40	403,095
Balance at end of year				
Fair value	1,639,774	1,641,000	1,352,000	1,352,000
Cost	206,795	-	772	-
Capital work in progress	183,479	213,145	32,655	14,042
Accumulated depreciation	(23,002)	-	(9,265)	-
	2,007,046	1,854,145	1,376,162	1,366,042
Metering Equipment				
Balance at beginning of year				
Cost	57,009	53,850	57,009	53,850
Accumulated depreciation	(28,246)	(25,999)	(28,246)	(25,999)
	28,763	27,851	28,763	27,851
Additions at cost	3,812	3,159	3,812	3,159
Depreciation	(2,411)	(2,247)	(2,411)	(2,247)
Disposals at net book value	-	-	-	-
Transfers	-	-	-	-
Balance at end of year				
Cost	60,820	57,009	60,820	57,009
Accumulated depreciation	(30,656)	(28,246)	(30,656)	(28,246)
	30,164	28,763	30,164	28,763
Other Freehold Buildings				
Balance at beginning of year				
Cost	10,581	9,711	9,985	9,711
Accumulated depreciation	(2,507)	(2,317)	(2,507)	(2,317)
	8,074	7,394	7,478	7,394
Additions at cost	143	870	143	274
Depreciation	(195)	(190)	(195)	(190)
Disposals at net book value	(133)	-	(133)	-
Transfers	12	-	-	-
Balance at end of year				
Cost	10,582	10,581	9,986	9,985
Accumulated depreciation	(2,681)	(2,507)	(2,693)	(2,507)
	7,901	8,074	7,293	7,478
Other Freehold Land				
Balance at beginning of year				
Cost	6,847	1,070	5,591	1,070
Additions at cost	2,469	5,592	2,469	4,426
Disposals at net book value	(1,719)	-	(1,719)	-
Transfers	-	185	-	95
Balance at end of year				
Cost	7,597	6,847	6,341	5,591
Other Plant and Equipment				
Balance at beginning of year				
Cost	14,315	13,487	11,213	9,941
Accumulated depreciation	(9,648)	(9,091)	(6,558)	(5,546)
	4,667	4,396	4,655	4,395
Additions at cost	515	3,005	1,861	3,004
Depreciation	(1,641)	(1,347)	(1,640)	(1,347)
Disposals at net book value	(164)	(474)	(164)	(178)
Transfers	889	(913)	50	(1,219)
Balance at end of year				
Cost	13,270	14,315	13,270	11,213
Accumulated depreciation	(9,004)	(9,648)	(8,508)	(6,558)
	4,266	4,667	4,762	4,655

Total				
<i>Balance at beginning of year</i>				
Fair value	1,641,000	1,174,100	1,352,000	975,900
Cost	88,752	145,089	83,798	84,813
Capital work in progress	213,145	18,367	14,042	3,850
Accumulated depreciation	(40,401)	(77,053)	(37,311)	(60,476)
	1,902,496	1,260,503	1,412,529	1,004,087
Additions at cost	182,614	212,054	27,630	25,159
Depreciation	(27,249)	(23,826)	(13,511)	(17,266)
Disposals at net book value	(3,242)	(1,721)	(2,016)	(1,422)
Revaluations/transfers	2,355	455,486	90	401,971
<i>Balance at end of year</i>				
Fair value	1,639,774	1,641,000	1,352,000	1,352,000
Cost	299,064	88,752	91,189	83,798
Capital work in progress	183,479	213,145	32,655	14,042
Accumulated depreciation	(65,343)	(40,401)	(51,122)	(37,311)
	2,056,974	1,902,496	1,424,722	1,412,529

If generation assets were stated on an historical cost basis, the amounts would be as follows:

	CONSOLIDATED GROUP			BORROWING GROUP
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Generation assets (at cost)	1,086,526	896,994	694,556	691,099
Generation assets under construction (at cost)	183,479	213,145	32,655	14,042
Generation assets accumulated depreciation	(134,383)	(110,631)	(94,886)	(84,450)
	1,135,622	999,508	632,325	620,691

Generation assets include freehold 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 2007 to their estimated market value as determined by Deloitte Corporate Finance. The current Government Valuation of land and buildings (not included in Generation Assets above) for the Borrowing Group is \$7,460,000 (2007:\$7,460,000). The current Government Valuation of land and buildings included in Generation Assets Borrowing Group is \$399,330,000 (2007:\$383,848,000)

NOTE 21: COMMITMENTS

	CONSOLIDATED GROUP			BORROWING GROUP
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Capital Commitments	47,191	204,445	-	9,231

The Group is awaiting commissioning of the Deep Stream hydro development and progressing with construction of a wind farm near Snowtown in South Australia. Contractual agreements for the supply of the significant components of these developments have been entered into and the total cost of the projects is expected to be \$234,241,000. At balance date \$85,160,000 has been spent on the developments. A further \$108,917,000 has been accrued for work completed but not paid for at balance date.

Electricity Purchase Commitments

The Borrowing Group 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.

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

NOTE 22: INVESTMENTS IN SUBSIDIARIES

	CONSOLIDATED GROUP			BORROWING GROUP
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Shares at cost	-	-	64,719	65,577
Net advances to subsidiaries	-	-	328,080	294,385
Provision against advances to subsidiaries	-	-	(11,087)	(9,993)
	-	-	381,712	349,969

Net advances to subsidiaries includes AUD 24,852,000 translated at an exchange rate of 0.86983 Australian Dollar to 1 New Zealand Dollar.

<i>Significant subsidiaries (31 March balance dates)</i>	<i>Country of incorporation</i>	<i>% owned</i>	<i>Principal activity</i>
Cobb Power Limited	New Zealand	100	Asset holding
Pulse Business Solutions Limited	New Zealand	100	Call services operator
Sellicks Hill Wind Farm Pty Ltd	Australia	100	Generation development
Snowtown Wind Farm Pty Ltd	Australia	100	Electricity generation
Tarana Wind Power Limited	New Zealand	100	Asset holding
TrustPower Australia Holdings Pty Ltd	Australia	100	Generation development
TrustPower Australia (New Zealand) Limited	New Zealand	100	Asset holding
TrustPower Insurance Limited	New Zealand	100	Insurance
TrustPower Australia Financing Partnership	Australia	100	Financing

NOTE 23: INTANGIBLE ASSETS

Customer Base Assets

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	39,682	39,022	39,682	39,022
Additions at cost	-	3,723	-	3,723
Amortisation	(3,808)	(3,063)	(3,808)	(3,063)
Disposals at net book value	-	-	-	-
Balance at end of year	35,874	39,682	35,874	39,682

Computer Software

	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	2,867	2,466	2,867	2,466
Additions at cost	2,866	1,567	2,866	1,567
Amortisation	(1,337)	(1,164)	(1,337)	(1,164)
Disposals at net book value	(42)	(2)	(42)	(2)
Transfers	38	-	38	-
Balance at end of year	4,392	2,867	4,392	2,867

Total

	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	42,549	41,488	42,549	41,488
Additions at cost	2,866	5,290	2,866	5,290
Amortisation	(5,145)	(4,227)	(5,145)	(4,227)
Disposals at net book value	(42)	(2)	(42)	(2)
Transfers	38	-	38	-
Balance at end of year	40,266	42,549	40,266	42,549

NOTE 24: ACCOUNTS PAYABLE AND ACCRUALS

Capital expenditure accruals

	CONSOLIDATED GROUP	BORROWING GROUP
	2008	2007
	\$000	\$000
Customer bond deposits	108,917	36,793
Electricity market payables	2,596	2,596
Line cost accrual	59,644	27,349
Employee entitlements	1,767	2,528
Interest accruals	4,190	4,190
Net GST payable	4,747	3,194
Other accounts payable and accruals	2,104	1,616
Trade accounts payable	9,502	10,012
	28,594	32,170
	222,061	120,495
		110,118
		114,032

NOTE 25: UNSECURED BANK LOANS

New Zealand dollar facilities

Repayment terms:

	CONSOLIDATED GROUP	BORROWING GROUP
	2008	2007
	\$000	\$000
One to two years	100,000	100,000
Two to five years	133,000	76,700
Over five years	106,948	38,317
Facility establishment costs	(2,977)	(3,405)
	336,971	211,612
		336,971
		211,612

Weighted average interest:

	CONSOLIDATED GROUP	BORROWING GROUP
	2008	2007
	\$000	\$000
One to two years	8.7%	7.8%
Two to five years	8.8%	8.8%
Over five years	9.2%	8.1%
	8.9%	7.8%

Australian dollar facilities

Repayment terms:

	CONSOLIDATED GROUP	BORROWING GROUP
	2008	2007
	\$000	\$000
One to two years	-	-
Two to five years	106,917	-
Over five years	-	-
Facility establishment costs	-	-
	106,917	-
		-

Weighted average interest:

	CONSOLIDATED GROUP	BORROWING GROUP
	2008	2007
	\$000	\$000
One to two years	-	-
Two to five years	7.8%	-
Over five years	-	-
	7.8%	-

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

- (i) \$100,000,000 revolving loan expiring in one to two years
- (ii) \$125,000,000 revolving loan expiring in two to five years
- (iii) \$125,000,000 revolving loan expiring in over five years
- (iv) \$106,948,000 table loan maturing in thirteen years
- (v) AUD 160,000,000 revolving loan expiring in two to five years

All of the Consolidated Group's borrowings are unsecured. The Consolidated Group borrows under a negative pledge arrangement with its bank loan providers, which with limited exceptions does not permit the Consolidated Group to grant any security interest over its assets. The negative pledge deed requires the Consolidated Group 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, specifically:

- Facilities (i) to (iii) and (v) require a continuation of the existing business operations. There are no costs to cancel the facilities.
- Facility (iv) requires continued ownership by the Consolidated Group of at least 30% in relation to Tararua Stage III wind generation assets with a book value of \$162,737,000. There are no costs to cancel the facility.

Subsequent to balance date the Consolidated Group has negotiated a further \$100,000,000 of bank facilities expiring in two to five years.

A subsidiary company has entered into a fully defeased cross border lease in relation to generation assets with a book value of \$65,500,000. The lease liability is not recognised in these financial statements as all obligations have been prepaid to the respective lessors. This creates restrictions on the disposal of the asset unless the subsidiary company holding the assets is part of the disposal. The lease expires in January 2018 and is subject to a potential termination payment, up to a maximum value of \$5,415,000, in the event that the subsidiary wishes to terminate the lease.

NOTE 26: UNSECURED SUBORDINATED BONDS

Repayment terms and interest:

Maturing in September 2007, 8.3% p.a. fixed coupon rate
 Maturing in December 2008, 8.3% p.a. fixed coupon rate
 Maturing in September 2012, 8.5% p.a. fixed coupon rate
 Maturing in March 2014, 8.5% p.a. fixed coupon rate
 Bond issue costs

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Maturing in September 2007, 8.3% p.a. fixed coupon rate		86,182		86,182
Maturing in December 2008, 8.3% p.a. fixed coupon rate	50,511	50,511	50,511	50,511
Maturing in September 2012, 8.5% p.a. fixed coupon rate	108,592	108,592	108,592	108,592
Maturing in March 2014, 8.5% p.a. fixed coupon rate	54,713	54,713	54,713	54,713
Bond issue costs	(1,777)	(2,459)	(1,777)	(2,459)
	212,039	297,539	212,039	297,539
Current portion	50,511	86,182	50,511	86,182
Non current portion	161,528	211,357	161,528	211,357
	212,039	297,539	212,039	297,539

At maturity the bonds can be converted at the option of the Borrowing Group to ordinary shares based on the market price of ordinary shares at the time.

At 31 March 2008 the bonds had a fair value of \$198,523,000 (31 March 2007: \$299,175,000).

NOTE 27: DEFERRED INCOME TAX

Balance at beginning of year
 Current year changes in temporary differences affecting tax expense
 Current year changes in temporary differences affecting reserves

Effect of announced change in corporate tax rate on:

Income tax expense
 Revaluation reserve
 Cash flow hedge reserve

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Balance at beginning of year	206,775	185,422	180,138	173,533
Current year changes in temporary differences affecting tax expense	10,621	6,471	2,544	4,113
Current year changes in temporary differences affecting reserves	6,239	14,882	8,008	2,492
<i>Effect of announced change in corporate tax rate on:</i>				
Income tax expense	(4,837)	-	(3,073)	-
Revaluation reserve	(14,169)	-	(13,509)	-
Cash flow hedge reserve	206	-	206	-
	204,835	206,775	174,314	180,138
<i>Deferred tax liabilities consist of temporary differences on:</i>				
Revaluations	140,860	154,946	134,371	147,808
Other property, plant and equipment movements	50,010	42,384	24,159	22,885
Employee benefits	(1,126)	(1,272)	(1,126)	(1,272)
Provisions	(343)	(496)	(343)	(496)
Customer base assets	10,762	13,095	10,762	13,095
Financial instruments	6,575	(1,791)	6,575	(1,791)
Other	(84)	(91)	(84)	(91)
	206,654	206,775	174,314	180,138
<i>Deferred tax assets consist of temporary differences on:</i>				
Revaluations	-	-	-	-
Other property, plant and equipment movements	(808)	-	-	-
Financial instruments	1,670	-	-	-
Tax losses unlikely to be utilised within one year	957	-	-	-
	1,819	-	-	-
	204,835	206,775	174,314	180,138

The deferred tax asset relating to temporary differences and tax losses in Australia not recognised in the financial statements due to lack of probability over the recoverability of the asset is:

2,543	4,375	-
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NOTE 28: RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH OPERATING SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS AFTER TAX

Profit after tax attributable to the shareholders of the Company

Items classified as investing/financing

Interest paid
 Interest received

Non cash items:

Amortisation of debt issue costs
 Amortisation of intangible assets
 Depreciation

Other fixed and investment asset charges/(credits)
 Share option provision transfer
 Movement in derivative financial instruments taken to the Income Statement

Intercompany charges

Increase/(decrease) in deferred tax liability excluding transfers to reserves

Decrease/(increase) in working capital:

Accounts receivable and prepayments excluding derivative financial instruments

Taxation payable/receivable

Accounts payable and accruals excluding capital expenditure accruals and derivative financial instruments

Net cash flow from operating activities

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
98,133	102,429	95,724	106,539	
38,538	27,221	44,139	31,901	
(1,462)	(1,584)	(6,141)	(1,584)	
37,076	25,637	37,998	30,317	
1,183	976	1,183	976	
5,145	4,227	5,145	4,227	
27,249	23,826	13,511	17,266	
(408)	872	318	(5,266)	
(21)	63	(21)	63	
(985)	(2,425)	(654)	(2,425)	
5,783	6,471	(529)	4,113	
37,946	34,010	41,750	28,803	
(37,585)	48,120	(36,625)	48,128	
(3,965)	(6,783)	(3,408)	(6,783)	
29,442	(42,254)	26,715	(45,477)	
(12,108)	(917)	(13,318)	(4,132)	
161,047	161,159	162,154	161,527	

NOTE 29: IMPUTATION CREDIT ACCOUNT

Balance at beginning of year
Tax paid
Allocated to dividends
Other movements
Balance at end of year

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
10,704	9,207	10,704	9,207
36,161	36,401	36,161	36,401
(44,680)	(34,899)	(44,680)	(34,899)
19	(5)	19	(5)
2,204	10,704	2,204	10,704

NOTE 30: EMISSION RIGHTS

Verified Voluntary Emission Reductions (Tonnes CO2-e)
Balance at beginning of year
Rights verified during the year
Rights sold during the year
Rights unsold at end of year

CONSOLIDATED GROUP		BORROWING GROUP	
2008	2007	2008	2007
213,000	-	213,000	-
202,000	223,000	202,000	223,000
(55,000)	(10,000)	(55,000)	(10,000)
360,000	213,000	360,000	213,000

The Verified Voluntary Emission Reductions above relate to completed generation production for the period 1 January 2004 to 31 December 2007.

Kyoto Carbon Credits

The Consolidated Group has received 1,476,000 (2007: 1,476,000) tonnes of carbon emission rights from the New Zealand Government in relation to completed or under construction generation facilities. This represents the maximum rights based upon specified levels of generation output from the new facilities for the period 1 January 2008 to 31 December 2012 and is reliant on the ongoing support of the Kyoto protocol and emission rights within the international community. The Group believes that it will be able to utilise 1,310,000 tonnes of these carbon emission rights. This potential revenue source is taken into consideration in the evaluation of generation development projects and in the valuation of the generation assets.

A contract has been signed with Electrabel, a European energy company, for the sale of 228,000 tonnes of carbon emission rights over five years from 2008-2012. This sale is dependent on the Consolidated Group's Tararua Stage II windfarm producing a minimum level of output. A contract has been signed with The Kansai Electric Power Company, a Japanese energy company, for the sale of 300,000 tonnes of carbon emission rights over five years from 2008-2012. This sale is dependent on the Consolidated Group's Tararua Stage III windfarm producing a minimum level of output.

Kyoto Carbon Credits (Tonnes CO2-e)
Rights earned during the year
Rights sold during the year
Rights unsold at end of year

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
55,000	-	55,000	-
(55,000)	-	(55,000)	-
-	-	-	-

NOTE 31: CONTINGENT LIABILITIES, OPERATING LEASES, AND SUBSEQUENT EVENTS

The Consolidated Group is not aware of any material contingent liabilities at balance date (2007: nil).

The Consolidated Group is not party to any material operating leases at balance date (2007: nil).

The Consolidated Group is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

NOTE 32: RELATED PARTY TRANSACTIONS

The Consolidated Group is controlled by Infratil Limited (incorporated in New Zealand) which owns 50.5% of the Company's shares. The Tauranga Energy Consumer Trust owns 33.0% and the residual 16.5% are widely held.

A related entity of H.R.L. Morrison & Co Limited manages Infratil Limited and Mr HRL Morrison, a Director of TrustPower Limited, is the Chief Executive of H.R.L. Morrison & Co Limited and a Director of Infratil Limited. Infratil Limited is a significant shareholder in TrustPower Limited and \$53,000 (2007: \$94,000) was paid to H.R.L. Morrison & Co Limited and related entities during the year for consultancy services. As at 31 March 2008 \$1,000 of this amount was outstanding (2007: \$10,000).

Mr JG Schultz is a Director of the TrustPower Australian subsidiary companies and is a Partner in the Adelaide based law firm of Finlaysons. \$178,000 (2007: \$138,000) was paid to Finlaysons during the year for legal services. As at 31 March 2008 none of this amount was outstanding (2007: nil).

The key management personnel compensations (including Directors' fees) are as follows:

Salaries and other short-term employee benefits
Share based payments

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
3,674	2,858	3,674	2,858
79	119	79	119
3,753	2,977	3,753	2,977

All key management personnel participate in a cash settled, share based incentive scheme. This scheme was introduced in 2007 and replaces the employee share option scheme..

Advances have been made to/from subsidiaries (refer to note 22) and are payable on demand. Advances to New Zealand based subsidiaries are interest free while interest is charged to overseas based subsidiaries at a market rate.

The impact of transactions with subsidiaries on the profit of the Borrowing Group and Consolidated Group is shown below.

CONSOLIDATED GROUP		BORROWING GROUP	
2008 \$000	2007 \$000	2008 \$000	2007 \$000
-	-	(13,949)	(6,770)
-	-	4,766	4,870
-	-	(9,183)	(1,900)

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year.

NOTE 33: EMPLOYEE SHARE OPTION SCHEME

The Borrowing Group has issued share options to certain employees. Each option issued under the Scheme converts to one ordinary share on exercise when employees are required to pay a non-refundable amount for the issue of the ordinary share (the exercise price). The options may be exercised any time after three years from issue date up until expiry, are non-transferable and conditional on the individual employee's continued employment through this period. The exercise price is adjusted by an equity rate of return, dividends paid and capital structure changes from issue date up until the point at which the employee exercises the option.

	NUMBER		EXERCISE PRICE \$	
	2008	2007	2008	2007
Options Outstanding:				
Tranch A issued November 2003, expiring February 2009	-	197,000	-	3.12
Tranch B issued May 2004, expiring August 2010	-	60,000	-	4.62
Tranch C issued November 2004, expiring February 2010	335,000	440,000	5.94	5.59
Tranch D issued May 2006, expiring June 2012	360,000	420,000	7.48	6.98
	<u>715,000</u>	<u>1,117,000</u>		
Options Exercised to Date:				
Tranch A	520,000	323,000	3.04	3.16
Tranch B	60,000	-	4.85	-
Tranch C	85,000	-	5.94	-
Tranch D	-	-	-	-
	<u>665,000</u>	<u>323,000</u>		
Options Lapsed to Date:				
Tranch A	60,000	60,000		
Tranch B	-	-		
Tranch C	100,000	80,000		
Tranch D	80,000	40,000		
	<u>240,000</u>	<u>180,000</u>		

The Borrowing Group is required to fair value options at the point of issue and to expense this value over the period from issue date to first exercise date. \$98,000 (2007: \$197,000) has been recognised as an expense in the income statements resulting from the allocation of the determined cost of all tranches of options for the year.

NOTE 34: BUSINESS COMBINATIONS

There were no acquisitions in the year ended 31 March 2008.

On 30 March 2007 the Borrowing Group purchased the assets and liabilities of a telecommunication service provider and call centre operator, for a cash consideration of \$3,747,000. There were no material operating results for this acquisition affecting the income statements for that year. The assets and liabilities of the acquisition at the purchase date were as follows:

	CONSOLIDATED GROUP		BORROWING GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Assets and Liabilities Acquired:				
Accounts receivable and prepayments	-	1,141	-	1,141
Fixed assets	-	256	-	256
Intangible customer base assets	-	3,723	-	3,723
Accounts payable and accruals	-	(144)	-	(144)
Deferred tax liability	-	(1,229)	-	(1,229)
Net assets acquired	-	3,747	-	3,747

There was no goodwill purchased in this transaction.

35 NOTE 35: EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As described in Note 2.1, this is the first year financial statements have been prepared in accordance with NZ IFRS. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2008, the comparative information presented in these financial statements for the year ended 31 March 2007 and in the preparation of the opening NZ IFRS balance sheet at 1 April 2006 (the Consolidated Group's date of transition). In preparing its opening NZ IFRS balance sheet, comparative information for the year ended 31 March 2007, the Consolidated Group has adjusted amounts reported previously in accordance with New Zealand Financial Reporting Standards (NZ FRS). An explanation of how the transition from NZ FRS has affected the Borrowing Group's and the Consolidated Group's equity and income statement is set out in the following tables and notes that accompany the tables.

GROUP	Previous NZ FRS \$000	Effect of differences detailed below					NZ IFRS \$000
		A \$000	B \$000	C \$000	D \$000	E \$000	
Balance Sheet at the date of transition to NZ IFRS: 1 April 2006							
Equity							
Share capital	173,504	-	-	-	-	-	173,504
Revaluation reserve	475,541	(248,004)	-	-	-	-	227,537
Retained earnings	247,423	133,455	(527)	700	-	-	381,051
Cash flow hedge reserve	-	(22,593)	70,973	-	-	-	48,380
Other reserves	-	-	-	-	-	216	216
Total Equity Attributable to Shareholders of the Parent	896,468	(137,142)	70,446	700	-	216	830,688
Assets							
Accounts receivable and prepayments	110,697	-	-	700	-	-	111,397
Derivative financial instruments	-	-	70,686	-	-	-	70,686
Property, plant and equipment	1,262,910	59	-	-	(2,466)	-	1,260,503
Intangible assets	39,022	-	-	-	2,466	-	41,488
Other assets	22,835	(59)	-	-	-	-	22,776
Total Assets	1,435,464	-	70,686	700	-	-	1,506,850
Liabilities							
Derivative financial instruments	-	-	240	-	-	-	240
Deferred tax liability	48,280	137,142	-	-	-	-	185,422
Other liabilities	490,716	-	-	-	-	(216)	490,500
Total Liabilities	538,996	137,142	240	-	-	(216)	676,162
Net Assets	896,468	(137,142)	70,446	700	-	216	830,688
Balance Sheet at the end of the last reporting period under previous NZ FRS: 31 March 2007							
Equity							
Share capital	174,658	-	-	-	-	-	174,658
Revaluation reserve	930,950	(286,530)	-	-	-	-	644,420
Retained earnings	266,179	137,326	661	700	-	-	404,866
Cash flow hedge reserve	-	2,009	(8,968)	-	-	-	(6,959)
Other reserves	-	-	-	-	-	279	279
Total Equity Attributable to Shareholders of the Parent	1,371,787	(147,195)	(8,307)	700	-	279	1,217,264
Assets							
Accounts receivable and prepayments	62,577	-	-	700	-	-	63,277
Derivative financial instruments	-	-	3,344	-	-	-	3,344
Property, plant and equipment	1,905,363	-	-	-	(2,867)	-	1,902,496
Intangible assets	38,453	1,229	-	-	2,867	-	42,549
Other assets	53,670	-	-	-	-	-	53,670
Total Assets	2,060,063	1,229	3,344	700	-	-	2,065,336
Liabilities							
Derivative financial instruments	-	-	11,651	-	-	-	11,651
Deferred tax liability	58,352	148,423	-	-	-	-	206,775
Other liabilities	629,924	1	-	-	-	(279)	629,646
Total Liabilities	688,276	148,424	11,651	-	-	(279)	848,072
Net Assets	1,371,787	(147,195)	(8,307)	700	-	279	1,217,264
Income Statement reconciliation for the year ended 31 March 2007							
EBITDAF	196,431	-	-	-	-	-	196,431
(Gain)/Loss on movement of financial instruments	-	-	(2,425)	-	-	-	(2,425)
Amortisation of intangible assets	3,063	-	-	-	1,164	-	4,227
Depreciation	24,990	-	-	-	(1,164)	-	23,826
Operating Profit	168,376	2,425	-	-	-	-	170,803
Net finance costs	27,356	-	-	-	-	-	27,356
Profit Before Income Tax	141,022	2,425	-	-	-	-	143,447
Income tax expense	43,652	(1,834)	(800)	-	-	-	41,018
Profit After Tax Attributable to the Shareholders	97,370	1,834	3,225	-	-	-	102,429
PARENT							
Balance Sheet at the date of transition to NZ IFRS: 1 April 2006							
Equity							
Share capital	173,504	-	-	-	-	-	173,504
Revaluation reserve	412,626	(212,800)	-	-	-	-	199,826
Retained earnings	244,185	97,146	(527)	700	-	-	341,504
Cash flow hedge reserve	-	(22,593)	70,973	-	-	-	48,380
Other reserves	-	-	-	-	-	216	216
Total Equity Attributable to Shareholders of the Parent	830,315	(138,247)	70,446	700	-	216	763,430
Assets							
Accounts receivable and prepayments	110,697	-	-	700	-	-	111,397
Derivative financial instruments	-	-	70,686	-	-	-	70,686

Property, plant and equipment	1,006,494	59	-	(2,466)	-	1,004,087
Intangible assets	39,022	-	-	2,466	-	41,488
Other assets	193,581	(59)	-	-	-	193,522
Total Assets	1,349,794	-	70,686	700	-	1,421,180

Liabilities						
Derivative financial instruments	-	240	-	-	-	240
Deferred tax liability	35,286	138,247	-	-	-	173,533
Other liabilities	484,193	-	-	(216)	483,977	
Total Liabilities	519,479	138,247	240	-	(216)	657,750
Net Assets	830,315	(138,247)	70,446	700	-	216
						763,430

Balance Sheet at the end of the last reporting period under previous NZ FRS: 31 March 2007

Equity						
Share capital	174,658	-	-	-	-	174,658
Revaluation reserve	814,918	(242,220)	-	-	-	572,698
Retained earnings	268,312	98,969	1,447	700	-	369,428
Cash flow hedge reserve	-	2,796	(6,879)	-	-	(4,083)
Other reserves	-	-	-	-	279	279
Total Equity Attributable to Shareholders of the Parent	1,257,888	(140,455)	(5,432)	700	-	279
						1,112,980

Assets						
Accounts receivable and prepayments	62,569	-	-	700	-	63,269
Derivative financial instruments	-	-	3,344	-	-	3,344
Property, plant and equipment	1,415,396	-	-	(2,867)	-	1,412,529
Intangible assets	38,453	1,229	-	2,867	-	42,549
Other assets	403,366	-	-	-	-	403,366
Total Assets	1,919,804	1,229	3,344	700	-	1,925,077

Liabilities						
Derivative financial instruments	-	-	8,776	-	-	8,776
Deferred tax liability	38,454	141,684	-	-	-	180,138
Other liabilities	623,462	-	-	-	(279)	623,183
Total Liabilities	661,916	141,684	8,776	-	(279)	812,097
Net Assets	1,257,888	(140,455)	(5,432)	700	-	279
						1,112,980

Income Statement reconciliation for the year ended 31 March 2007

EBITDAF	196,304	-	-	-	-	196,304
(Gain)/Loss on movement of financial instruments	-	-	(2,425)	-	-	(2,425)
Amortisation of intangible assets	3,063	-	-	1,164	-	4,227
Depreciation	18,430	-	-	(1,164)	-	17,266
Operating Profit	174,811	-	2,425	-	-	177,236
Net finance costs	27,165	-	-	-	-	27,165
Profit Before Income Tax	147,646	-	2,425	-	-	150,071
Income tax expense	44,904	(572)	(800)	-	-	43,532
Profit After Tax Attributable to the Shareholders	102,742	572	3,225	-	-	106,539

A Deferred Tax Liability

Under NZ IFRS Consolidated Group is required to recognise a deferred tax liability in respect of all differences between the Consolidated Group book values and the taxation authority book values with the exception of differences in relation to non depreciating assets. This "balance sheet" approach effectively creates an additional deferred tax liability on the revaluation amounts and other historic base differences of the generation assets. NZ FRS used a "profit and loss account" approach to deferred tax recognition where a partial recognition of these differences is made through assessing historic timing differences that have occurred.

B Derivative Financial Instruments

Under NZ IFRS derivative financial instrument contracts need to be valued and recognised "on balance sheet". Resulting movements in the fair value of the financial instruments will be reported in the income statements each reporting period unless the Consolidated Group can prove that a financial instrument qualifies for hedge accounting where it will be recorded as a movement in equity in the case of a cash flow hedge. NZ FRS allowed for note disclosure of quantities and values of financial instruments rather than recognition on the face of the primary financial statements.

As the financial instrument contracts of the Consolidated Group are transacted to protect the Consolidated Group's risk position and not for speculative purposes, the majority of instruments qualify for hedge accounting.

C Provision for impairment of receivables

Under NZ IFRS provisions may only be recognised where it can be proved that an actual loss event has occurred. The effect of this is a reduction in the provision for impairment of receivables recognised under NZ IFRS compared with that recognised under NZ FRS.

D Intangible Assets

Under NZ IFRS computer software is considered an intangible asset, whereas previously it was considered part of property, plant and equipment under NZ FRS. Consequently, depreciation relating to computer software is now considered to be amortisation and computer software is included in intangible assets.

E Share Option Reserve

Under NZ IFRS the fair value of share options granted to staff is recognised in equity. Under NZ FRS the fair value was recognised as a liability.

7.4 Auditors' report

See overleaf.

The Directors
TrustPower Limited
Truman Road
Te Maunga
MOUNT MAUNGANUI

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001
www.pwc.com/nz

1 November 2008

Auditors' report for inclusion in the prospectus

Dear Directors

As auditors of TrustPower Limited ("Company" and "Borrowing Group") we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in a prospectus dated 1 November 2008.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of:

- (a) the financial statements which give a true and fair view of the state of affairs of the Borrowing Group as at 31 March 2008 and its financial performance and cash flows for the year ended on that date, as required by clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983;
- (b) the summary of financial statements of the Borrowing Group for the years ended 31 March 2004, 2005, 2006, 2007 and 2008 as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983;
- (c) the ranking of securities of the Borrowing Group as at 31 March 2008 as required by clause 12 of the Second Schedule of the Securities Regulations 1983; and
- (d) the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, which are all non-guaranteeing subsidiaries ("Consolidated Group") as at 31 March 2008 and its financial performance and cash flows for the year ended on that date, which are provided by the Directors for investors' information.

Auditors' responsibilities

We are responsible for expressing an independent opinion on:

- (a) the financial statements of the Borrowing Group presented by the Directors and reporting our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983; and
- (b) the financial statements of the Consolidated Group presented by the Directors

and reporting our opinion to you.

We are also responsible for reporting, in accordance with clauses 36(1)(g) of the Second Schedule of the Securities Regulations 1983 on the following matters which have been prepared and presented by the Directors:

- (a) the amounts included in the summary of financial statements of the Borrowing Group for the years ended 31 March 2004, 2005, 2006, 2007 and 2008; and
- (b) the amounts included in the ranking of securities of the Borrowing Group as at 31 March 2008.

We have no relationship with or interests in the Company, or any of its subsidiaries, other than in our capacities as auditors, tax advisors and providers of financial advisory services.

