

14 September  
2016

# PRODUCT DISCLOSURE STATEMENT SENIOR BONDS



For an offer by Bay Energy Limited  
(to be renamed Trustpower Limited)  
of three series of fixed rate bonds  
maturing 15 December 2017,  
15 December 2021 and  
15 December 2022.

This document gives you important  
information about this investment to  
help you decide whether you want to  
invest. There is other useful information  
about this offer on the Disclose Register  
website at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).  
Bay Energy Limited has prepared  
this document in accordance with  
the Financial Markets Conduct Act  
2013. You can also seek advice from a  
financial adviser to help you to make an  
investment decision.



# 1.

## KEY INFORMATION SUMMARY

### What is this?

This is an offer of three series of unsecured unsubordinated fixed rate bonds (**Bonds**). The Bonds are debt securities issued by Bay Energy Limited (to be renamed Trustpower Limited, **New Trustpower**). You give New Trustpower money, and in return New Trustpower promises to pay you interest and repay the money at the end of the term. If New Trustpower runs into financial trouble, you might lose some or all of the money you invested.

This offer comprises a **General Offer**, which is open to all New Zealand resident investors, of fixed rate bonds maturing 15 December 2022 to be issued by New Trustpower. The General Offer includes a priority pool for New Zealand resident holders of Trustpower's 2016 bonds.

The offer also includes an **Exchange Offer**, which is an offer to certain New Zealand resident holders of bonds issued by Trustpower, to exchange those Trustpower bonds for new bonds issued by New Trustpower which have the same ranking, interest rate and maturity date as the Trustpower bonds held.

Further details concerning the General Offer and the Exchange Offer are set out below.

### About the New Trustpower Group

New Trustpower is a wholly owned subsidiary of Trustpower. Prior to the issue date for the Bonds, Trustpower will have implemented a demerger of its assets (**Demerger**), resulting in Trustpower's existing hydro electricity generation and retail assets being transferred to New Trustpower. This PDS describes New Trustpower, the New Trustpower Group (that is, New Trustpower and its subsidiaries) and the business conducted by the New Trustpower Group following the implementation of the Demerger (rather than, as usually required, New Trustpower and all of its subsidiaries as at the date of this PDS).

The New Trustpower Group will be primarily engaged in the generation of electricity and multi-product retailing, including electricity, gas and telecommunications services.

### Purpose of this Offer

The purpose of this offer is to raise money for the general corporate purposes of the New Trustpower Group, including repaying bank debt incurred in connection with the Demerger.

### Key terms of the Offer

<b>Description of the debt securities</b>	Unsecured unsubordinated fixed rate bonds.
<b>Maturity Date</b>	Series 1 – 15 December 2017 Series 2 – 15 December 2021 Series 3 – 15 December 2022
<b>Interest rate</b>	The interest rate will be fixed for the term of each series of Bonds. Series 1 – 7.10% p.a. Series 2 – 5.63% p.a. Series 3 – The interest rate for Series 3 will be determined on 23 September 2016 by New Trustpower in consultation with the Joint Lead Managers.
<b>Opening Date</b>	26 September 2016
<b>Closing Dates</b>	Exchange Offer – 12 October 2016 General Offer (priority pool only) – 12 October 2016 General Offer (not priority pool) – 21 October 2016
<b>Interest payment dates</b>	15 March, 15 June, 15 September and 15 December in each year (or if that day is not a Business Day, the next Business Day) up to and including the applicable Maturity Date for that series of Bonds.

### Who is responsible for repaying you?

New Trustpower is responsible for paying interest on the Bonds and for the repayment of the Bonds.

The Bonds are guaranteed by the Guarantors under the Negative Pledge Deed. Pursuant to the terms of the Bonds, New Trustpower and the Guarantors together must represent no less than 85% of the total tangible assets and 85% of the EBITDAF of the consolidated New Trustpower Group.

At the Issue Date, the sole Guarantor will be GSP Energy Pty Limited. No other members of the New Trustpower Group will guarantee the Bonds as at the Issue Date.

More information on the Guarantee and the Guarantors can be found in Section 6 of this PDS (Key features of the Bonds).

### How you can get your money out early

Bondholders have no right to require New Trustpower to redeem their Bonds prior to the applicable Maturity Date, except in the case of an Event of Default (described in more detail in Section 6 of this PDS (Key features of the Bonds)).

New Trustpower may elect to redeem all the Bonds of any series by giving 15 Business Days' notice of the applicable redemption date. On early redemption, New Trustpower will pay to the applicable Bondholders the Early Redemption Amount (which is the higher of the face value of the Bonds to be redeemed and a volume weighted average market trading price for those Bonds), together with all accrued but unpaid interest in respect of the Bonds and any other amount due and payable in respect of those Bonds (less any applicable withholdings or deductions).

New Trustpower intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of the New Trustpower Group and movements in market interest rates. You may receive less than the full amount that you paid for them.

### How Bonds rank for repayment

The Bonds will rank equally with New Trustpower's other unsecured and unsubordinated obligations. This means in a liquidation of New Trustpower your rights and claims as a Bondholder:

- will rank **after** all secured creditors (if any) and creditors preferred by law (e.g. employees up to a cap of \$22,160 each and IRD in respect of certain unpaid taxes);
- will rank **equally** with other Bondholders and with the rights and claims of holders of equal ranking obligations (including banks that lend money to New Trustpower and all other unsecured trade and general creditors); and
- will rank **ahead** of holders of subordinated debt (such as holders of the subordinated bonds issued by New Trustpower) and shares in New Trustpower.

The Guarantee from each Guarantor will rank equally with all other unsecured and unsubordinated obligations of that Guarantor.

More information on how the Bonds rank for repayment can be found in Section 6 of this PDS (Key features of the Bonds).

### No security

The Bonds are not secured against any asset of New Trustpower nor any member of the New Trustpower Group. The Guarantee is not secured against any assets of the Guarantor.

### Where you can find the New Trustpower Group's financial information

The financial position and performance of the New Trustpower Group are essential to an assessment of New Trustpower's ability to meet its obligations under the Bonds.

You should also read Section 7 of this PDS (New Trustpower Group's financial information).

### Key risks affecting this investment

Investments in debt securities have risks. A key risk is that New Trustpower does not meet its commitments to repay you or pay you interest (credit risk). Section 8 of the PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for each series of Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer for each series of Bonds is fair.

