

## OTHER INFORMATION - SERIES 3 SENIOR BONDS

*This document contains other information that is material to the Offer but which is not contained elsewhere in the product disclosure statement (PDS) or the register entry. Capitalised terms used but not defined in this document have the meanings given to them in the PDS.*

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### **NZX waivers**

Listing Rule 11.1.1 provides that, unless NZX grants approval under Listing Rule 11.1.5, no restriction may be imposed on the ability of a security holder to transfer their securities (subject to registration of a properly completed transfer). NZX has approved provisions in the Master Trust Deed and the Series Supplements under Listing Rule 11.1.5 to enable New Trustpower to decline to accept or register a transfer of the Bonds if registration of the transfer would result in the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000.

Listing Rule 7.11.1 provides that an issuer making an issue of quoted securities shall proceed to allotment within five business days after the latest date on which applications for securities close. New Trustpower must close the Exchange Offer the day before the existing Trustpower bonds are redeemed, as it will need to determine who will be participating in the Exchange Offer, and who will receive redemption proceeds on the redemption date. Redemption of the Trustpower bonds must occur prior to the Implementation Date; however, the bonds cannot be issued until after the Implementation Date. As a result of that time gap, and the need to co-ordinate the Exchange Offer and the General Offer, the issue date for the Exchange Offer and General Offer (priority pool) will fall approximately two weeks after the Exchange Offer and General Offer (priority pool) closes (ie the Exchange Offer and General Offer (priority pool) will close on at 5.00pm on 12 October 2016 and the Bonds are expected to be issued on 26 October 2016). The NZX has granted New Trustpower a waiver in respect of Listing Rule 7.11.1 to permit the issue date for the Bonds to fall more than five business days after the Exchange Offer closes. An implication of this waiver for bondholders who participate in the Exchange Offer and/or the General Offer (priority pool) is that those bondholders will have limited or no access to their capital between the close of the Exchange Offer / General Offer (priority pool) and the Issue Date. Conversely if an existing Trustpower bondholder accepts redemption of their Trustpower bonds, that bondholder will receive the redemption amount in cash on the redemption date (scheduled for 13 October 2016).

Listing Rule 7.1.15 provides that an issuer that does not have securities quoted must (among other things) disclose the identity of any Substantial Product Holders (as defined in the FMC Act) in its offer document. At the time of lodging the PDS with the Registrar, New Trustpower will be a wholly-owned subsidiary of Trustpower. However, following the Demerger, and before the issuance of the Bonds, New Trustpower will be listed on the NZX Main Board. The owners of New Trustpower immediately on the completion of the Demerger will be the same as the owners of Trustpower at the relevant record date. Given the short duration that New Trustpower will not have securities quoted, NZX has granted New Trustpower a waiver from complying with Listing Rule 7.1.15. A list of substantial security holders of Trustpower (prepared in accordance with section 35C of the Securities Markets Act 1988) as at 29 April 2016 was included in Trustpower's annual report for FY2016. Certain changes to the Substantial Product Holders since that date (eg if there have been any new substantial product/security holders or movements of 1% or more in the holding of substantial product/security holders) should have been released via the NZX market announcement platform.

### **Consideration period**

Pursuant to section 65 of the FMC Act, New Trustpower is unable to issue or transfer any Bonds or accept any applications for Bonds during the Financial Markets Authority consideration period. The consideration period commences on the date the PDS is lodged and ends at the close of five working days after the date of lodgement. The date for lodgement of the PDS is 14 September 2016. The consideration period will commence on 14 September 2016 and will cease at the

close of 21 September 2016. The Financial Markets Authority may extend the consideration period by no more than five additional working days.

### **Expected date of initial quotation**

The expected date of initial quotation and trading of the Bonds on the NZX Debt Market set out in the PDS is an estimate only and is not a relevant period for the purposes of section 78(1)(b)(i) of the FMC Act (which relates to the period within which a quotation condition must be satisfied).

### **Forward looking statements**

The PDS and certain documents in the registry entry contain certain statements which relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond New Trustpower Group's control and which may cause New Trustpower Group's actual results, performance or achievements to differ materially from those expressed or implied by such statements.