Basis of opinion on the financial statements

An audit of the financial statements includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies used and described are appropriate to the circumstances of the Borrowing Group and the Consolidated Group, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Basis of opinion on the summary of financial statements and the ranking of securities

We have undertaken procedures to provide reasonable assurance that:

- (a) the amounts set out in the summary of financial statements on pages 25 to 28, pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Group for the years ended 31 March 2004, 2005, 2006, 2007 and 2008; and
- (b) the amounts set out in the ranking of securities on page 79, pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Group as at 31 March 2008.

Unqualified opinion on the financial statements, the summary of financial statements and the ranking of securities

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Borrowing Group as far as appears from our examination of those records; and

- (b) the financial statements of the Borrowing Group, on pages 29 to 52 of this prospectus, as required by clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
 - (i) comply with the Regulations; and
 - (ii) subject to those Regulations, comply with generally accepted accounting practice in New Zealand; and
 - (iii) give a true and fair view of the state of affairs of the Borrowing Group as at 31 March 2008 and its financial performance and cash flows for the year ended on that date; and
- (c) the financial statements of the Consolidated Group, on pages 29 to 52 give a true and fair view of the financial position of the Consolidated Group as at 31 March 2008 and its financial performance and cash flows for the year ended on that date; and
- (d) the amounts or details set out in:
 - (i) the summary of financial statements, on pages 25 to 28 of this prospectus, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Group from which they were extracted; and
 - (ii) the ranking of securities, on page 79 of this prospectus, as required by clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Borrowing Group from which they were extracted.

We completed our work for the purposes of this report on 1 November 2008 and our unqualified opinion is expressed at that date.

Yours faithfully



Chartered Accountants

Auckland

8. STATUTORY INFORMATION

The following information is provided in accordance with the Second Schedule to the Securities Regulations 1983 and the Securities Act (Rights, Options, and Convertible Securities) Exemption Notice 2002.

8.1 Main terms of offer

Name and address of issuer/offoror

The issuer and offeror of the Bonds is TrustPower Limited, which has its registered office at TrustPower Building, Truman Road, Te Maunga, Mount Maunganui.

Brief description of securities offered

Brief descriptions of the Bonds are provided in paragraphs 1 and 2 of this Prospectus and in the Appendix.

Bonds of an aggregate face value of up to \$200 million may be offered under this Prospectus. The Face Value of each Bond is \$1.00.

TrustPower reserves the right to issue Bonds at a premium or a discount to Face Value. The Issue Price of each Bond will be determined by reference to prevailing market interest rates at the time of issue and be specified, or determined in accordance with terms specified, in the relevant Issue Flyer, Series Supplement and Supplemental Prospectus (if one is required to be prepared pursuant to the Securities Act) relating to the relevant Series.

TrustPower is the only member of the Consolidated Group to which the Bond issue relates. Bonds issued pursuant to the Programme do not place any obligations on any other member of the Consolidated Group.

8.2 Details of incorporation

TrustPower is a company incorporated in New Zealand under the Companies Act 1955 on 29 October 1993 and re-registered under the Companies Act on 23 June 1997. TrustPower's registered number is 604040. The public file relating to TrustPower's registration may be viewed on the Companies Office website at <http://www.companies.govt.nz> or obtained (on payment of the relevant fee) by telephoning the Companies Office Contact Centre on 0508 266 726.

8.3 Guarantors

There are no guaranteeing subsidiaries and none of the Bonds or payments thereunder or Ordinary Shares issued on Conversion is guaranteed by any person.

8.4 Directorate and advisers

The Directors and advisers who are required to be specified by clause 5 of the Second Schedule to the Securities Regulations 1983 are listed in paragraphs 8.19 and 11 of this Prospectus.

No member of the Consolidated Group employs any Director.

8.5 Restrictions on Directors' powers

The Constitution provides that a Director may not:

- (a) except in limited circumstances, cause TrustPower to issue equity securities in TrustPower without the prior written approval of shareholders by resolution;
- (b) vote on any matter in which he or she is interested unless it is in respect of:
 - (i) a matter which, pursuant to the Companies Act, directors are required to sign a certificate; or
 - (ii) an indemnity given in accordance with section 162 of the Companies Act;
- (c) cause TrustPower to give financial assistance in connection with the acquisition of equity securities issued by TrustPower or redeem equity securities unless certain criteria are met;
- (d) with limited exception, cause TrustPower to enter into certain transactions which would change the essential nature of the business of TrustPower or in respect of which the gross value exceeds a certain threshold, without an ordinary resolution of Shareholders;
- (e) cause TrustPower to enter into certain transactions with related parties, without the prior approval of Shareholders by ordinary resolution;
- (f) allow TrustPower or its Subsidiaries to enter into an agreement involving a transaction which under the Listing Rules would require approval by shareholders' resolution, without making the performance of any obligations under that agreement conditional on the passing of the resolution;
- (g) without approval by ordinary resolution, cause TrustPower to issue, acquire or redeem securities of TrustPower if there is significant likelihood that it would increase the control in TrustPower by any person or group of Associated Persons (as that term is defined in section 1 of the Listing Rules) who, before the issue, acquisition or redemption, were entitled to exercise or direct the exercise of 1% or more of the votes attached to TrustPower securities;
- (h) cause TrustPower to take action that affects the rights attached to equity securities (except for certain types of equity securities) unless that action has been approved by special resolution of each interest group;
 - (i) cancel, reduce or defer an obligation to pay any amount which is unpaid on any share without the authority of an ordinary resolution;
 - (j) create an equitable interest in any share (as that term is defined in the Constitution) except upon the condition that clause 8.9 of the Constitution is to have full effect;
- (k) cause TrustPower to sell any share (as that term is defined in the Constitution) on which TrustPower has a lien unless the sum in respect of which the lien exists is presently payable, and 10 Business Days have passed since written notice demanding payment was given to the Shareholder;
- (l) cause TrustPower to acquire its own equity securities except in certain circumstances;
- (m) cause TrustPower to redeem its own equity securities except in certain circumstances;

- (n) except in limited circumstances, impose any restriction on the right of a holder of a share to transfer that share or on the registration of a properly completed transfer of shares;
- (o) authorise a Dividend (i) in respect of some but not all the Shares in a Class or (ii) that is of a greater value per Share in respect of some Shares of a Class than it is in respect of other Shares of that Class or (iii) other than where such Dividend is apportioned and paid proportionately to the amounts paid or credited as paid, other than in advance of calls, on the relevant Shares during any portion or portions of the period in respect of which the Dividend is paid. If any Share is issued on terms providing that it shall rank for Dividend as from a particular date, that Share shall rank for Dividend accordingly;
- (p) except in limited circumstances, cause TrustPower to pay remuneration to a Director in his or her capacity as a director unless that remuneration has been authorised by ordinary resolution; and
- (q) except in certain circumstances, subject to any Special Resolution authorising otherwise, authorise a Distribution where immediately after the Distribution, the net debt divided by total tangible assets of TrustPower would exceed the figure of 50%.

There are no other modifications, exceptions or limitations on the powers of the Directors under the Companies Act or imposed by the Constitution. However, the Companies Act does contain provisions that could have the effect of limiting the powers of the Directors. Such provisions apply to all companies registered under the Companies Act. In addition, TrustPower is subject to the Listing Rules and to rulings of NZX which could have the effect of limiting the powers of the Directors.

Substantial shareholders of TrustPower

As at 14 October 2008 TrustPower's ten largest registered shareholders were:

ANZ Nominees Limited - NZCSD	112,340,007
TECT Holdings Limited	103,878,838
Infratil Energy New Zealand Limited	48,470,446
Custodial Services Limited	2,346,425
Citibank Nominees (New Zealand) Limited - NZCSD	1,731,747
National Nominees New Zealand Limited - NZCSD	1,697,198
AMP Investments Strategic Equity Growth Fund - A/C NZCSD	1,320,751
New Zealand Superannuation Fund Nominees Limited - NZCSD	1,245,451
NZGT Nominees Limited - AIF Equity Fund - A/C NZCSD	1,013,405
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	948,465

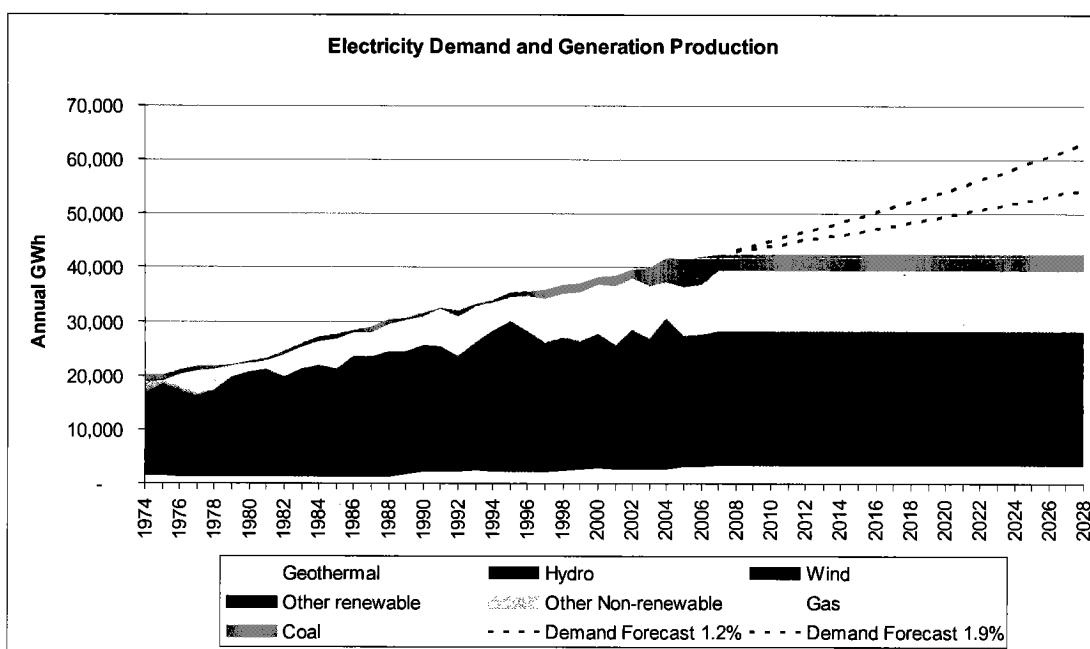
None of these parties guarantees or has any liability in respect of the Bonds, payments thereunder or Ordinary Shares issued on Conversion.

8.6 Description of activities of TrustPower

THE NEW ZEALAND ELECTRICITY INDUSTRY

GENERATION

In a year of average rainfall, approximately 55% of New Zealand's generation is produced by hydro, 34% from thermal, with the rest coming from geothermal, wind and biogas. The Government owns approximately 61% of the industry (source: <http://www.med.govt.nz>). New Zealand's high reliance on renewable fuels has obvious benefits, but it also means price uncertainty as a result of abnormal weather conditions such as drought. New Zealand has had a wholesale electricity market since 1996. It is TrustPower's view that the economic consequences of the 2008 drought were less adverse than for the 1992 "dry" when the industry was almost entirely Government owned and no market existed.



Generation data sourced from Ministry of Economic Development (<http://www.med.govt.nz>)

The above graph illustrates the type of generation in New Zealand since 1974 and expected additional generation demand that will be required out to 2028. It shows:

- Past volatility of hydro output;
- An increasing role for combined cycle gas turbine ("CCGT") stations;
- An increase in wind and co-generation output; and
- A significant growing gap between existing supply and future demand.

Market dynamics dictate that investment in new generation will be in the type of generation that has the lowest long run marginal cost. This in turn depends on the cost of new plant and the cost of fuel for different types of power station. Based on current costs, it is TrustPower's view that the most likely form of new generation will be geothermal and wind.

RETAILING

There are approximately 2 million electricity connections in New Zealand served by seven main retailers that have from around 20,000 to around 650,000 connections each (source: <http://www.electricitycommission.govt.nz/opdev/retail>). TrustPower currently has approximately 222,000 connections.

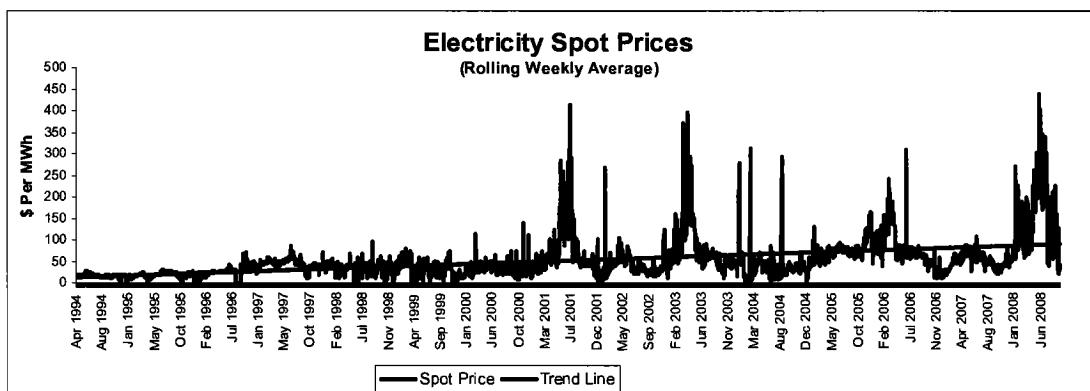
All areas of New Zealand have at least two of the major retailers competing for customers. Most customers have a wide range of retailers and pricing options to choose from.

TrustPower considers that price, consistency of supply, and quality of service are likely to be the main determinants of success, with profitability being driven off tight cost control. On these fronts TrustPower remains confident of its abilities, while always looking at ways to innovate and improve.

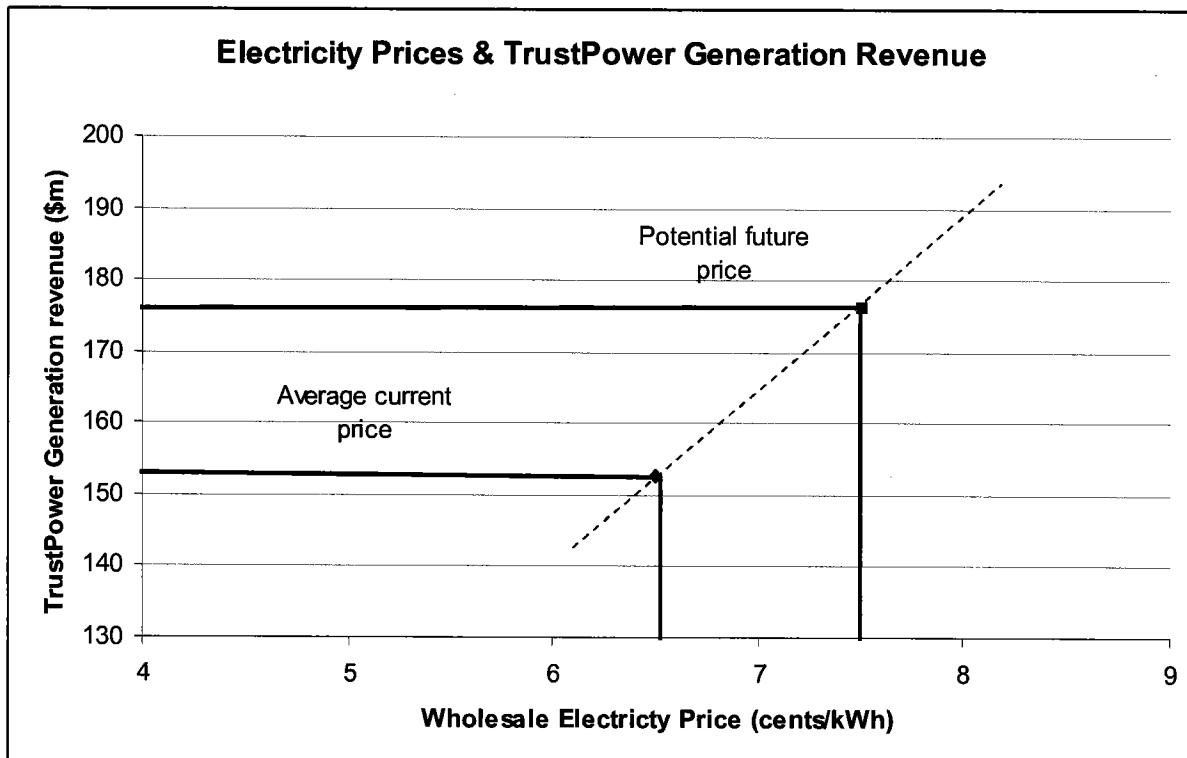
WHOLESALE ELECTRICITY MARKET AND PRICES

Wholesale electricity prices are set half hourly to match supply and demand among generators, very large users and retailers. Prices fluctuate in daily, weekly and annual patterns with generation and demand. Fluctuations are generally predictable a few hours in advance and this predictability benefits a generator such as TrustPower that can target production to the "high value" times of the day by using its stored water and hydro peaking plant capacity.

Over longer periods prices are more certain. They are occasionally unpredictable however as a long term trend they appear to be rising, as illustrated in the graph below.



In a year of average hydrology, the graph below illustrates how generation revenue increases with electricity prices. It is worth noting however that in times of high prices generation volume may be lower.



THE AUSTRALIAN ELECTRICITY INDUSTRY

The Australian electricity industry has many of the same characteristics and underlying structures as the New Zealand industry. It also has specific policies aimed at encouraging renewable generation.

It is because of these similarities and more importantly the specific policies aimed at encouraging renewable generation that TrustPower has chosen Australia as a potential market into which it could expand. The first stage of this expansion has occurred with the recently completed Snowtown Wind Farm development.

TrustPower currently has no electricity retail activities in Australia.

TRUSTPOWER LIMITED

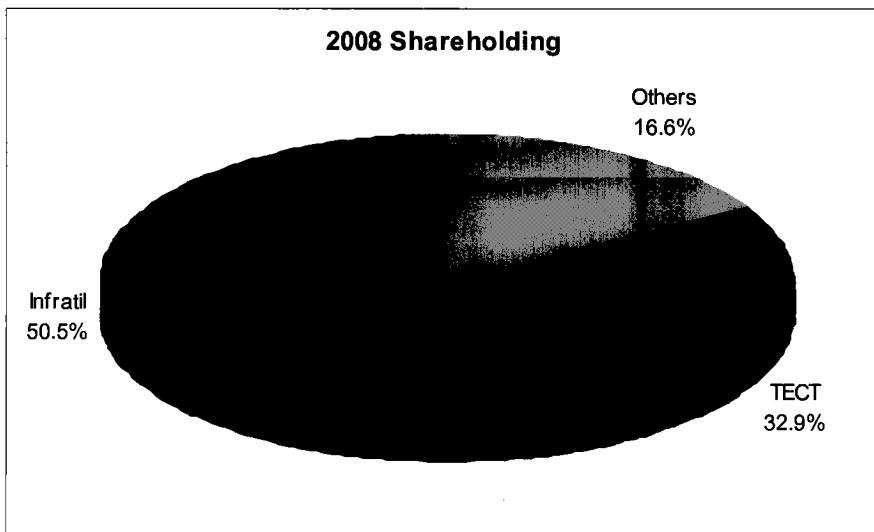
INTRODUCTION

TrustPower is a company listed on NZSX.

TrustPower is one of New Zealand's "big five" integrated electricity generator-retailers. TrustPower's origins date back to 1925 with the formation of the Tauranga Electric Power Board which, as part of the Government's restructure of the electricity sector, was corporatised in 1993 as TrustPower Limited and began developing its current generation and retailing business.

Today TrustPower retails electricity across New Zealand. Electricity is provided for this customer base from the wholesale market into which TrustPower sells the electricity it generates. TrustPower has a strong retail brand and reputation for customer service. The bulk of its assets are hydro and wind powered generation schemes.

OWNERSHIP



Approximately 83% of TrustPower is owned by two major investors which bring valuable industry experience to the Company or provide a link to the Company's customers. The remaining shares are widely held amongst approximately 13,000 individual investors.

The two major shareholders are: Infratil, which is an NZX listed utility investment company and was invited to be a cornerstone shareholder of TrustPower in 1994, and TECT Holdings Limited, which manages the assets of the Tauranga Energy Consumer Trust ("TECT"). TECT's beneficiaries are the TrustPower account holders situated in Tauranga City and the Western Bay of Plenty. None of the shareholders guarantees or has any liability in respect of the Bonds or Ordinary Shares issued on conversion of the Bonds.

SUBSIDIARIES

Significant subsidiaries (31 March balance dates)	Country of incorporation	% owned	Principal activity
Cobb Power Limited	New Zealand	100	Asset holding
Sellicks Hill Wind Farm Pty Ltd	Australia	100	Generation development
Snowtown Wind Farm Pty Ltd	Australia	100	Electricity generation
Tararua Wind Power Limited	New Zealand	100	Asset holding
TrustPower Australia (New Zealand) Limited	New Zealand	100	Asset holding
TrustPower Australia Financing Partnership	Australia	100	Financing
TrustPower Australia Holdings Pty Ltd	Australia	100	Generation development
TrustPower Insurance Limited	New Zealand	100	Insurance
TrustPower Oamaru Limited	New Zealand	100	Call services operator

Non Trading Subsidiaries

Bay Energy Limited

Paehinahina Mourea Geothermal Limited

Taheke Geothermal Limited

TrustPower Metering Limited

TrustPower Renewable Investments Pty Ltd

Waikaremoana Power Limited

None of TrustPower's subsidiaries guarantees or has any liability in respect of the Bonds or Ordinary Shares on conversion of the Bonds.

None of the principal assets of the Borrowing Group is held under lease.

The fixed assets of the Borrowing Group are used for the retailing and generation of electricity and are not charged as security for any of the Bonds.

RECENT ACTIVITIES

Within the last twelve months TrustPower has commissioned two new generation plants; a 98.7 MW wind farm at Snowtown in South Australia owned by TrustPower's subsidiary, Snowtown Wind Farm Pty Ltd (SWF), and a 6 MW hydro station at Deep Stream in Otago.

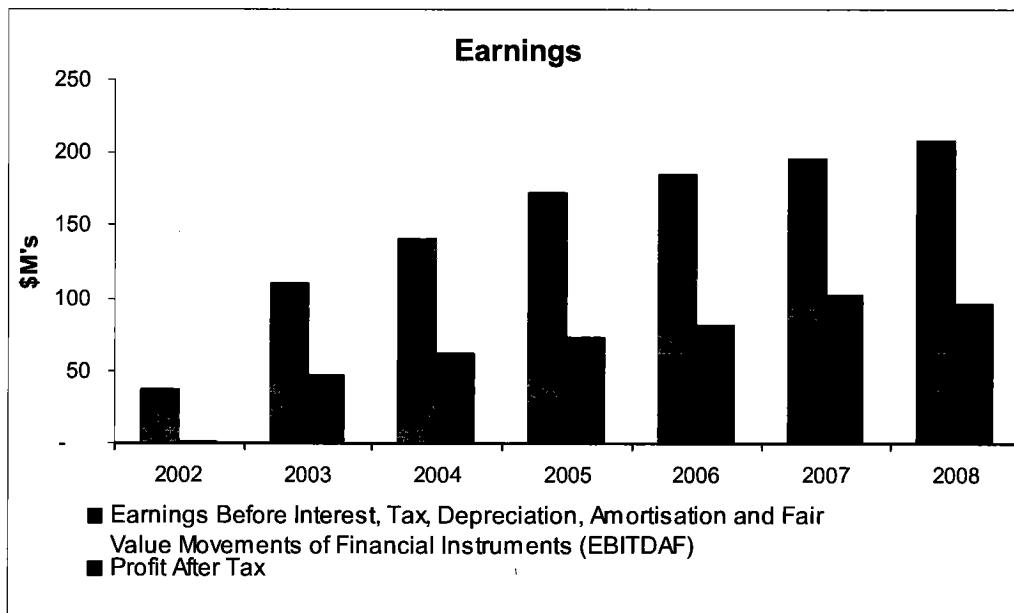
The Snowtown wind farm represents TrustPower's first off shore generation project. TrustPower (through its subsidiary SWF) has sought to minimise its exposure to the risks of operating in a foreign country by transacting a fixed price contract for the construction of the wind farm and the first five years maintenance with wind turbine manufacturer Suzlon. SWF has a contract to sell 90 per cent of the output at a fixed price for ten years. Refer to subsequent sections for more details of this generation scheme.

The Deep Stream hydro scheme is relatively small at only 6 MW, however it is the largest hydro station built in New Zealand since the Resource Management Act was enacted in 1991. The scheme is also a significant step in increasing the efficiency of TrustPower's existing asset base (using the previously lost opportunity from a 300m fall from an existing water intake that supplies the Waipori hydro scheme) whilst further enhancing TrustPower's generation diversity.

In the past year, TrustPower has maintained its retail market share in the face of significant price led competition, expanded its Friends Extra programme, and launched the Kinect telecommunications brand.

Over the last five year period TrustPower's principal activities have been the generation and retailing of electricity.

COMPANY PERFORMANCE



** Information for years prior to the Group's transition date of 1 April 2006 to NZ IFRS have been prepared under existing NZ FRS and have not been translated to equivalent NZ IFRS amounts.*

TrustPower has experienced strong growth in activities, assets and income since corporatisation and remains well placed to grow over the medium and longer term.

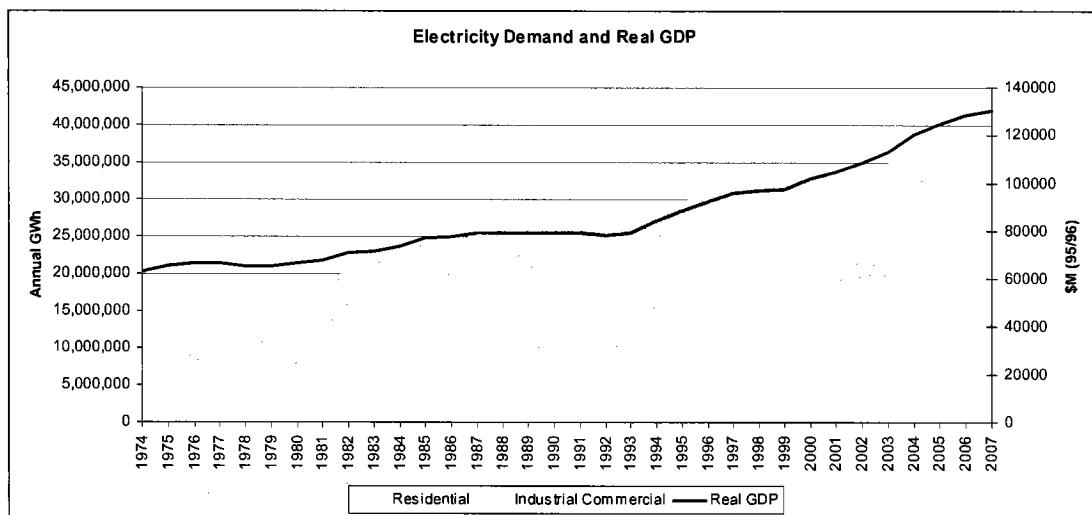
Since corporatisation, TrustPower (either directly or through its 100 per cent owned subsidiaries) has acquired a number of renewable power stations, invested in their enhancement, improved operating efficiencies and centralised operational management. These stations involve the bulk of TrustPower's assets and provide most of its income. Over the medium term they are also expected to be an area of investment and growth.

In addition to the acquired assets, TrustPower has constructed 129.3 MW of new wind generation in New Zealand, 98.7 MW of new wind generation in Australia and 6 MW of new hydro generation in New Zealand.

TrustPower's retailing activities have been built up by acquisition of existing customer bases and success in retaining and gaining customers. By focusing on good customer relations, very efficient operations and careful management of risk, TrustPower has achieved good profitability in this competitive area.

Since corporatisation, TrustPower's other major initiative was to dispose of its electricity distribution (lines) activities. This occurred in 1999 when the Electricity Industry Reform Act 1998 made it unlawful to be engaged in both generation/retailing and distribution. TrustPower chose to focus on the former activities and exited distribution.

Over the last three years, the most important factor in TrustPower's improving financial performance has been the increases in electricity prices that are occurring as the era of state subsidised hydro generation and low cost gas supply ends. This has been brought about primarily by depletion of the Maui gas field (and a recognition that reserves are finite and reducing) and the ongoing increase in electricity consumption. TrustPower has sought to meet some of this increased demand through its new generation development programme.



Demand data sourced from Ministry of Economic Development (<http://www.med.govt.nz>)

GDP data sourced from Statistics New Zealand (<http://www.stats.govt.nz/products-and-services/info-releases>)

Based on trends of annual demand for electricity and Gross Domestic Profit (GDP) over the last 33 years (refer graph above), consumption is expected to continue to increase approximately in line with GDP which in turn is likely to result in further increases in electricity prices, providing further opportunities to invest in generation. As an owner of renewable energy generation stations, which burn no fossil fuel, TrustPower is very likely to continue to benefit from the increased value of electricity, especially as renewable generation will not face charges for carbon emission reduction units or increased prices for fuel.

ELECTRICITY RETAIL

TrustPower supplies approximately 3,900 GWh per annum of electricity to 222,000 electricity connections. Over the last decade customer numbers have increased from approximately 40,000 to a peak of 280,000 before being reduced when TrustPower identified that it was not able to profitably retail in some areas of New Zealand. In past the growth came from amalgamations as a number of companies exited retail, but TrustPower has also experienced strong growth through marketing. The residential customer bases gained in Auckland, Northland, Wellington and Christchurch were subsequently sold as TrustPower chose to focus on areas where acceptable margins could be obtained.

Margins within electricity retailing in New Zealand have traditionally been low. TrustPower, with its focus on providing customer service that is superior to its competitors, operating an efficient cost structure, forming sound relationships with the communities within which it operates and using successful customer retention programmes, such as its "Friends" and "Friend's Extra" loyalty programme, has been successful at achieving margins that more fairly reflect the costs and risks of retailing.

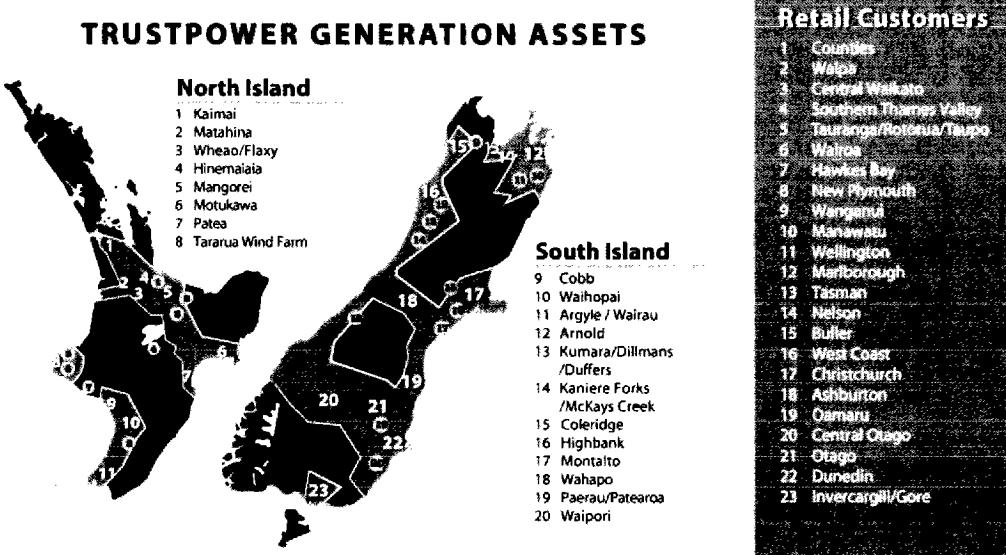
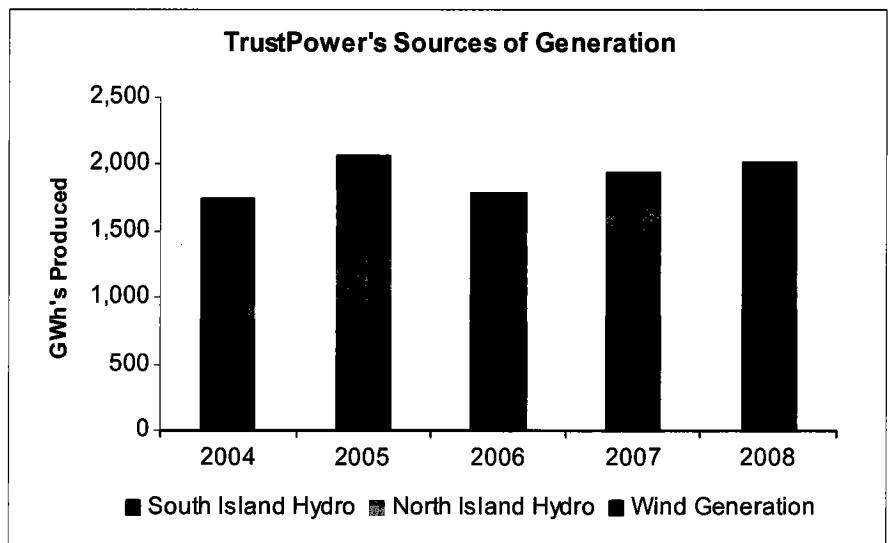
About half of TrustPower's sales are to residential, commercial and smaller industrial customers. For these consumers, prices are typically fixed for a range of periods and the onus is on TrustPower to manage the associated price risk. With the other half, the larger commercial and industrial customers, the price risk will typically be passed to the consumer.