New Trustpower considers that the most significant risk factors are:

*Regulatory risk* – Unfavourable changes to the regulatory environment in which New Trustpower operates have the potential to significantly impact the New Trustpower Group's operations and earnings. Those changes may impact the licences, approvals and consents which New Trustpower is required to maintain to operate its business, including its generation schemes, and may impose unfavourable conditions or new taxes or levies, or increase existing taxes or levies which negatively impact the New Trustpower Group's financial performance.

*Competition* – The retail electricity, telecommunications and gas markets in New Zealand are highly competitive. Customers are able to change providers (the Government has actively promoted retail customers switching between electricity providers) and there have been a number of new entrants. This competition has reduced operating margins and increased customer churn, and customer acquisition and retention costs. The New Trustpower Group's financial performance may be negatively impacted if competition further intensifies.

*Wholesale electricity prices* – The wholesale price at which New Trustpower sells the electricity it generates, or buys electricity to sell to customers, may be unfavourable. Many of the factors that affect wholesale electricity prices are outside of New Trustpower's control. A negative impact on wholesale electricity prices in the short, medium and long terms, may negatively impact the New Trustpower Group's financial performance.

This summary does not cover all of the risks of investing in the Bonds. You should also read Section 6 (Key features of Bonds) and Section 8 (Risks of investing) of this PDS.

**No credit rating**

New Trustpower's creditworthiness has not been assessed by an approved rating agency. This means that New Trustpower has not received an independent opinion of its capability and willingness to repay its debts from an approved source.



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## CHAIRMAN'S LETTER

Dear Investor

On behalf of the New Trustpower board, I am pleased to provide potential investors with an opportunity to invest in a new issue of Bonds. The Bonds are unsecured, unsubordinated fixed interest rate debt securities to be issued by Bay Energy Limited (to be renamed Trustpower Limited prior to the issue date for the Bonds, **New Trustpower**). The Bonds will be guaranteed by GSP Energy Pty Limited.

Three series of Bonds are to be issued, each of which offers investors regular interest payments, payable quarterly in arrear.

The Series 1 Bonds and Series 2 Bonds will have the same interest rate and maturity date as Trustpower's existing senior bonds maturing on 15 December 2017 and 15 December 2021 respectively. If you are a New Zealand resident who holds Trustpower bonds that mature on those dates, then you can subscribe for Series 1 Bonds or Series 2 Bonds through the Exchange Offer.

In addition, New Trustpower is offering up to \$115 million of new Bonds to all New Zealand resident investors under the General Offer (with a discretion to accept up to a further \$50 million in oversubscriptions). New Zealand resident holders of Trustpower's existing senior bonds maturing 15 December 2016 will have priority for \$65 million of those new Bonds.

The interest rate for the Series 3 Bonds will be announced via NZX on or about 23 September 2016 on Trustpower's NZX page.

The Bonds will be issued following the implementation of a demerger of Trustpower's existing assets. The demerger is discussed in detail in the Scheme Booklet which has been lodged on each Disclose Register. I urge all investors to read the Scheme Booklet and speak to your financial adviser if you need any further information about the demerger.

New Trustpower will hold Trustpower's New Zealand and Australian hydro generation assets and its multi-product New Zealand retail business. New Trustpower will retain Trustpower's name and brand. The New Trustpower Group (inclusive of King Country Energy Limited) will own 570 MW of generation assets, will have net assets of \$1.3 billion and its EBITDAF for the last three financial years (calculated on a pro forma basis) would have been \$234 million (for the financial year ending 31 March 2014), \$224 million (for the financial year ending 31 March 2015) and \$213 million (for the financial year ending 31 March 2016).

The funds raised from the Offer will be used by New Trustpower for general corporate purposes, including repaying bank debt incurred in connection with the demerger.

To ensure that an investment in the Bonds meets your needs and that you understand the risks of investing in the Bonds, you should carefully read this PDS. If you have any questions or if you are interested in investing in the General Offer, please contact your usual authorised financial adviser.

We look forward to your participation in this offer.

Yours faithfully



Paul Ridley-Smith  
Chairman  
Bay Energy Limited

## 2.

## KEY DATES AND OFFER PROCESS

Rate Set Date for the Series 3 Bonds and confirmation as to whether a pool for Series 3 Bonds has been reserved for Trustpower bondholders	23 September 2016
Redemption Record Date	
<ul style="list-style-type: none"> <li>▪ (TPW090 Bonds)</li> <li>▪ (TPW100 Bonds and TPW120 Bonds)</li> </ul>	30 September 2016 3 October 2016
Offer Opening Date	26 September 2016
Offer Closing Dates	
<ul style="list-style-type: none"> <li>▪ for the Exchange Offer</li> <li>▪ for the General Offer (priority pool only)</li> <li>▪ for the General Offer (not priority pool)</li> </ul>	12 October 2016 12 October 2016 21 October 2016
Expected redemption date for the existing Trustpower bonds	13 October 2016
Implementation Date for the Demerger	14 October 2016
Issue Date	26 October 2016
Date of initial quotation and trading of the Bonds on the NZX Debt Market	27 October 2016
Long Stop Date	30 November 2016
First Interest Payment Date	15 December 2016
Interest Payment Dates	15 March, 15 June, 15 September and 15 December in each year
Maturity Date	Series 1 Bonds – 15 December 2017 Series 2 Bonds – 15 December 2021 Series 3 Bonds – 15 December 2022

Other than the Offer Opening Date and the Long Stop Date, all of the other dates in the table above are indicative only and are subject to change. New Trustpower has the right in its absolute discretion and without notice to close the Offer early, to accept late applications, to extend the Offer Closing Dates and to change the Issue Date (provided that the Issue Date must occur on or before the Long Stop Date). If the Offer Closing Dates are extended, the Issue Date and the expected date of initial quotation and trading of the Bonds on the NZX Debt Market may be extended. Any such changes will not affect the validity of any applications received.

New Trustpower reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded as soon as practicable.

New Trustpower will not issue any Bonds until the Demerger has been approved by the High Court of New Zealand and the implementation of the Demerger has completed.

### Who may apply under the General Offer

Up to \$100 million (61% of the Bonds being offered under the General Offer) of the Bonds offered under the General Offer (including any oversubscriptions) have been reserved for two pools:

- the first for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries, which will be allocated to those persons by New Trustpower in consultation with the Joint Lead Managers; and
- the second, at New Trustpower's discretion, for subscription by existing Trustpower bondholders that wish to participate in the General Offer,

with the final size of each of the two pools (which may aggregate to less than \$100 million) to be determined by New Trustpower and announced on or about 23 September 2016 on Trustpower's NZX page.