### **Altering the terms of the Bonds**

The terms of the Bonds can be altered in certain circumstances. New Trustpower reserves the right to vary the dates of the Offer, including the Opening Date and the Offer Closing Dates for the Exchange Offer and the General Offer at its sole discretion. The terms of the Offer and the terms and conditions of the Bonds may be altered by an amendment to the PDS and, if required, the Master Trust Deed and any Series Supplement. Details of any amendment to the PDS, the Master Trust Deed or any Series Supplement must be filed with the Registrar of Financial Service Providers.

See in particular clause 22 of the Master Trust Deed.

### **Right to sell the Bonds**

Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of the PDS have been duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in the PDS or the register entry. The NZX Debt Market is a licensed market operated by NZX, which is a licensed market operator, regulated under the FMC Act.

As at the date of the PDS, there is no established secondary market for the Bonds. On the basis that permission is expected to be granted to quote the Bonds on the NZX Debt Market, New Trustpower considers that a secondary market for the Bonds will develop following completion of the Offer.

A summary of the risks involved with selling Bonds on the secondary market (if one develops) is set out in the General Risks section of Section 8 of the PDS (*Risks of investing*) under the headings "Market Price" and "Liquidity". Applicants should not attempt to sell their Bonds until they know whether, and how many, Bonds have been issued to them. None of New Trustpower, the Guarantors, the Supervisor, the Arranger, the Organising Participant, the Joint Lead Managers, the Securities Registrar or any of their respective directors, officers, employees or agents, or any other person, accepts any liability or responsibility should any applicant for Bonds attempt to sell or otherwise deal with any Bonds before receiving from the Securities Registrar a holding statement (which is expected to be sent to Bondholders within 5 Business Days of the Issue Date) recording the number of Bonds (if any) issued to them.

If Bondholders transfer any Bonds, the price obtained for them may differ from the amount paid to subscribe for, or purchase, them. Factors which may affect the price at which a Bondholder is

able to sell the Bonds are set out in below in this document under the heading "Key factors determining returns" and Section 8 of the PDS (*Risks of investing*).

New Trustpower will not compensate Bondholders for any loss they incur if they choose to sell their Bonds.

Bondholders are entitled to sell or transfer their Bonds at any time, subject to the terms of the Master Trust Deed and the Series Supplement and any applicable securities laws and regulations.

To be eligible to trade your Bonds you must have an account with a Primary Market Participant, a CSN and an Authorisation Code. If you do not have an account with a Primary Market Participant you should be aware that opening an account can take a number of days depending on the Primary Market Participant's new client procedures.

If you do not have a CSN you will be automatically assigned one. If you do not have an Authorisation Code, it is expected that you will be sent one as a separate communication by the Registrar. If you have an account with a Primary Market Participant and have not received an Authorisation Code by the date you want to trade your Bonds, your Primary Market Participant can arrange to obtain your Authorisation Code from the Registrar. Your Primary Market Participant will be charged a fee for requesting your Authorisation Code from the Registrar and may pass this cost on to you.

You should direct any enquiries about buying or selling Bonds to a Primary Market Participant or your usual investment adviser. Brokerage at applicable rates is likely to be payable by a Bondholder on any transfer of the Bonds effected through such a person.

## **Returns**

The information set out below in relation to returns on the Bonds should be read in conjunction with the information set out in Section 8 of the PDS (*Risks of investing*). Certain events could reduce or eliminate the returns intended to be derived from holding the Bonds.

The returns to Bondholders comprise interest paid on the Bonds and either:

- the Principal Amount payable by New Trustpower when the Bonds are redeemed; or
- the price received for any Bonds sold.

The Bonds do not benefit directly from any capital growth in the New Trustpower Group and Bondholders will not participate in any dividend, bonus issue, rights issue or any other distribution made in respect of the shares in New Trustpower or any other member of the New Trustpower Group.