TrustPower continues to focus on optimising its retailing activities to both enhance returns and to reduce risks.

TELECOMMUNICATIONS

As a result of purchasing the assets of Call South, a South Island-based tolls, fixed line and internet provider, TrustPower has grown its Kinect business offering a range of telecommunications products to its electricity and other customers. TrustPower now provides approximately 28,000 telecommunications services to its customers.

GENERATION



MEASURING ELECTRICITY	
Rates of Generation/Consumption	Amounts of Generation/Consumption
kW Kilowatt: 1 kW = 1,000 watts - Enough to light 10 x 100 watt light bulbs	kWh 1 kWh = 1 kilowatt for 1 hour - i.e. power used for ten 100 watt light bulbs running for 1 hour - An average New Zealand household uses 8,000 kWh per year
MW Megawatt: 1 MW = 1,000 kW - i.e. 10,000 x 100 watt light bulbs	MWh 1 MW for 1 hour = 1,000 kWh - Enough electricity for 1 average New Zealand household for 46 days
GW Gigawatt: 1 GW = 1,000,000 kW	GWh 1 GWh = 1,000 MWh = 1,000,000 kWh - Enough electricity for 125 average New Zealand households for one year

In New Zealand, either directly or through its 100 per cent owned subsidiaries, TrustPower owns 34 hydropower stations and the 161MW Tararua wind farm, one of the largest in the Southern Hemisphere. At present, TrustPower's New Zealand generating capacity amounts to 588 MW which will produce output of approximately 2,320 GWh in a year of average rain and wind. TrustPower also has a long-term contract to buy the output of the Rotokawa geothermal station and has contracted for both physical supply and electricity hedging instruments from other industry participants or markets. In total these contracts amount to approximately 990 GWh per year.

In addition to this New Zealand-based generation, TrustPower's Australian subsidiary, Snowtown Wind Farm Pty Ltd, has recently completed construction of a 98.7 MW wind farm in South Australia. In an average wind year this is expected to generate 350 GWh of electricity.

Some of the costs and benefits to TrustPower in respect of these stations are as follows:

- Relatively small dispersed stations impose higher operating and maintenance costs than would be the case with large facilities, but over the longer term the small stations may offer upgrade options that may not exist with more developed / optimised larger units.
- The large number of generating units, while incurring higher operating costs, provide an inbuilt resilience against impacts from individual plant failure. The generating capacity of the single largest generating unit owned by TrustPower is only 7% of the total generating capacity of TrustPower's generating units.
- Although the operating costs of TrustPower's stations may be higher than for other hydro generators, TrustPower does not have the fuel costs that make up about 50% of gas-fired stations' cost of generation.
- Hydro stations allow water to be stored for use at times of higher electricity prices. It is expected that electricity prices will become "peakier" over time as the capacity for wind-powered electricity generation increases within the market. TrustPower owns a diversity of hydro storages, allowing both short and long term energy regulation. This means that TrustPower has back-up for its own wind farms, which are inherently unpredictable over the short term.
- Geographic diversity provides a hedge against different climatic conditions and the impact such conditions might have on individual generating units (late winter 2008 is an example where the North Island lake levels were well above average, while many of the major South Island lakes were still suffering severe drought conditions).
- Because its stations tend to be close to its customers, TrustPower has less exposure to high costs as a result of localised transmission constraints.
- The hydro stations have very long economic lives (the Waipori scheme recently reached its centenary). Wind turbines are designed to last at least 20 years before rising maintenance costs may justify replacement. Because wind is an infinite resource, its availability for energy generation is unlimited. A gas turbine may also have a 20 year life, but any refurbishment will depend on the continued availability of suitably priced gas.

TRUSTPOWER'S GENERATION SCHEMES

<u>Assets</u>	<u>Generation Capacity (MW)</u>	<u>Average Output (GWh)</u>
North Island		
Kaimai Scheme (3)	42.0	165
Matahina	80.0	274
Wheao & Flaxy (3)	26.0	113
Hinemaiaia (3)	6.5	31
Mangorei	4.5	19
Motukawa	4.8	22
Patea	30.7	110
Tararua Wind	161.0	620
South Island		
Cobb	32.0	182
West Coast Stations	19.5	92
Wairau/Argyle (2)	11.0	49
Waihopai	2.5	11
Coleridge	39.0	267
Highbank	25.2	86
Montalto	1.8	8
Paerau/Patearoa (2)	12.1	58
Waipori Scheme (5)	89.0	213
New Zealand Total	587.6	2,320
Snowtown (Australia)	98.7	393
Grand Total	686.3	2,713

A brief profile of seven of the largest TrustPower generation schemes is set out below.

Coleridge

The Coleridge power station, about 100 kilometres inland from Christchurch, was New Zealand's first major hydropower scheme. The Government completed a study of the suitability of the area for hydro electricity generation in 1906 and in 1914 the power station was commissioned with three turbines and was then progressively expanded over the next decade. The Coleridge power station is fed from Lake Coleridge via 3 kilometres of tunnels

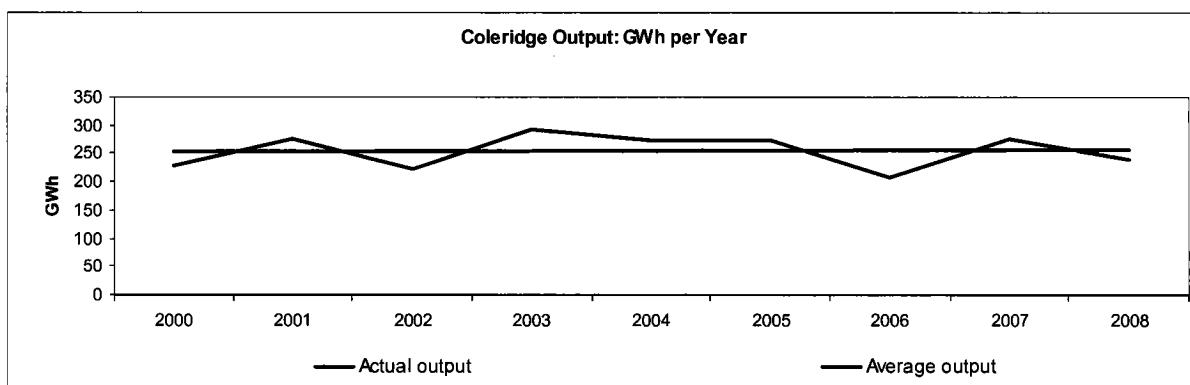
and pipes, and after passing through the powerhouse the water empties into the Rakaia River approximately 140 meters below the level of the lake.

TrustPower purchased Coleridge from ECNZ in October 1998 for \$91 million and over the next two years upgraded the station at a cost of about \$6 million. The investment increased capacity from 36 MW to 45 MW and target annual output from 205 GWh to 270 GWh. The relatively small cost and relatively larger gain from this project was somewhat exceptional, but many of TrustPower's stations have development potential, especially as electricity prices rise. Coleridge offers a number of further development possibilities

Subsequent to this, 4 small inefficient units were decommissioned reducing the scheme capacity to 39MW. These units were not being used due to poor efficiency and high running costs. Two machines have recently been upgraded with new high efficiency runners. While these units are small the improved efficiency is expected to produce 2 GWhs of additional energy from the same flow of water.

Lake Coleridge can store up to two months of inflows allowing the station to increase water storage before winter and to maximise output over the winter months when demand and electricity prices are high. Improvements to monitoring and control at the lake intakes has improved flow capture which translates to a 1% improvement in energy.

Resource consents are currently being obtained for a small 1.4MW enhancement to the scheme. If the consents are obtained, this enhancement will increase output from the scheme by around 7 GWhs per year without using any additional water.



Matahina

35 kilometres south of Whakatane, the Matahina earth dam is New Zealand's second largest. It is 86 metres high, built on 24 metre deep foundations, 365 metres wide at its base, and 396 metres long.

The 3.8 million cubic metres (3.8 billion litres) of water is released from behind the dam to drive the two 50,000 hp turbines that are coupled to two 40 MW generators producing an average annual output of approximately 285 GWh.

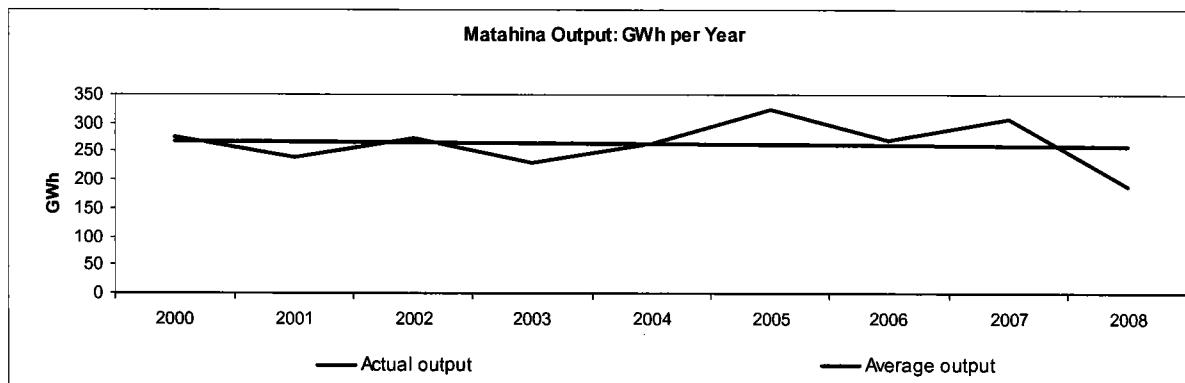
The station was commissioned in 1967, but was damaged in the 1987 Edgecumbe earthquake and extensive strengthening work was subsequently undertaken.

In 1999 TrustPower purchased the station from ECNZ for \$115 million.

Although Lake Matahina has storage capacity, the high water flows of the Rangitaiki River mean that the station tends to run on a daily cycle, as opposed to storing water up over weeks or months. Since its acquisition, TrustPower has increased the station's output and

enabled its use to be more focused on periods when electricity prices are higher. Further enhancements are likely if electricity prices continue to rise.

The process for securing new Resource Consents to allow continued operation of the scheme is currently underway. Through this process, modifications are being sought to the legal constraints imposed on the scheme, which will allow the scheme to operate more effectively in the electricity market.



Patea

Patea power station is situated on the Patea River in South Taranaki and takes advantage of the river's good water flows, 871 km² catchment and long deep river gorge. The site was identified in 1974 and the dam was completed in 1983 with the station commissioned in 1984.

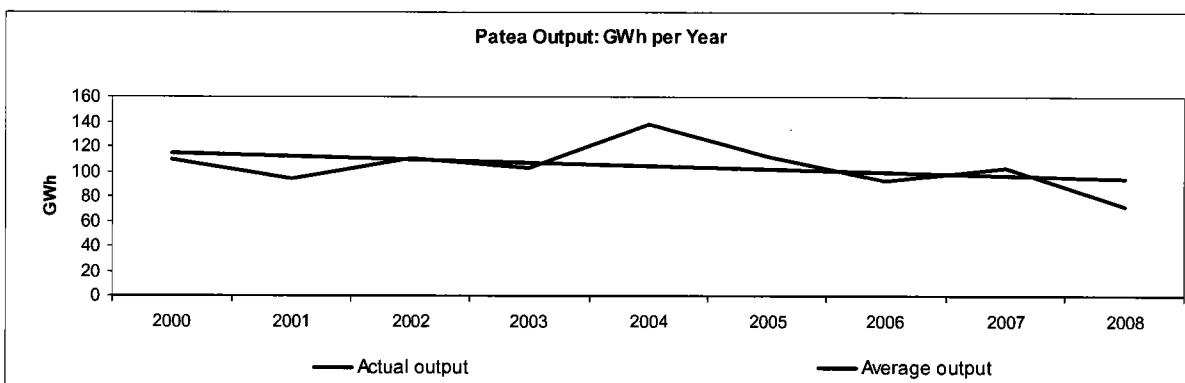
In 1999 TrustPower acquired the power station and other generation assets from Powerco for \$72 million.

The dam is 82 metres high and holds back Lake Rotorangi, which at 45 kilometres is New Zealand's longest man made lake.

The station has a 31 MW generation capacity and will generate approximately 115 GWh in a year of average hydrology.

Patea has operational flexibility allowing it to operate as a peaking station. With around one week's storage capacity, the station generation is managed to focus output over periods when electricity prices are highest.

The process for securing new Resource Consents to allow continued operation of the scheme is currently underway. Through this process, modifications are being sought to the legal constraints imposed on the scheme, which will allow the scheme, and in particular the scheme storage, to operate more effectively in the electricity market.

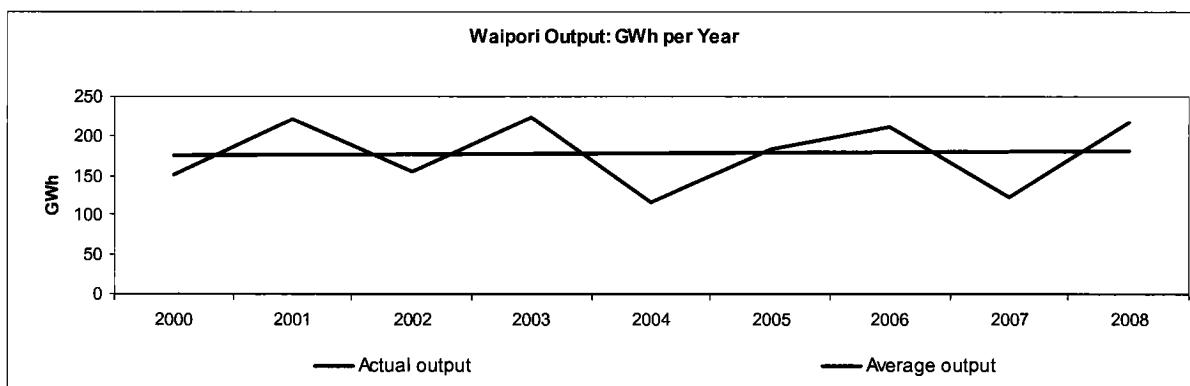


Waipori

The Waipori hydro scheme is some 30 kilometres inland from Dunedin in the Lammerlaw Range. It comprises four individual dams and power stations that act in sequence with the powerhouses delivering output of 12 MW, 57 MW, 7 MW and 8 MW respectively as water descends down the Waipori River. The scheme's ingenious system of underground tunnels and surge chambers is regarded as a remarkable feat of engineering skill, especially given its vintage.

The scheme's development was commenced in 1902. The first electricity generation occurred in 1907 and development of the hydro capacity of the Waipori River has been ongoing ever since. In 1998 TrustPower acquired the scheme from Dunedin City Council for \$70 million.

The great strength of and value from Waipori is its large storage capacity. This provides greater certainty of generation in periods of low water inflow, which can often coincide with high market prices for electricity. This storage is a factor behind the scheme's relatively volatile annual production figures. The focus of the scheme's operation is on maximising output value rather than volume. Sometimes there will be a trade-off meaning that output can be down even when the value of output is up. The 6MW Deep Stream hydro scheme utilises water from an existing diversion into the Waipori storage lake



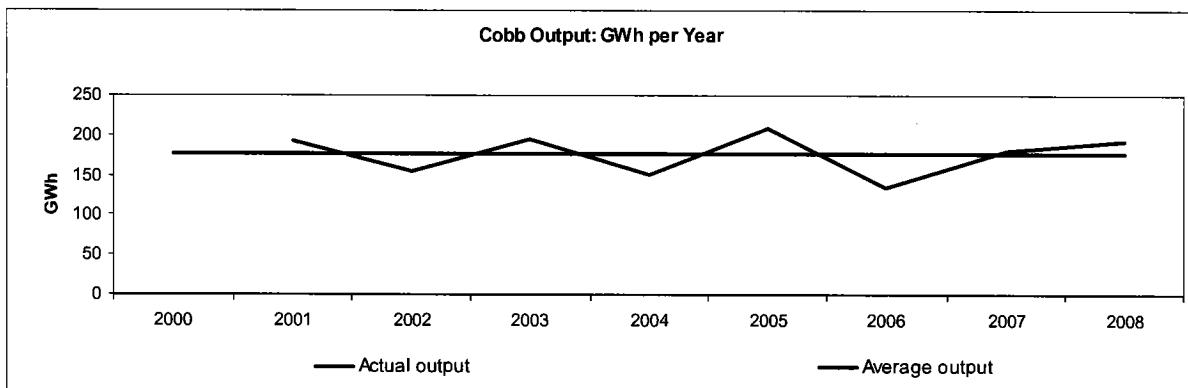
Cobb

The Cobb hydro scheme is located 50km north-west of Nelson where the Takaka and Cobb rivers meet. Development of the scheme first started in 1935, with first electricity generated in 1944. The scheme was expanded in 1954 to its current capacity of 32MW.

Cobb is owned by Cobb Power Limited (**CPL**). CPL was purchased by TrustPower in March 2003 for \$92.5 million from NGC Holdings Limited.

The scheme, which has an operating head of 594 metres, the highest in New Zealand, has four 3 MW and two 10MW pelton wheel units giving average output of approximately 201 GWh per year. The reservoir catchment is approximately 70.8 sq. km. and lies in the Tasman Mountains and is subject to "West Coast" storms with persistent heavy north-westerly rainfall. The water is carried from a 32.7metre high earth and rock-fill embankment dam to the powerhouse by penstocks and a 2.6Km tunnel through the Cobb ridge.

The scheme has storage capacity of approximately 30GWh making it a very useful addition to the TrustPower group's generation assets and its proximity to the West Coast means the lake recovers quickly when depleted. New turbine runners are currently being designed for Cobb which will improve efficiency. This is anticipated to increase scheme output by about 2% without using any additional water.



Tararua Wind Farm

New Zealand is a windy country lying across the prevailing westerly weather pattern and at 41 degrees of latitude, the Tararua Ranges are in the "roaring forties". The Tararua Wind Farm is located in the ranges and is visible from Palmerston North.

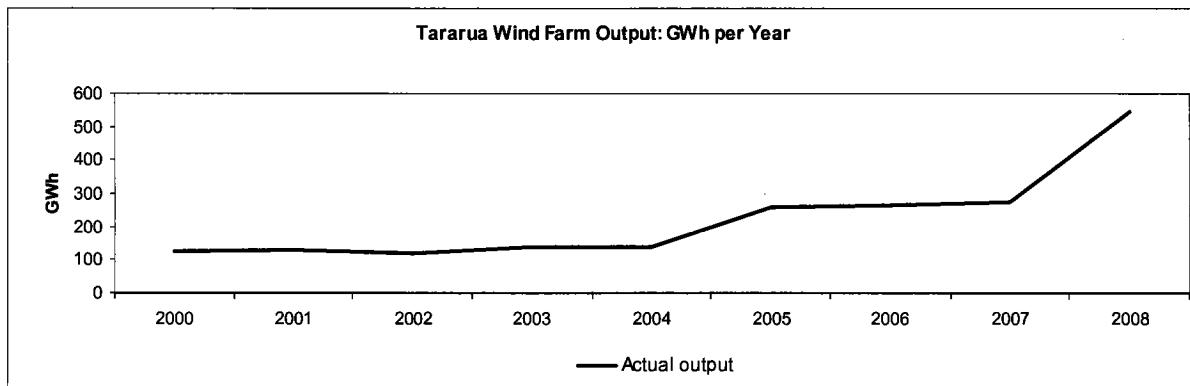
The Tararua Wind Farm is 100 per cent owned by TrustPower's Subsidiary Tararua Wind Power Limited (TWPL).

The wind farm currently comprises 103 x 0.66 MW V47 turbines and 31 x 3.0MW V90 wind turbines, and has a total capacity of 161 MW making it the largest in New Zealand. Annual average production is now 620 GWh. This output level implies that the wind farm generates, on average, the equivalent to operating at full capacity for 45% of the time, which is due to the prevailing wind blowing at an average speed of 36 km/h. At 45% capacity factor, this wind farm is one of the best performing in the world and is recognised as such in the international wind industry.

This capacity factor can be compared with 20 – 30% achieved in Europe and 30 – 40% in the USA. New Zealand's installed hydro capacity operates in an average year at around 55%. TrustPower purchased TWPL in 1999 for \$49 million from CentralPower, when it consisted of only 48 x 0.66MW V47 turbines. Since 2003 TWPL has expanded the wind farm twice to make further use of the proven wind resource and the existence of resource consents and infrastructure. The first expansion project added 55 x 0.66MW V47 turbines (under the existing resource consent) at a cost of \$55million.

The next expansion project involved an additional 31 x 3.0MW V90 machines, the largest built in Australasia. This project added 93MW to the capacity at Tararua for a total cost of \$174M and delivers on average 350GWh per annum. The project was the first wind farm to be connected to the 220kV electricity grid. Both of the expansion projects were delivered on time and under budget and allowed TWPL and TrustPower to gain excellent experience in the commercial and technical aspects of developing wind farms, to add to operational experience already gained through ownership of the original 48 turbines.

Any wind facility needs to be part of a portfolio of generation stations because wind is inherently unreliable. The wind/hydro combination also has the advantage that hydro storage may be built up when the wind is blowing and electricity prices are low with the water released when prices are better. TrustPower's goal is to maintain a balance of hydro and wind powered stations to take advantage of their complementary features. TrustPower's current investment plans are to build on both wind and hydro positions to maintain an efficient balance.



Snowtown Wind Farm

The Snowtown wind farm is located approximately 170 km from the South Australian capital of Adelaide, on the rolling contours of the Barunga and Hummocks ranges.

The Snowtown Wind Farm is owned by TrustPower's 100 per cent owned Subsidiary Snowtown Wind Farm Pty Ltd (**SWF**).

The site is also exposed to the "roaring forties" winds that power the Tararua wind farm, although the site has a lower annual average wind speed of around 31 km/h. In order to achieve the yield required from the site, SWF has chosen the Suzlon S88 2.1MW wind turbine, which has approximately 40% more rotor diameter per MW installed and therefore produces extremely well in lower wind speed sites. The capacity factor from this site is expected to be above 40%. The project saw the erection of 47 x S88 turbines for a total capacity of 98.7 MW and was completed on time and under budget, with the first machine commissioned 3 months ahead of schedule. Compared to other known sites Snowtown is one of the best sites for a wind farm in mainland Australia and has planning approval for a further 180 – 200 MW.

GENERATION DEVELOPMENT

An important focus for TrustPower going forward is the development of new generation capacity. In TrustPower's opinion New Zealand needs about 150MW of additional generation each year just to supply current growth in demand. TrustPower is actively engaged in developing further capacity to meet this growing demand.

Generation development is a process of identification, evaluation, pre-feasibility, resource consenting, feasibility and final business case approval for construction of new generation assets. It is highly expertise intensive and TrustPower has built up a team of highly skilled people in this field. At present TrustPower is working on over twenty projects which have been identified as prospective. Many will be eliminated at the various stages of evaluation, consenting, feasibility, etc. for a wide range of economic, environmental and technical reasons, but some are making it. The most promising of the projects under investigation are:

Myponga Wind Farm (Australia) – full planning consent has been received for a 43MW wind farm at Myponga which is on the coast about 90km south of Adelaide. Final feasibility work now needs to be completed and a decision whether to go ahead with this project will be made in late 2008.

Mahinerangi Wind Farm – located on land bordering Lake Mahinerangi (Waipori scheme) the Mahinerangi wind farm is ideally located to make use of the synergy between wind power and hydro storage. The project has received interim resource consents from the Environment Court and will include up to 200MW of capacity. Some of the land used for this scheme was purchased by TrustPower as part of the Deep Stream hydro development. The site has a

good wind resource and will be ideally suited to many of the modern turbine models being brought onto the market.

Kaiwera Downs Wind Farm – located in the hills to the east of Gore, this wind farm has been granted resource consents from the Gore District Council for up to 180MW. With transmission access less than 2 km from the site, a remote location and great wind resource, this project will further add to the enviable wind assets under TrustPower's control.

Wairau Hydro Scheme – this scheme would involve a major extension of TrustPower's existing Branch scheme on the Wairau River in Marlborough. If completed, capacity would be about 72MW and annual output about 375GWh. The project would involve part of the Wairau River flow being diverted into the existing Branch scheme and the water conveyed through canals and penstocks to five new generating stations. The canals would run along the foothills on the right hand side of the valley while the power stations would be built on the riverbank. This would enable TrustPower to meet peak load without importing electricity to the region and would alleviate the existing transmission constraints to Marlborough and Nelson and increase the reliability of supplies to local consumers. This generation could be combined with new irrigation schemes covering the southern part of the Wairau Plains/Lower Waihopai area. Coordinating hydro and irrigation water supply needs and associated canals would considerably enhance environmental and economical aspects of this project. Resource Consent for this project has been granted by the local council. This consent has been appealed and will now proceed to the Environment Court.

Arnold Hydro Scheme – this hydro scheme on the Arnold River on the West Coast has a projected capacity of 46MW with expected annual output of 180 GWh. The scheme has been the subject of media and political focus for some time now. The West Coast population has grown rapidly over the last few years and the transmission lines into the region are reaching their capacity. This scheme offers the best solution.

Resource consent hearings have been held and it is expected that a consent decision will be received shortly.

THE FUTURE

TrustPower is in a very sound position looking forward. Higher market electricity prices and TrustPower's focus on operating efficiency and risk minimisation are delivering satisfactory returns.

The Company has a geographically diverse portfolio of generation assets using renewable energy sources. These assets should increase in value if electricity prices rise due to a combination of all or any of: increasing demand and the need to develop new higher cost generation, depletion of cheap fuel supplies and both the New Zealand and Australian Governments' commitment under the Kyoto regime to penalising those who emit CO₂.

Innovative retail service delivery, attention to cost and risk minimisation, ongoing improvement in the relations between TrustPower and the communities it serves, and the proximity of generation to consumers are all factors that should allow the Company to prosper.

TrustPower is again entering the retail Bond market to raise funds. The Company has Bonds with an aggregate Face Value of \$213,816,000 on issue and significant committed bank facilities. This debt funding will be used to re-finance the existing bond issue that is maturing but also to have funding available for new generation investment opportunities as they arise. In due course TrustPower will also look to fund its other generation investment opportunities, which may entail raising further debt and equity.

8.7 Summary of Financial Statements

Five year summary financial statements for TrustPower are set out in paragraph 7.2 of this Prospectus.

8.8 Acquisition of business or subsidiary

TrustPower did not acquire any business or subsidiary where consideration was over 20% of the total tangible assets of TrustPower during the two-year period prior to the date on which this Prospectus was lodged for registration at the Companies Office.

8.9 Material contracts

The following material contracts, within the meaning of the Securities Regulations 1983 (not being contracts entered into in the ordinary course of business) have been entered into by TrustPower within the two year period prior to the date on which this Prospectus was lodged for registration at the Companies Office:

- (a) on 27 July 2007 TrustPower (as borrower) entered into a cash advances facility agreement with Commonwealth Bank of Australia, New Zealand branch (**CBANZ**) (as lender) (as amended by a variation agreement between TrustPower and CBANZ dated 21 May 2008) pursuant to which CBANZ made a cash advances facility available to TrustPower;
- (b) on 27 July 2007, TrustPower (as borrower) entered into a variation and restatement agreement with ANZ National Bank Limited (**ANZ**) (as lender) (**ANZ Variation Agreement**) in respect of a cash advances facility agreement between TrustPower and ANZ originally dated 7 August 2003 (**ANZ Facility Agreement**) (as further amended by a variation agreement dated 19 May 2008). The ANZ Variation Agreement provided for certain amendments to the terms upon which the original cash advances facility made available under the ANZ Facility Agreement remained available to TrustPower;
- (c) on 27 July 2007, TrustPower (as borrower) entered into a variation and restatement agreement with Westpac Banking Corporation (**WBC**) (as lender) (**WBC Variation Agreement**) in respect of a cash advances facility agreement between TrustPower and WBC originally dated 7 August 2003 (**WBC Facility Agreement**) (as further amended by a variation agreement dated 16 May 2008). The WBC Variation Agreement provided for certain amendments to the terms upon which the original cash advances facility made available under the WBC Facility Agreement remained available to TrustPower;
- (d) on 30 July 2007, TrustPower (as borrower) entered into a variation and restatement agreement with Bank of New Zealand (**BNZ**) (as lender) (**BNZ Variation Agreement**) in respect of a cash advances facility agreement between TrustPower and BNZ originally dated 7 August 2003 (**BNZ Facility Agreement**) (as further amended by a variation agreement dated 19 May 2008). The BNZ Variation Agreement provided for certain amendments to the terms upon which the original cash advances facility made available under the BNZ Facility Agreement remained available to TrustPower;
- (e) on 5 September 2007, TrustPower Australia Holdings Pty Limited (**TAH**) as general partner of the TrustPower Australia Financing Partnership (**TAFP**) (as borrower) and TrustPower (as parent) entered into a cash advances facility agreement with National Australia Bank Limited (**NAB**) (as lender) (**NAB Facility Agreement**) pursuant to which NAB made a cash advances facility available to TAFP and TrustPower (as TAH's parent company) gave certain representations, warranties and undertakings to NAB and authorised NAB at

any time after an event of default to set off credit balances of TrustPower held with NAB against any indebtedness owing to NAB and unpaid under, amongst other documents, the NAB Facility Agreement;

- (f) on 5 September 2007, TAH as general partner of TAFP (as borrower) and TrustPower (as parent) entered into a cash advances facility agreement with Commonwealth Bank of Australia (**CBA**) (as lender) (**CBA Facility Agreement**) pursuant to which CBA made a cash advances facility available to TAFP and TrustPower (as TAH's parent company) gave certain representations, warranties and undertakings to CBA and authorised CBA at any time after an event of default to set off credit balances of TrustPower held with CBA against any indebtedness owing to CBA and unpaid under, amongst other documents, the CBA Facility Agreement;
- (g) on 5 September 2007, TAH as general partner of TAFP (as borrower) and TrustPower (as parent) entered into a cash advances facility agreement with Australia and New Zealand Banking Group Limited (**ANZBG**) (as lender) (**ANZBG Facility Agreement**) pursuant to which ANZBG made a cash advances facility available to TAFP and TrustPower (as TAH's parent company) gave certain representations, warranties and undertakings to ANZBG and authorised ANZBG at any time after an event of default to set off credit balances of TrustPower held with ANZBG against any indebtedness owing to ANZBG and unpaid under, amongst other documents, the ANZBG Facility Agreement;
- (h) on 5 September 2007, TAH as general partner of TAFP (as borrower) and TrustPower (as parent) entered into a cash advances facility agreement with WBC (as lender) (**WBC TAFP Facility Agreement**) pursuant to which WBC made a cash advances facility available to TAFP and TrustPower (as TAH's parent company) gave certain representations, warranties and undertakings to WBC and authorised WBC at any time after an event of default to set off credit balances of TrustPower held with WBC against any indebtedness owing to WBC and unpaid under, amongst other documents, the WBC TAFP Facility Agreement;
- (i) on 16 May 2008 TrustPower (as borrower) entered into a cash advances facility agreement (3 year) with WBC (as lender) pursuant to which WBC made a cash advances facility available to TrustPower;
- (j) on 21 May 2008 TrustPower (as borrower) entered into a cash advances facility agreement (3 year) with CBANZ (as lender) pursuant to which CBANZ made a cash advances facility available to TrustPower; and
- (k) on 11 September 2008 TrustPower and the Trustee entered into a deed of amendment relating to the TrustPower Bond Programme Trust Deed pursuant to which TrustPower and the Trustee agreed to make certain amendments to the terms of the Trust Deed.

8.10 Pending proceedings

There are no legal proceedings or arbitrations pending at the date of this Prospectus that may have a material adverse effect on TrustPower.

8.11 Issue expenses

The issue expenses for the Series of Bonds offered under this Prospectus as at the date hereof (including printing costs, share registry expenses, legal costs, accounting fees and financial advisory expenses) are estimated at \$100,000 and are payable by

TrustPower. That amount does not include issue expenses previously incurred by TrustPower in establishing the Programme or issuing Bonds under a previous prospectus.

TrustPower will incur further issue expenses at the time of issue of further Series of Bonds.

TrustPower may pay brokerage or placement fees on Bonds at rates agreed between TrustPower and the broker or investor (such rates in respect of any Series of Bonds not to exceed a rate equal to 2% of the total subscription money payable in respect of that Series of Bonds). As at the date of this Prospectus, no such commission is payable.