As there is no public pool retail investors should contact any Primary Market Participant for details as to how they may acquire Bonds under the General Offer. You can find a Primary Market Participant by visiting [www.nzx.com/investing/find\\_a\\_participant](http://www.nzx.com/investing/find_a_participant).

An additional \$65 million (39% of the Bonds being offered under the General Offer) of Bonds has been set aside for a priority pool available to New Zealand resident holders of Trustpower bonds that mature on 15 December 2016 (**TPW090 Bonds**). New Zealand resident holders of these bonds on the applicable Redemption Record Date will be given priority in the General Offer up to the number of TPW090 Bonds which they hold, and the subscription price for the Bonds for which they subscribe (\$1.00) will be deducted from the redemption proceeds payable to them in respect of the TPW090 Bonds which they hold. The Redemption Record Date for the TPW090 Bonds is 30 September 2016.

#### Who may apply under the Exchange Offer

If on the applicable Redemption Record Date you are a New Zealand resident holder of Trustpower bonds that mature on 15 December 2017 (**TPW100 Bonds**) you may apply for Series 1 Bonds in the Exchange Offer. You may exchange none, some or all of your TPW100 Bonds under the Exchange Offer.

If on the applicable Redemption Record Date you are a New Zealand resident holder of Trustpower bonds that mature on 15 December 2021 (**TPW120 Bonds**) you may apply for Series 2 Bonds in the Exchange Offer. You may exchange none, some or all of your TPW120 Bonds under the Exchange Offer.

No other persons may participate in the Exchange Offer. The Redemption Record Date for the TPW100 Bonds and TPW120 Bonds is 3 October 2016.

#### Redemption or cancellation of Trustpower bonds

Trustpower has four series of NZX listed senior and subordinated bonds on issue. The terms of those Trustpower bonds permit them to be redeemed by Trustpower on the giving of five business days notice. Trustpower expects to give a formal redemption notice in respect of all of its bonds on 6 October 2016, which will provide for those bonds to be redeemed on 13 October 2016.

All of the TPW090 Bonds will be redeemed on the redemption date.

Holders of the TPW100 Bonds and/or the TPW120 Bonds may elect to:

- Participate in the Exchange Offer – in which case their TPW100 Bonds and/or TPW120 Bonds will be cancelled on 13 October 2016, in consideration for New Trustpower agreeing to issue to them a Series 1 Bond or Series 2 Bond, or both (as the case may be) and to pay interest to those bondholders as discussed under the heading "Interest" in Section 3 (Terms of the Offer) below; or
- Have their TPW100 Bonds and/or the TPW120 Bonds redeemed – in which case they will be redeemed on the redemption date. On that date, Trustpower will pay to each bondholder the redemption price payable for each series of Trustpower bonds (as determined by the independent adviser (Deloitte) selected by the trustee of Trustpower's bonds, and announced on 6 October 2016).

The Exchange Offer closes on the Business Day prior to the redemption date. Any New Zealand resident holder who has not elected to exchange all of their Trustpower bonds by the Exchange Offer Closing Date, will receive the applicable redemption proceeds in cash for the Trustpower bonds which they do not exchange.

The Redemption Record Date for the TPW090 Bonds is 30 September 2016 and for the TPW100 Bonds and TPW120 Bonds is 3 October 2016. The Securities Registrar will place all of the TPW090 Bonds, TPW100 Bonds and TPW120 Bonds into a holding account from the applicable Redemption Record Date until the redemption date.

#### Long Stop Date

If the Issue Date for the Bonds has not occurred by the Long Stop Date:

- all subscription money received in respect of the General Offer (not priority pool), will be returned to investors;
- for participants in the General Offer priority pool, New Trustpower will pay investors \$1.00 for each Bond subscribed for; and
- for participants in the Exchange Offer, New Trustpower will pay an amount equal to the redemption amount that would have been payable to that holder on the redemption date had the holder elected to have their Trustpower bonds redeemed (but net of any interest component included in that redemption amount),

together with applicable interest payable to those investors (see the heading "Interest" in Section 3 (Terms of the Offer) opposite).

# 3.

## TERMS OF THE OFFER

Issuer	Bay Energy Limited (to be renamed Trustpower Limited).
Description	Unsecured unsubordinated fixed rate bonds.
Maturity Date	Series 1 Bonds – 15 December 2017 Series 2 Bonds – 15 December 2021 Series 3 Bonds – 15 December 2022
Offer amount	<b>For the Exchange Offer:</b> <ul style="list-style-type: none"><li>▪ up to \$75 million of Series 1 Bonds</li><li>▪ up to \$105 million of Series 2 Bonds</li></ul> <b>For the General Offer:</b> Up to \$165 million of Series 3 Bonds comprising: <ul style="list-style-type: none"><li>▪ a priority pool of up to \$65 million</li><li>▪ a general offer of \$50 million with the ability to accept oversubscriptions of up to \$50 million at New Trustpower’s discretion (a portion of these Bonds may be reserved for existing Trustpower bondholders, as announced on or about the Rate Set Date).</li></ul>
Principal Amount	\$1.00 per Bond
Interest rate	The interest rate will be fixed for the term of each series of Bonds. Series 1 – 7.10% p.a. Series 2 – 5.63% p.a. Series 3 – The interest rate for Series 3 will be determined on 23 September 2016 by New Trustpower in consultation with the Joint Lead Managers.
Interest Payment Dates	15 March, 15 June, 15 September and 15 December in each year (or if that day is not a Business Day, the next Business Day) up to and including the applicable Maturity Date. The first Interest Payment Date is 15 December 2016.
Interest	<b>For the General Offer (not priority pool):</b> <ul style="list-style-type: none"><li>▪ If the Issue Date occurs prior to the Long Stop Date, holders of Series 3 Bonds (other than those issued under the priority pool) will receive interest (calculated on a daily basis at the interest rate applicable to the Series 3 Bonds) on application money paid in respect of accepted applications from (and including) the date that application money is received into the bank account for the General Offer to (but excluding) the first Interest Payment Date.</li></ul>