## **Key factors determining returns**

The key factors that will determine the returns to Bondholders are:

- the interest rate;
- each Bondholder's individual circumstances for tax purposes;
- the New Trustpower Group's financial condition, financial performance and financial position to the extent that they affect:
  - the ability of New Trustpower to pay interest on the Bonds or repay the Principal Amount;
  - the ability of the Guarantors to make payments under the Negative Pledge Deed if required; or
  - the price of the Bonds on the secondary market (if one develops);

- the other risk factors described in Section 8 of the PDS (*Risks of investing*).

There are no reserves or retentions that will impact on Bondholders returns.

### Expert consents

Greg Anderson, a director of Northington Partners, has issued the independent adviser's report, which is attached at appendix 2 of the Scheme Booklet, which is available to view and download on the Disclose register. Greg has consented to:

- each statement made by him in the Scheme Booklet, and each statement said in the Scheme Booklet to be based on a statement made by him, being included in the Scheme Booklet in the form and context in which that statement is included; and
- the Scheme Booklet being included in the Disclose Register in the form and context in which that Scheme Booklet is included.

PricewaterhouseCoopers (**PwC**, the Investigating Accountant), has prepared a report in respect of the pro forma financial information, a copy of which is included in the Disclose Register. PwC has consented to the Investigating Accountants' Report being included in the Disclose Register in the form and context in which that Report is included.

### Total estimated costs of Offer and issue

New Trustpower estimates that the total costs it will incur in connection with the Offer and issue of the Series 3 Bonds will be \$1 million. This includes syndicate fees, legal fees, registry, printing, distribution and promotion expenses and any other fees or expenses that New Trustpower expects to incur in connection with the Offer.

The amount of the fees payable by New Trustpower in connection with the Offer in respect of syndicate fees (together the **Offer Fees**) will vary depending on the amount raised under the Offer. New Trustpower estimates that the total of the Offer Fees it will pay will be \$920,000 (assuming \$90 million of Series 3 Bonds are issued under the Offer). The Offer Fees will be payable to the Arranger and the Joint Lead Managers. These Offer Fees are payable for providing advice and assistance to New Trustpower in connection with the arranging, managing and marketing of the Offer and distributing of the Bonds.

New Trustpower estimates that it will pay \$5,000 to Northington Partners. These fees are payable for preparing the independent adviser's report, which is attached at appendix 2 of the Scheme Booklet.

New Trustpower estimates that it will pay \$20,000 to PwC. These fees are payable for preparing the Investigating Accountant's report.

### Material contracts

Members of the New Trustpower Group have entered into the following material contracts outside the ordinary course of their business:

- power purchase agreements with Tararua Wind Power Limited (**Tararua Wind**) and Tilt Renewables Limited;
- bridge facility agreements with each of ANZ Bank New Zealand Limited, Bank of New Zealand, Westpac New Zealand Limited, Westpac Banking Corporation, Commonwealth Bank of Australia and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Auckland Branch); and
- a separation deed between New Trustpower, Tilt Renewables, Tararua Wind and Trustpower.

### Power Purchase Agreements

New Trustpower and Tararua Wind will enter into three power purchase agreements (**PPAs**) in respect of the New Zealand wind farms. These wind farms are to be owned by Tararua Wind following the Demerger, with Tararua Wind being a subsidiary of Tilt Renewables. Tararua Stages I and II (stage I and II of the 161MW Tararua Scheme, located in the Tararua Ranges, Wellington, New Zealand) will be covered under one PPA, Tararua Stage III (stage III of the 161MW Tararua Scheme, located in the Tararua Ranges, Wellington, New Zealand) under a second and the Mahinerangi wind farm located on the Lammerlaw Ranges, Otago, New Zealand under the third PPA. Each of the PPAs will differ slightly to reflect the different connection arrangements, and the remaining life, of the relevant wind farm, but the core terms and pricing mechanics will be similar in all three PPAs (albeit the price values under each PPA will differ to reflect the location and characteristics of the wind farm). Tararua Wind will sell the electricity generated by the wind farms under each PPA to New Trustpower (at a fixed price) who will then on-sell that electricity into the wholesale electricity market (receiving the spot revenue).