8.12 Ranking of securities

As unsecured, subordinated debt securities, Bonds of the same or different Series will rank in liquidation in point of priority and right of repayment, equally among themselves, but behind all Senior Creditors of TrustPower. On a liquidation of TrustPower, no payment shall be made to Holders until the Senior Creditors of TrustPower have been paid in full.

The aggregate amount of liabilities of TrustPower ranking ahead of Bonds as at 31 March 2008 was \$469,695,000. None of this amount was secured by a mortgage or charge over the assets of TrustPower. No securities ranking equally with the Bonds existed as at 31 March 2008.

8.13 Provisions of Trust Deed and other restrictions on Borrowing Group

TrustPower has entered into the Trust Deed dated 26 July 2002 as amended by a deed of amendment dated 11 September 2008 between TrustPower and Trustees Executors Limited. The Trust Deed contains no limitations on TrustPower relating to the creation of mortgages or charges or secured debt ranking in priority to the Bonds, or any ratios of liabilities, or any class of liabilities, to assets or any class of assets.

The duties of the Trustee are described in paragraph 4.1 of this Prospectus. The Trustee's statement is set out in paragraph 6 of this Prospectus.

The Bonds are Convertible into Ordinary Shares in certain circumstances. A brief description of the Ordinary Shares appears in paragraph 3 of this Prospectus.

Pursuant to banking facilities ("Facilities") which TrustPower has with ANZ Banking Group (New Zealand) Limited, Bank of New Zealand, ABN AMRO, Commonwealth Bank of Australia and Westpac Banking Corporation ("Lenders") (as described more fully in paragraph 8.9 of this Prospectus) and a Negative Pledge Deed in favour of the Lenders, TrustPower has agreed that it will not, and will procure that none of its Subsidiaries will, create or permit to exist any security interest over its assets (except in very limited circumstances) unless the indebtedness owed under the Facilities is also secured. TrustPower has also given various financial undertakings, namely that:

- the Shareholder Funds (defined as the Total Tangible Assets less Total Liabilities) of the Consolidated Group (comprised of TrustPower and its guaranteeing subsidiaries) will at no time be less than \$700 million;
- the Shareholder Funds of the Consolidated Group at no time be less than 50% of its total tangible assets;
- EBITDAF (defined as Earnings Before Interest, Tax, Depreciation, Amortisations and Fair Value Movements in Financial Instruments) of the Consolidated Group will not on agreed reporting dates be less than 3 times the Senior Interest Expense or 2.25 times Interest Expense of the Consolidated Group, and

- Shareholder Funds of the Consolidated Group less its contingent liabilities will at no time be less than 35% of total tangible assets of the Consolidated Group.

8.14 Other terms of offer and securities

All terms of the Bonds that may be offered under the Programme are set out in this Prospectus, except those implied by law, set out in the Constitution, the Trust Deed (including the relevant Series Supplement) or that will be set out in the relevant Issue Flyer and Supplemental Prospectus (if one is required to be prepared pursuant to the Securities Act).

8.15 Financial Statements

The audited financial statements of TrustPower (as the borrowing group) required to be included in this Prospectus by the Second Schedule to the Securities Regulations 1983 are set out in paragraph 7.3 of this Prospectus.

8.16 Places of inspection of documents

During the currency of this Prospectus, copies of the Constitution, the Trust Deed, any Series Supplement, any Supplemental Prospectuses and of the material contracts referred to in paragraph 8.9 of this Prospectus may be inspected by any person without fee at the office of TrustPower at TrustPower Building, Truman Road, Te Maunga, Mount Maunganui between 8.30am and 4.30pm on business days. Alternatively, these documents may be viewed by accessing TrustPower Limited's public file on the Company Office website at <http://www.companies.govt.nz>, at any time or obtained (on payment of the relevant fee) by telephoning the Companies Office Contact Centre on 0508 266 726 between 8.30am and 5pm on business days.

8.17 Other material matters

There are no other material matters relating to the Bonds and the Ordinary Shares (other than matters elsewhere set out in this Prospectus and in contracts entered into in the ordinary course of business of a member of the Borrowing Group).

8.18 Auditors' report

A copy of the report signed by the Auditors, PricewaterhouseCoopers, is set out in paragraph 7.4 of this Prospectus.

8.19 Directors' statement

TrustPower's Directors are:

Dr Bruce J Harker, Chairman BE (Hons) PhD (Elect.Eng), MIPENZ. Director of HRL Morrison & Co Limited. Formerly had extensive experience in the electricity industry including with Ernst & Young and ECNZ.

Sir Ron P Carter KNZM, ME, PhD (Honorary), DFIPENZ. Fellow of the Institution of Civil Engineers (London), the Chartered Institute of Transport and the New Zealand Institute of Management and member of the Council of the Royal Society of New Zealand. Formerly chairman and managing director of Beca Carter Hollings & Ferner Limited.

Michael J Cooney LLB AAMINZ. Chairman of the Tauranga Electricity Consumer Trust. Property and business law partner Cooney Lees & Morgan and Coroner for the Tauranga District.

Dr Alan T Jackson. Chairman Australasia for Boston Consulting Group and has over 20 years management consulting experience across a wide range of industries.

Dr Jackson holds a BE (First Class Honours) and PhD Structural Engineering from Auckland University and a MBA (Lausanne, Switzerland).

I Samuel Knowles MSc (Hons). Currently the chief executive of Kiwibank Limited. He has been a senior manager for trading banks in New Zealand and Australia, specialising in areas including strategic planning, retail services, marketing and business development.

H R Lloyd Morrison LLB, Hons. Chief executive and chairman of HRL Morrison & Co Limited and a director of Infratil Limited and certain subsidiaries and is a director of Auckland International Airport Limited.

Geoffrey JC Swier. An associate of the Melbourne based consulting firm Farrier Swier and has over 20 years experience in micro economic reform in Australia and New Zealand. Has been an associate member of the Australian Competition and Consumer Commission and a member of the Australian Energy Regulator.

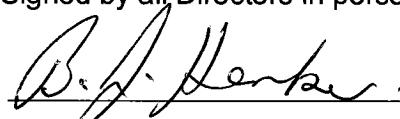
The Directors can be contacted at TrustPower's registered office, details of which are set out in the Directory in paragraph 11 of this Prospectus.

In the opinion of the Directors after due enquiry by them in relation to the period since 31 March 2008 to the date this Prospectus was delivered to the Register of Companies for registration under section 42 of the Securities Act 1978, no circumstances have arisen that materially adversely affect:

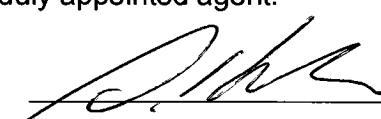
- (a) the trading or profitability of TrustPower;
- (b) the value of the assets of TrustPower; or
- (c) the ability of TrustPower to pay its liabilities due within the next 12 months.

8.20 Execution

Signed by all Directors in person or by their duly appointed agent:



Dr Bruce J Harker



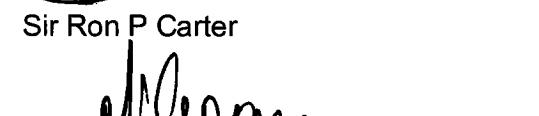
I Samuel Knowles



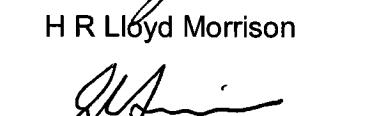
Sir Ron P Carter



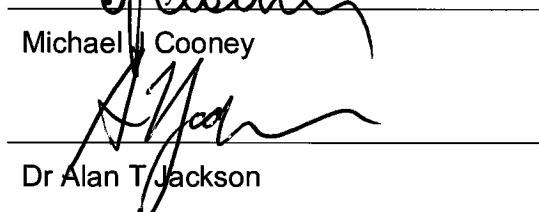
H R Lloyd Morrison



Michael J Cooney



Geoffrey JC Swier



Dr Alan T Jackson

9. INDEX FOR SECURITIES REGULATIONS 1983

SECOND SCHEDULE

For the purposes of Regulation 5(6) of the Securities Regulations 1983, the matters required to be stated or contained in this Prospectus by virtue of the Second Schedule to the Regulations are:

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3	Details of incorporation of Issuer	57
4	Guarantors	57
5	Directorate and advisers	57, 80-81, 89
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10. GLOSSARY

Accrued Interest	means all interest on the Face Value of the Bonds which has accrued and is payable in accordance with the Trust Deed.
Annual Meeting	means the annual meeting of TrustPower.
Auditors	means the auditors for the time being of TrustPower.
Board	means the Directors who number not less than the required quorum acting together as a board of directors.
Bond	means, at any time, an unsecured, subordinated bond created, constituted and issued pursuant to the Trust Deed, and remaining outstanding and not Converted or deemed Converted, or redeemed or deemed redeemed, at that time and includes, for the avoidance of doubt, Perpetual Bonds.
Bond Record Date	means, in relation to a payment due on a Bond, a Friday which is also a Business Day (or if that Friday is not a Business Day, the Business Day immediately preceding such day), not less than seven Business Days before the due date for that payment.
Borrowing Group	means TrustPower as the issuer of the Bonds and does not include any Subsidiary.
Business Day	means a day on which NZX is open for trading.
Class	means a class as defined in section 1 of the Listing Rules.
Companies Act	means the Companies Act 1993.
Commencement of Liquidation	means Commencement of Liquidation as defined in the Trust Deed.
Consolidated Group	means TrustPower and its Subsidiaries.
Constitution	means the constitution of TrustPower, as amended from time to time.
Conversion	means, in relation to a Bond, the redemption of that Bond by the issue of the number of Ordinary Shares derived by application of the relevant conversion rate, and "Convert", "Convertible" and "Converted" shall be construed accordingly.
Conversion Percentage	means, in relation to a Series of Bonds, the conversion percentage for that Series of Bonds as specified in the Series Supplement and Issue Flyer to that Series.
Coupon Payment Date	means, in relation to a Bond, each date for payment of interest on that Bond as specified in the relevant Series

	Supplement and Issue Flyer and any date on which a Bond is redeemed in cash.
Coupon Rate	means, in relation to a Bond, the rate of interest per annum payable on the Face Value of that Bond as specified in, or calculated in accordance with, the relevant Series Supplement and Issue Flyer.
Date of Acceleration	means (in the case of Perpetual Bonds) the maturity date (if any) specified by TrustPower and (in the case of all other Bonds) the earlier maturity date elected by TrustPower, in each case following a two year suspension of interest as described in paragraph 2.13 of this Prospectus.
Director	means, at any time, a director (or alternate director) of TrustPower at that time and "Directors" means, at any time, the directors (including alternates) of TrustPower acting in accordance with the Constitution.
Distribution	means distribution as defined in section 2(1) of the Companies Act.
Dividend	means dividend as defined in section 53 of the Companies Act.
Dollars & "\$"	means New Zealand dollars.
Early Redemption Option	means, in relation to a Series of Bonds, the early redemption and Issue Flyer option as specified in the Series Supplement and Issue Flyer for that Series.
Equity Security	means, in respect of a Security of TrustPower, equity security as defined in section 1 of the Listing Rules.
Extraordinary Resolution	means a resolution passed at a duly convened meeting of the Holders by a majority consisting of not less than 75% of the persons voting at such meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75% of the votes given on such poll.
Face Value	means the face value of each Bond, being \$1.00.
Holder	means, at any time, and in relation to a Bond, each person whose name is entered in the Register as a holder of Bonds at that time.
Interest Period	means, in relation to a Bond, each period for payment of interest on that Bond as specified in the Series Supplement.
Interest Rate	means, in relation to a Bond, the yield per annum payable in respect of that Bond, based on the Issue Price, as specified in the relevant Series Supplement and Issue Flyer.

Investment Statement	means the investment statement relating to Bonds issued under the Programme, as amended, supplemented or replaced from time to time.
Issue Date	means, in relation to a Bond, the date on which it is issued, in terms of the Trust Deed and the relevant Issuer Flyer, and allotted, in terms of the Securities Act, by TrustPower.
Issue Flyer	means each document stated to be an "Issue Flyer" in relation to a Series. There may be more than one Issue Flyer for a Series.
Issue Price	means, in relation to a Bond, the amount payable in respect of that Bond as specified in the relevant Series Supplement and Issue Flyer.
Liquidation Amount	means the Face Value of the Bonds plus all Accrued Interest in respect of the Face Value of the Bonds.
Listing Rules	means the NZSX and NZDX listing rules as amended from time to time.
Maturity Date	means, in relation to a Bond, the earlier of the maturity date (if any) specified in the relevant Series Supplement and Issue Flyer, and the Date of Acceleration (if any).
Minimum Holding	means minimum holding as defined in the Listing Rules.
Minimum Number	means 5,000 Bonds or such other number of Bonds as may constitute a Minimum Holding of Bonds (as that term is defined in the Listing Rules).
NZDX	means the debt security market operated by NZX.
NZSX	means the main board equity security market operated by NZX.
NZX	means the NZX Limited and includes, where applicable, NZSX and NZDX.
Ordinary Shares	means fully paid ordinary voting shares in the capital of TrustPower of the same one class.

Ordinary Share Market Value	<p>means, in relation to an Ordinary Share, on any Maturity Date:</p> <p>(a) if the Ordinary Shares of TrustPower are listed on NZSX on that Maturity Date:</p> <p>(i) the volume weighted average of the prices at which Ordinary Shares were sold through the order matching system of NZSX during the period of 10 consecutive Business Days immediately preceding the fifth Business Day prior to that Maturity Date; or</p> <p>(ii) if no such sale occurred during such 10 Business Day period, the market value of the Ordinary Shares of TrustPower determined on the basis set out in paragraph (b) of this definition; or</p> <p>(b) in the circumstances described in paragraph (a)(ii) of this definition, or if the Ordinary Shares of TrustPower are not listed on NZSX on the Maturity Date, the market value of the Ordinary Shares of TrustPower as determined by an independent adviser appointed pursuant to the Trust Deed.</p>
Perpetual Bond	means a Bond in respect of which no maturity date is specified in the relevant Series Supplement and Issue Flyer.
Programme	means the bond programme pursuant to which TrustPower may issue Bonds from time to time.
Prospectus	means this registered prospectus relating to Bonds issued under the Programme, as amended or supplemented from time to time.
Register	means the register kept by the Registrar in which is entered the name and address of each person who is the Holder of a Bond.
Registered Address	means, in relation to a Holder at any time, the address of that Holder recorded in the Register at that time.
Registrar	means Computershare Investor Services Limited or such other registrar as TrustPower and the Trustee may determine from time to time.
Securities Act	means the Securities Act 1978 (and includes the Securities Regulations 1983).
Security	means a security as defined in section 1 of the Listing Rules.

Senior Creditors	means, in relation to a person, all creditors of that person in relation to indebtedness, other than, in the case of TrustPower, indebtedness:
	<p>(a) owed to Holders pursuant to the Bonds; or</p> <p>(b) which is expressed to be subordinate to the obligations of TrustPower under or in relation to the Bonds, or pari passu with such obligations.</p>
Series	means Bonds that are issued under the same Series Supplement.
Series Supplement	means a written notice from TrustPower to the Trustee substantially in the form of schedule 1 to the Trust Deed specifying the characteristics applicable to a Series of Bonds.
Series Reference	means the unique number or alphanumeric code or name identifying all Bonds within a Series, as specified in the Series Supplement for that Series.
Shareholder	means a person whose name is recorded in TrustPower's share register as a holder of Ordinary Shares.
Shares	means a share (as that term is defined or used in the Companies Act) in TrustPower and includes an Equity Security.
Special Resolution	means a special resolution, as defined in the Companies Act, meaning a resolution approved by a majority of 75% of the votes of those shareholders entitled to vote.
Subsidiary	means a subsidiary, as defined in section 5 of the Companies Act, or an "in-substance" subsidiary, in accordance with any approved financial reporting standard, of TrustPower.
Supplemental Prospectus	means a memorandum of amendments to this Prospectus registered under section 43 of the Securities Act.
Takeovers Code	means the takeover code recorded in Takeovers Code Approval Order 2000.
Trust Deed	means the trust deed between the Trustee and TrustPower dated 26 July 2002 (as amended by a deed of amendment dated 11 September 2008 and as otherwise amended, supplemented or replaced from time to time), relating to Bonds issued under the Programme and, where the Trust Deed is being read in the context of a particular Series, includes the Series Supplement for such Series.

Trustee	means Trustees Executors Limited or such other trustee as may hold office under the Trust Deed from time to time.
TrustPower	means TrustPower Limited.

11. DIRECTORY

<p>Directors:</p> <p>Dr Bruce J Harker (Chairman), Wellington</p> <p>Sir Ron Carter, Auckland</p> <p>Michael J Cooney, Tauranga</p> <p>Dr Alan T Jackson, Auckland</p> <p>I Samuel Knowles, Wellington</p> <p>HR Lloyd Morrison, Wellington</p> <p>Geoffrey JC Swier, Melbourne, Australia</p> <p>The Directors can be contacted c/- the registered office of TrustPower.</p>	<p>Registered Office:</p> <p>TrustPower Building, Truman Road, Te Maunga, Mount Maunganui</p> <p>Telephone: 0800 878787</p> <p>Internet Address http://www.TrustPower.co.nz</p>
<p>Share Registrar:</p> <p>Computershare Investor Services Limited 159 Hurstmere Road Takapuna Telephone: 09 4888700</p>	<p>Auditor:</p> <p>PricewaterhouseCoopers PricewaterhouseCoopers Tower 188 Quay Street Auckland</p>
<p>Solicitors to TrustPower:</p> <p>Minter Ellison Rudd Watts Lumley Centre 88 Shortland Street Auckland</p>	<p>Trustee:</p> <p>Trustees Executors Limited Level 5 Maritime Tower 10 Customhouse Quay PO Box 3222 Wellington</p>
<p>Solicitors to the Trustee:</p> <p>Buddle Findlay State Insurance Tower 1 Willis Street PO Box 2694 Wellington</p>	<p>Originating Broker:</p> <p>ABN AMRO Craigs ABN AMRO Craigs House 158 Cameron Road Tauranga 3110</p>

12. APPENDIX

Terms of issue of Series 15

1. **Maturity Date:** 15 December 2015
2. **Coupon Rate:** 8.40% per annum
3. **Interest Rate:** 8.40% per annum
4. **Issue Price:** \$1.00 per Bond.
5. **Minimum subscription per application:** \$5,000 and thereafter in increments of \$1,000.
6. **Amount to be offered:** Up to \$100 million.
7. **Number and percentage to be reserved:** \$50 million (50%) of the Series 15 Bonds will be reserved until 28 November 2008 for Holders of Series 08 Bonds.
8. **Acceptance:** Subscriptions will be accepted on a first come, first served basis.
9. **Coupon Payment Dates:** 15 March 2009, 15 June 2009, 15 September 2009, 15 December 2009, and each 15 March, 15 June, 15 September and 15 December thereafter until the Maturity Date (if any).
10. **Interest Periods:** The first Interest Period will commence on the Issue Date and end on the next Coupon Payment Date and each subsequent Interest Period will commence on the day following the last Coupon Payment Date and end on the next Coupon Payment Date.
11. **Calculation and payment details of the first and subsequent interest payments:** The interest payment on the first Coupon Payment Date for each Series 15 Bond will ensure that the yield, over the full term of the Bond, on the Issue Price of the Bond reflects the Interest Rate for that Bond. This payment will be made to the initial Holder. The following formula will be used to calculate the amount of this payment:

$$\text{(number of days from receipt of subscription funds to 15 March 2009) / } 365 \times \text{Coupon Rate} \times \text{amount of Bonds held}$$

On Coupon Payment Dates other than the first Coupon Payment Date for each Series 15 Bond, the interest payment will be made to the person registered as the Holder on the relevant Bond Record Date and will reflect the Coupon Rate per annum, the number of days in the Interest Period since the previous Coupon Payment Date and the Face Value of the Bonds.

12. **Offer Period:** The offer of Series 15 Bonds is open until 12 December 2008 or such earlier date that the Issuer may determine.
13. **CP or Conversion Percentage:** 98%
14. **Series Reference:** 15
15. **Underwriting:** The offer of Series 15 Bonds is not underwritten.
16. **Early Redemption Option:** Applicable

The Directors
TrustPower Limited
Truman Road
Te Maunga
MOUNT MAUNGANUI

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland 1142
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001
www.pwc.com/nz

1 November 2008

Dear Directors

TrustPower Limited prospectus dated 1 November 2008

In terms of Regulation 7(1)(b)(ii) of the Securities Regulations 1983, we hereby give consent to the inclusion in your prospectus dated 1 November 2008 of our auditors' report dated 1 November 2008 in the form in which it appears

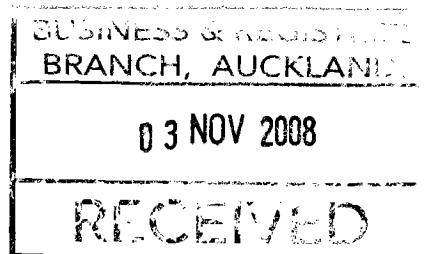
We have not made or purported to have made any statement in the prospectus other than in our auditors' report and we expressly disclaim responsibility for any other statements in the prospectus.

We have not been involved in the preparation of any part of the prospectus other than our auditors' report, and we have not authorised or caused the issue of the prospectus.

Yours faithfully



Chartered Accountants



**AUTHORITY FOR AGENT TO SIGN
PROSPECTUS**

(for office use only)

(pursuant to section 41(b) of the Securities Act 1978)

Company Name

TrustPower Limited

Company Number

604040

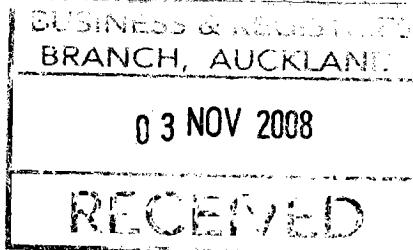
I, **HR Lloyd Morrison**, a director of TrustPower, hereby authorise **Bruce J Harker** for the purpose of section 41(b) of the Securities Act 1978 to sign on my behalf as my agent a prospectus to be dated on or about 1 November 2008 (or any date during the two week period following that date) for an offer of bonds on the terms set out in the Prospectus.

Dated

28 October 2008

Lloyd Morrison

Director of Issuer



Presented by

Minter Ellison Rudd Watts

Account No

Postal Address

PO Box 3798
AUCKLAND
(Attn: A Proffitt)

Telephone

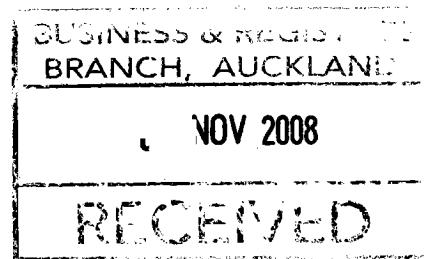
(09) 353 9700

Facsimile

(09) 353 9701

3 November 2008

Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre



Dear Sir,

TrustPower Limited - Prospectus for Offer of Bonds

NZX Limited ("NZX") hereby confirms that in terms of Regulation 23(2) of the Securities Regulations 1983 application has been made to NZX for permission to list the 2015 Bonds offered in the prospectus and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of the prospectus have been duly complied with.

NZX hereby confirms that in terms of Regulation 23(3) of the Securities Regulations 1983 the ordinary shares to be issued on conversion of bonds offered in the prospectus have been accepted for listing and will be quoted upon completion of allotment procedures.

However, NZX accepts no responsibility for any statement in the prospectus.

Yours faithfully



Joshua Steele
Solicitor

Cash Advances Facility Agreement

TrustPower Limited

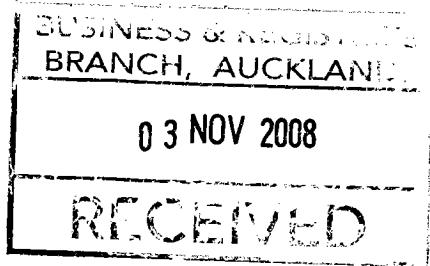
Borrower

and

Commonwealth Bank of Australia, New Zealand branch

Lender

Date 27 July 2007



BELL GULLY

AUCKLAND VERO CENTRE, 48 SHORTLAND STREET
PO BOX 4199, AUCKLAND 11140, DX CP20509, NEW ZEALAND
TEL 64 9 916 8800 FAX 64 9 916 8801

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This Cash Advances Facility Agreement is made on 27 July 2007

between (1) TrustPower Limited (Borrower)

and (2) Commonwealth Bank of Australia, New Zealand branch (Lender)

Introduction

The Lender is willing to make available to the Borrower certain facilities on the terms of this Agreement and the Facility Schedule (CAF).

It is agreed

1. Interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires, terms defined in a Facility Schedule (CAF) have the same meaning and:

Accommodation means financial accommodation provided by the Lender under the Facility;

Accounts means the latest annual audited, or semi-annual unaudited, consolidated financial statements (including a statement of financial position, Statement of Financial Performance and statement of cash flows) of a Group which have been prepared in accordance with NZ GAAP and where the context permits includes the Auditors' certificate;

Advance means an advance (including a Call Advance) made or proposed to be made under the Facility or the principal amount thereof for the time being outstanding (and includes, for the avoidance of doubt, any Tranche A Advance, Tranche B Advance or Tranche C Advance);

Amount Outstanding means, on any date, the aggregate of:

- (a) the Facility Outstandings; and
- (b) any interest (including default interest), costs, expenses and all other moneys owing by the Borrower to the Lender under this Agreement,

as at that date;

Auditors means the person or persons for the time being holding the office of auditor of the Borrower;

Authorisation means:

- (a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency or other competent authority; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a governmental agency or other competent authority intervenes or acts in any way

within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action;

Available Facility means, on any date, the Facility Limit less the Amount Outstanding;

Availability Period means the period starting on the date of satisfaction of the conditions precedent in clause 2.3 and ending on the earlier of:

- (a) the last Termination Date; and
- (b) the date on which the whole of the Facility is cancelled under this Agreement;

Banking Day means any day (other than a Saturday or Sunday) on which banks in Auckland and Wellington are open for the transaction of the business contemplated by this Agreement;

Base Rate means:

- (a) in the case of Advances for Interest Periods of less than one month, the rate per annum (expressed on a percentage yield basis and rounded up to the nearest four decimal places) which is advised by the Lender to the Borrower on or before 9.30am on the proposed Drawdown Date and agreed to by the Borrower, or such other rate as the Lender and the Borrower may agree or, failing agreement, the average bid rate for the purchase of bank accepted bills of exchange having a tenor of, or about, the term of such Interest Period as quoted to the Lender by each Reference Bank at or about 10.00am on the proposed Drawdown Date; or
- (b) in the case of Advances for Interest Periods between one month and six months, the rate per annum (expressed on a percentage yield basis and rounded up to the nearest four decimal places) determined on the first day of the Interest Period to be the average bid rate for bank accepted bills of exchange having a tenor of or about, the term of such Interest Period as displayed at or about 10.45am on page BKBM (or its successor page) of the Reuters Monitor Screen or if no such rate is displayed or if less than three persons are quoting buying rates for bank bills on the Reuters Monitor Screen, the average bid rate quoted at or about 11.00am on that day by such of the Reference Banks as are quoting rates;
- (c) in relation to a Call Advance, the rate the Lender determines on the Drawdown Date and on each successive Drawdown Date for that Call Advance to be its cost of funds for overnight advances;

Call Advance means an Advance, made pursuant to Tranche A, which the Borrower requests be made for an Interest Period of one Banking Day or which the Borrower requests be made "at call" or similar wording;

Consolidated Group is defined in the Negative Pledge Deed;

Contingent Liabilities means liabilities of the Consolidated Group which in accordance with NZ GAAP should be classified as contingent liabilities in the Accounts or in the notes thereto including without limitation contingent liabilities arising from standby letters of credit, performance bonds, bank guarantees or the like entered into by or at the request of the Borrower;

Drawdown Date in relation to an Advance means as the context may require the date on which that Advance is required to be made (as specified in the relevant Drawdown Notice) or is in fact made;

Drawdown Notice means a notice in (or to the effect of) the form in Schedule 2 given in accordance with clause 3.2;

EBITDA means gross revenue for the Consolidated Group in any period (excluding equity accounted gains, extraordinary gains or losses, capital gains or losses and unrealised gains or losses resulting from foreign currency borrowings, financing transactions, Risk Management Products and mark to market adjustment of financial instruments (including electricity hedges) required by NZ GAAP) less all operating expenses for the Group for that period (excluding from operating expenses depreciation, amortisation, Interest Expense, other non-cash charges, and income taxes);

Event of Default means any of the events specified in clause 8 of the Negative Pledge Deed;

Existing Facility Agreement means the cash advances facility agreement dated on or about 31 March 2000 as varied from time to time between the Borrower and the Lender;

Existing Indebtedness means all indebtedness of the Borrower to the Lender as at the date of this Agreement pursuant to the Existing Facility Agreement;

Facility means the cash advance facility, the terms of which are set out in this Agreement;

Facility Limit means \$120,000,000 as the same may be reduced under clause 4.3;

Facility Outstandings means, at any time, the aggregate principal amount of each Advance outstanding as at that time;

Facility Schedule (CAF) means the facility schedule dated the date hereof between the Borrower and the Lender setting out certain commercial terms of the Facility;

Facsimile Indemnity means a facsimile indemnity in the form set out in Schedule 3;

Financial Period means a period of 12 months ending on the last day of September and March in any year;

Group is defined in the Negative Pledge Deed;

Guaranteeing Group is defined in the Negative Pledge Deed;

Indebtedness is defined in the Negative Pledge Deed;

Intangible Assets means assets which according to NZ GAAP should be classified as intangible assets;

Interest Expense means, at any date, any amount equal to all interest and other financing costs incurred in respect of the Consolidated Group, calculated on a consolidated basis in accordance with NZ GAAP, for the 12 months ending on that date, including (without limitation):

- (a) interest paid or payable on the Subordinated Debt;
- (b) the amount of all discounts and similar allowances on the issue or disposal of debt instruments;
- (c) all finance charges under Leases, and hire purchase agreements of a financing nature;
- (d) the amount of all dividends paid or payable (other than dividends the payment of which are solely at the discretion of the Borrower) on Redeemable Shares issued by any member of the Consolidated Group;

- (e) all realised gains and losses resulting from foreign currency borrowings, financing transactions and Risk Management Products; and
- (f) all other expenses and amounts that are required by NZ GAAP to be treated as interest or financing costs,

but not including:

- (g) interest and financing costs on moneys borrowed or raised to acquire, develop or improve fixed assets, to the extent that they have been capitalised in the accounts of the Consolidated Group; or
- (h) any interest the payment of which has been and continues to be suspended; or
- (i) unrealised gains and losses resulting from foreign currency borrowings, financing transactions and Risk Management Products; or
- (j) mark to market adjustment of financial instruments (including electricity hedges) required by NZ GAAP;

Interest Period means each period by reference to which an interest rate applicable to an Advance is determined as provided in clause 5 of this Agreement;

Interest Rate means the aggregate of the Base Rate and the Margin;

Margin means the margin as defined in the Facility Schedule (CAF);

NZ GAAP means generally accepted accounting practice as defined in Section 3 of the Financial Reporting Act 1993;

Negative Pledge Deed means the negative pledge deed dated 28 April 2005 given by the Borrower and certain subsidiaries of the Borrower in favour of certain institutions (as varied from time to time);

Potential Event of Default means any event or circumstance which, with the giving of notice, lapse of time or fulfilment of any other requirement, would constitute an Event of Default;

Redeemable Shares means:

- (a) shares which are redeemable in cash, or by the issue of other redeemable shares, either compulsorily, or at the option of the holder or issuer of such shares; and
- (b) units in any trust which are analogous in nature to the shares referred to in paragraph (a), if that unit trust is a member of a Group, or if a member of a Group is responsible for the redemption of those units;

Reference Banks means ANZ National Bank Limited, Westpac Banking Corporation, Bank of New Zealand and Commonwealth Bank of Australia, New Zealand branch;

Relevant Date is defined in clause 7.2 of this Agreement;

Relevant Facility Document means each facility agreement dated the date hereof between the Borrower and each Reference Bank other than the Lender (as amended from time to time);

Relevant Documents means this Agreement, the Negative Pledge Deed, the Facsimile Indemnity and each other agreement, present or future, required or contemplated by or relating to any of them;

Review Event means the event specified in clause 7.1 of this Agreement;

Risk Management Products is defined in the Negative Pledge Deed;

Senior Interest Expense means Interest Expense of the Consolidated Group but excluding interest on Subordinated Debt;

Shareholders Funds mean Total Tangible Assets less Total Liabilities;

Statement of Financial Position means, in relation to a Group, a consolidated statement of financial position of that Group prepared as at any date in accordance with NZ GAAP;

Subordinated Bonds means the Bonds issued by the Borrower pursuant to a trust deed dated 26 July 2002 between the Borrower and TOWER Trust Limited;

Subordinated Debt means, at any date (the **relevant date**), a liability (whether actual or contingent) which is on a winding up of a member of a Group either to be deferred in point of payment to all other liabilities (not being liabilities which are similarly deferred) whether secured or unsecured, present or future, of that company (**Preferred Liabilities**) or in respect of which any distribution to the creditor on account thereof will be subject to an express trust to account to all of the creditors to whom Preferred Liabilities are owed, and including (without limitation) the Subordinated Bonds;

Termination Date means:

- (a) in the case of Tranche A, 31 July 2008 or such later date as may be determined in accordance with clause 3.1;
- (b) in the case of Tranche B, 31 July 2010 or such later date as may be determined in accordance with clause 3.1; and
- (c) in the case of Tranche C, 31 July 2012 or such later date as may be determined in accordance with clause 3.1,

or if any such date is not a Banking Day then the immediately preceding Banking Day;

Total Liabilities means, at any date, the aggregate amount of all liabilities (but excluding Contingent Liabilities and deferred tax liabilities resulting from asset revaluations) of the Consolidated Group which would be disclosed by a Statement of Financial Position if one were prepared as at that date after deducting the aggregate principal amount outstanding in respect of Subordinated Debt and Redeemable Shares;

Total Tangible Assets means, at any date in relation to the Consolidated Group, the aggregate amount on a consolidated basis of all assets of the Consolidated Group which would be disclosed by a Statement of Financial Position of the Consolidated Group if one was prepared as at that date, including future asset revaluations of generation assets, land and buildings if such revaluations, in addition to complying with NZ GAAP, are conducted by an independent, qualified valuer and excluding Intangible Assets;

Tranche means each tranche of the Facility created pursuant to clause 3;

Tranche A means the Tranche designated as Tranche A;

Tranche A Advance means each Advance designated by the Borrower in a Drawdown Notice as being made pursuant to Tranche A;

Tranche A Limit means \$34,000,000;

Tranche A Outstandings at any time means the aggregate principal amount of each Tranche A Advance outstanding at that time;

Tranche B means the Tranche designated as Tranche B;

Tranche B Advance means each Advance designated by the Borrower in a Drawdown Notice as being made pursuant to Tranche B;

Tranche B Limit means \$43,000,000;

Tranche B Outstandings at any time means the aggregate principal amount of each Tranche B Advance outstanding at that time;

Tranche C means the Tranche designated as Tranche C;

Tranche C Advance means each Advance designated by the Borrower in a Drawdown Notice as being made pursuant to Tranche C;

Tranche C Limit means \$43,000,000; and

Tranche C Outstandings at any time means the aggregate principal amount of each Tranche C Advance outstanding at that time.