Interest (continued)	<ul style="list-style-type: none"> <li>▪ If the Issue Date does not occur prior to the Long Stop Date, participants in the General Offer of Series 3 Bonds (other than those who participate in the priority pool) will receive interest (calculated on a daily basis at the interest rate that would have been applicable to the Series 3 Bonds) on application money paid in respect of accepted applications from (and including) the date that application money is received into the bank account for the General Offer to (but excluding) the Long Stop Date.</li> </ul> <p><b>For the General Offer (priority pool):</b></p> <ul style="list-style-type: none"> <li>▪ If the Issue Date occurs prior to the Long Stop Date, holders of Series 3 Bonds acquired under the priority pool will receive interest (calculated on a daily basis at the interest rate applicable to the Series 3 Bonds) calculated for the period from (and including) the redemption date for the Trustpower bonds (expected to be 13 October 2016) to (but excluding) the first Interest Payment Date.</li> <li>▪ If the Issue Date does not occur prior to the Long Stop Date, participants in the priority pool for the General Offer will receive interest (calculated on a daily basis at the interest rate that would have been applicable to the Series 3 Bonds) for the period from (and including) the redemption date for the Trustpower bonds (expected to be 13 October 2016) to (but excluding) the Long Stop Date.</li> </ul> <p><b>For the Exchange Offer:</b></p> <ul style="list-style-type: none"> <li>▪ If the Issue Date occurs prior to the Long Stop Date, holders of Series 1 Bonds and Series 2 Bonds will receive a full quarterly payment of interest (at the applicable rate) on the first interest payment date for the Bonds (15 December 2016).</li> <li>▪ If the Issue Date does not occur prior to the Long Stop Date, participants in the Exchange Offer will receive interest (calculated on a daily basis at the interest rate that would have been applicable to the Series 1 Bonds or the Series 2 Bonds, as the case may be) for the period from 15 September 2016 to (but excluding) the Long Stop Date.</li> </ul> <p>Interest payable in accordance with the above will be payable on the first Interest Payment Date (if the Issue Date occurs prior to the Long Stop Date) or within five Business Days of the Long Stop Date (if the Issue Date does not occur prior to the Long Stop Date), as the case may be.</p> <p>Interest will accrue on the Principal Amount of the applicable Bonds.</p>
Interest payments	<p>Interest is payable quarterly in arrear (other than in respect of the first interest payment) in equal amounts on each Interest Payment Date.</p> <p>The first Interest Payment Date will be 15 December 2016. If an Interest Payment Date is not a Business Day the interest payable on that date will be paid on the next following Business Day and no adjustment will be made to the amount payable as a result of the delay in payment.</p>
Entitlement to payments	<p>Other than for the first interest payment on the Series 3 Bonds, payments on the Bonds will be made to the persons who are the registered holders of the Bonds as at 5.00pm on the tenth day before the relevant payment date (or if that day is not a Business Day, the Business Day immediately preceding such day).</p> <p>The first interest payment on the Series 3 Bonds will be paid to the original subscriber of the bonds.</p>
Guarantee	<p>The Bonds are guaranteed by the Guarantors under the Negative Pledge Deed.</p> <p>See Section 6 of this PDS (Key features of the Bonds).</p>
Ranking of Bonds	<p>The Bonds will rank equally with New Trustpower's other unsecured and unsubordinated obligations. The Guarantee from each of the Guarantors also ranks equally with all other unsecured and unsubordinated obligations of each Guarantor.</p> <p>See Section 6 of this PDS (Key features of the Bonds).</p>
Offer Opening and Closing Dates	<p>See Section 2 of this PDS (Key dates and Offer process).</p>
How to apply	<p>Application instructions are set out in Section 13 of this PDS (How to apply).</p> <p>New Trustpower reserves the right to refuse all or any part of any application for Bonds under the Offer without giving a reason.</p>

Minimum application amount	<p>For the Series 3 Bonds: \$5,000 and in multiples of \$1,000 thereafter.</p> <p>If a New Zealand resident holder of TPW100 Bonds or TPW120 Bonds applies to exchange some but not all of those bonds, the number of Bonds issued to such holder under the Exchange Offer will be rounded down to the nearest 1,000 (provided that the number of Bonds issued must not be less than 5,000) and the balance of the Trustpower bonds will be redeemed for cash on the redemption date.</p>
Scaling	<p><b>For the General Offer:</b></p> <ul style="list-style-type: none"> <li>▪ There will be no scaling of priority pool applicants who hold TPW090 Bonds, but the principal amount of the Bonds issued by New Trustpower to priority pool applicants may be rounded down to the nearest integral multiple of \$1,000.</li> <li>▪ For Bonds which are not offered under the priority pool, New Trustpower may scale applications at its discretion. New Trustpower will not scale any application to below \$5,000 (unless to \$0).</li> </ul> <p><b>For the Exchange Offer:</b> there will be no scaling.</p>
Refunds	<p>If the Issue Date does not occur by the Long Stop Date, New Trustpower will:</p> <ul style="list-style-type: none"> <li>▪ refund your application moneys in respect of the General Offer (not priority pool);</li> <li>▪ for participants in the General Offer priority pool, pay you \$1.00 for each Bond subscribed for;</li> <li>▪ for participants in the Exchange Offer, pay you an amount equal to the redemption amount you would have been paid had you elected to have your relevant Trustpower bonds redeemed (but net of any interest component included in that redemption amount),</li> </ul> <p>together with applicable interest payable under the heading "Interest" above. All refund amounts will be paid within five Business Days of the Long Stop Date.</p> <p>If New Trustpower does not accept your application or accepts your application in part:</p> <ul style="list-style-type: none"> <li>▪ all or the relevant balance of your application moneys received from you; or</li> <li>▪ for participants in the General Offer priority pool, \$1.00 for each Bond subscribed for; or</li> <li>▪ for participants in the Exchange Offer, an amount equal to the redemption amount you would have been paid had you elected to have your relevant Trustpower bonds redeemed,</li> </ul> <p>will be paid to you as soon as practicable and, in any event, within five Business Days after such refusal or acceptance in part. No interest will be paid on those refunds.</p>
No underwriting	Neither the General Offer nor the Exchange Offer is underwritten.
Treasury bonds	If not all of the Series 2 Bonds are taken up by existing Trustpower bondholders under the Exchange Offer, New Trustpower may on the Issue Date elect to hold some or all of the Bonds that have not been taken up as treasury stock (as permitted under the Master Trust Deed) to provide it additional funding flexibility in the future.
Brokerage	Applicants are not required to pay brokerage or any charges to New Trustpower in relation to applications under the Offer.
Quotation	<p>Application has been made to NZX for permission to quote each Series of the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of this PDS have been fully complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. The NZX Debt Market is a licensed market operated by NZX, which is a licensed market operator, regulated under the FMC Act.</p> <p>The following NZX ticker codes have been reserved for the Bonds:</p> <p>Series 1 Bonds – TPW130</p> <p>Series 2 Bonds – TPW140</p> <p>Series 3 Bonds – TPW150.</p>