Under each PPA New Trustpower will purchase the electricity from Tararua Wind in accordance with the following price methodology:

- The "base price" for the first five years of the PPAs is fixed and has been set with reference to the ASX Futures Otahuhu (or Benmore) base load prices. At the end of each contract year, an extra year will be established with reference to ASX Future prices at the time, to always maintain five years of "agreed base prices". The base price is subject to a floor price providing Tilt Renewables with revenue protection against low spot prices. The floor terminates five years prior to the end of the term of the relevant PPA.
- At the start of each contract year the base price is adjusted for each pricing period for specific location and peaking factors (using a three year rolling average) and is given a "quarterly shape" reflecting the inherent price shape in the New Zealand wholesale market and to incentivise Tilt Renewables to schedule outages in low priced times.

The expected terms of each PPA are:

Table 21: Expected terms of PPAs

Name of Wind Farm	Expiry of Initial Term of PPA	Rights of Renewal
Tararua I and II	31 March 2029	Right to negotiate a renewal
Tararua III	31 March 2032	No renewal right
Mahinerangi	31 March 2036	No renewal right

The PPAs have been negotiated on an arms-length commercial basis and are for the expected remaining life of the relevant wind farm. Key terms include:

- Tararua Wind is responsible for the physical on-site operation and maintenance of the wind farm. It is required to use good industry practice to maintain each wind farm to a standard to ensure that its available installed capacity is at all times (subject to scheduled and unscheduled maintenance shutdowns) not less than 85% of total installed capacity.
- Tararua Wind appoints New Trustpower as its agent to provide offer and dispatch services for the purposes of the Electricity Industry Participation Code 2010 (as amended) (**Code**).

- Tararua Wind provides New Trustpower with online access to Tilt Renewables systems to enable New Trustpower to remotely limit or increase the electricity output of each wind farm.
- Tararua Wind, as the asset owner, must ensure that the wind farms are at all times operated in accordance with the Code and is liable for compliance with all relevant statutory and regulatory requirements in respect of each wind farm.
- Tararua Wind is liable for all charges relating to connection and use of systems agreements, the generation of electricity at each wind farm and otherwise generally levied against generators of electricity, including relevant transmission and distribution charges.
- New Trustpower is liable for all charges generally levied against wholesale purchasers and retailers of electricity, including relevant transmission and distribution charges.
- Tararua Wind must pay New Trustpower a monthly fee (CPI adjusted) for New Trustpower services it provides, including in respect of acting as Tilt Renewables' agent in respect of offering and despatch of the electricity generated into the wholesale market.
- Tararua Wind is responsible to ensure that all necessary agreements are entered into with the local network operator to enable Tararua Wind to export the electricity to the local network or the national grid (as applicable). As Tararua Wind is the party to these agreements, it enjoys the benefits and burdens of them, including the receipt of any ACOT payments.
- A party may terminate the PPA if the other party has an order or resolution passed for the winding up of that party or has a receiver or liquidator or statutory manager appointed in respect of all or part of that party's assets; the other party fails to perform any of its obligations under the PPA and where a breach is capable of remedy, fails to remedy that failure within 30 days of notice; or it becomes unlawful to perform a material obligation or a party ceases to be registered as a participant under the Code. The parties may also cancel the PPA if, by reason of force majeure, the claiming party is unable to perform its obligations under the PPA for a continuous period of 12 months (in the case of an event of force majeure which damages or destroys all or substantially all of the wind farm), or 60 business days (in the case of all other events of force majeure).
- Tilt Renewables guarantees the obligations of Tararua Wind pursuant to the agreement. New Trustpower can be required to provide credit support to secure its payment obligations under the PPA.
- If a party defaults in the performance of its obligations under the PPA, it will be liable to the other party for the direct losses caused by such default (which includes any difference between the spot prices and the contract prices). The parties will not be liable for any consequential losses that arise from such breach.
- The PPAs include provisions to vary them in the event of change in circumstances in respect to regulatory or legal changes with the intention that any amendments will apply as from the commencement of the change and shall fairly reflect, as far as possible, the same allocation of benefits, rights and/or obligations of the parties as at the commencement date of the PPA.