1.2 Construction of certain references

In this Agreement, unless the context otherwise requires, a term that is defined in the Negative Pledge Deed has the same meaning herein, and any reference to:

a gender includes each other gender;

the singular includes the plural and vice versa;

any legislation includes a modification and re-enactment of, legislation enacted in substitution for and a regulation, order-in-council and other instrument from time to time issued or made under, that legislation; and

a party to this Agreement or another agreement includes its successors and, in the case of the Lender, its permitted assignees and, in the case of the Borrower, its permitted assignees and transferees.

Headings and the table of contents are to be ignored in construing this Agreement.

1.3 Existing Indebtedness

The Existing Indebtedness as at the first day of the Availability Period will be deemed to be drawn hereunder on that day, as the same number of Advances in the same tranches and each with an interest rate and Interest Period equal to the interest rate and maturity of the equivalent advance under the Existing Indebtedness (unless such Interest Period for such existing advance would extend beyond the Termination Date, in which case the Interest Period will end on the Termination Date). Contemporaneously with the foregoing deeming provision coming into effect, the Existing Facility Agreement will be terminated and any and all obligations and liabilities (whether contingent or vested) of each of the Borrower and the

Lender thereunder will be unconditionally and absolutely discharged (other than any indemnity stated to survive the termination of the Existing Facility Agreement).

2. Facilities

2.1 Facility Limit

Despite any other provision of this Agreement, the Lender need not provide any Accommodation under the Facility where the sum of:

- (a) the Amount Outstanding immediately prior to the proposed Accommodation (less any amount to be repaid on the date of the proposed Accommodation); and
- (b) the amount of the proposed Accommodation,

exceed the Facility Limit.

2.2 Termination

On the relevant Termination Date, the Tranche A Limit, the Tranche B Limit or the Tranche C Limit (as applicable) will be reduced to zero.

2.3 Conditions precedent

The Lender is not obliged to provide the Facility until it has received and found satisfactory the documents specified in Schedule 1.

2.4 Purpose

The Borrower will use the Facility for general corporate and working capital purposes including funding the Group's wind farm investments in Australia.

2.5 Grant of Facility

The Lender agrees to make the Facility available to the Borrower on the terms and subject to the conditions of this Agreement.

3. Cash Advance Facility

3.1 Term

(a) Review

If requested by the Borrower at least 40 Banking Days before the then relevant Termination Date of any Tranche (the **Relevant Date**), the Lender will conduct a review of the Facility (or any Tranche) on or before the then Relevant Date of that Tranche. The Lender may at its discretion on or following any such review elect to extend the Termination Date in relation to each Tranche referred to in the Borrower's request for a 12 month period with effect from the then Termination Date of each Tranche. The Lender will respond in writing to a request at least 20 Banking Days before the then Relevant Date, advising whether it accepts or rejects the request. If the Lender rejects the request (or fails to respond), then, on the then Termination Date of each relevant Tranche:

- (i) the Tranche A Limit, Tranche B Limit or Tranche C Limit (as applicable) will be cancelled at which time the Tranche A Limit, Tranche B Limit or Tranche C Limit (as applicable) will reduce to zero; and/or
- (ii) to the extent that any indebtedness of the Borrower to the Lender under the relevant Tranche does not fall due for payment earlier, that indebtedness will be due and payable on the then Termination Date of the relevant Tranche.

(b) Extension

If the Lender has agreed to extend the Termination Date in accordance with clause 3.1(a) above then on the then Termination Date of the relevant Tranche the term of the relevant Tranche and the Termination Date applicable to that Tranche shall be extended for a further period of 365 days (or, if the new Termination Date is not a Banking Day, a date agreed by the Borrower and the Lender (or, failing agreement, the next succeeding Banking Day) and all of the provisions of clause 3.1(a) will apply to the extended Tranche.

3.2 Availability

The Lender will make an Advance available on any Banking Day nominated by the Borrower during the Availability Period if:

(a) Drawdown Notice or Request

the Borrower has provided to the Lender a Drawdown Notice (in the case of an Advance other than a Call Advance) or has advised the Lender by telephone (in the case of a Call Advance) no later than 10.00am on the proposed Drawdown Date for the proposed Advance, unless the Advance is for a principal amount of \$10,000,000 or more in which case such Drawdown Notice or telephone request must be made no later than 11.30am one Banking Day prior to the proposed Drawdown Date for the proposed Advance or as otherwise agreed by the Lender, and in each such case the Drawdown Notice or telephone request (as appropriate) is to be irrevocable and is:

- (i) to specify the proposed Drawdown Date;
- (ii) to specify whether the Advance is a Tranche A Advance, a Tranche B Advance or a Tranche C Advance;
- (iii) to specify the amount of the Advance which must be not less than \$100,000 (in the case of a Tranche A Advance) or \$1,000,000 (in the case of a Tranche B Advance or a Tranche C Advance) or such other amount as may be agreed between the Borrower and the Lender;
- (iv) to specify the bank and account to which the Borrower wishes the Advance disbursed;
- (v) either to specify the term of the Advance (which, for any Tranche, may be for an Interest Period of one, two, three or six months (and, in relation to a Tranche A Advance only, may also be for an Interest Period of between 1 and 29 days) or such other period as the Lender and the Borrower otherwise agree, and which must not, without the consent of the Lender, exceed the relevant Termination Date) and is to specify the last day of the first Interest Period of the Advance or to specify, in the case of a Tranche A Advance, that the Advance is to be a Call Advance.

In the case of an Advance in respect of which the Borrower makes a telephone request, the Borrower will send a Drawdown Notice confirming the telephone request no later than the close of business on the Drawdown Date.

(b) Available Facility

- (i) the amount of the Advance together with the Facility Outstandings will not exceed the Facility Limit on the relevant Drawdown Date less the amount, if any, to be repaid on the proposed Drawdown Date;
- (ii) in the case of a Tranche A Advance the amount of the Tranche A Advance together with the Tranche A Outstandings will not exceed the Tranche A Limit less the amount, if any, to be repaid on the proposed Drawdown Date;
- (iii) in the case of a Tranche B Advance the amount of the Tranche B Advance together with the Tranche B Outstandings will not exceed the Tranche B Limit less the amount, if any, to be repaid on the proposed Drawdown Date;
- (iv) in the case of a Tranche C Advance the amount of the Tranche C Advance together with the Tranche C Outstandings will not exceed the Tranche C Limit less the amount, if any, to be repaid on the proposed Drawdown Date.

(c) No Event of Default or Potential Event of Default

no Event of Default has occurred and is continuing or will occur as a result of the making of the Advance and, in respect of an Advance the making of which would lead to an increase in the Facility Outstandings, no Potential Event of Default has occurred and is continuing;

(d) Representations and Warranties

the representations and warranties made in or in connection with the Relevant Documents are true, accurate and complied with in all material respects on the Drawdown Date as if repeated on that date by reference to the facts and circumstances then existing,

provided that if any of the above conditions have not been satisfied on the proposed Drawdown Date the Lender may:

(e) Decline

decline the requested drawdown of the Advance; or

(f) Deposit

at the request of the Borrower (but at the Lender's discretion), make the requested Advance but withhold its disbursement and place the Advance to the credit of a blocked interest-bearing call-deposit account in the name of the Borrower with the Lender until the conditions set out above have been satisfied; or

(g) Advance on Conditions

make the requested Advance and waive any of the above conditions for any period and on any terms specified by the Lender and accepted by the Borrower (non-compliance with which will be deemed to be an Event of Default).

3.3 Roll Over of Advances

If the Borrower has given the Lender a Drawdown Notice that does not specify the term of an Advance and specifies that the Advance will be a Call Advance then:

(a) Deemed Call Advance

the Drawdown Notice shall be deemed to have requested a Call Advance with a term and an Interest Period of one Banking Day, and subsequent successive Call Advances each with a term and an Interest Period of one Banking Day, on a rolling basis;

(b) No Drawdown Notice

the Borrower shall not be required to issue a further Drawdown Notice to the Lender for each such subsequent Call Advance;

(c) Reapplication

the Lender will automatically apply each such subsequent Call Advance in repaying the previous Call Advance; and

(d) Termination

the rolling nature of the Call Advances requested pursuant to this clause 3.3 shall continue until the Borrower gives the Lender one Banking Day's notice of its desire to revert to the procedure for requesting Advances contained in clause 3.2;

provided, for the avoidance of doubt, that the Borrower may not request a Call Advance nor may a deemed Call Advance be made if to do so would cause there to be a breach of clause 3.2(b)(i) or (ii) in relation to that Call Advance.

3.4 Automatic Roll Over

If, in respect of any Advance (**Existing Advance**), the Lender has not received a Drawdown Notice from the Borrower (by the latest time required for giving such Drawdown Notice) funding the effective roll over of that Existing Advance as a new Advance for a new Interest Period then:

(a) Deemed Advance

the Borrower will be deemed to have requested and drawn down a new Advance in an amount equal to the Existing Advance;

(b) Term

the term and the Interest Period applicable to that new Advance will be the same as for the Existing Advance (unless that would result in the Interest Period extending beyond the Termination Date in which case the Interest Period shall end on the Termination Date);

(c) Representations

the Borrower will be deemed to have confirmed the matters in clause 3.2(c) and clause 3.2(d) on the deemed date of drawdown of that new Advance; and

(d) Otherwise on Advance

in all other respects that new Advance will be treated as an Advance.

3.5 Application on Drawdown

So long as no Event of Default is continuing, all or part of an Advance made under any Tranche will be applied by the Lender in or towards repayment of all or part of an Advance made under the same Tranche to be repaid on that Drawdown Date, so that only the net amount is payable on that day. Nothing in this sub-clause is to affect the obligation of the Borrower to make timely repayment of an Advance in full.

3.6 Division

The Facility is to be divided into three (3) Tranches, being Tranche A, Tranche B and Tranche C.

3.7 Telephone Communications**(a) Validity of instructions**

The Lender will be under no obligation to enquire as to the validity of any telephone instructions or acceptance which it receives or to require any evidence as to the authenticity, validity or legality of any telephone advice received or as to the authority of the person giving the telephone advice to act on behalf of the Borrower.

(b) Authority to tape calls

The Borrower acknowledges that the Lender may from time to time keep tape recordings of telephone conversations between the Lender, the Borrower and the Authorised Dealers and consents on behalf of itself and the Authorised Dealers to the recording of these telephone conversations. The Borrower must ensure that all Authorised Dealers are aware that their conversations with the Lender may be taped.

In this clause, **Authorised Dealer** means any dealer of the Borrower advised by the Borrower to the Lender as being entitled to make a telephone request for an Advance.

4. Repayment and prepayment**4.1 Facility**

The Borrower will repay to the Lender each Advance (together with all accrued interest on that Advance) on the last day of its Interest Period. Any amounts repaid shall be available for redrawing provided that on the relevant Termination Date all outstanding Advances made under the Tranche or Facility in respect of which the Termination Date relates will be repaid in full together with all accrued interest.

4.2 Prepayment

The Borrower may repay the Facility Outstandings (or any part thereof being a multiple of \$1,000,000) at any time, upon giving the Lender not less than 5 Banking Days' prior written notice of its intention to do so. That notice will be irrevocable and will bind the Borrower to make the prepayment concerned together (subject to clause 14.7) with any amount due under clause 11.1 (but without any other penalty).

4.3 Optional cancellation of Facility

The Borrower may, at any time, cancel all or any part of the undrawn amount of the Facility by giving the Lender not less than 5 Banking Days' prior written notice of its intention to cancel specifying the date of the proposed cancellation, the amount to be cancelled and whether any cancellation applies to Tranche A, Tranche B, or Tranche C. On the specified cancellation date the Facility Limit, the Tranche A Limit, the Tranche B Limit, the Tranche C Limit (as applicable) shall be reduced by the amount cancelled.

4.4 Effects of repayment and cancellation

Any Advance prepaid will be available for re-borrowing. Any amount cancelled cannot be reinstated.

5. Interest

5.1 Interest

The Borrower will pay interest on each Advance under the Facility at the relevant Interest Rate. Such interest shall accrue on a daily basis calculated on each outstanding Advance and shall be payable in arrears:

- (a) in the case of an Advance with an Interest Period greater than three months, on the date three months after the first day of that Interest Period and each date falling at three monthly intervals thereafter or such other period as agreed in writing by the Lender and the Borrower; or
- (b) in the case of a Call Advance the rolling nature of which has not been terminated in accordance with clause 3.3(d), on the last day of each month while that Call Advance remains outstanding and on the date of termination of the rolling nature of that Call Advance under clause 3.3(d); and
- (c) in all cases, on the last day of each Interest Period relevant to that Advance.

The Lender is to notify the Borrower of each determination of the Interest Rate and of each amount of interest payable under this clause (but failure to so notify will not relieve the Borrower of its obligations).

5.2 Interest Periods

The Interest Period or Interest Periods applicable to each Advance will start on the Drawdown Date for that Advance and each subsequent Interest Period for such Advance will start on the last day of the previous one. For the avoidance of doubt no interest will be payable on an Advance in respect of the last day of an Interest Period where a subsequent Interest Period in respect of that Advance commences on the same day. Unless the Borrower otherwise notifies the Lender in writing each Interest Period for an Advance shall be of the same duration. The Borrower may nominate the length of each successive Interest Period after the first Interest Period for that Advance by providing written notice to the Lender not less than two Banking Days' prior to the end of the then current Interest Period. In all cases:

- (a) if an Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period is to be extended to end on the next Banking Day; and
- (b) no Interest Period may extend beyond the Termination Date for the Tranche to which that Termination Date relates;

and, if (a) applies, the following Interest Period is to end on the day on which it would have ended if the previous Interest Period had not been extended or shortened.

5.3 Consolidation

If two or more Advances (within the same Tranche) have Interest Periods ending on the same date, any notice under clause 5.2 may direct that, on that date, such of those Advances as are specified in that notice shall be consolidated into a single Advance.

6. Representations, warranties and undertaking

6.1 Representations and warranties of Borrower

The Borrower represents and warrants to the Lender that:

(a) Status

it is a company duly incorporated and existing under the laws of New Zealand;

(b) Powers

it has the power to enter into, exercise its rights and perform and comply with its obligations under, the Relevant Documents;

(c) Authorisations and Consents

everything required to be done (including the obtaining of any necessary consents and the passing of all necessary resolutions) to:

- (i) enable it lawfully to enter into, exercise its rights and perform and comply with its obligations under, the Relevant Documents;
- (ii) ensure that those obligations are legal, valid, binding and enforceable; and
- (iii) make the Relevant Documents admissible in evidence in the courts of New Zealand,

has been duly done or, on the first Drawdown Date, will have been duly done;

(d) Non-Contravention

its entry into, and the exercise of its rights and performance of and compliance with its obligations under, the Relevant Documents do not and will not:

- (i) contravene any law to which it is subject; or
- (ii) contravene any of the documents constituting it; or
- (iii) exceed any limitation on, or constitute an abuse of, the powers of its directors or officers; or
- (iv) contravene any agreement to which it is a party or which is binding on its assets; or

(v) result in the creation of, or oblige it (absolutely or contingently) to create or permit to exist, any security interest over or affecting its assets;

(e) Obligations Binding

its obligations under the Relevant Documents are legal, valid, binding and enforceable (subject to laws relating to creditors' rights generally and to the application of equitable principles);

(f) No Default

except as notified to the Lender in writing no Event of Default has occurred and remains unremedied, or will result from the execution and delivery of this Agreement;

(g) Solvency

it satisfies the solvency test (as defined in Section 4 of the Companies Act 1993); and

(h) Relevant Documents

each of the representations and warranties in the Relevant Documents is true, accurate and complied with by reference to the facts and circumstances then existing.

6.2 Representations and warranties continuing

Each of the representations and warranties in this clause (other than the representation and warranty in clause 6.1(g) above) will be deemed to be repeated on the last day of each Interest Period by reference to the facts and circumstances then existing, except that each reference to financial statements shall be construed as a reference to the latest available financial statements of the relevant person.

6.3 Reliance on representations

The Borrower acknowledges that the Lender has agreed to enter into this Agreement and to make the Facility available in reliance on the representations and warranties in clause 6.1 and those contained in the Negative Pledge Deed.

6.4 Undertaking

The Borrower undertakes that it will not, and will procure that no member of the Guaranteee Group will, at any time while any Indebtedness remains outstanding to the Lender:

(a) Loans

lend any money to, or give any guarantee in respect of, any person who is not a member of the Guaranteee Group except to the extent that:

- (i) the principal or maximum amount of that loan or guarantee when aggregated with the amount of all such other loans to, and guarantees of, such persons undertaken by any member of the Guaranteee Group and outstanding at the relevant time does not exceed 5.0% of Total Tangible Assets of the Consolidated Group; and
- (ii) such loans or guarantees are on an arm's length basis and on commercial terms,

or the Lender gives its prior written consent;

(b) Pay Interest on Subordinated Debt

pay interest on Subordinated Debt if an Event of Default or Potential Event of Default has occurred and is continuing or would occur as a result of that payment;

(c) Redeem Subordinated Debt

redeem for cash or repay any Subordinated Debt if an Event of Default, Potential Event of Default or Review Event has occurred and is continuing or would occur as a result of that payment or redemption.

For the avoidance of doubt, the Lender acknowledges that any indemnity given by the Borrower to the Lender (or to any other lender which is a party to or otherwise entitled to the benefit of the Negative Pledge Deed (in this clause, a **Bank**) to indemnify the Lender or the Bank (as the case may be) in respect of any amount which may be or become payable by the Lender or the Bank (as the case may be) under any performance bond, letter of credit or other similar financial accommodation given by the Lender or the Bank (as the case may be) at the request of and in respect of the Borrower in favour of a trade creditor to guarantee the performance of obligations of the Borrower to the trade creditor does not comprise a (and shall not be construed as falling within the term) **guarantee** in clause 6.4(a) above.

6.5 Inspection

The Borrower will permit the Lender or any authorised officer of the Lender, upon reasonable notice and at reasonable intervals during normal business hours, to inspect its and each member of the Consolidated Group's premises and records (except where such records are of a confidential nature).

6.6 Carry on business

To the extent that the Borrower engages in electricity trading activities it will only do so in the ordinary course of its business.

6.7 Financial ratios

The Borrower undertakes that while any Indebtedness is owing it will ensure that (unless the Lender agrees otherwise):

(a) Aggregate Shareholder Funds

Shareholder Funds will at no time be less than \$700,000,000;

(b) Gearing

Shareholder Funds will at no time be less than 50% of Total Tangible Assets;

(c) EBITDA/Senior Interest Expense

EBITDA will not, on each Reporting Date, be less than 3.0 times Senior Interest Expense;

(d) EBITDA/Interest Expense

EBITDA will not, on any Reporting Date, be less than 2.25 times Interest Expense;

(e) Gearing (Contingencies)

Shareholder Funds less Contingent Liabilities will at no time be less than 35 per cent of Total Tangible Assets.

In calculating this ratio the parties agree that if on any date (hereafter in this clause the Reference Date) the face value of any letter of credit, performance bond or bank guarantee is used to calculate the Borrower's contingent liabilities, the amount actually owing on the Reference Date to the underlying creditor in whose favour the letter of credit, performance bond or bank guarantee was given, shall be deducted from the Borrower's Total Liabilities so as to avoid any double counting of the liability to the underlying creditor and the contingent liability in relation to the letters of credit, performance bond or bank guarantee given in respect of the underlying creditor's debt. By way of illustration, if on any Reference Date the Borrower owed \$40 million to M.Co (the underlying creditor) and had received letters of credit to a face value of \$60 million to guarantee payment to M.Co, a contingent liability of \$60 million would be recognized but in calculating Total Liabilities of the Borrower the amount of \$40 million owed to the underlying creditor M.Co would be deducted therefrom so as not to double count the \$40 million owed to M.Co and the \$60 million letters of credit given in respect of that debt.

For the purposes of clauses 6.7(c) and (d) the expression **Reporting Date** will mean, in relation to each Financial Period, the last day of that Financial Period and the ratios in each case will be calculated in respect of the Financial Period ending on that Reporting Date.

6.8 Reporting

The Borrower undertakes that while any Indebtedness is owing it will furnish, or cause to be furnished or made available to the Lender as soon as practicable (and in any event within 45 days of the end of the relevant Financial Period), a certificate signed by one director of the Borrower as to compliance with the covenants contained in clause 6.7 for that Financial Period. The Borrower further undertakes that it will report to the Lender in writing of any material changes to its electricity hedging policy, within 30 days of any such change taking effect.

7. Review event**7.1 Review Event**

It shall constitute a Review Event if the Borrower shall at any time cease to be listed on the New Zealand Stock Exchange.

7.2 Consequences

The Borrower will promptly upon becoming aware of the event in clause 7.1 notify the Lender in writing and will within a 60 day period after the date on which the Borrower becomes aware of the event specified in clause 7.1 (for this purpose the "Relevant Date"), provide the Lender with such evidence as the Lender may reasonably require that the de-listing will not give rise to a material adverse effect on the Consolidated Group or a proposal for the basis upon which the Facility can be continued.

7.3 Exercise of rights

If upon expiry of 60 days from the Relevant Date the Lender:

- (a) is not reasonably satisfied that the de-listing will not cause a material adverse effect on the Lender; or

(b) has not agreed with the Borrower the basis upon which the Facility will be continued (including any increase in fees or margins),

then, provided that the Review Event is continuing and has not been waived or remedied to the satisfaction of the Lender, the Lender may, by notice in writing, declare the Amount Outstanding due and payable not earlier than the date 60 days after the date of the notice (the **Early Termination Date**), provided that, for the avoidance of doubt, repayment pursuant to this clause shall not constitute an Event of Default unless the Borrower fails to repay the Amount Outstanding in accordance with this clause.

7.4 No obligation to advance

At any time while the Review Event has occurred and is continuing the Lender will not be obliged to allow an Advance if:

- (a) the Interest Period of such Advance would extend beyond the Early Termination Date; or
- (b) the Facility Outstandings, after the making of that Advance, would exceed the Facility Outstandings on the Relevant Date.

8. Events of Default

If, at any time and for any reason, whether or not within the control of a party an Event of Default occurs and is continuing then the Lender may by notice to the Borrower:

- (a) cancel the Facility; and
- (b) declare all or any part of the Amount Outstanding and any or all other indebtedness of the Borrower under the Relevant Documents to be, and the Amount Outstanding or that indebtedness will be, due and payable either immediately or upon demand or at a later date as the Lender may specify. (In the case of a Risk Management Product under which both parties to it have future indebtedness outstanding, this will operate to terminate the relevant contract in accordance with the express terms of its early termination provisions or, in the absence of any such provisions, by closing out the relevant contract by reference to its then net present value on a full two-way basis.)

9. Fees

9.1 Fee

A fee is payable by the Borrower to the Lender upon acceptance of the Facility as specified in the Facility Schedule (CAF).

9.2 Line fee

A line fee will be payable by the Borrower to the Lender quarterly in advance as from the date of this Agreement in accordance with the terms of the Facility Schedule (CAF). The fee will be payable during the period from the date of this Agreement and shall be calculated on a daily basis and on a year of 365 days.

10. Change in circumstances

10.1 Illegality

If, at any time, the Lender reasonably determines that it is or may be or will become unlawful, or contrary to any law, treaty or directive of any agency of state or other regulatory authority to make, fund or allow to remain outstanding all or part of any Advance, to charge or receive interest at any applicable rate or to comply with any of its obligations or exercise any of its rights under any Relevant Document, then, upon the Lender notifying the Borrower accordingly:

- (a) to the extent that no Accommodation is outstanding the Facility Limit will be cancelled; and
- (b) to the extent that any Accommodation has been made available, the Borrower will repay or cause to be repaid each Advance and any other indebtedness of the Borrower to the Lender under each Relevant Document to the extent that the Lender reasonably determines that such is necessary to avoid the illegality or breach, together with any amount due under clause 11.1 (but otherwise without penalty). Any such repayment may not, however, be required to be made any earlier than the last day necessary so as to avoid the relevant illegality or breach. The Facility shall be cancelled to the extent of any such repayment.

10.2 Increased costs

If, as a result of:

- (a) the introduction of, or a change in, a law, treaty or directive of an agency of state or other regulatory, monetary or accounting authority or in its interpretation by the agency or authority charged with its administration or by a court of competent jurisdiction; or
- (b) compliance by the Lender with a directive of an agency of state or other regulatory, monetary or accounting authority,

the Lender determines that:

- (c) the cost to the Lender of making, funding or maintaining the Facility or any other amount under a Relevant Document, or all or any of the amounts comprised in a class of advances or liabilities formed by or including the Facility, or any other amount is increased; or
- (d) any amount payable to the Lender or the effective return to the Lender under a Relevant Document is reduced; or
- (e) there is a reduction in the Lender's effective rate of return on its overall capital which, in its view, is attributable to either of paragraphs (a) or (b) applying in relation to its obligations under this Agreement or a Relevant Document or to any class of obligations of which they form part; or
- (f) the Lender must make any payment or forego any interest or other return on or calculated by reference to any sum received or receivable by it from the Borrower under a Relevant Document in an amount which the Lender considers material,

then, and in each case, the Lender will notify the Borrower accordingly and the Borrower and the Lender shall thereafter for a period of 30 days from the date of notice from the Lender negotiate in good faith to agree an alternative funding arrangement with the intention of minimising or eliminating any additional payment required hereunder provided that if no

agreement on terms satisfactory to the Lender is reached within such 30 days then, upon demand from time to time by the Lender, the Borrower will pay to the Lender the amount certified by the Lender to be necessary to compensate it for that increased cost, reduction, payment or foregone interest or other return (or that portion of it as in the Lender's opinion is attributable to the Facility or any Advance or other Accommodation or the Lender's obligations under this Agreement or a Relevant Document). At the request of the Borrower this certificate is to provide reasonable details of the composition of this amount.

10.3 Minimisation

If the Lender has acted in good faith, an amount certified under clause 10.2 will be payable regardless of whether an increased cost, reduction, payment or foregone interest or other return referred to in that clause could have been avoided.

10.4 Survival of obligations

The obligations of the Borrower under clause 10.2 are to survive termination of the Facility and payment of all other indebtedness due under any Relevant Document.

10.5 Impossibility

The Lender will not be liable for any failure to perform or comply with its obligations under this Agreement resulting directly or indirectly from the action or inaction of a governmental or local authority, strike, labour disturbance (whether of its employees, officers or otherwise) or other cause which is beyond its control.

11. Indemnity

11.1 General indemnity

The Borrower will on demand indemnify and hold the Lender harmless against each cost, loss (but excluding loss of profit or margin), expense (including all reasonable legal expenses on a solicitor and own client basis and taxes) and liability sustained or incurred by the Lender as a result of:

- (a) the occurrence or continuation of an Event of Default or the Borrower not complying with any obligation expressed to be assumed by it in a Relevant Document;
- (b) an amount payable by the Borrower to the Lender under this Agreement not being paid when due, whether by prepayment, acceleration or otherwise (but, so far as appropriate, credit is to be given for amounts, if any, of default interest paid);
- (c) any repayment of indebtedness being made by the Borrower other than on the due date of such payment (whether or not that repayment is permitted by this Agreement);
- (d) any requested Advance not being drawn down on the requested Drawdown Date; or
- (e) any payment being made by the Borrower to the Lender in a currency other than the currency in which the Advance was made to the Borrower,

by payment to the Lender of the amount and in the currency the Lender certifies (giving in the certificate reasonable details) is required to compensate it for that cost, loss, expense or other liability, including each cost and loss incurred in liquidating or re-employing deposits or other funds acquired.

11.2 Indemnity irrevocable

The above indemnity is unconditional and irrevocable, is to survive termination of the Facility and payment of all other indebtedness due under any Relevant Document and is not to be discharged or impaired by any act, omission, matter or thing that might discharge or impair it but for this sub-clause.

12. Set-off and deposits

12.1 Set-off

The Borrower authorises the Lender at any time after the occurrence of an Event of Default to apply (without prior notice or demand) any credit balance of the Borrower on any account in any currency and at any of the Lender's offices in or towards satisfaction of any indebtedness then due to the Lender under a Relevant Document and unpaid. If at any time an amount is contingently due or an amount due is not quantified, the Lender may retain and withhold repayment of any such credit balance and the payment of interest or other moneys pending that amount becoming due or being quantified and may set off the maximum liability which may at any time be or become owing to the Lender by the Borrower (or partly the one and partly the other) and in each case without prior notice or demand. The Lender:

- (a) may break any term deposit to effect that application; and
- (b) need not exercise its rights under this sub-clause, which are without prejudice and in addition to the rights of the Lender under the Relevant Documents and any other right of set-off, combination of accounts, lien or other right to which it is at any time entitled (by law or contract).

12.2 Contractual rights

The Lender's rights under this clause are contractual rights affecting the terms upon which a credit balance is held and the creation of those rights does not constitute the creation of a security interest in that credit balance.

13. Default interest

If the Lender does not receive, when due, an amount payable to it under this Agreement then, without prejudice to any other right exercisable by the Lender, the Borrower is to pay interest on that overdue amount (including interest payable under this clause) calculated from its due date to the date of its receipt by the Lender (after as well as before judgment) compounded at not less than 30 day intervals and payable at intervals selected by the Lender at its discretion. This obligation to pay default interest is to arise without the need for a notice or demand. The rate of default interest is 2% above the relevant Interest Rate applicable to such overdue amount.

14. Payments and taxes

14.1 All payments on Banking Days

Where a payment to be made under this Agreement is due on a day which is not a Banking Day the due date will be the next Banking Day.

14.2 Mode of payments

Each payment to the Lender under this Agreement is to be made by 2.00pm on the due date in immediately available freely transferable funds in the manner and to the account at the bank which the Lender, by notice to the Borrower, specifies from time to time.

14.3 Payments to be free and clear

Each payment by the Borrower to the Lender under this Agreement is to be made:

- (a) free of any restriction or condition; and
- (b) free and clear of and (except to the extent required by law) without any deduction or withholding for or on account of tax or on any other account, whether by way of set-off, counterclaim or otherwise.

14.4 Reinstatement

If a payment made by the Borrower to the Lender pursuant to a Relevant Document is avoided by law:

- (a) that payment will be deemed not to have discharged or affected the obligation of the Borrower in respect of which that payment was made or received; and
- (b) the Lender and the Borrower will be deemed to be restored to the position in which each would have been, and shall be entitled to exercise all the rights which each would have had, if that payment had not been made.