<b>Early redemption</b>	<p>New Trustpower may elect to redeem all the Bonds by giving 15 Business Days' notice of the redemption date. On early redemption, New Trustpower will pay to Bondholders the Early Redemption Amount, together with all accrued but unpaid interest in respect of the Bonds and any other amount due and payable in respect of those Bonds.</p> <p>Bondholders have no right to require New Trustpower to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs (as described below).</p>
<b>Events of Default</b>	<p>If an Event of Default occurs the Supervisor may in its discretion, and shall if directed to do so by a Special Resolution of Bondholders of any Series, declare the Principal Amount of the Bonds of that series to be immediately due and payable.</p> <p>Section 6 of this PDS (Key features of the Bonds) contains more information on Events of Default.</p> <p>The Events of Default are set out in clause 14.1 of the Master Trust Deed and clause 6 of each Series Supplement (a copy of the relevant Series Supplement is contained on each Disclose Register) and are summarised in Section 6 of this PDS (Key features of the Bonds).</p>
<b>Further bonds</b>	<p>New Trustpower is able to issue further series of bonds without the consent of Bondholders on such terms and conditions (not being inconsistent with the provisions contained in the Master Trust Deed) as New Trustpower may from time to time determine.</p>
<b>Selling restrictions</b>	<p>This PDS only constitutes an offer of Bonds in New Zealand. No action has been taken by New Trustpower which would permit a public offering of Bonds or possession or distribution of any offering material in any jurisdiction where action for that purpose is required (other than New Zealand). Bonds may not be offered or sold except in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. No offering document in respect of any Bonds may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations.</p>
<b>NZX waivers and approval</b>	<p>NZX has provided waivers to New Trustpower in respect of Listing Rules 7.1.15 (which relates to an issuer's substantial product holders) and 7.1.11 (which requires an issuer to issue bonds within 5 business days after the close of the offer for those bonds). NZX has also provided its approval under Listing Rule 11.1.5 to the restrictions on transfers of Bonds in the Master Trust Deed and Series Supplements. Further details about these waivers and the approval can be obtained on the Disclose Registers (<i>Other Information</i>).</p>
<b>Governing law</b>	<p>New Zealand.</p>

#### Master Trust Deed

The terms and conditions of the Bonds are set out in the Master Trust Deed, as supplemented by the Series Supplement for each Series of Bonds. Bondholders are bound by, and are deemed to have notice of, the Master Trust Deed and each applicable Series Supplement. The Guarantors have also entered into a Negative Pledge Deed which contains a guarantee in favour of the Supervisor in respect of the Bonds. If you require further information in relation to any terms and conditions of the Master Trust Deed or any Series Supplement you may obtain a copy of these documents from the relevant Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). A summary of the terms of the Negative Pledge Deed is also available on each Disclose Register (*Other Information*).

#### Comparable pricing

To assist you to assess the risk premium of the Bonds, you can refer to [www.nzx.com/markets/NZDX/bonds](http://www.nzx.com/markets/NZDX/bonds). This website allows you to compare the yield of the financial products listed on the NZX Debt Market. When comparing the yield of two debt securities it is important to consider all relevant factors (including the credit rating (if any), maturity and the other terms of the relevant debt securities).



# NEW TRUSTPOWER GROUP AND WHAT IT DOES

## Overview of New Trustpower after the Demerger

### Business

New Trustpower will be a Tauranga-based utility company engaged in the development, ownership and operation of hydro electricity generation facilities and the retail sale of energy and telecommunications services to customers. It will principally comprise Trustpower's current New Zealand and Australian hydro generation plants and the New Zealand customer base. Trustpower was the successor company of the Tauranga Electric Power Board, having vested in it on 1 January 1994 all the business and undertaking of that Board pursuant to an Order in Council made in accordance with the Energy Companies Act 1993.

New Trustpower will be New Zealand's fifth largest electricity generator and the fourth largest retailer of energy as Trustpower is today, with an estimated market share of approximately 13% of all New Zealand electricity customers. New Trustpower will supply electricity to around 280,000 homes and businesses, supply gas to around 31,500 customers, and provide around 65,000 customers with telephone and broadband services.

Under the Demerger, Trustpower will transfer all of its Australian and New Zealand wind and solar assets to Tilt Renewables. Under long term market based power purchase agreements with Tilt Renewables, New Trustpower will buy the electricity generated from the New Zealand wind farms transferred to Tilt Renewables. The electricity purchased from Tilt Renewables will be sold into the New Zealand electricity market.

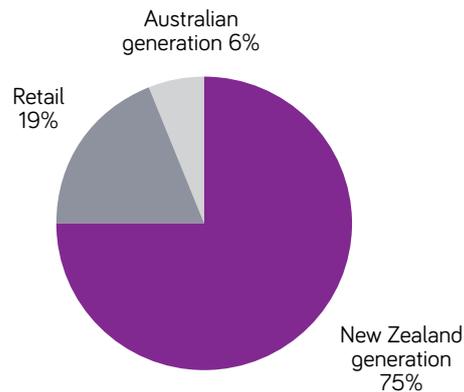
### Key features of New Trustpower

Following the Demerger, New Trustpower's business functions will be organised into the following three segments:

- **New Zealand Generation:** the generation of electricity by hydro power schemes across New Zealand (and a small diesel peaking unit in Northland). The New Zealand segment will also include the supply of stored water for irrigation purposes;
- **Australian Generation:** the generation of renewable electricity in Australia from the GSP hydro schemes in New South Wales; and

- **Retail:** the retail sale of electricity, gas and telecommunication services to customers in New Zealand.

### Indicative pro forma EBITDAF by segment (FY2016)



Source: Trustpower

### New Trustpower's generation assets

New Trustpower will own and operate a portfolio of hydro generation assets across New Zealand, three hydro generation assets in New South Wales, Australia and a small diesel peaking unit in Northland. New Trustpower's New Zealand assets will generate approximately 5% of New Zealand's total annual electricity output.