### *Bridge Facility Agreements*

Trustpower has entered into short term cash advances facility agreements (**Bridge Facility Agreements**) with certain members of its banking group (ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(Auckland Branch)). The aggregate facility amount under the Bridge Facility Agreements is \$425 million. Trustpower may draw under these facilities to redeem and prepay any of its existing Bondholders who choose not to participate in the Exchange Offer or the General Offer (priority pool). All of Trustpower's rights and obligations under each Bridge Facility Agreement (including the obligation to repay all amounts outstanding thereunder) will be novated to New Trustpower with effect from the Implementation Date.

All amounts outstanding under each Bridge Facility Agreement must be repaid in full within a year of the date it becomes available for drawing.

The proceeds of the issue of the Bonds must be applied in prepayment of the amounts outstanding under each of the Bridge Facility Agreements together with any costs associated with redemption of the existing bonds and issue of the Bonds.

Each Bridge Facility Agreement contains financial undertakings, which are described in more detail in Section 6 of the PDS (*Key features of the Bonds*) - Restrictions on creating further liabilities.

The benefit of the Negative Pledge Deed will, with effect from the Implementation Date, be extended to each member of New Trustpower's banking group. The Negative Pledge Deed includes (among other things) restrictions on disposals, entering into related party transactions, changing its core business and creating security over its assets. Those restrictions are subject to exceptions and generally reflect standard market terms. The terms also include a restriction on paying dividends if an event of default (as defined in the Negative Pledge Deed) has occurred or would result from the payment of the dividend. Please note that Bondholders do not have the benefit of these provisions of the Negative Pledge Deed - please see the section on the Negative Pledge Deed below.

#### *Separation Deed*

The Separation Deed between Trustpower, New Trustpower, Tilt Renewables and Tararua Wind governs the Demerger process. The Separation Deed provides for the preparation of the Scheme Booklet and the process to undertake the Demerger. The Separation Deed broadly provides that:

- a list of assets will be transferred from Trustpower to Tararua Wind (which will form part of the Tilt Renewables group post Demerger) upon implementation of the Demerger, for no consideration;
- a list of assets will be transferred from Trustpower to Tilt Renewables upon implementation of the Demerger, for no consideration;
- a list of liabilities will be assumed by Tilt Renewables or Tararua Wind in substitution for Trustpower upon the implementation of the Demerger, for no consideration;
- all assets and liabilities of Trustpower not transferred or assumed by Tararua Wind or Tilt Renewables as noted above will be transferred to or assumed by New Trustpower upon the implementation of the Demerger for no consideration;
- certain contracts will be transferred to Tilt Renewables, Tararua Wind or New Trustpower in substitution for Trustpower upon implementation of the Demerger;
- the Trustpower name and logo is transferred to New Trustpower, although Tilt Renewables may use these on existing assets until it is practical to remove them. In certain instances, and on six months' notice to Tilt Renewables, New Trustpower may require an earlier cessation of use;
- a process is established to govern if assets or liabilities are transferred or assumed by Tilt Renewables, Tararua Wind or New Trustpower when they should have been transferred or assumed by another one of those parties. In that event the parties will seek to transfer the relevant asset or liability to the correct party and, if that cannot occur, to hold it for the other and to be indemnified by the other in respect of any liability which may arise;
- with respect to taxes in relation to periods prior to the Demerger:

- Australian income taxes relating to GSP Energy Pty Limited (**GSP**) are allocated to Tilt Renewables in accordance with the Australian tax law related to Australian tax consolidated groups;
- any tax liability which relates to the transfer of the Mahinerangi wind farm located on the Lammerlaw Ranges, Otago, New Zealand and Kaiwera Downs and Waverley development options from Trustpower to Tararua Wind is allocated to New Trustpower;
- any other tax liability which relates to New Trustpower's business is allocated to New Trustpower and similarly any other tax liability which relates to Tilt Renewables' business is allocated to Tilt Renewables (and any joint liability shall be shared proportionately between the two parties), where New Trustpower is subject to such a tax liability which relates to Tilt Renewables' business, Tilt Renewables indemnifies New Trustpower in relation to such a tax liability (and vice versa); and
- if any deductions regarding the Trustpower Australia Financing Partnership are disallowed, any resulting tax in respect of the period up to the Demerger will be allocated to New Trustpower;
- in respect of litigation:
  - which relates wholly to New Trustpower's business, is allocated to New Trustpower and which relates wholly to Tilt Renewables' business, is allocated to Tilt Renewables (with cross-indemnities provided to the other);
  - which relates to the business of both Tilt Renewables and New Trustpower, will be allocated (and subjected to cross-indemnities) depending on the extent to which the liability relates to the New Trustpower business or the Tilt Renewables business;
  - brought against New Trustpower after the Demerger relating to the Tilt Renewables business, or brought against Tilt Renewables after the Demerger relating to the New Trustpower business, will be allocated (and subject to cross-indemnities) depending on the extent to which the liability relates to the Tilt Renewables or New Trustpower business, although there are certain exclusions from this regime, being criminal prosecutions, fraud and tax litigation;
- arrangements are entered into in respect of existing insurance, including that Trustpower Insurance will be transferred to New Trustpower;
- each of Tilt Renewables and New Trustpower indemnifies the other for any losses, damages, liabilities, claims, costs, and expenses (except in relation to criminal prosecutions, fraud and tax) incurred by the indemnified party after the Demerger in relation to the indemnifying party's business.

The Separation Deed also contains provisions in respect of:

- New Trustpower's and Tilt Renewables' offer of employment to Trustpower employees; and
- arrangements governing insurance for directors and officers and access to records by a member of the New Trustpower Group or Tilt Renewables Group.

#### *Scheme Booklet*

A copy of the Scheme Booklet is available to view and download on the Disclose register.

#### **Financial information**

The Disclose Register contains:

- (a) an unaudited pro forma consolidated statement of financial performance for the New Trustpower Group for the accounting periods ending 31 March 2014, 31 March 2015 and 31 March 2016, such statements of financial performance have been prepared:

- (i) as if the Demerger had occurred on 31 March 2013 and the New Trustpower Group had commenced business on 1 April 2013; and
  - (ii) by extracting the financial information of the New Trustpower Group from the audited financial statements for Trustpower for the accounting periods ending 31 March 2014, 31 March 2015 and 31 March 2016; and
- (b) an unaudited pro forma consolidated statement of financial position for the New Trustpower Group for the accounting period ending 31 March 2016, such statement of financial position has been prepared:
- (i) as if the Demerger had occurred on 31 March 2016; and
  - (ii) by extracting the financial information of the New Trustpower Group from the audited financial statements for Trustpower for the accounting periods ending 31 March 2016.

#### *Basis of preparation*

The pro forma financial statements referred to above have been prepared for illustrative purposes, to assist investors to understand the financial position and financial performance of the New Trustpower Business. By its nature, pro forma financial information is illustrative only. Consequently, the financial information does not purport to reflect the actual or future financial performance for the relevant period, nor does it reflect the actual financial performance and position that would have occurred if the New Trustpower Business had operated as a standalone entity for the relevant period principally because:

- the New Trustpower Business did not operate independently of Trustpower during the periods for which the financial information is presented;
- the financial information may not reflect the strategies or operations that New Trustpower may have followed or undertaken as a separate entity rather than as part of Trustpower; and
- the New Trustpower Business may have been exposed to different financial and business risks had it operated as a separate entity rather than as part of Trustpower.