14.5 Taxes on payments

- (a) If the Borrower or any person on its behalf is required by law to make a deduction or withholding for or on account of tax or on another account, whether by way of set-off or otherwise, from an amount payable by the Borrower under this Agreement, the amount in respect of which that deduction or withholding is required to be made is to be increased to the extent necessary to ensure that, after any deduction or withholding is made the Lender actually receives and retains on the due date (free from any liability in respect of any deduction or withholding and ignoring any amount which the Lender is deemed to have received by reason of any legislation) a net amount equal to the amount which it would have received and so retained had no deduction or withholding been required to be made.
- (b) If the Lender or a person on its behalf is required by law to make a deduction or withholding from, or a payment on or calculated by reference to, an amount received or receivable under this Agreement (excluding tax on its overall net income), then, without prejudice to paragraph (a), the Borrower will pay to the Lender on demand an amount equal to the amount of that deduction, withholding or payment, together with any interest, penalties and expenses payable in connection with it. The Borrower will only be liable for interest penalties relating to a late deduction, withholding or payment if this results from a default by the Borrower.

14.6 Tax credit

If the Borrower makes any increased payment to or for the account of the Lender pursuant to the provisions of clause 14.5 and the Lender is entitled to seek or obtain any tax credit, tax refund or other similar tax benefit arising out of or in connection with the relevant deduction, withholding or payment, then the Borrower will promptly notify the Lender of all details (including the amount and date of payment or withholding) in relation to that withholding or payment and the Lender will pay only the minimum necessary amount and will promptly (to the extent that it can do so without affecting its right as against the relevant governmental agency to retain such tax credit, tax refund or other similar tax benefit) take all necessary steps (at the Borrower's reasonable expense) to seek and obtain such tax credit, tax refund or other similar tax benefit and upon receipt of the same it will promptly reimburse the Borrower in an amount equal to such tax credit, tax refund or other similar tax benefit (less any expenses incurred in so obtaining it) as is reasonably determined by the Lender as being referable to such deduction, withholding or payment as aforesaid. Notwithstanding the foregoing nothing in this clause shall interfere with the Lender's right to arrange its taxation affairs in whatever manner it deems fit and, in particular, the Lender shall not be under any obligation to claim relief from any tax liability in respect of any deduction, withholding or payment in priority to any other reliefs, claims, credits or deductions available to it.

14.7 Resident withholding tax

The Lender:

- (a) represents and warrants to the Borrower that it holds a valid certificate of exemption (certificate of exemption) issued pursuant to section NF.9 of the Income Tax Act 1994; and
- (b) undertakes to notify the Borrower immediately it ceases to hold or ceases to be entitled to hold a certificate of exemption.

Notwithstanding any other term hereof the Borrower shall not be liable for any additional payment to the Lender under clause 14.5 if the Lender has failed to comply with this clause 14.7.

If, by reason of a breach by the Lender of its obligations under this clause 14.7, the Borrower elects to prepay all amounts owed to the Lender the Borrower shall have no liability to pay to the Lender any amount otherwise due under clause 11.

15. Calculations and evidence

15.1 Loan accounts

The entries made in the accounts maintained by the Lender are (in the absence of manifest error) to be *prima facie* evidence of the existence and amounts of the obligations of the Borrower recorded in them.

15.2 Certificates *prima facie*

A certificate by the Lender of an interest rate or amount payable under this Agreement is (in the absence of manifest error) to be *prima facie* evidence for all purposes including for any proceedings.

16. Assignment

16.1 Benefit and burden of this Agreement

This Agreement is binding on and will enure for the benefit of the parties and their respective successors and, in the case of the Lender, its assignees and, in the case of the Borrower, its permitted assignees or transferees.

16.2 The Lender

(a) General assignment

The Lender may assign all or part of its rights or obligations under this Agreement with the consent of the Borrower (not to be unreasonably withheld or delayed), such assignment to be in minimum amounts of \$15,000,000 and in multiples of \$5,000,000. Each assignee is to have the same rights against the Borrower under this Agreement (or a proportion of those rights if it is the assignee or transferee of part only) as if named in this Agreement as the Lender.

(b) Assignment for purpose of securitisation

Without prejudice to clause 16.2(a), the Lender may with the prior written consent of the Borrower (to be given in the Borrower's discretion) assign, transfer or sub-participate all or any of its rights or obligations under this Agreement to a person which is established for the purpose of securitising the Facility.

16.3 No additional obligation

The Borrower shall not be under any greater obligation immediately following an assignment of the rights and obligations of the Lender or a change in the Lender's facility office than it would have been had no assignment or change taken place (unless that assignment or transfer or change in facility office has been made at the request of the Borrower).

16.4 No additional tax

Notwithstanding anything to the contrary in this Agreement if (other than at the request of the Borrower) the Lender assigns all or part of its rights under this Agreement or transfers all or part of its rights and obligations under this Agreement or changes its facility office, the Borrower shall not be required to pay any net increase in the amount of costs, taxes, fees, charges or other amounts payable under this Agreement which is a direct consequence of the assignment or change in facility office.

16.5 The Borrower

The Borrower may not assign or transfer all or part of its rights or obligations under this Agreement without the prior written consent of the Lender.

17. Notices

17.1 Addresses and references

Each notice or other communication under this Agreement is to be made in writing and sent by facsimile, personal delivery or by post to the addressee at the facsimile number or address, and marked for the attention of the person or office holder (if any), from time to time designated for the purpose by the addressee to the other party. The initial facsimile number, address and relevant person or office holder of the Borrower and the Lender is set out under its name at the end of this Agreement.

17.2 Deemed delivery

No communication will be effective until received. Communications however, will be deemed to be received:

- (a) in the case of a letter, on the third Banking Day after posting; and
- (b) in the case of a facsimile, on receipt by the sender of a transmission report evidencing transmission of the communication in its entirety; provided that if any such communication in respect of which a transmission report has been received was despatched after 5.00pm (in the place of receipt) on a Banking Day or on a non-Banking Day, the date of receipt will be deemed to be the next Banking Day after the date of despatch.

18. Remedies and waivers

18.1 Exercise of rights and waivers

Time is of the essence in respect of all dates and times for performance by the Borrower of its obligations under this Agreement. No failure to exercise, and no delay in exercising, a right of the Lender under this Agreement will operate as a waiver of that right, nor will a single or partial exercise or waiver of a right preclude another or further exercise of that right or exercise of another right. No waiver by the Lender of its rights under this Agreement will be effective unless it is in writing signed by the Lender.

18.2 Remedies cumulative

The rights of the Lender under this Agreement are cumulative and not exclusive of any rights provided by law.

19. Disclosure of information

19.1 The Borrower

Details contained in this Agreement are for the sole information of the Borrower, its executives and their legal and financial advisors. No information relative to the Facility is to be divulged to any other party without the prior written consent of the Lender.

19.2 The Lender

Except to its solicitors, professional advisors, its auditors and any potential assignee (who will each be required to abide by this obligation of confidentiality) or as required by law, the Lender will not release any information concerning the Borrower, without the prior written consent of the Borrower.

20. Documentation

The Borrower and the Lender agree they will not vary the terms of this Agreement, unless:

- (a) the variation in question is also made to each other Relevant Facility Document; or
- (b) each Reference Bank agrees in writing.

21. Expenses and stamp duty

21.1 Initial expenses

The Borrower will pay on demand all reasonable costs and expenses (including all reasonable legal expenses on a solicitor and own client basis and taxes) sustained or incurred by the Lender in connection with:

- (a) the preparation, negotiation and entry into of each Relevant Document and each other transaction as required or contemplated by a Relevant Document; and
- (b) each amendment to, or waiver in respect of, a Relevant Document or another transaction required or contemplated by a Relevant Document,

in each case on a full indemnity basis.

21.2 Enforcement expenses

The Borrower will pay on demand each cost and expense (including all legal expenses on a solicitor and own client basis and taxes) sustained or incurred by the Lender as a result of the exercise of, or in protecting or enforcing or otherwise in connection with, its rights under a Relevant Document or another transaction required or contemplated by a Relevant Document, in each case on a full indemnity basis.

21.3 Taxes

The Borrower will promptly pay any stamp or similar duty and any tax (including GST) and registration fee payable in connection with:

- (a) the entry into, performance, registration, enforcement or admissibility in evidence of a Relevant Document; and
- (b) an amendment to, or waiver in respect of, a Relevant Document,

and will indemnify and hold the Lender harmless against any liability with respect to, or resulting from, any failure to pay, when due, any duty, tax or fee.

22. Miscellaneous

22.1 Amendments

No amendment to this Agreement will be effective unless it is in writing signed by all parties.

22.2 Partial invalidity

The illegality, invalidity or unenforceability of a provision of this Agreement under any law will not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another provision.

22.3 Entire agreement

The Relevant Documents constitute the entire agreement and understanding between the parties with respect to their subject matter and supersede all oral communications and prior writings with respect thereto.

22.4 Counterparts

This Agreement will be deemed to be executed by a party if that party has executed any of the following formats of this Agreement:

- (a) an original;
- (b) a copy;
- (c) a facsimile copy; or
- (d) a photostat copy of any of the above,

and providing that every party has executed any such format, the executed formats shall together constitute a binding and enforceable agreement between the parties.

23. Governing law

This Agreement is governed by and to be construed in accordance with New Zealand law.

Execution

Executed as an agreement

TrustPower Limited by



Director

Ronald Powell Carter
Print Name



Director

Bruce James Harker
Print Name

Address of TrustPower Limited

Address Truman Road, Te Maunga, Mt Maunganui **Facsimile** 07 574 4825

Attention Chief Financial Officer **Telephone** 07 574 4820

SIGNED on behalf of
Commonwealth Bank of
Australia, New Zealand branch
by its attorney
in the presence of: 

Attorney

Print Name

Witness

Print Name

~~SANKER~~

Occupation

AUCKLAND

Address

Address of Lender

Address Level 21
135 Albert Street
Auckland
New Zealand

Facsimile 09 374 8393

Attention Relationship Executive

with a copy to:

Attention Global Markets **Facsimile** 09 302 0992

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, **Brian Neville Clayton**, Lead Relationship Executive, Institutional Banking, New Zealand, of Auckland, hereby certify:

1. That by a Deed dated the 17th day of November 1997, **COMMONWEALTH BANK OF AUSTRALIA** appointed me its attorney on the terms and subject to the conditions set out in such Deed.
2. That a copy of the Power of Attorney dated 17 November 1997 is registered with Land Information New Zealand under PA. 5779883.1.
3. That at the date of this certificate I have received no notice or information of the revocation by any means whatsoever of such appointment.

DATED at Auckland this 27th day of June 2007


BRIAN NEVILLE CLAYTON

Schedule 1: Conditions Precedent

1. In respect of the Borrower a certificate of one of its directors in the form set out in Schedule 4 attaching the documents referred to in that certificate.
2. This Agreement, duly executed.
3. The Facsimile Indemnity, duly executed.
4. The Facility Schedule (CAF) duly executed.
5. An opinion from Bell Gully, as solicitors to the Lender.
6. Such other documents as the Lender may reasonably request.
7. Payment of all fees due under clause 9 together with the Lender's legal fees (unless the Lender agrees to payment at a later date in the case of the Lender's legal fees).

Each document and certification is to be in a form satisfactory to the Lender.

Schedule 2: Form of Drawdown Notice

To: []

Attention:

We refer to the Facility Agreement (the Agreement) dated [] 20____ made between the Lender and ourselves as Borrower in respect of aggregate facilities of \$[].

We [give you irrevocable notice that we request] [confirm our telephone request made on [] for] the provision of funding under the Facility by the making of an Advance:

- (a) on [Drawdown Date];
- (b) under [Tranche [A/B/C]];
- (c) in a principal amount of [amount]; and
- (d) [with an initial Interest Period of [] ending on [] / at call].

[Please pay/We confirm our telephone request that you pay] the proceeds of the Advance to the following account:

[account details]

We confirm that no Event of Default has occurred and that the representations and warranties made in the Relevant Documents remain true and accurate as if made on and as of today's date.

Words defined in the Agreement have the same meaning where used in this Drawdown Notice.

Yours faithfully

Signed for and on behalf of

TRUSTPOWER LIMITED

BY:

Authorised Signatory

Authorised Signatory

Print Name

Print Name

Dated 20____.

Schedule 3: Facsimile Indemnity

TO: []
(the **Financier**)

FROM: []
(the **Customer**)

IN CONSIDERATION of the Financier (which expression includes its successors and assigns) agreeing to act on the basis of instructions given by the Customer by Electronic Means, the Customer agrees as follows:

1. In this indemnity 'Electronic Means' means telephone, facsimile or any electronic means.
2. The Customer agrees:
 - (a) that the Customer, and not the Financier, will (except in the case of negligence or fraud by the Financier, its employees or agents) bear all risks in relation to any unauthorised or fraudulent notice or communication which is given to the Financier by Electronic Means;
 - (b) that the Financier may, without further enquiry or reference to the Customer, act on that notice or communication if it includes a reference to the Customer and on its face purports to be signed or given by an authorised signatory of the Customer being a person notified as such in writing by the Customer to the Financier from time to time;
 - (c) that the Financier, despite any other term of this indemnity, may defer acting in accordance with the whole or any part of a notice or communication received by it where it has reason to doubt the authenticity of the note or communication pending further enquiry to and/or confirmation by the Customer, but the Customer expressly agrees that the Financier will not be under any responsibility to so defer in any case.
3. The Customer:
 - (a) releases the Financier from all actions and claims in connection with the Financier in good faith acting on instructions given by Electronic Means or deferring to act under paragraph 2(c) above; and
 - (b) indemnifies the Financier against all losses, costs and expenses suffered as a result of any actions or claims in connection with the Financier acting in good faith on instructions given by Electronic Means,

except where the Financier or its employees, or agents acted negligently or fraudulently.

Date 2007

Executed by)

TRUSTPOWER LIMITED)

by two directors)

Director

Director

Schedule 4: Form of Director's Certificate

TO: []

COPY TO: **BELL GULLY**

I, [] a director of [] (the **Company**) certify as follows:

1. Board Resolutions

1.1 The board of directors of the Company (the Board) has passed resolutions:

- (a) approving the transactions (the **Transactions**) contemplated by the documents listed in the schedule below (the **Documents**), and the Documents themselves;
- (b) authorising execution of the Documents by the Company in the manner in which they have actually been executed; and
- (c) authorising the persons specified in paragraph [9] to give any notice and other communications, and take any other action required, under or in connection with the Documents on behalf of the Company.

1.2 The resolutions were duly passed in writing signed by all of the directors of the Company entitled to receive notice of a meeting of the Board.

OR

The resolutions were duly passed at a meeting of the Board:

- (a) which was properly convened; and
- (b) in respect of which all quorum requirements were duly observed.

1.3 The resolutions remain in full force and effect.

2. Directors' Self-interested Transactions

2.1 To the best of my knowledge and belief after making due enquiry of all other of the Company's directors (as defined in section 126 of the Companies Act 1993 (the **Act**)), none of the directors of the Company has an interest (as that term is defined in section 139 of the **Act**) in the **Transactions**.

OR

After making due enquiry, it has been determined that one or more of the Company's directors (as defined in section 126 of the Companies Act 1993 (the **Act**)) is, or may be, interested (as that term is defined in section 139 of the **Act**) in the **Transactions**. The **Transactions** have been disclosed to all shareholders of the Company.

2.2 All of the Company's entitled persons have agreed in writing (pursuant to section 107(3) of the Act) to the Company's entry into and performance of the Documents and the Transactions (so that nothing in sections 140 and 141 of the Act shall apply to the Transactions). A true and complete copy of the relevant agreement is attached.

OR

In approving the Documents and the Transactions, the Board, after taking into account all relevant factors, considers that the Company is receiving or will receive fair value under them.

3. Corporate Benefit

3.1 In approving the Documents and the Transactions, the Board, after taking into account all relevant factors, has resolved that the Company's entry into and performance of the Documents and the Transactions is in the best interests of the Company.

OR

In approving the Documents and the Transactions, the Board, after taking into account all relevant factors, has resolved (pursuant to an express provision in the Company's constitution) that the Company's entry into and performance of the Documents and the Transactions is in the best interests of the Company's holding company [and as the Company is not a wholly owned subsidiary of the Company's holding company the prior agreement to the Company's entry into and performance of the Documents and the Transactions has been obtained from all of the Company's shareholders, other than that holding company].

4. Shareholder Action

4.1 It has been determined that the Transactions do not constitute a Major Transaction for the purpose of section 129 of the Act

OR

It has been determined that the Transactions do constitute a Major Transaction for the purposes of Section 129 of the Act. Accordingly [all] shareholders have by special resolution approved the Documents and the Transactions.

5. Due Execution

Each of the Documents has been properly executed by the Company.

6. Solvency

6.1 I am not aware of any liquidation proceedings which have been commenced or are intended to be commenced by any person against the Company, or which are intended or anticipated by the Company.

6.2 Having taken into account all relevant factors the Board is of the view that the value of the consideration or benefit received by the Company under the Transactions is not less than the value of the consideration provided (or to be provided) by the Company.

OR

After making due enquiry and after taking into account all relevant factors (including in the case of a guarantee all rights of contribution and subrogation to which the Company would be entitled if called upon to perform its obligations and the solvency of the guaranteed and guaranteeing parties)], the Board is of the view that the Company:

- (a) is able to pay its due debts;
- (b) is not engaged or about to engage in business for which its financial resources are unreasonably small;
- (c) will be able to perform its obligations under the Documents and the Transactions when required to do so; and
- (d) will not become unable to pay its due debts as a result of the Documents and the Transactions.

7. Constitution

The Company does not have a constitution.

OR

The copy of the constitution of the Company held on its records as maintained at the office of Registrar of Companies at [place] as at [date] is complete and includes all alterations to date.

8. Financial Assistance

The Transactions do not include or involve any provision by the Company (directly or indirectly) of financial assistance in connection with the purchase of a share issued or to be issued by the Company or its holding company.

9. Authorised Signatories

The following are the true signatures of the persons who have been authorised ([any one of them acting alone/any two of them acting together]) to give any notices and other communications, and to take any other action required, under or in connection with the Documents on behalf of the Company.

Name	Position	Signature
------	----------	-----------

Schedule of Documents

[to be inserted]

Signed by
Director

Date:

Variation Agreement

relating to

a facility agreement dated 27 July 2007

TrustPower Limited

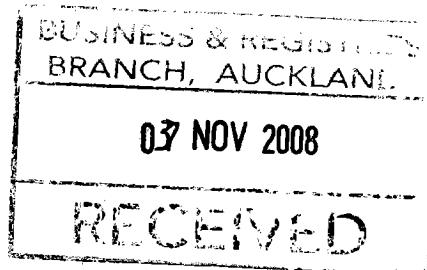
as the Borrower

and

Commonwealth Bank of Australia, New Zealand branch

as Lender

Date 21 May 2008



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This Agreement is made on 21 May 2008

between (1) TrustPower Limited (the Borrower)
and (2) Commonwealth Bank of Australia, New Zealand branch (as Lender)

Background

- A. The Borrower and the Lender are party to a facility agreement dated 27 July 2007 (the Facility Agreement).
- B. The parties have agreed to enter into this Agreement to effect certain amendments to the Facility Agreement.

By this Agreement the parties agree as follows:

1. Interpretation

1.1 Definitions

Words and expressions defined, and references construed in the Facility Agreement (as amended by this Agreement) and not otherwise defined or construed in this Agreement will, where used in this Agreement, have the same meanings and constructions as given to them in the Facility Agreement (as amended by this Agreement) unless the context otherwise requires.

The expression **Effective Date** means the date on which the Lender confirms in writing to the Borrower that the matters set out in clause 6 of this Agreement have occurred.

1.2 Construction of certain references

A party to this Agreement or other document includes its successors and permitted assignees and transferees. Headings and the table of contents are to be ignored in construing this Agreement.

2. Representations

The Borrower represents and warrants that:

- (a) it is a company duly incorporated and existing under the laws of New Zealand;
- (b) it has full power and authority to enter into this Agreement and to exercise its rights and perform and comply with its obligations under this Agreement and the Facility Agreement as amended by this Agreement;
- (c) everything required to be done (including the obtaining of any necessary consents and the passing of all necessary resolutions) to:
 - (i) enable it to lawfully enter into this Agreement and to exercise its rights and perform and comply with its obligations under this Agreement and the Facility Agreement as amended by this Agreement; and
 - (ii) ensure that this Agreement and the Facility Agreement as amended by this Agreement are legal, valid, binding and enforceable,

has been duly done;

- (d) its entry into this Agreement and the exercise of its rights and performance and compliance with its obligations under this Agreement and the Facility Agreement as amended by this Agreement does not and will not on the Effective Date:
 - (i) contravene any law to which it is subject;
 - (ii) contravene any of the documents constituting it;
 - (iii) exceed any limitation on, or constitute an abuse of, the powers of its directors or officers; or
 - (iv) contravene any agreement to which it is party or which is binding on any of its assets; and
- (e) its obligations under this Agreement and the Facility Agreement as amended by this Agreement are and will be on the Effective Date legal, valid, binding and enforceable.

3. Operation

The provisions of clause 4 and clause 5 will come into effect on the Effective Date.

4. Amendments

With effect from the Effective Date the Facility Agreement is amended as follows:

- (a) the definition of "Termination Date" in clause 1.1 of the Facility Agreement is deleted and replaced with the following:

"Termination Date means:

- (a) in the case of Tranche A, 31 July 2009 or such later date as may be determined in accordance with clause 3.1;
- (b) in the case of Tranche B, 31 July 2010 or such later date as may be determined in accordance with clause 3.1; and
- (c) in the case of Tranche C, 31 July 2012 or such later date as may be determined in accordance with clause 3.1,

or if any such date is not a Banking Day then immediately preceding Banking Day;"

- (b) the definition of "Facility Schedule (CAF)" in clause 1.1 of the Facility Agreement is deleted and replaced with the following:

"Facility Schedule (CAF) means the facility schedule dated the date of the Variation Agreement between the Borrower and the Lender setting out certain commercial terms of the Facility and any other replacement facility schedule from time to time";

- (c) inserting a new definition of "Variation Agreement" in clause 1.1 of the Facility Agreement as follows:

"Variation Agreement means the variation agreement dated 16 May 2008 between the Borrower and the Lender relating to this Agreement"; and

(d) the definitions of "Existing Facility Agreement", "Existing Indebtedness" and clause 1.3 of the Facility Agreement are deleted.

5. Continuation and confirmation

(a) Each of the parties to this Agreement agrees that as from the Effective Date the Facility Agreement as amended by clause 4 of this Agreement will continue in full force and effect.

(b) The Borrower confirms that the Facility Agreement as amended by this Agreement is a **Facility Agreement** for the purposes of, and as defined in, the Negative Pledge Deed.

6. Conditions precedent

The Effective Date shall occur when the Lender confirms in writing to the Borrower that:

(a) the Borrower has duly executed this Agreement and the Facility Schedule (CAF) each in duplicate;

(b) the Borrower has provided the Lender with a certificate from a director in the form set out in Schedule 4 to the Facility Agreement attaching the documents referred to in the certificate;

(c) the Lender has received a legal opinion from Bell Gully acceptable to the Lender in relation to the Borrower; and

(d) the Borrower has paid to the Lender the refinance fee as set out in clause 2 of the Facility Schedule (CAF).

7. Fees and costs

The Borrower shall pay to the Lender all reasonable costs and expenses (including legal fees on a solicitor and own client basis, and taxes) incurred by the Lender in or in connection with the negotiation, preparation and execution of this Agreement.

8. Governing law

This Agreement is to be governed by and construed in accordance with New Zealand law.

Execution

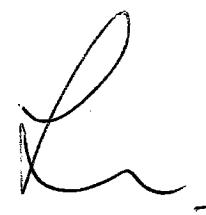
Executed as an agreement.

TrustPower Limited by:

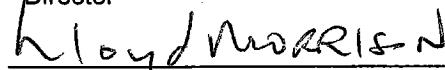
Director


Sam Knowles

Print Name

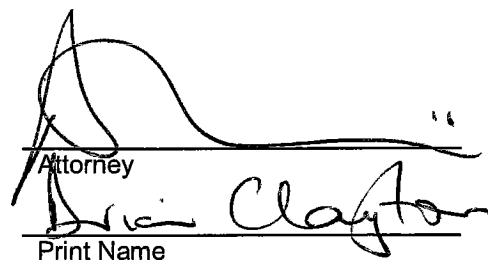


Director


Lloyd Morrison

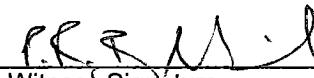
Print Name

SIGNED on behalf of
Commonwealth Bank of
Australia, New Zealand branch by
its attorney in the presence of:


Brian Clayton

Attorney

Print Name


P.R. Mil

Witness Signature

PAUL BULLIVANT
Print Name

BANKER
Occupation

AUCKLAND
Address

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, **Brian Neville Clayton**, Lead Relationship Executive, Institutional Banking, New Zealand, of Auckland, hereby certify:

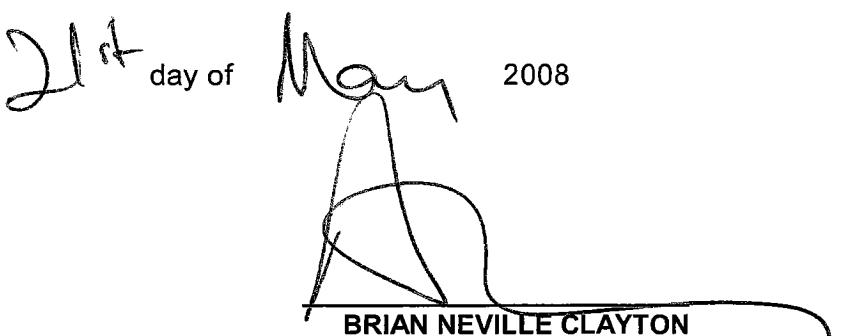
1. That by a Deed dated the 17th day of November 1997, **COMMONWEALTH BANK OF AUSTRALIA** appointed me its attorney on the terms and subject to the conditions set out in such Deed.
2. That a copy of the Power of Attorney dated 17 November 1997 is registered with Land Information New Zealand under PA. 5779883.1.
3. That at the date of this certificate I have received no notice or information of the revocation by any means whatsoever of such appointment.

DATED at Auckland this

21st day of

May

2008


BRIAN NEVILLE CLAYTON

Variation and Restatement Agreement

relating to

a facility agreement dated 7 August 2003

TrustPower Limited

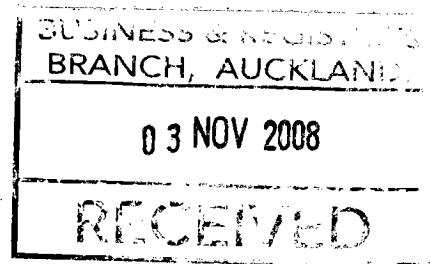
the Borrower

and

ANZ National Bank Limited

the Lender

Date 27 July 2007



BELL GULLY

AUCKLAND VERO CENTRE, 48 SHORTLAND STREET
PO BOX 4199, AUCKLAND 1140, DX CP20509, NEW ZEALAND
TEL 64 9 916 8800 FAX 64 9 916 8801

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This Agreement is made on 27 July 2007

between (1) **TrustPower Limited (the Borrower)**

and (2) **ANZ National Bank Limited (the Lender)**

Background

- A. The Borrower and the Lender are party to a facility agreement dated 7 August 2003 (as amended and/or restated from time to time) (the **Facility Agreement**).
- B. The parties have agreed to enter into this Agreement to effect certain amendments to the Facility Agreement.

By this Agreement the parties agree as follows:

1. Interpretation

1.1 Definitions

Words and expressions defined, and references construed in the Facility Agreement (as amended by this Agreement) and not otherwise defined or construed in this Agreement will, where used in this Agreement, have the same meanings and constructions as given to them in the Facility Agreement (as amended by this Agreement) unless the context otherwise requires.

The expression **Effective Date** means the date on which the Lender confirms in writing to the Borrower that the matters set out in clause 6 of this Agreement have occurred.

1.2 Construction of certain references

A party to this Agreement or other document includes its successors and permitted assignees and transferees. Headings and the table of contents are to be ignored in construing this Agreement.

2. Representations

The Borrower represents and warrants that:

- (a) it is a company duly incorporated and existing under the laws of New Zealand;
- (b) it has full power and authority to enter into this Agreement and to exercise its rights and perform and comply with its obligations under this Agreement and the Facility Agreement as amended by this Agreement;
- (c) everything required to be done (including the obtaining of any necessary consents and the passing of all necessary resolutions) to:
 - (i) enable it to lawfully enter into this Agreement and to exercise its rights and perform and comply with its obligations under this Agreement and the Facility Agreement as amended by this Agreement; and

- (ii) ensure that this Agreement and the Facility Agreement as amended by this Agreement are legal, valid, binding and enforceable;
- has been duly done;
- (d) its entry into this Agreement and the exercise of its rights and performance and compliance with its obligations under this Agreement and the Facility Agreement as amended by this Agreement does not and will not on the Effective Date:
 - (i) contravene any law to which it is subject;
 - (ii) contravene any of the documents constituting it;
 - (iii) exceed any limitation on, or constitute an abuse of, the powers of its directors or officers; or
 - (iv) contravene any agreement to which it is party or which is binding on any of its assets; and
- (e) its obligations under this Agreement and the Facility Agreement as amended by this Agreement are and will be on the Effective Date legal, valid, binding and enforceable.

3. Operation

The provisions of clause 4 and clause 5 will come into effect on the Effective Date.

4. Amendments

With effect from the Effective Date the Facility Agreement is amended and restated in the form set out in the Schedule to this Agreement.

5. Continuation and confirmation

- (a) Each of the parties to this Agreement agrees that as from the Effective Date the Facility Agreement as amended by clause 4 of this Agreement will continue in full force and effect.
- (b) The Borrower confirms that the Facility Agreement as amended by this Agreement is a **Facility Agreement** for the purposes of, and as defined in, the Negative Pledge Deed.

6. Conditions precedent

The Effective Date shall occur when the Lender confirms in writing to the Borrower that:

- (a) the Borrower has duly executed this Agreement in duplicate;
- (b) the Borrower has provided the Lender with a certificate from a director in the form set out in Schedule 4 to the Facility Agreement attaching the documents referred to in the certificate; and

(c) the Lender has received a legal opinion from Bell Gully acceptable to the Lender in relation to the Borrower.

7. Fees and costs

The Borrower shall pay to the Lender all reasonable costs and expenses (including legal fees on a solicitor and own client basis, and taxes) incurred by the Lender in or in connection with the negotiation, preparation and execution of this Agreement.

8. Governing law

This Agreement is to be governed by and construed in accordance with New Zealand law.

Execution

Executed as an agreement.

TrustPower Limited by:



Director

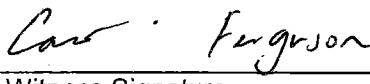
Ronald Powell Carter
Print Name



Director

Bruce James Harner
Print Name

SIGNED on behalf of ANZ National
Bank Limited by its attorney in the
presence of:



Witness Signature



Attorney

David Curran

Print Name

Print Name Caroline Mary Ferguson

Solicitor

Occupation Auckland

Address

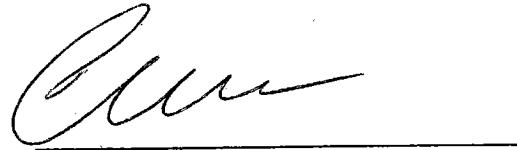
ANZ NATIONAL BANK LIMITED

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, **DAVID MERVYN CURRAN** of ANZ National Bank Limited, Auckland in New Zealand, hereby certify that:

1. By Deed dated 20 July 2006 ("The Deed"), I was appointed an Additional Attorney of ANZ National Bank Limited, a Company incorporated in New Zealand and having its head office at Wellington, on the terms and subject to the conditions set out in that deed.
2. At the date of this certificate, I am a Director, ANZ Institutional, part of ANZ National Bank Limited.
3. At the date hereof I have not received any notice of the revocation of that appointment by the winding up or dissolution of ANZ National Bank Limited or otherwise.
4. The Deed is registered with Land Information, New Zealand, Dealing Number PA 6981064.4.

SIGNED by the abovenamed)
Attorney at Auckland on this)
27th day of July 2007.)



Signature

Schedule: The Facility Agreement, as amended and restated

Cash Advances Facility Agreement

TrustPower Limited

Borrower

and

ANZ National Bank Limited

Lender

Date 7 August 2003

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This Cash Advances Facility Agreement is made on 7 August 2003

between (1) **TrustPower Limited (Borrower)**
and (2) **ANZ National Bank Limited (Lender)**

Introduction

The Lender is willing to make available to the Borrower certain facilities on the terms of this Agreement and the Facility Schedule (CAF).