The New Zealand generation stations and irrigation water supply assets comprise:

- 38 hydro power stations across 19 power schemes, totalling 424MW\*;
- a small diesel power station that runs to support the business in high price periods; and

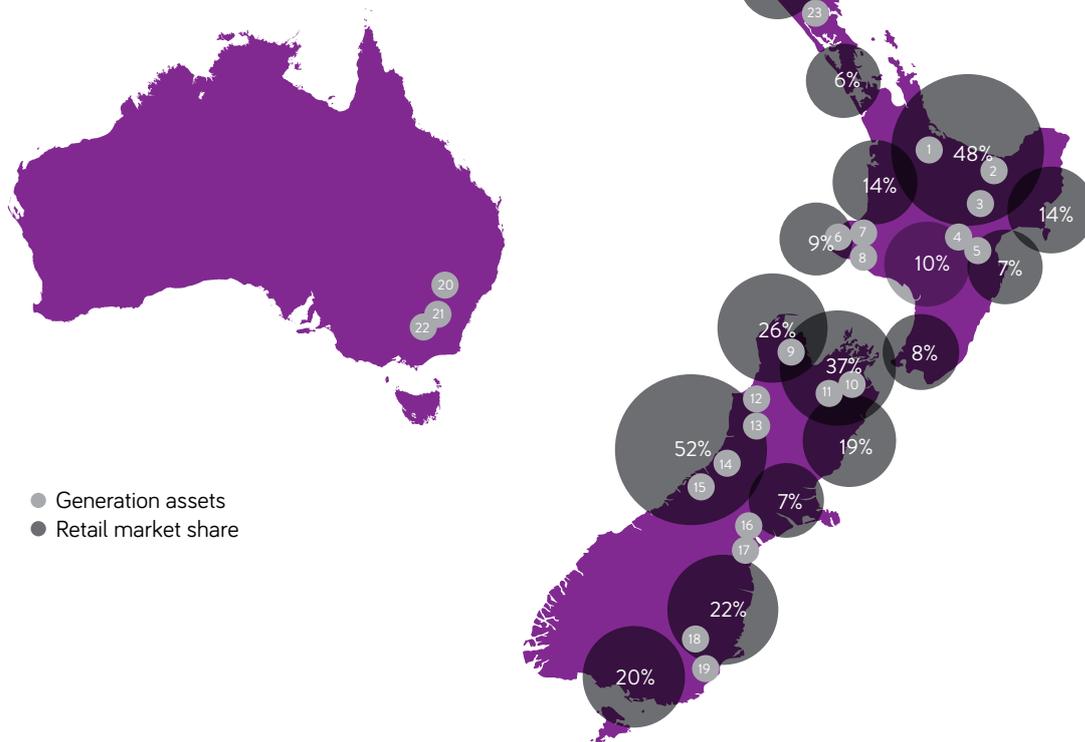
\* Note: Excludes King Country Energy generation assets.

- the supply of irrigation water using the Coleridge and Highbank Power Schemes, as well as a 20% shareholding in Rangitata Diversion Race Management Limited (New Zealand's largest irrigation scheme).

The New Zealand generation business sells the electricity it produces into the New Zealand electricity market, as it will do in respect of the electricity it purchases from Tilt Renewables' New Zealand wind farms following the Demerger.

The Australian generation business will be the smallest part of New Trustpower's operations and will comprise the hydro section of the Green State Power assets acquired by Trustpower in 2014. Electricity will be sold into the Australian wholesale market.

### Overview of New Trustpower's generation assets and customer market share.



Notes:

1. Based on average annual output
2. Retail market share based on Electricity Authority Customer Connections as at 31 March 2016
3. The percentage figures in the map reflect the percentage of customers in each region who are Trustpower electricity customers (circle size relative to approximate number of customers)
4. Excludes King Country Energy generation assets

#	Asset	Location	Commissioned	Maximum capacity	Annual output*
1	Kaimai	NZ	1972	41MW	167GWh
2	Matahina	NZ	1967	80MW	290GWh
3	Wheao and Flaxy	NZ	1982	26MW	111GWh
4	Hinemaiaia	NZ	1952	6MW	30GWh
5	Esk	NZ	2013	4MW	15GWh
6	Mangorei	NZ	1931	5MW	21GWh
7	Motukawa	NZ	1927	5MW	22GWh
8	Patea	NZ	1984	32MW	108GWh
9	Cobb	NZ	1944	32MW	192GWh
10	Waihopai	NZ	1927	2MW	11GWh
11	Branch River	NZ	1983	11MW	54GWh
12	Arnold	NZ	1932	3MW	25GWh
13	Dillmans	NZ	1928	10MW	48GWh
14	Kaniere Forks	NZ	1911	1MW	8GWh
15	Wahapo	NZ	1960	3MW	15GWh
16	Coleridge	NZ	1914	39MW	270GWh
17	Highbank	NZ	1982	29MW	98GWh
18	Paerau/Patearoa	NZ	1984	12MW	62GWh
19	Waipori	NZ	1907	83MW	192GWh
20	Keepit	AUS	1960	7MW	10GWh
21	Burrinjuck	AUS	1928	27MW	40GWh
22	Hume	AUS	1957	58MW	194GWh
23	Bream Bay (diesel)	NZ	2011	9MW	Depends on need

\* Note: Excludes King Country Energy generation assets.  
Source: Electricity Authority as at 31 March 2016

New Trustpower's generation asset portfolio has a number of features including:

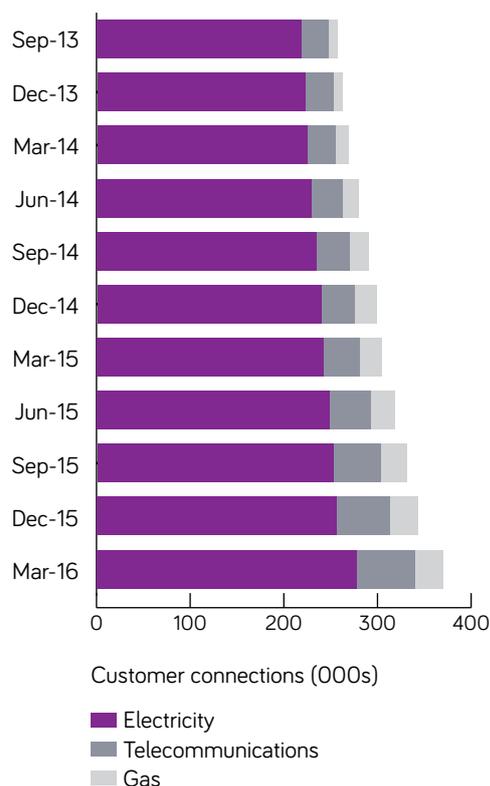
- geographic diversity provides a hedge against different climatic conditions and the impact such conditions can have on individual generation schemes and schemes as a whole;
- New Trustpower's large number of operational units provide an inbuilt resilience against the impact of any individual unit failure;
- hydro stations tend to have very long economic lives. For example, the Waipori scheme has been operational for over 100 years; and
- being largely hydro based, New Trustpower benefits from a low marginal cost of generation.