The financial information in this section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the New Zealand International Financial Reporting Standards. This together with the illustrative nature of pro forma statements described above means the pro forma financial statements referred to above have not been prepared in accordance with GAAP and have not been audited by a qualified auditor. The pro forma consolidated financial statements have been prepared by extracting the financial information of the New Trustpower Business from Trustpower's accounting records. These accounting records were used to generate the audited Trustpower financial statements for FY2014, FY2015 and FY2016. The Trustpower financial statements for these periods are available from Trustpower's website ([www.trustpower.co.nz/company-and-investor-information/reports](http://www.trustpower.co.nz/company-and-investor-information/reports)). The Trustpower financial statements for FY2014, FY2015 and FY2016 have been audited by PricewaterhouseCoopers in accordance with New Zealand Auditing Standards and the audit opinions issued to the members of Trustpower relating to those financial statements were not modified.

The pro forma historical statement of financial position has been prepared on the basis that the Demerger occurred on 31 March 2016 and that the New Trustpower Business assets and liabilities had been transferred from Trustpower to New Trustpower at their carrying value at that time.

The pro forma historical statement of financial position is therefore presented after adjusting for financial position pro forma adjustments. These adjustments can be summarised as follows:

- restructure steps which will be undertaken before the Implementation Date as discussed in Section 9 (*Implementing the Demerger*) of the Scheme Booklet;
- the settlement of intercompany loans from Trustpower; and
- the refinancing and the drawdown of external borrowings.

Unless otherwise noted, the financial information has been prepared in accordance with the recognition and measurement principles prescribed in the New Zealand International Financial Reporting Standards adopted by the New Zealand Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in the preparation of the financial information are consistent with those set out in Trustpower's annual reports for FY2014, FY2015 and FY2016.

The Investigating Accountant has prepared a report in respect of the financial information, a copy of which is included in the Disclose Register (*Investigating Accountants' Report on the Compilation of the Pro Forma Financial Information*). The financial information set out above should be read in conjunction with that report.

As a result of the FMA exemption (discussed under the heading "Exemptions" below), the Disclose Register does not contain the usually required:

- group financial statements for New Trustpower and all subsidiaries of New Trustpower as at the date of the PDS for the accounting periods ending 31 March 2014 and 31 March 2015 prepared in accordance with GAAP together with any auditor's report on those statements;
- group financial statements for New Trustpower and all subsidiaries of New Trustpower as at the date of the PDS for the accounting period ending 31 March 2016 prepared in accordance with GAAP and audited by a qualified auditor; and
- a copy of an auditor's report on the financial statements referred to in paragraph (b) above.

Without the exemption, New Trustpower would be required to provide this financial information for the New Trustpower Group for the three most recently completed accounting periods determined in accordance with GAAP (together with a copy of an auditor's report on the New Trustpower Group financial statements for FY2016). As that financial information would not take into account the effect of the Demerger, the financial information provided in the Disclose Register is pro forma financial information prepared on the basis that the Demerger has occurred, and for the financial year ending 31 March 2016 only. Accordingly, some of the financial information that would usually have been provided for FY2014 and FY2015 has not been provided (as described above), and the form of the financial information provided is different to the form of financial information that would usually be provided (usually historical financial information is not prepared on a pro forma basis) and that financial information has not been audited.

The directors of New Trustpower consider that it is appropriate to provide this alternative financial information, and consider that the information will be more useful to prospective investors in assessing the merits of the offer of the Bonds as:

- New Trustpower's financial position will differ materially between the date that the PDS is registered and the date on which the Bonds are issued due to the Demerger; and
- no Bonds will be issued if the Demerger is not implemented, and therefore it is the post-Demerger position which is material to potential investors, rather than the pre-Demerger position.

## Non-GAAP measures

EBITDAF (used as an alternative profit measure to EBITDA throughout the PDS) is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

Reconciliation between statutory measure of profit and EBITDAF are given below:

	2014	2015	2016
<b>Revenue</b>	<b>821</b>	<b>920</b>	<b>947</b>
Operating expenses	(587)	(696)	(734)
<b>EBITDAF</b>	<b>234</b>	<b>224</b>	<b>213</b>
Impairment of assets	-	(1)	(3)
Net fair value gains/(losses) on financial instruments	8	(2)	(8)
<b>EBITDA</b>	<b>242</b>	<b>221</b>	<b>202</b>

## Guarantee / Negative Pledge Deed

The Negative Pledge Deed contains a guarantee in favour of the Supervisor in respect of the Bonds.