It is agreed

1. Interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires, terms defined in a Facility Schedule (CAF) have the same meaning and:

Accommodation means financial accommodation provided by the Lender under the Facility;

Accounts means the latest annual audited, or semi-annual unaudited, consolidated financial statements (including a statement of financial position, Statement of Financial Performance and statement of cash flows) of a Group which have been prepared in accordance with NZ GAAP and where the context permits includes the Auditors' certificate;

Advance means an advance (including a Call Advance) made or proposed to be made under the Facility or the principal amount thereof for the time being outstanding (and includes, for the avoidance of doubt, any Tranche A Advance, Tranche B Advance or Tranche C Advance);

Amount Outstanding means, on any date, the aggregate of:

- (a) the Facility Outstandings; and
- (b) any interest (including default interest), costs, expenses and all other moneys owing by the Borrower to the Lender under this Agreement,

as at that date;

Auditors means the person or persons for the time being holding the office of auditor of the Borrower;

Authorisation means:

- (a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency or other competent authority; or

- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a governmental agency or other competent authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action;

Available Facility means, on any date, the Facility Limit less the Amount Outstanding;

Availability Period means the period starting on the date of satisfaction of the conditions precedent in clause 2.3 and ending on the earlier of:

- (a) the last Termination Date; and
- (b) the date on which the whole of the Facility is cancelled under this Agreement;

Banking Day means any day (other than a Saturday or Sunday) on which banks in Auckland and Wellington are open for the transaction of the business contemplated by this Agreement;

Base Rate means:

- (a) in the case of Advances for Interest Periods of less than one month, the rate per annum (expressed on a percentage yield basis and rounded up to the nearest four decimal places) which is advised by the Lender to the Borrower on or before 9.30am on the proposed Drawdown Date and agreed to by the Borrower, or such other rate as the Lender and the Borrower may agree or, failing agreement, the average bid rate for the purchase of bank accepted bills of exchange having a tenor of, or about, the term of such Interest Period as quoted to the Lender by each Reference Bank at or about 10.00am on the proposed Drawdown Date; or
- (b) in the case of Advances for Interest Periods between one month and six months, the rate per annum (expressed on a percentage yield basis and rounded up to the nearest four decimal places) determined on the first day of the Interest Period to be the average bid rate for bank accepted bills of exchange having a tenor of or about, the term of such Interest Period as displayed at or about 10.45am on page BKBM (or its successor page) of the Reuters Monitor Screen or if no such rate is displayed or if less than three persons are quoting buying rates for bank bills on the Reuters Monitor Screen, the average bid rate quoted at or about 11.00am on that day by such of the Reference Banks as are quoting rates;
- (c) in relation to a Call Advance, the rate the Lender determines on the Drawdown Date and on each successive Drawdown Date for that Call Advance to be its cost of funds for overnight advances;

Call Advance means an Advance, made pursuant to Tranche A, which the Borrower requests be made for an Interest Period of one Banking Day or which the Borrower requests be made "at call" or similar wording;

Consolidated Group is defined in the Negative Pledge Deed;

Contingent Liabilities means liabilities of the Consolidated Group which in accordance with NZ GAAP should be classified as contingent liabilities in the Accounts or in the notes thereto including without limitation contingent liabilities arising from standby letters of credit, performance bonds, bank guarantees or the like entered into by or at the request of the Borrower;

Drawdown Date in relation to an Advance means as the context may require the date on which that Advance is required to be made (as specified in the relevant Drawdown Notice) or is in fact made;

Drawdown Notice means a notice in (or to the effect of) the form in Schedule 2 given in accordance with clause 3.2;

EBITDA means gross revenue for the Consolidated Group in any period (excluding equity accounted gains, extraordinary gains or losses, capital gains or losses and unrealised gains or losses resulting from foreign currency borrowings, financing transactions, Risk Management Products and mark to market adjustment of financial instruments (including electricity hedges) required by NZ GAAP) less all operating expenses for the Group for that period (excluding from operating expenses depreciation, amortisation, Interest Expense, other non-cash charges, and income taxes);

Event of Default means any of the events specified in clause 8 of the Negative Pledge Deed;

Existing Facility Agreement means the cash advances facility agreement dated on or about 31 March 2000 as varied from time to time between the Borrower and the Lender;

Existing Indebtedness means all indebtedness of the Borrower to the Lender as at the date of this Agreement pursuant to the Existing Facility Agreement;

Facility means the cash advance facility, the terms of which are set out in this Agreement;

Facility Limit means \$70,000,000 as the same may be reduced under clause 4.3;

Facility Outstandings means, at any time, the aggregate principal amount of each Advance outstanding as at that time;

Facility Schedule (CAF) means the facility schedule dated the date of the Variation Agreement between the Borrower and the Lender setting out certain commercial terms of the Facility;

Facsimile Indemnity means a facsimile indemnity in the form set out in Schedule 3;

Financial Period means a period of 12 months ending on the last day of September and March in any year;

Group is defined in the Negative Pledge Deed;

Guaranteeing Group is defined in the Negative Pledge Deed;

Indebtedness is defined in the Negative Pledge Deed;

Intangible Assets means assets which according to NZ GAAP should be classified as intangible assets;

Interest Expense means, at any date, any amount equal to all interest and other financing costs incurred in respect of the Consolidated Group, calculated on a consolidated basis in accordance with NZ GAAP, for the 12 months ending on that date, including (without limitation):

- (a) interest paid or payable on the Subordinated Debt;
- (b) the amount of all discounts and similar allowances on the issue or disposal of debt instruments;
- (c) all finance charges under Leases, and hire purchase agreements of a financing nature;

- (d) the amount of all dividends paid or payable (other than dividends the payment of which are solely at the discretion of the Borrower) on Redeemable Shares issued by any member of the Consolidated Group;
- (e) all realised gains and losses resulting from foreign currency borrowings, financing transactions and Risk Management Products; and
- (f) all other expenses and amounts that are required by NZ GAAP to be treated as interest or financing costs,

but not including:

- (g) interest and financing costs on moneys borrowed or raised to acquire, develop or improve fixed assets, to the extent that they have been capitalised in the accounts of the Consolidated Group; or
- (h) any interest the payment of which has been and continues to be suspended; or
- (i) unrealised gains and losses resulting from foreign currency borrowings, financing transactions and Risk Management Products; or
- (j) mark to market adjustment of financial instruments (including electricity hedges) required by NZ GAAP;

Interest Period means each period by reference to which an interest rate applicable to an Advance is determined as provided in clause 5 of this Agreement;

Interest Rate means the aggregate of the Base Rate and the Margin;

Margin means the margin as defined in the Facility Schedule (CAF);

NZ GAAP means generally accepted accounting practice as defined in Section 3 of the Financial Reporting Act 1993;

Negative Pledge Deed means the negative pledge deed dated 28 April 2005 given by the Borrower and certain subsidiaries of the Borrower in favour of certain institutions (as varied from time to time);

Potential Event of Default means any event or circumstance which, with the giving of notice, lapse of time or fulfilment of any other requirement, would constitute an Event of Default;

Redeemable Shares means:

- (a) shares which are redeemable in cash, or by the issue of other redeemable shares, either compulsorily, or at the option of the holder or issuer of such shares; and
- (b) units in any trust which are analogous in nature to the shares referred to in paragraph (a), if that unit trust is a member of a Group, or if a member of a Group is responsible for the redemption of those units;

Reference Banks means ANZ National Bank Limited, Westpac Banking Corporation, Bank of New Zealand and Commonwealth Bank of Australia New Zealand Branch;

Relevant Date is defined in clause 7.2 of this Agreement;

Relevant Facility Document means each facility agreement dated the date hereof between the Borrower and each Reference Bank other than the Lender (as amended from time to time);

Relevant Documents means this Agreement, the Negative Pledge Deed, the Facsimile Indemnity and each other agreement, present or future, required or contemplated by or relating to any of them;

Review Event means the event specified in clause 7.1 of this Agreement;

Risk Management Products is defined in the Negative Pledge Deed;

Senior Interest Expense means Interest Expense of the Consolidated Group but excluding interest on Subordinated Debt;

Shareholders Funds mean Total Tangible Assets less Total Liabilities;

Statement of Financial Position means, in relation to a Group, a consolidated statement of financial position of that Group prepared as at any date in accordance with NZ GAAP;

Subordinated Bonds means the Bonds issued by the Borrower pursuant to a trust deed dated 26 July 2002 between the Borrower and TOWER Trust Limited;

Subordinated Debt means, at any date (the **relevant date**), a liability (whether actual or contingent) which is on a winding up of a member of a Group either to be deferred in point of payment to all other liabilities (not being liabilities which are similarly deferred) whether secured or unsecured, present or future, of that company (**Preferred Liabilities**) or in respect of which any distribution to the creditor on account thereof will be subject to an express trust to account to all of the creditors to whom Preferred Liabilities are owed, and including (without limitation) the Subordinated Bonds;

Termination Date means:

- (a) in the case of Tranche A, 31 July 2008 or such later date as may be determined in accordance with clause 3.1;
- (b) in the case of Tranche B, 31 July 2010 or such later date as may be determined in accordance with clause 3.1; and
- (c) in the case of Tranche C, 31 July 2012 or such later date as may be determined in accordance with clause 3.1,

or if any such date is not a Banking Day then the immediately preceding Banking Day;

Total Liabilities means, at any date, the aggregate amount of all liabilities (but excluding Contingent Liabilities and deferred tax liabilities resulting from asset revaluations) of the Consolidated Group which would be disclosed by a Statement of Financial Position if one were prepared as at that date after deducting the aggregate principal amount outstanding in respect of Subordinated Debt and Redeemable Shares;

Total Tangible Assets means, at any date in relation to the Consolidated Group, the aggregate amount on a consolidated basis of all assets of the Consolidated Group which would be disclosed by a Statement of Financial Position of the Consolidated Group if one was prepared as at that date, including future asset revaluations of generation assets, land and buildings if such revaluations, in addition to complying with NZ GAAP, are conducted by an independent, qualified valuer and excluding Intangible Assets;

Tranche means each tranche of the Facility created pursuant to clause 3;

Tranche A means the Tranche designated as Tranche A;

Tranche A Advance means each Advance designated by the Borrower in a Drawdown Notice as being made pursuant to Tranche A;

Tranche A Limit means \$20,000,000;

Tranche A Outstanding at any time means the aggregate principal amount of each Tranche A Advance outstanding at that time;

Tranche B means the Tranche designated as Tranche B;

Tranche B Advance means each Advance designated by the Borrower in a Drawdown Notice as being made pursuant to Tranche B;

Tranche B Limit means \$25,000,000;

Tranche B Outstanding at any time means the aggregate principal amount of each Tranche B Advance outstanding at that time;

Tranche C means the Tranche designated as Tranche C;

Tranche C Advance means each Advance designated by the Borrower in a Drawdown Notice as being made pursuant to Tranche C;

Tranche C Limit means \$25,000,000;

Tranche C Outstanding at any time means the aggregate principal amount of each Tranche C Advance outstanding at that time; and

Variation Agreement means the variation and restatement agreement dated ____ July 2007 between the Borrower and the Lender relating to this Agreement.

1.2 **Construction of certain references**

In this Agreement, unless the context otherwise requires, a term that is defined in the Negative Pledge Deed has the same meaning herein, and any reference to:

a gender includes each other gender;

the singular includes the plural and vice versa;

any legislation includes a modification and re-enactment of, legislation enacted in substitution for and a regulation, order-in-council and other instrument from time to time issued or made under, that legislation; and

a party to this Agreement or another agreement includes its successors and, in the case of the Lender, its permitted assignees and, in the case of the Borrower, its permitted assignees and transferees.

Headings and the table of contents are to be ignored in construing this Agreement.

1.3 Existing Indebtedness

The Existing Indebtedness as at the first day of the Availability Period will be deemed to be drawn hereunder on that day, as the same number of Advances in the same tranches and each with an interest rate and Interest Period equal to the interest rate and maturity of the equivalent advance under the Existing Indebtedness (unless such Interest Period for such existing advance would extend beyond the Termination Date, in which case the Interest Period will end on the Termination Date). Contemporaneously with the foregoing deeming provision coming into effect, the Existing Facility Agreement will be terminated and any and all obligations and liabilities (whether contingent or vested) of each of the Borrower and the Lender thereunder will be unconditionally and absolutely discharged (other than any indemnity stated to survive the termination of the Existing Facility Agreement).

2. Facilities

2.1 Facility Limit

Despite any other provision of this Agreement, the Lender need not provide any Accommodation under the Facility where the sum of:

- (a) the Amount Outstanding immediately prior to the proposed Accommodation (less any amount to be repaid on the date of the proposed Accommodation); and
- (b) the amount of the proposed Accommodation,

exceed the Facility Limit.

2.2 Termination

On the relevant Termination Date, the Tranche A Limit, the Tranche B Limit or the Tranche C Limit (as applicable) will be reduced to zero.

2.3 Conditions precedent

The Lender is not obliged to provide the Facility until it has received and found satisfactory the documents specified in Schedule 1.

2.4 Purpose

The Borrower will use the Facility for general corporate and working capital purposes including funding the Group's wind farm investments in Australia.

2.5 Grant of Facility

The Lender agrees to make the Facility available to the Borrower on the terms and subject to the conditions of this Agreement.

3. Cash Advance Facility

3.1 Term

(a) Review

If requested by the Borrower at least 40 Banking Days before the then relevant Termination Date of any Tranche (the **Relevant Date**), the Lender will conduct a review of the Facility (or any Tranche) on or before the then Relevant Date of that Tranche. The Lender may at its discretion on or following any such review elect to extend the Termination Date in relation to each Tranche referred to in the Borrower's request for a 12 month period with effect from the then Termination Date of each Tranche. The Lender will respond in writing to a request at least 20 Banking Days before the then Relevant Date, advising whether it accepts or rejects the request. If the Lender rejects the request (or fails to respond), then, on the then Termination Date of each relevant Tranche:

- (i) the Tranche A Limit, Tranche B Limit or Tranche C Limit (as applicable) will be cancelled at which time the Tranche A Limit, Tranche B Limit or Tranche C Limit (as applicable) will reduce to zero; and/or
- (ii) to the extent that any indebtedness of the Borrower to the Lender under the relevant Tranche does not fall due for payment earlier, that indebtedness will be due and payable on the then Termination Date of the relevant Tranche.

(b) Extension

If the Lender has agreed to extend the Termination Date in accordance with clause 3.1(a) above then on the then Termination Date of the relevant Tranche the term of the relevant Tranche and the Termination Date applicable to that Tranche shall be extended for a further period of 365 days (or, if the new Termination Date is not a Banking Day, a date agreed by the Borrower and the Lender (or, failing agreement, the next succeeding Banking Day) and all of the provisions of clause 3.1(a) will apply to the extended Tranche.

3.2 Availability

The Lender will make an Advance available on any Banking Day nominated by the Borrower during the Availability Period if:

(a) Drawdown Notice or Request

the Borrower has provided to the Lender a Drawdown Notice (in the case of an Advance other than a Call Advance) or has advised the Lender by telephone (in the case of a Call Advance) no later than 10.00am on the proposed Drawdown Date for the proposed Advance, unless the Advance is for a principal amount of \$10,000,000 or more in which case such Drawdown Notice or telephone request must be made no later than 11.30am one Banking Day prior to the proposed Drawdown Date for the proposed Advance or as otherwise agreed by the Lender, and in each such case the Drawdown Notice or telephone request (as appropriate) is to be irrevocable and is:

- (i) to specify the proposed Drawdown Date;
- (ii) to specify whether the Advance is a Tranche A Advance, a Tranche B Advance or a Tranche C Advance;

- (iii) to specify the amount of the Advance which must be not less than \$100,000 (in the case of a Tranche A Advance) or \$1,000,000 (in the case of a Tranche B Advance or a Tranche C Advance) or such other amount as may be agreed between the Borrower and the Lender;
- (iv) to specify the bank and account to which the Borrower wishes the Advance disbursed;
- (v) either to specify the term of the Advance (which, for any Tranche, may be for an Interest Period of one, two, three or six months (and, in relation to a Tranche A Advance only, may also be for an Interest Period of between 1 and 29 days) or such other period as the Lender and the Borrower otherwise agree, and which must not, without the consent of the Lender, exceed the relevant Termination Date) and is to specify the last day of the first Interest Period of the Advance or to specify, in the case of a Tranche A Advance, that the Advance is to be a Call Advance.

In the case of an Advance in respect of which the Borrower makes a telephone request, the Borrower will send a Drawdown Notice confirming the telephone request no later than the close of business on the Drawdown Date.

(b) Available Facility

- (i) the amount of the Advance together with the Facility Outstandings will not exceed the Facility Limit on the relevant Drawdown Date less the amount, if any, to be repaid on the proposed Drawdown Date;
- (ii) in the case of a Tranche A Advance the amount of the Tranche A Advance together with the Tranche A Outstandings will not exceed the Tranche A Limit less the amount, if any, to be repaid on the proposed Drawdown Date;
- (iii) in the case of a Tranche B Advance the amount of the Tranche B Advance together with the Tranche B Outstandings will not exceed the Tranche B Limit less the amount, if any, to be repaid on the proposed Drawdown Date;
- (iv) in the case of a Tranche C Advance the amount of the Tranche C Advance together with the Tranche C Outstandings will not exceed the Tranche C Limit less the amount, if any, to be repaid on the proposed Drawdown Date.

(c) No Event of Default or Potential Event of Default

no Event of Default has occurred and is continuing or will occur as a result of the making of the Advance and, in respect of an Advance the making of which would lead to an increase in the Facility Outstandings, no Potential Event of Default has occurred and is continuing;

(d) Representations and Warranties

the representations and warranties made in or in connection with the Relevant Documents are true, accurate and complied with in all material respects on the Drawdown Date as if repeated on that date by reference to the facts and circumstances then existing,

provided that if any of the above conditions have not been satisfied on the proposed Drawdown Date the Lender may:

(e) **Decline**

decline the requested drawdown of the Advance; or

(f) **Deposit**

at the request of the Borrower (but at the Lender's discretion), make the requested Advance but withhold its disbursement and place the Advance to the credit of a blocked interest-bearing call-deposit account in the name of the Borrower with the Lender until the conditions set out above have been satisfied; or

(g) **Advance on Conditions**

make the requested Advance and waive any of the above conditions for any period and on any terms specified by the Lender and accepted by the Borrower (non-compliance with which will be deemed to be an Event of Default).

3.3 Roll Over of Advances

If the Borrower has given the Lender a Drawdown Notice that does not specify the term of an Advance and specifies that the Advance will be a Call Advance then:

(a) **Deemed Call Advance**

the Drawdown Notice shall be deemed to have requested a Call Advance with a term and an Interest Period of one Banking Day, and subsequent successive Call Advances each with a term and an Interest Period of one Banking Day, on a rolling basis;

(b) **No Drawdown Notice**

the Borrower shall not be required to issue a further Drawdown Notice to the Lender for each such subsequent Call Advance;

(c) **Reapplication**

the Lender will automatically apply each such subsequent Call Advance in repaying the previous Call Advance; and

(d) **Termination**

the rolling nature of the Call Advances requested pursuant to this clause 3.3 shall continue until the Borrower gives the Lender one Banking Day's notice of its desire to revert to the procedure for requesting Advances contained in clause 3.2;

provided, for the avoidance of doubt, that the Borrower may not request a Call Advance nor may a deemed Call Advance be made if to do so would cause there to be a breach of clause 3.2(b)(i) or (ii) in relation to that Call Advance.

3.4 Automatic Roll Over

If, in respect of any Advance (**Existing Advance**), the Lender has not received a Drawdown Notice from the Borrower (by the latest time required for giving such Drawdown Notice) funding the effective roll over of that Existing Advance as a new Advance for a new Interest Period then:

(a) Deemed Advance

the Borrower will be deemed to have requested and drawn down a new Advance in an amount equal to the Existing Advance;

(b) Term

the term and the Interest Period applicable to that new Advance will be the same as for the Existing Advance (unless that would result in the Interest Period extending beyond the Termination Date in which case the Interest Period shall end on the Termination Date);

(c) Representations

the Borrower will be deemed to have confirmed the matters in clause 3.2(c) and clause 3.2(d) on the deemed date of drawdown of that new Advance; and

(d) Otherwise on Advance

in all other respects that new Advance will be treated as an Advance.

3.5 Application on Drawdown

So long as no Event of Default is continuing, all or part of an Advance made under any Tranche will be applied by the Lender in or towards repayment of all or part of an Advance made under the same Tranche to be repaid on that Drawdown Date, so that only the net amount is payable on that day. Nothing in this sub-clause is to affect the obligation of the Borrower to make timely repayment of an Advance in full.

3.6 Division

The Facility is to be divided into three (3) Tranches, being Tranche A, Tranche B and Tranche C.

3.7 Telephone Communications

(a) Validity of instructions

The Lender will be under no obligation to enquire as to the validity of any telephone instructions or acceptance which it receives or to require any evidence as to the authenticity, validity or legality of any telephone advice received or as to the authority of the person giving the telephone advice to act on behalf of the Borrower.

(b) Authority to tape calls

The Borrower acknowledges that the Lender may from time to time keep tape recordings of telephone conversations between the Lender, the Borrower and the Authorised Dealers and consents on behalf of itself and the Authorised Dealers to the recording of these telephone conversations. The Borrower must ensure that all Authorised Dealers are aware that their conversations with the Lender may be taped.

In this clause, **Authorised Dealer** means any dealer of the Borrower advised by the Borrower to the Lender as being entitled to make a telephone request for an Advance.

4. Repayment and prepayment

4.1 Facility

The Borrower will repay to the Lender each Advance (together with all accrued interest on that Advance) on the last day of its Interest Period. Any amounts repaid shall be available for redrawing provided that on the relevant Termination Date all outstanding Advances made under the Tranche or Facility in respect of which the Termination Date relates will be repaid in full together with all accrued interest.

4.2 Prepayment

The Borrower may repay the Facility Outstandings (or any part thereof being a multiple of \$1,000,000) at any time, upon giving the Lender not less than 5 Banking Days' prior written notice of its intention to do so. That notice will be irrevocable and will bind the Borrower to make the prepayment concerned together (subject to clause 14.7) with any amount due under clause 11.1 (but without any other penalty).

4.3 Optional cancellation of Facility

The Borrower may, at any time, cancel all or any part of the undrawn amount of the Facility by giving the Lender not less than 5 Banking Days' prior written notice of its intention to cancel specifying the date of the proposed cancellation, the amount to be cancelled and whether any cancellation applies to Tranche A, Tranche B, or Tranche C. On the specified cancellation date the Facility Limit, the Tranche A Limit, the Tranche B Limit, the Tranche C Limit (as applicable) shall be reduced by the amount cancelled.

4.4 Effects of repayment and cancellation

Any Advance prepaid will be available for re-borrowing. Any amount cancelled cannot be reinstated.

5. Interest

5.1 Interest

The Borrower will pay interest on each Advance under the Facility at the relevant Interest Rate. Such interest shall accrue on a daily basis calculated on each outstanding Advance and shall be payable in arrears:

- (a) in the case of an Advance with an Interest Period greater than three months, on the date three months after the first day of that Interest Period and each date falling at three monthly intervals thereafter or such other period as agreed in writing by the Lender and the Borrower; or
- (b) in the case of a Call Advance the rolling nature of which has not been terminated in accordance with clause 3.3(d), on the last day of each month while that Call Advance remains outstanding and on the date of termination of the rolling nature of that Call Advance under clause 3.3(d); and
- (c) in all cases, on the last day of each Interest Period relevant to that Advance.

The Lender is to notify the Borrower of each determination of the Interest Rate and of each amount of interest payable under this clause (but failure to so notify will not relieve the Borrower of its obligations).

5.2 Interest Periods

The Interest Period or Interest Periods applicable to each Advance will start on the Drawdown Date for that Advance and each subsequent Interest Period for such Advance will start on the last day of the previous one. For the avoidance of doubt no interest will be payable on an Advance in respect of the last day of an Interest Period where a subsequent Interest Period in respect of that Advance commences on the same day. Unless the Borrower otherwise notifies the Lender in writing each Interest Period for an Advance shall be of the same duration. The Borrower may nominate the length of each successive Interest Period after the first Interest Period for that Advance by providing written notice to the Lender not less than two Banking Days' prior to the end of the then current Interest Period. In all cases:

- (a) if an Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period is to be extended to end on the next Banking Day; and
- (b) no Interest Period may extend beyond the Termination Date for the Tranche to which that Termination Date relates;

and, if (a) applies, the following Interest Period is to end on the day on which it would have ended if the previous Interest Period had not been extended or shortened.

5.3 Consolidation

If two or more Advances (within the same Tranche) have Interest Periods ending on the same date, any notice under clause 5.2 may direct that, on that date, such of those Advances as are specified in that notice shall be consolidated into a single Advance.

6. Representations, warranties and undertaking

6.1 Representations and warranties of Borrower

The Borrower represents and warrants to the Lender that:

(a) **Status**

it is a company duly incorporated and existing under the laws of New Zealand;

(b) **Powers**

it has the power to enter into, exercise its rights and perform and comply with its obligations under, the Relevant Documents;

(c) **Authorisations and Consents**

everything required to be done (including the obtaining of any necessary consents and the passing of all necessary resolutions) to:

- (i) enable it lawfully to enter into, exercise its rights and perform and comply with its obligations under, the Relevant Documents;
- (ii) ensure that those obligations are legal, valid, binding and enforceable; and
- (iii) make the Relevant Documents admissible in evidence in the courts of New Zealand,

has been duly done or, on the first Drawdown Date, will have been duly done;

(d) Non-Contravention

its entry into, and the exercise of its rights and performance of and compliance with its obligations under, the Relevant Documents do not and will not:

- (i) contravene any law to which it is subject; or
- (ii) contravene any of the documents constituting it; or
- (iii) exceed any limitation on, or constitute an abuse of, the powers of its directors or officers; or
- (iv) contravene any agreement to which it is a party or which is binding on its assets; or
- (v) result in the creation of, or oblige it (absolutely or contingently) to create or permit to exist, any security interest over or affecting its assets;

(e) Obligations Binding

its obligations under the Relevant Documents are legal, valid, binding and enforceable (subject to laws relating to creditors' rights generally and to the application of equitable principles);

(f) No Default

except as notified to the Lender in writing no Event of Default has occurred and remains unremedied, or will result from the execution and delivery of this Agreement;

(g) Solvency

it satisfies the solvency test (as defined in Section 4 of the Companies Act 1993); and

(h) Relevant Documents

each of the representations and warranties in the Relevant Documents is true, accurate and complied with by reference to the facts and circumstances then existing.

6.2 Representations and warranties continuing

Each of the representations and warranties in this clause (other than the representation and warranty in clause 6.1(g) above) will be deemed to be repeated on the last day of each Interest Period by reference to the facts and circumstances then existing, except that each reference to financial statements shall be construed as a reference to the latest available financial statements of the relevant person.

6.3 Reliance on representations

The Borrower acknowledges that the Lender has agreed to enter into this Agreement and to make the Facility available in reliance on the representations and warranties in clause 6.1 and those contained in the Negative Pledge Deed.

6.4 Undertaking

The Borrower undertakes that it will not, and will procure that no member of the Guaranteeing Group will, at any time while any Indebtedness remains outstanding to the Lender:

(a) Loans

lend any money to, or give any guarantee in respect of, any person who is not a member of the Guaranteeing Group except to the extent that:

- (i) the principal or maximum amount of that loan or guarantee when aggregated with the amount of all such other loans to, and guarantees of, such persons undertaken by any member of the Guaranteeing Group and outstanding at the relevant time does not exceed 5.0% of Total Tangible Assets of the Consolidated Group; and
- (ii) such loans or guarantees are on an arm's length basis and on commercial terms,

or the Lender gives its prior written consent;

(b) Pay Interest on Subordinated Debt

pay interest on Subordinated Debt if an Event of Default or Potential Event of Default has occurred and is continuing or would occur as a result of that payment;

(c) Redeem Subordinated Debt

redeem for cash or repay any Subordinated Debt if an Event of Default, Potential Event of Default or Review Event has occurred and is continuing or would occur as a result of that payment or redemption.

For the avoidance of doubt, the Lender acknowledges that any indemnity given by the Borrower to the Lender (or to any other lender which is a party to or otherwise entitled to the benefit of the Negative Pledge Deed (in this clause, a **Bank**) to indemnify the Lender or the Bank (as the case may be) in respect of any amount which may be or become payable by the Lender or the Bank (as the case may be) under any performance bond, letter of credit or other similar financial accommodation given by the Lender or the Bank (as the case may be) at the request of and in respect of the Borrower in favour of a trade creditor to guarantee the performance of obligations of the Borrower to the trade creditor does not comprise a (and shall not be construed as falling within the term) **guarantee** in clause 6.4(a) above.

6.5 Inspection

The Borrower will permit the Lender or any authorised officer of the Lender, upon reasonable notice and at reasonable intervals during normal business hours, to inspect its and each member of the Consolidated Group's premises and records (except where such records are of a confidential nature).

6.6 Carry on business

To the extent that the Borrower engages in electricity trading activities it will only do so in the ordinary course of its business.

6.7 Financial ratios

The Borrower undertakes that while any Indebtedness is owing it will ensure that (unless the Lender agrees otherwise):

(a) **Aggregate Shareholder Funds**

Shareholder Funds will at no time be less than \$700,000,000;

(b) **Gearing**

Shareholder Funds will at no time be less than 50% of Total Tangible Assets;

(c) **EBITDA/Senior Interest Expense**

EBITDA will not, on each Reporting Date, be less than 3.0 times Senior Interest Expense;

(d) **EBITDA/Interest Expense**

EBITDA will not, on any Reporting Date, be less than 2.25 times Interest Expense;

(e) **Gearing (Contingencies)**

Shareholder Funds less Contingent Liabilities will at no time be less than 35 per cent of Total Tangible Assets.

In calculating this ratio the parties agree that if on any date (hereafter in this clause the Reference Date) the face value of any letter of credit, performance bond or bank guarantee is used to calculate the Borrower's contingent liabilities, the amount actually owing on the Reference Date to the underlying creditor in whose favour the letter of credit, performance bond or bank guarantee was given, shall be deducted from the Borrower's Total Liabilities so as to avoid any double counting of the liability to the underlying creditor and the contingent liability in relation to the letters of credit, performance bond or bank guarantee given in respect of the underlying creditor's debt. By way of illustration, if on any Reference Date the Borrower owed \$40 million to M.Co (the underlying creditor) and had received letters of credit to a face value of \$60 million to guarantee payment to M.Co, a contingent liability of \$60 million would be recognized but in calculating Total Liabilities of the Borrower the amount of \$40 million owed to the underlying creditor M.Co would be deducted therefrom so as not to double count the \$40 million owed to M.Co and the \$60 million letters of credit given in respect of that debt.

For the purposes of clauses 6.7(c) and (d) the expression **Reporting Date** will mean, in relation to each Financial Period, the last day of that Financial Period and the ratios in each case will be calculated in respect of the Financial Period ending on that Reporting Date.

6.8 Reporting

The Borrower undertakes that while any Indebtedness is owing it will furnish, or cause to be furnished or made available to the Lender as soon as practicable (and in any event within 45 days of the end of the relevant Financial Period), a certificate signed by one director of the Borrower as to compliance with the covenants contained in clause 6.7 for that Financial Period. The Borrower further undertakes that it will report to the Lender in writing of any material changes to its electricity hedging policy, within 30 days of any such change taking effect.

7. Review event

7.1 Review Event

It shall constitute a Review Event if the Borrower shall at any time cease to be listed on the New Zealand Stock Exchange.

7.2 Consequences

The Borrower will promptly upon becoming aware of the event in clause 7.1 notify the Lender in writing and will within a 60 day period after the date on which the Borrower becomes aware of the event specified in clause 7.1 (for this purpose the "Relevant Date"), provide the Lender with such evidence as the Lender may reasonably require that the de-listing will not give rise to a material adverse effect on the Consolidated Group or a proposal for the basis upon which the Facility can be continued.

7.3 Exercise of rights

If upon expiry of 60 days from the Relevant Date the Lender:

- (a) is not reasonably satisfied that the de-listing will not cause a material adverse effect on the Lender; or
- (b) has not agreed with the Borrower the basis upon which the Facility will be continued (including any increase in fees or margins),

then, provided that the Review Event is continuing and has not been waived or remedied to the satisfaction of the Lender, the Lender may, by notice in writing, declare the Amount Outstanding due and payable not earlier than the date 60 days after the date of the notice (the **Early Termination Date**), provided that, for the avoidance of doubt, repayment pursuant to this clause shall not constitute an Event of Default unless the Borrower fails to repay the Amount Outstanding in accordance with this clause.

7.4 No obligation to advance

At any time while the Review Event has occurred and is continuing the Lender will not be obliged to allow an Advance if:

- (a) the Interest Period of such Advance would extend beyond the Early Termination Date; or
- (b) the Facility Outstandings, after the making of that Advance, would exceed the Facility Outstandings on the Relevant Date.