There are options for further optimisation of the hydro portfolio in both countries which are expected to incrementally improve financial performance over time.

#### Multi-product retail business

Trustpower's multi-product retail offering has given it a point of difference in a crowded and competitive New Zealand utility market enabling Trustpower to continue to grow both energy and telecommunications customer connections. The expectation is that this strategy will continue to be pursued by New Trustpower.

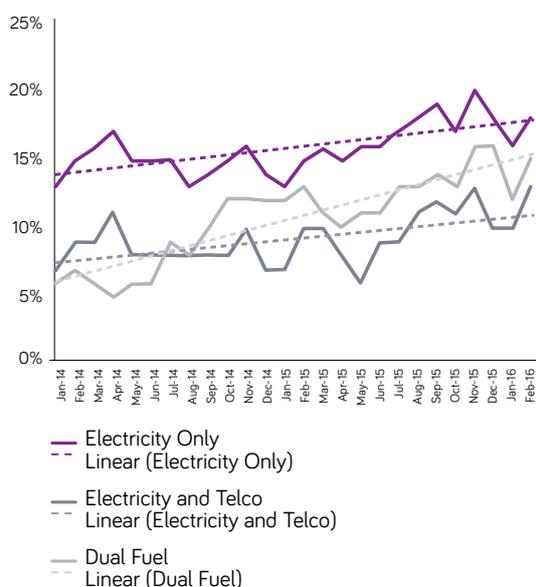
#### Trustpower customer connections by segment



Trustpower has been able to maintain strong retail margins through fostering a close connection with its retail customer base. It has a strong contracted position and lower customer churn rates than the market average – two out of three new customers of Trustpower take a multi-product service, including telecommunication services.

TECT has historically provided eligible Trustpower customers in Tauranga and the Western Bay of Plenty region with a payment decided by TECT annually. To be eligible, Trustpower customers must have a property which receives electricity from Trustpower within this region. Trustpower has historically experienced lower churn among these customers. After the Demerger, New Trustpower will assume the retail customer base in this region and TECT has confirmed that it will continue to provide eligible customers with an annual payment.

#### Electricity only against multi-product churn



#### Strategy

Demand growth for grid-sourced electricity in New Zealand has moderated since the mid-2000s, due to a number of factors including slowing rates of new electricity connections, a reduction of large scale electricity intensive manufacturing, increased population density, improved energy efficiency and increased penetration of distributed generation, eg solar panels. Lower demand growth and an excess of supply of electricity generation is expected to keep downward pressure on electricity wholesale prices in the near term.

Overall population growth, a stronger economy and increased penetration of electric vehicles may create load growth in the future. However, the timing and extent of this is uncertain.

The New Zealand retail electricity market is highly competitive when measured in terms of customer switching rates. There have been a significant number of new entrants, which have

grown their customer bases largely at the expense of the large incumbent retailers over recent years.

Technological changes are also creating significant change in electricity and telecommunications markets in New Zealand and overseas. Demand for high speed broadband and bandwidth has increased due to, in part, online entertainment becoming more common. New Zealand telecommunications customers spend more time online for this and other reasons. Coupled with the rollout of the open access ultra-fast broadband network, this creates a growing opportunity for revenue expansion in telecommunications, albeit that the telecommunications market is also highly competitive.

New Trustpower aims to be the leading provider of multiple products in New Zealand, providing a high quality multi-product service to its customers incorporating electricity, gas and telecommunications.

The key features of New Trustpower's business strategy are:

- executing Trustpower's multi-product retail strategy by adding both customers and products per customer;
- taking advantage of opportunities created by new technology to improve the customer experience and develop new products and services;
- optimising the value created by Trustpower's existing hydro generation assets in Australia and New Zealand and the water rights they control. Conveyance of water for irrigation of land used for agriculture is a potentially valuable opportunity to develop; and
- making acquisitions which are aligned with New Trustpower's existing business and where New Trustpower can add value, such as the recent acquisitions of GSP Energy Pty Limited and the 65% interest in King Country Energy Limited.

In addition, New Trustpower will remain focused on maintaining and strengthening the good relationships that it enjoys with the communities in which it operates and its key stakeholders.

#### Significant Subsidiaries

Significant subsidiary companies of the New Trustpower Group (post-Demerger) and their activities are as follows:

Name	GSP Energy Pty Ltd	King Country Energy Limited
Country of incorporation	Australia	New Zealand
Ownership	100%	65%
Principal Activity	Electricity generation	Generation and retail of electricity
Guarantor?	Yes	No

## Material Acquisitions & Disposals

On 30 November 2015, King Country Energy Holdings Limited (a wholly owned subsidiary of Trustpower) launched a takeover offer for all of the shares in King Country Energy Limited. As at the date of this PDS, King Country Energy Holdings Limited held 65% of the shares in King Country Energy Limited.

GSP Energy Pty Ltd was acquired by Trustpower in July 2014.

The New Trustpower Group will continue to assess opportunities to grow its business through mergers and acquisitions as part of its normal operations.

## New Trustpower Board of Directors and senior management

The board of directors of New Trustpower is made up of Paul Ridley-Smith (Chairman), Richard Aitken, Alan Bickers, Marko Bogoevski, Sam Knowles, Susan Peterson and Geoff Swier.

Vince Hawksworth, the current Chief Executive Officer of Trustpower, will be the Chief Executive Officer of New Trustpower. New Trustpower will retain the Trustpower executive team with the exception of Robert Farron and Deion Campbell who will transfer to Tilt Renewables on implementation of the Demerger. Robert and Deion will be replaced by Kevin Palmer and Peter Lilley as acting Chief Financial Officer and acting General Manager – Generation respectively.

Biographies for these directors and senior management are set out below.

## Board



*Name:* Paul Morton Ridley-Smith  
*Qualifications:* LLB, MBA (Columbia)

*Biography:* Paul was a senior executive with H. R. L. Morrison & Co Limited, the manager of Infratil, from 1998 to 2011, re-joining early in 2015. From 2011 to 2014 he was General Counsel at Contact Energy Limited. He has previously been a director of various Infratil group and Contact Energy subsidiaries and is currently a director of Arvida Group Limited and King Country Energy Limited. Paul was also a member of the NZ Markets Disciplinary Tribunal for six years. Paul has been a non-independent director of Trustpower since 31 December 2015, and is the non-independent chairman of New Trustpower. Paul lives in Wellington.