Bondholders should note that while the Supervisor, on behalf of the Bondholders, has the benefit of clauses 2 and 3 of the Negative Pledge Deed (these clauses contain the guarantee and provisions relating to the joining and release of guarantors) it does not have the benefit of certain other clauses of that document (as described in the section under the heading "Bridge Facility Agreements" above).

Under the Negative Pledge Deed, each Guarantor will jointly and severally guarantee to the Supervisor the payment of all amounts owed to Bondholders in respect of the Bonds. There are no limits on the obligations of any Guarantor in respect of the amounts owing under the Negative Pledge Deed. The obligations of the Guarantors under the Negative Pledge Deed are unsecured.

As at the Issue Date for the Bonds, the sole Guarantor will be GSP Energy Pty Ltd. The Negative Pledge Deed contains provisions that allow New Trustpower to have a Guarantor released from the guarantee under the Negative Pledge Deed if:

- the release will not breach any relevant covenant;
- the Guarantor ceases to be a Subsidiary of New Trustpower following a disposal of its shares;
- the Guarantor is being dissolved;

- there is no indebtedness owed by the Guarantor to any lender (including the Supervisor on behalf of the Bondholders); or
- a majority of the lenders who have the benefit of the Negative Pledge Deed have provided their consent.

## Exemptions

By virtue of the Financial Markets Conduct (Bay Energy Limited) Exemption Notice 2016 (**Exemption Notice**), New Trustpower has been exempted from certain requirements of the FMC Regulations.

New Trustpower has been exempted from clauses 7, 10, 25, 30(5), 33(1), 65(1)(c) and 65(3)(b) of Schedule 2 of the FMC Regulations with respect to the offer of the Bonds. Such exemption has been granted on the following conditions:

- the PDS must contain all the information and statements required by those clauses but applied as if references to the issuing group and the issuing group's business were references to the New Trustpower Group and the New Trustpower Group's business (that is, rather than refer to New Trustpower and its subsidiaries as at the date of the PDS, the PDS can describe New Trustpower and its subsidiaries as they will be post-Demerger);
- the Bonds cannot be issued until after the Demerger has been approved by the High Court of New Zealand and the implementation of the Demerger has been completed;
- the PDS must, in Section 1 under the heading "About the New Trustpower Group", contain:
  - a statement to the effect that the information and statements that are contained or referred to in the PDS relate to the New Trustpower Group after the Demerger rather than the usually required New Trustpower and all subsidiaries of New Trustpower as at the date of the PDS; and
  - a brief description of the demerger; and
- the PDS must contain a statement in Section 2 to the effect that New Trustpower must not issue the Bonds until after the Demerger has been approved by the High Court of New Zealand and the implementation of the Demerger has been completed.

New Trustpower has been exempted from clause 31(1)(d) of Schedule 2 of the FMC Regulations to the extent that it requires the amounts included in the diagram prepared under clause 30(2)(b) of Schedule 2 of the FMC Regulations to be indicative amounts based on the financial position of New Trustpower at its most recent balance date or any more recent stated date. Such exemption has been granted on the condition that the amounts included in the diagram contained in the PDS prepared under clause 30(2)(b) of Schedule 2 of the FMC Regulations are indicative amounts based on the financial position of New Trustpower as if the Demerger had completed and extracted from the pro forma consolidated statement of financial position for the New Trustpower Group for the financial year ended 31 March 2016.

New Trustpower has been exempted from clauses 36, 37 and 38 of Schedule 2 of the FMC Regulations. Such exemption has been granted on the conditions that the PDS and the Disclose Register contain the pro forma financial information and prescribed statements set out in the Exemption Notice.

New Trustpower has been exempted from regulation 29(1)(c) of the FMC Regulations to the extent that that clause would prevent it from including information about the Exchange Offer and General Offer in the KIS for the PDS. Such exemption has been granted on the condition that the KIS complies with the length limits in regulation 29(2)(a) of the FMC Regulations.