8. Events of Default

If, at any time and for any reason, whether or not within the control of a party an Event of Default occurs and is continuing then the Lender may by notice to the Borrower:

- (a) cancel the Facility; and

- (b) declare all or any part of the Amount Outstanding and any or all other indebtedness of the Borrower under the Relevant Documents to be, and the Amount Outstanding or that indebtedness will be, due and payable either immediately or upon demand or at a later date as the Lender may specify. (In the case of a Risk Management Product under which both parties to it have future indebtedness outstanding, this will operate to terminate the relevant contract in accordance with the express terms of its early termination provisions or, in the absence of any such provisions, by closing out the relevant contract by reference to its then net present value on a full two-way basis.)

9. Fees

9.1 Fee

A fee is payable by the Borrower to the Lender upon acceptance of the Facility as specified in the Facility Schedule (CAF).

9.2 Line fee

A line fee will be payable by the Borrower to the Lender quarterly in advance as from the date of this Agreement in accordance with the terms of the Facility Schedule (CAF). The fee will be payable during the period from the date of this Agreement and shall be calculated on a daily basis and on a year of 365 days.

10. Change in circumstances

10.1 Illegality

If, at any time, the Lender reasonably determines that it is or may be or will become unlawful, or contrary to any law, treaty or directive of any agency of state or other regulatory authority to make, fund or allow to remain outstanding all or part of any Advance, to charge or receive interest at any applicable rate or to comply with any of its obligations or exercise any of its rights under any Relevant Document, then, upon the Lender notifying the Borrower accordingly:

- (a) to the extent that no Accommodation is outstanding the Facility Limit will be cancelled; and
- (b) to the extent that any Accommodation has been made available, the Borrower will repay or cause to be repaid each Advance and any other indebtedness of the Borrower to the Lender under each Relevant Document to the extent that the Lender reasonably determines that such is necessary to avoid the illegality or breach, together with any amount due under clause 11.1 (but otherwise without penalty). Any such repayment may not, however, be required to be made any earlier than the last day necessary so as to avoid the relevant illegality or breach. The Facility shall be cancelled to the extent of any such repayment.

10.2 Increased costs

If, as a result of:

- (a) the introduction of, or a change in, a law, treaty or directive of an agency of state or other regulatory, monetary or accounting authority or in its interpretation by the agency or authority charged with its administration or by a court of competent jurisdiction; or
- (b) compliance by the Lender with a directive of an agency of state or other regulatory, monetary or accounting authority,

the Lender determines that:

- (c) the cost to the Lender of making, funding or maintaining the Facility or any other amount under a Relevant Document, or all or any of the amounts comprised in a class of advances or liabilities formed by or including the Facility, or any other amount is increased; or
- (d) any amount payable to the Lender or the effective return to the Lender under a Relevant Document is reduced; or
- (e) there is a reduction in the Lender's effective rate of return on its overall capital which, in its view, is attributable to either of paragraphs (a) or (b) applying in relation to its obligations under this Agreement or a Relevant Document or to any class of obligations of which they form part; or
- (f) the Lender must make any payment or forego any interest or other return on or calculated by reference to any sum received or receivable by it from the Borrower under a Relevant Document in an amount which the Lender considers material,

then, and in each case, the Lender will notify the Borrower accordingly and the Borrower and the Lender shall thereafter for a period of 30 days from the date of notice from the Lender negotiate in good faith to agree an alternative funding arrangement with the intention of minimising or eliminating any additional payment required hereunder provided that if no agreement on terms satisfactory to the Lender is reached within such 30 days then, upon demand from time to time by the Lender, the Borrower will pay to the Lender the amount certified by the Lender to be necessary to compensate it for that increased cost, reduction, payment or foregone interest or other return (or that portion of it as in the Lender's opinion is attributable to the Facility or any Advance or other Accommodation or the Lender's obligations under this Agreement or a Relevant Document). At the request of the Borrower this certificate is to provide reasonable details of the composition of this amount.

10.3 Minimisation

If the Lender has acted in good faith, an amount certified under clause 10.2 will be payable regardless of whether an increased cost, reduction, payment or foregone interest or other return referred to in that clause could have been avoided.

10.4 Survival of obligations

The obligations of the Borrower under clause 10.2 are to survive termination of the Facility and payment of all other indebtedness due under any Relevant Document.

10.5 Impossibility

The Lender will not be liable for any failure to perform or comply with its obligations under this Agreement resulting directly or indirectly from the action or inaction of a governmental or local authority, strike, labour disturbance (whether of its employees, officers or otherwise) or other cause which is beyond its control.

11. Indemnity

11.1 General indemnity

The Borrower will on demand indemnify and hold the Lender harmless against each cost, loss (but excluding loss of profit or margin), expense (including all reasonable legal expenses on a solicitor and own client basis and taxes) and liability sustained or incurred by the Lender as a result of:

- (a) the occurrence or continuation of an Event of Default or the Borrower not complying with any obligation expressed to be assumed by it in a Relevant Document;
- (b) an amount payable by the Borrower to the Lender under this Agreement not being paid when due, whether by prepayment, acceleration or otherwise (but, so far as appropriate, credit is to be given for amounts, if any, of default interest paid);
- (c) any repayment of indebtedness being made by the Borrower other than on the due date of such payment (whether or not that repayment is permitted by this Agreement);
- (d) any requested Advance not being drawn down on the requested Drawdown Date; or
- (e) any payment being made by the Borrower to the Lender in a currency other than the currency in which the Advance was made to the Borrower,

by payment to the Lender of the amount and in the currency the Lender certifies (giving in the certificate reasonable details) is required to compensate it for that cost, loss, expense or other liability, including each cost and loss incurred in liquidating or re-employing deposits or other funds acquired.

11.2 **Indemnity irrevocable**

The above indemnity is unconditional and irrevocable, is to survive termination of the Facility and payment of all other indebtedness due under any Relevant Document and is not to be discharged or impaired by any act, omission, matter or thing that might discharge or impair it but for this sub-clause.

12. **Set-off and deposits**

12.1 **Set-off**

The Borrower authorises the Lender at any time after the occurrence of an Event of Default to apply (without prior notice or demand) any credit balance of the Borrower on any account in any currency and at any of the Lender's offices in or towards satisfaction of any indebtedness then due to the Lender under a Relevant Document and unpaid. If at any time an amount is contingently due or an amount due is not quantified, the Lender may retain and withhold repayment of any such credit balance and the payment of interest or other moneys pending that amount becoming due or being quantified and may set off the maximum liability which may at any time be or become owing to the Lender by the Borrower (or partly the one and partly the other) and in each case without prior notice or demand. The Lender:

- (a) may break any term deposit to effect that application; and
- (b) need not exercise its rights under this sub-clause, which are without prejudice and in addition to the rights of the Lender under the Relevant Documents and any other right of set-off, combination of accounts, lien or other right to which it is at any time entitled (by law or contract).

12.2 **Contractual rights**

The Lender's rights under this clause are contractual rights affecting the terms upon which a credit balance is held and the creation of those rights does not constitute the creation of a security interest in that credit balance.

13. Default interest

If the Lender does not receive, when due, an amount payable to it under this Agreement then, without prejudice to any other right exercisable by the Lender, the Borrower is to pay interest on that overdue amount (including interest payable under this clause) calculated from its due date to the date of its receipt by the Lender (after as well as before judgment) compounded at not less than 30 day intervals and payable at intervals selected by the Lender at its discretion. This obligation to pay default interest is to arise without the need for a notice or demand. The rate of default interest is 2% above the relevant Interest Rate applicable to such overdue amount.

14. Payments and taxes

14.1 All payments on Banking Days

Where a payment to be made under this Agreement is due on a day which is not a Banking Day the due date will be the next Banking Day.

14.2 Mode of payments

Each payment to the Lender under this Agreement is to be made by 2.00pm on the due date in immediately available freely transferable funds in the manner and to the account at the bank which the Lender, by notice to the Borrower, specifies from time to time.

14.3 Payments to be free and clear

Each payment by the Borrower to the Lender under this Agreement is to be made:

- (a) free of any restriction or condition; and
- (b) free and clear of and (except to the extent required by law) without any deduction or withholding for or on account of tax or on any other account, whether by way of set-off, counterclaim or otherwise.

14.4 Reinstatement

If a payment made by the Borrower to the Lender pursuant to a Relevant Document is avoided by law:

- (a) that payment will be deemed not to have discharged or affected the obligation of the Borrower in respect of which that payment was made or received; and
- (b) the Lender and the Borrower will be deemed to be restored to the position in which each would have been, and shall be entitled to exercise all the rights which each would have had, if that payment had not been made.

14.5 Taxes on payments

- (a) If the Borrower or any person on its behalf is required by law to make a deduction or withholding for or on account of tax or on another account, whether by way of set-off or otherwise, from an amount payable by the Borrower under this Agreement, the amount in respect of which that deduction or withholding is required to be made is to be increased to the extent necessary to ensure that, after any deduction or withholding is made the Lender actually receives and retains on the due date (free from any liability in respect of any deduction or withholding and ignoring any amount which the Lender is deemed to have received by reason of any legislation) a net amount equal to the amount which it would have received and so retained had no deduction or withholding been required to be made.
- (b) If the Lender or a person on its behalf is required by law to make a deduction or withholding from, or a payment on or calculated by reference to, an amount received or receivable under this Agreement (excluding tax on its overall net income), then, without prejudice to paragraph (a), the Borrower will pay to the Lender on demand an amount equal to the amount of that deduction, withholding or payment, together with any interest, penalties and expenses payable in connection with it. The Borrower will only be liable for interest penalties relating to a late deduction, withholding or payment if this results from a default by the Borrower.

14.6 Tax credit

If the Borrower makes any increased payment to or for the account of the Lender pursuant to the provisions of clause 14.5 and the Lender is entitled to seek or obtain any tax credit, tax refund or other similar tax benefit arising out of or in connection with the relevant deduction, withholding or payment, then the Borrower will promptly notify the Lender of all details (including the amount and date of payment or withholding) in relation to that withholding or payment and the Lender will pay only the minimum necessary amount and will promptly (to the extent that it can do so without affecting its right as against the relevant governmental agency to retain such tax credit, tax refund or other similar tax benefit) take all necessary steps (at the Borrower's reasonable expense) to seek and obtain such tax credit, tax refund or other similar tax benefit and upon receipt of the same it will promptly reimburse the Borrower in an amount equal to such tax credit, tax refund or other similar tax benefit (less any expenses incurred in so obtaining it) as is reasonably determined by the Lender as being referable to such deduction, withholding or payment as aforesaid. Notwithstanding the foregoing nothing in this clause shall interfere with the Lender's right to arrange its taxation affairs in whatever manner it deems fit and, in particular, the Lender shall not be under any obligation to claim relief from any tax liability in respect of any deduction, withholding or payment in priority to any other reliefs, claims, credits or deductions available to it.

14.7 Resident withholding tax

The Lender:

- (a) represents and warrants to the Borrower that it holds a valid certificate of exemption (certificate of exemption) issued pursuant to section NF.9 of the Income Tax Act 1994; and
- (b) undertakes to notify the Borrower immediately it ceases to hold or ceases to be entitled to hold a certificate of exemption.

Notwithstanding any other term hereof the Borrower shall not be liable for any additional payment to the Lender under clause 14.5 if the Lender has failed to comply with this clause 14.7.

If, by reason of a breach by the Lender of its obligations under this clause 14.7, the Borrower elects to prepay all amounts owed to the Lender the Borrower shall have no liability to pay to the Lender any amount otherwise due under clause 11.

15. Calculations and evidence

15.1 Loan accounts

The entries made in the accounts maintained by the Lender are (in the absence of manifest error) to be *prima facie* evidence of the existence and amounts of the obligations of the Borrower recorded in them.

15.2 Certificates *prima facie*

A certificate by the Lender of an interest rate or amount payable under this Agreement is (in the absence of manifest error) to be *prima facie* evidence for all purposes including for any proceedings.

16. Assignment

16.1 Benefit and burden of this Agreement

This Agreement is binding on and will enure for the benefit of the parties and their respective successors and, in the case of the Lender, its assignees and, in the case of the Borrower, its permitted assignees or transferees.

16.2 The Lender

(a) General assignment

The Lender may assign all or part of its rights or obligations under this Agreement with the consent of the Borrower (not to be unreasonably withheld or delayed), such assignment to be in minimum amounts of \$15,000,000 and in multiples of \$5,000,000. Each assignee is to have the same rights against the Borrower under this Agreement (or a proportion of those rights if it is the assignee or transferee of part only) as if named in this Agreement as the Lender.

(b) Assignment for purpose of securitisation

Without prejudice to clause 16.2(a), the Lender may with the prior written consent of the Borrower (to be given in the Borrower's discretion) assign, transfer or sub-participate all or any of its rights or obligations under this Agreement to a person which is established for the purpose of securitising the Facility.

16.3 No additional obligation

The Borrower shall not be under any greater obligation immediately following an assignment of the rights and obligations of the Lender or a change in the Lender's facility office than it would have been had no assignment or change taken place (unless that assignment or transfer or change in facility office has been made at the request of the Borrower).

16.4 No additional tax

Notwithstanding anything to the contrary in this Agreement if (other than at the request of the Borrower) the Lender assigns all or part of its rights under this Agreement or transfers all or part of its rights and obligations under this Agreement or changes its facility office, the Borrower shall not be required to pay any net increase in the amount of costs, taxes, fees, charges or other amounts payable under this Agreement which is a direct consequence of the assignment or change in facility office.

16.5 The Borrower

The Borrower may not assign or transfer all or part of its rights or obligations under this Agreement without the prior written consent of the Lender.

17. Notices

17.1 Addresses and references

Each notice or other communication under this Agreement is to be made in writing and sent by facsimile, personal delivery or by post to the addressee at the facsimile number or address, and marked for the attention of the person or office holder (if any), from time to time designated for the purpose by the addressee to the other party. The initial facsimile number, address and relevant person or office holder of the Borrower and the Lender is set out under its name at the end of this Agreement.

17.2 Deemed delivery

No communication will be effective until received. Communications however, will be deemed to be received:

- (a) in the case of a letter, on the third Banking Day after posting; and
- (b) in the case of a facsimile, on receipt by the sender of a transmission report evidencing transmission of the communication in its entirety; provided that if any such communication in respect of which a transmission report has been received was despatched after 5.00pm (in the place of receipt) on a Banking Day or on a non-Banking Day, the date of receipt will be deemed to be the next Banking Day after the date of despatch.

18. Remedies and waivers

18.1 Exercise of rights and waivers

Time is of the essence in respect of all dates and times for performance by the Borrower of its obligations under this Agreement. No failure to exercise, and no delay in exercising, a right of the Lender under this Agreement will operate as a waiver of that right, nor will a single or partial exercise or waiver of a right preclude another or further exercise of that right or exercise of another right. No waiver by the Lender of its rights under this Agreement will be effective unless it is in writing signed by the Lender.

18.2 Remedies cumulative

The rights of the Lender under this Agreement are cumulative and not exclusive of any rights provided by law.

19. Disclosure of information

19.1 The Borrower

Details contained in this Agreement are for the sole information of the Borrower, its executives and their legal and financial advisors. No information relative to the Facility is to be divulged to any other party without the prior written consent of the Lender.

19.2 The Lender

Except to its solicitors, professional advisors, its auditors and any potential assignee (who will each be required to abide by this obligation of confidentiality) or as required by law, the Lender will not release any information concerning the Borrower, without the prior written consent of the Borrower.

20. Documentation

The Borrower and the Lender agree they will not vary the terms of this Agreement, unless:

- (a) the variation in question is also made to each other Relevant Facility Document; or
- (b) each Reference Bank agrees in writing.

21. Expenses and stamp duty

21.1 Initial expenses

The Borrower will pay on demand all reasonable costs and expenses (including all reasonable legal expenses on a solicitor and own client basis and taxes) sustained or incurred by the Lender in connection with:

- (a) the preparation, negotiation and entry into of each Relevant Document and each other transaction as required or contemplated by a Relevant Document; and
- (b) each amendment to, or waiver in respect of, a Relevant Document or another transaction required or contemplated by a Relevant Document,

in each case on a full indemnity basis.

21.2 Enforcement expenses

The Borrower will pay on demand each cost and expense (including all legal expenses on a solicitor and own client basis and taxes) sustained or incurred by the Lender as a result of the exercise of, or in protecting or enforcing or otherwise in connection with, its rights under a Relevant Document or another transaction required or contemplated by a Relevant Document, in each case on a full indemnity basis.

21.3 Taxes

The Borrower will promptly pay any stamp or similar duty and any tax (including GST) and registration fee payable in connection with:

- (a) the entry into, performance, registration, enforcement or admissibility in evidence of a Relevant Document; and

(b) an amendment to, or waiver in respect of, a Relevant Document,

and will indemnify and hold the Lender harmless against any liability with respect to, or resulting from, any failure to pay, when due, any duty, tax or fee.

22. **Miscellaneous**

22.1 **Amendments**

No amendment to this Agreement will be effective unless it is in writing signed by all parties.

22.2 **Partial invalidity**

The illegality, invalidity or unenforceability of a provision of this Agreement under any law will not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another provision.

22.3 **Entire agreement**

The Relevant Documents constitute the entire agreement and understanding between the parties with respect to their subject matter and supersede all oral communications and prior writings with respect thereto.

22.4 **Counterparts**

This Agreement will be deemed to be executed by a party if that party has executed any of the following formats of this Agreement:

- (a) an original;
- (b) a copy;
- (c) a facsimile copy; or
- (d) a photostat copy of any of the above,

and providing that every party has executed any such format, the executed formats shall together constitute a binding and enforceable agreement between the parties.

23. **Governing law**

This Agreement is governed by and to be construed in accordance with New Zealand law.

Execution

Executed as an agreement

TrustPower Limited by

Director

Director

Print Name

Print Name

Address of TrustPower Limited

Address Truman Road, Te
Maunga, Mt Maunganui

Facsimile 07 574 4825

Attention Chief Financial Officer

Telephone 07 574 4820

**SIGNED on behalf of ANZ National
Bank Limited
by its attorney
in the presence of:**

Attorney

Print Name

Witness to Signature

Print Name

Occupation

Address

Address of Lender

Address	Institutional Banking Level 8 NBNZ House PO Box 540 Wellington	Facsimile	04 802 8565
Attention	Director Institutional	Telephone	04 802 2487

Schedule 1: Conditions Precedent

1. In respect of the Borrower a certificate of one of its directors in the form set out in Schedule 4 attaching the documents referred to in that certificate.
2. This Agreement, duly executed.
3. The Facsimile Indemnity, duly executed.
4. The Facility Schedule (CAF) duly executed.
5. An opinion from Bell Gully, as solicitors to the Lender.
6. Such other documents as the Lender may reasonably request.
7. Payment of all fees due under clause 9 together with the Lender's legal fees (unless the Lender agrees to payment at a later date in the case of the Lender's legal fees).

Each document and certification is to be in a form satisfactory to the Lender.

Schedule 2: Form of Drawdown Notice

To: ANZ National Bank Limited

Attention: Director Institutional

Facsimile no: (04) 802 8565

cc: Institutional Client Service Delivery Team

Attention: Maria Duggan

Facsimile no: (09) 374 4157

We refer to the Facility Agreement (the Agreement) dated [] 20____ made between the Lender and ourselves as Borrower in respect of aggregate facilities of \$[].

We [give you irrevocable notice that we request] [confirm our telephone request made on [] for] the provision of funding under the Facility by the making of an Advance:

- (a) on [Drawdown Date];
- (b) under [Tranche [A/B/C]];
- (c) in a principal amount of [amount]; and
- (d) [with an initial Interest Period of [] ending on [] / at call].

[Please pay/We confirm our telephone request that you pay] the proceeds of the Advance to the following account:

[account details]

We confirm that no Event of Default has occurred and that the representations and warranties made in the Relevant Documents remain true and accurate as if made on and as of today's date.

Words defined in the Agreement have the same meaning where used in this Drawdown Notice.

Yours faithfully

Signed for and on behalf of

TRUSTPOWER LIMITED

BY:

Authorised Signatory

Authorised Signatory

Print Name

Print Name

Dated 20_____.

Schedule 3: Facsimile Indemnity

TO: []
(the **Financier**)

FROM: []
(the **Customer**)

IN CONSIDERATION of the Financier (which expression includes its successors and assigns) agreeing to act on the basis of instructions given by the Customer by Electronic Means, the Customer agrees as follows:

1. In this indemnity 'Electronic Means' means telephone, facsimile or any electronic means.
2. The Customer agrees:
 - (a) that the Customer, and not the Financier, will (except in the case of negligence or fraud by the Financier, its employees or agents) bear all risks in relation to any unauthorised or fraudulent notice or communication which is given to the Financier by Electronic Means;
 - (b) that the Financier may, without further enquiry or reference to the Customer, act on that notice or communication if it includes a reference to the Customer and on its face purports to be signed or given by an authorised signatory of the Customer being a person notified as such in writing by the Customer to the Financier from time to time;
 - (c) that the Financier, despite any other term of this indemnity, may defer acting in accordance with the whole or any part of a notice or communication received by it where it has reason to doubt the authenticity of the note or communication pending further enquiry to and/or confirmation by the Customer, but the Customer expressly agrees that the Financier will not be under any responsibility to so defer in any case.
3. The Customer:
 - (a) releases the Financier from all actions and claims in connection with the Financier in good faith acting on instructions given by Electronic Means or deferring to act under paragraph 2(c) above; and
 - (b) indemnifies the Financier against all losses, costs and expenses suffered as a result of any actions or claims in connection with the Financier acting in good faith on instructions given by Electronic Means,

except where the Financier or its employees, or agents acted negligently or fraudulently.

Date 2003

Executed by)

TRUSTPOWER LIMITED)

by two directors)

Director

Director

Schedule 4: Form of Director's Certificate

TO: []

COPY TO: **BELL GULLY**

I, a director of [] (the **Company**) certify as follows:

1. Board Resolutions

1.1 The board of directors of the Company (the Board) has passed resolutions:

- (a) approving the transactions (the **Transactions**) contemplated by the documents listed in the schedule below (the **Documents**), and the Documents themselves;
- (b) authorising execution of the Documents by the Company in the manner in which they have actually been executed; and
- (c) authorising the persons specified in paragraph [9] to give any notice and other communications, and take any other action required, under or in connection with the Documents on behalf of the Company.

1.2 The resolutions were duly passed in writing signed by all of the directors of the Company entitled to receive notice of a meeting of the Board.

OR

The resolutions were duly passed at a meeting of the Board:

- (a) which was properly convened; and
- (b) in respect of which all quorum requirements were duly observed.

1.3 The resolutions remain in full force and effect.

2. Directors' Self-interested Transactions

2.1 To the best of my knowledge and belief after making due enquiry of all other of the Company's directors (as defined in section 126 of the Companies Act 1993 (the **Act**)), none of the directors of the Company has an interest (as that term is defined in section 139 of the **Act**) in the **Transactions**.

OR

After making due enquiry, it has been determined that one or more of the Company's directors (as defined in section 126 of the Companies Act 1993 (the **Act**)) is, or may be, interested (as that term is defined in section 139 of the **Act**) in the **Transactions**. The **Transactions** have been disclosed to all shareholders of the Company.

2.2 All of the Company's entitled persons have agreed in writing (pursuant to section 107(3) of the Act) to the Company's entry into and performance of the Documents and the Transactions (so that nothing in sections 140 and 141 of the Act shall apply to the Transactions). A true and complete copy of the relevant agreement is attached.

OR

In approving the Documents and the Transactions, the Board, after taking into account all relevant factors, considers that the Company is receiving or will receive fair value under them.

3. Corporate Benefit

3.1 In approving the Documents and the Transactions, the Board, after taking into account all relevant factors, has resolved that the Company's entry into and performance of the Documents and the Transactions is in the best interests of the Company.

OR

In approving the Documents and the Transactions, the Board, after taking into account all relevant factors, has resolved (pursuant to an express provision in the Company's constitution) that the Company's entry into and performance of the Documents and the Transactions is in the best interests of the Company's holding company [and as the Company is not a wholly owned subsidiary of the Company's holding company the prior agreement to the Company's entry into and performance of the Documents and the Transactions has been obtained from all of the Company's shareholders, other than that holding company].

4. Shareholder Action

4.1 It has been determined that the Transactions do not constitute a Major Transaction for the purpose of section 129 of the Act

OR

It has been determined that the Transactions do constitute a Major Transaction for the purposes of Section 129 of the Act. Accordingly [all] shareholders have by special resolution approved the Documents and the Transactions.

5. Due Execution

Each of the Documents has been properly executed by the Company.

6. Solvency

6.1 I am not aware of any liquidation proceedings which have been commenced or are intended to be commenced by any person against the Company, or which are intended or anticipated by the Company.

6.2 Having taken into account all relevant factors the Board is of the view that the value of the consideration or benefit received by the Company under the Transactions is not less than the value of the consideration provided (or to be provided) by the Company.

OR

After making due enquiry and after taking into account all relevant factors (including in the case of a guarantee all rights of contribution and subrogation to which the Company would be entitled if called upon to perform its obligations and the solvency of the guaranteed and guaranteeing parties)], the Board is of the view that the Company:

- (a) is able to pay its due debts;
- (b) is not engaged or about to engage in business for which its financial resources are unreasonably small;
- (c) will be able to perform its obligations under the Documents and the Transactions when required to do so; and
- (d) will not become unable to pay its due debts as a result of the Documents and the Transactions.

7. Constitution

The Company does not have a constitution.

OR

The copy of the constitution of the Company held on its records as maintained at the office of Registrar of Companies at [place] as at [date] is complete and includes all alterations to date.

8. Financial Assistance

The Transactions do not include or involve any provision by the Company (directly or indirectly) of financial assistance in connection with the purchase of a share issued or to be issued by the Company or its holding company.

9. Authorised Signatories

The following are the true signatures of the persons who have been authorised ([any one of them acting alone/any two of them acting together]) to give any notices and other communications, and to take any other action required, under or in connection with the Documents on behalf of the Company.

Name	Position	Signature
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Schedule of Documents

[to be inserted]

Signed by
Director

Date:

Variation Agreement

relating to

a facility agreement dated 7 August 2003

TrustPower Limited

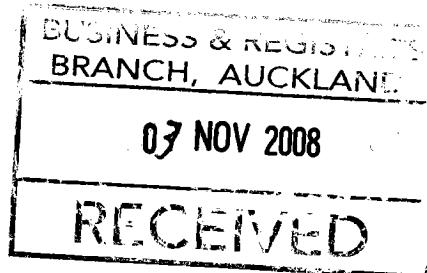
the Borrower

and

ANZ National Bank Limited

the Lender

Date 19 May 2008



BELL GULLY

AUCKLAND VERO CENTRE, 48 SHORTLAND STREET
PO BOX 4199, AUCKLAND 1140, DX CP20509, NEW ZEALAND
TEL 64 9 916 8800 FAX 64 9 916 8801

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This Agreement is made on 19 May 2008

between (1) TrustPower Limited (the Borrower)
and (2) ANZ National Bank Limited (as Lender)

Background

- A. The Borrower and the Lender are party to a facility agreement dated 7 August 2003 (as amended and/or restated from time to time) (the **Facility Agreement**).
- B. The parties have agreed to enter into this Agreement to effect certain amendments to the Facility Agreement.

By this Agreement the parties agree as follows:

1. Interpretation

1.1 Definitions

Words and expressions defined, and references construed in the Facility Agreement (as amended by this Agreement) and not otherwise defined or construed in this Agreement will, where used in this Agreement, have the same meanings and constructions as given to them in the Facility Agreement (as amended by this Agreement) unless the context otherwise requires.

The expression **Effective Date** means the date on which the Lender confirms in writing to the Borrower that the matters set out in clause 6 of this Agreement have occurred.

1.2 Construction of certain references

A party to this Agreement or other document includes its successors and permitted assignees and transferees. Headings and the table of contents are to be ignored in construing this Agreement.

2. Representations

The Borrower represents and warrants that:

- (a) it is a company duly incorporated and existing under the laws of New Zealand;
- (b) it has full power and authority to enter into this Agreement and to exercise its rights and perform and comply with its obligations under this Agreement and the Facility Agreement as amended by this Agreement;
- (c) everything required to be done (including the obtaining of any necessary consents and the passing of all necessary resolutions) to:
 - (i) enable it to lawfully enter into this Agreement and to exercise its rights and perform and comply with its obligations under this Agreement and the Facility Agreement as amended by this Agreement; and

(ii) ensure that this Agreement and the Facility Agreement as amended by this Agreement are legal, valid, binding and enforceable,

has been duly done;

(d) its entry into this Agreement and the exercise of its rights and performance and compliance with its obligations under this Agreement and the Facility Agreement as amended by this Agreement does not and will not on the Effective Date:

- (i) contravene any law to which it is subject;
- (ii) contravene any of the documents constituting it;
- (iii) exceed any limitation on, or constitute an abuse of, the powers of its directors or officers; or
- (iv) contravene any agreement to which it is party or which is binding on any of its assets; and

(e) its obligations under this Agreement and the Facility Agreement as amended by this Agreement are and will be on the Effective Date legal, valid, binding and enforceable.

3. Operation

The provisions of clause 4 and clause 5 will come into effect on the Effective Date.

4. Amendments

With effect from the Effective Date the Facility Agreement is amended as follows:

(a) the definition of "Termination Date" in clause 1.1 of the Facility Agreement is deleted and replaced with the following:

"Termination Date means:

- (a) in the case of Tranche A, 31 July 2009 or such later date as may be determined in accordance with clause 3.1;
- (b) in the case of Tranche B, 31 July 2010 or such later date as may be determined in accordance with clause 3.1; and
- (c) in the case of Tranche C, 31 July 2012 or such later date as may be determined in accordance with clause 3.1,

or if any such date is not a Banking Day then immediately preceding Banking Day;"

(b) the definition of "Variation Agreement" in clause 1.1 of the Facility Agreement is deleted and replaced with the following:

"Variation Agreement means the variation agreement dated 16 May 2008 between the Borrower and the Lender relating to this Agreement"; and

(c) the definitions of "Existing Facility Agreement", "Existing Indebtedness" and clause 1.3 of the Facility Agreement are deleted.

5. Continuation and confirmation

- (a) Each of the parties to this Agreement agrees that as from the Effective Date the Facility Agreement as amended by clause 4 of this Agreement will continue in full force and effect.
- (b) The Borrower confirms that the Facility Agreement as amended by this Agreement is a **Facility Agreement** for the purposes of, and as defined in, the Negative Pledge Deed.

6. Conditions precedent

The Effective Date shall occur when the Lender confirms in writing to the Borrower that:

- (a) the Borrower has duly executed this Agreement and the Facility Schedule (CAF) each in duplicate;
- (b) the Borrower has provided the Lender with a certificate from a director in the form set out in Schedule 4 to the Facility Agreement attaching the documents referred to in the certificate;
- (c) the Lender has received a legal opinion from Bell Gully acceptable to the Lender in relation to the Borrower; and
- (d) the Borrower has paid to the Lender the refinance fee as set out in clause 2 of the Facility Schedule (CAF).

7. Fees and costs

The Borrower shall pay to the Lender all reasonable costs and expenses (including legal fees on a solicitor and own client basis, and taxes) incurred by the Lender in or in connection with the negotiation, preparation and execution of this Agreement.

8. Governing law

This Agreement is to be governed by and construed in accordance with New Zealand law.

Execution

Executed as an agreement.

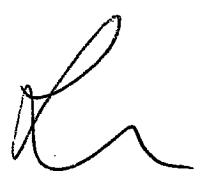
TrustPower Limited by:

Director



Sam Knuck

Print Name



Director



Lloyd Morrison

Print Name

SIGNED on behalf of ANZ National
Bank Limited by its attorney in the
presence of:



Witness Signature



Katherine Smith

Print Name



Associate Director, Structured Debt.

Occupation



ANZ Centre, 23-29 Albert St, Auckland

Address



Attorney



David Mervyn Orran

Print Name

**CERTIFICATE OF NON-REVOCATION OF POWER OF
ATTORNEY**

I, David Mervyn Curran of Auckland, New Zealand, Director
Institutional Banking of ANZ National Bank Limited, certify -

1. That by deed dated 20th July 2006, ANZ National Bank Limited of Wellington, New Zealand appointed me its attorney.
2. That I have not received notice of any event revoking the power of attorney.



Signed at Auckland this 19th day of May 2008.



CERTIFICATE OF REGISTRATION OF PROSPECTUS

(Under Section 42(5) of the Securities Act 1978)

TRUSTPOWER LIMITED

604040

This is to certify that a Prospectus, for TRUSTPOWER LIMITED, dated the 1st day of November 2008 was registered on the 3rd day of November 2008.

A handwritten signature in black ink that reads 'Neville Harris'.

Neville Harris
Registrar of Companies
Dated this 12th day of November 2008