*Name:* Richard Hammond Aitken  
*Qualifications:* BE(Hons), M.Eng.Sc. (Syd)

*Biography:* Richard brings extensive experience in engineering, project management and associated contractual matters, for major power and water infrastructure projects. He is also Executive Chair of the Beca Group, having previously been the Beca Group CEO, and has been with Beca for over 40 years. Richard has been an independent director of Trustpower since 14 May 2010, and is an independent director of New Trustpower. Richard lives in Auckland.



*Name:* Alan Norman Bickers  
*Qualifications:* MNZM, JP, BE, GDipBS, CFInstD (NZ), DistFIPENZ, FAMINZ

*Biography:* Alan has a long history of governance in private companies, Government Boards, Crown Entities, and not for profit organisations. He is a civil engineer with a background in water resources and environmental matters with a particular interest in renewable generation of electricity and sustainable management of the environment. He was formerly Chief Executive of Tauranga City Council and is a Chartered Fellow of the Institute of Directors and Distinguished Fellow of the Institution of Professional Engineers. Alan has been a non-independent director of Trustpower since 1 September 2014, and is a non-independent director of New Trustpower. Alan was made a Member of the New Zealand Order of Merit (MNZM) in 2015 for services to the community. Alan lives in Tauranga.



*Name:* Marko Bogoevski  
*Qualifications:* BCA, FCA, MBA (Harvard)

*Biography:* Marko is the Chief Executive of both H. R. L. Morrison & Co Limited and Infratil. He is also a director of Infratil and a number of Infratil subsidiary companies. He is a chartered accountant and prior to joining Infratil, was the Chief Financial Officer at Telecom. Marko has previously worked for a number of years in New York after earning his MBA from Harvard University. He is a Fellow of the New Zealand Institute of Chartered Accountants. Marko has been a non-independent director of Trustpower since 26 February 2009, and is a non-independent director of New Trustpower. Marko lives in Lower Hutt.



*Name:* Ian Samuel Knowles (Sam)  
*Qualifications:* MSc(Hons)

*Biography:* Sam has considerable experience in the banking and insurance industry. 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. Sam was previously the founding Chief Executive of Kiwibank and is now a director of a number of publicly listed and private companies. Sam has been an independent director of Trustpower since 31 August 2007, and is an independent director of New Trustpower. Sam lives in Wellington.



*Name:* Susan Ruth Peterson  
*Qualifications:* BCom, LLB

*Biography:* Susan is currently an independent director of Property for Industry Limited, Vista Group International Limited, Compac Holdings Limited, The New Zealand Merino Company Limited and Organic Initiative Limited. Susan is also a Member of the NZ Markets Disciplinary Tribunal. Susan's earlier career was in law and financial services where she held a number of senior management roles at ANZ. Susan has been an independent director of Trustpower since 27 August 2015, and is an independent director of New Trustpower. Susan lives in Auckland.



*Name:* Geoffrey Jon Campbell Swier (Geoff)  
*Qualifications:* MCom (Econ)

*Biography:* Geoff joined the Trustpower Board in 2007, and is also Chair of the Audit Committee. His other roles include Director of Melbourne consulting firm, Farrier Swier Consulting, a board member of Health Purchasing Victoria and a member of the ARENA Advisory Panel. Geoff has over 25 years of experience in micro-economic reform, notably in the establishment of competitive energy markets and privatisation in Australia and New Zealand and in the development of water industries in Australia and Asia. His past roles include being a Member of the Australian Energy Regulator and Associate Member of the Australian Competition and Consumer Commission. Geoff is an independent director of Tilt Renewables and New Trustpower. Geoff lives in Melbourne.

## Senior Management



*Role:* Chief Executive Officer  
*Name:* Vincent James Hawksworth (Vince)  
*Qualifications:* MBA, FIPENZ, FIEAust

*Biography:* Vince joined Trustpower in 2010. Originally from the UK where he worked for British Coal, Vince moved to New Zealand with his family in 1993. Vince was Production Manager at Huntly Power Station before he undertook roles as General Manager Generation and General Manager Retail with Genesis Energy. Prior to joining Trustpower, Vince was appointed CEO for Hydro Tasmania in 2006. Vince studied mining engineering at Trent Polytechnic in Nottingham, UK and has an MBA from Waikato University. He is a Fellow of the Institution of Professional Engineers New Zealand, a Fellow of the Institution of Engineers Australia and a member of the Institute of Directors.



*Role:* Acting Chief Financial Officer  
*Name:* Kevin John Palmer  
*Qualifications:* BMS, PGCert(Mgt), CA

*Biography:* Kevin joined Trustpower in 2007 and has been Financial Controller for 9 years. Over the last year he has acted in the Chief Financial Officer role. In these roles he has been responsible for providing strategic support to the Chief Financial Officer and managing the operations of the finance function that includes over \$1.3 billion of debt funding facilities, capital raising, investor relations, treasury, financial reporting and financial transaction processing. He joined Trustpower following a role as Chief Financial Officer and Company Secretary in an electricity lines distribution company. He has had over 20 years' experience working in the electricity industry. He is a member of the Institute of Chartered Accountants New Zealand and Australia.

Other members of New Trustpower's senior leadership team are: Peter Calderwood (*General Manager Strategy & Growth*); Simon Clarke (*General Manager Solutions & Technology*); Melanie Dyer (*General Manager People & Culture*); Peter Lilley (*Acting General Manager Generation*); and Craig Neustroski (*General Manager Trading*).

## 5.

### PURPOSE OF THE OFFER

The proceeds of the Offer will be used for the general corporate purposes of the New Trustpower Group, including to repay bank debt incurred in connection with the Demerger. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

## 6.

### KEY FEATURES OF THE BONDS

#### General

A number of the key features of each Series of the Bonds are described in Section 3 of this PDS (Terms of the Offer). The other key features of the Bonds are described below. Copies of the Master Trust Deed, the Series Supplement for the relevant Series and a summary of the Negative Pledge Deed are included on each Disclose Register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). The information in this section is a summary of certain terms of the Master Trust Deed, each Series Supplement and the Negative Pledge Deed.

#### Ranking

The Bonds constitute unsecured, unsubordinated obligations of New Trustpower. On a liquidation of New Trustpower amounts owing to Bondholders rank equally with all other unsecured, unsubordinated obligations of New Trustpower. Amounts owing under the Negative Pledge Deed constitute unsecured, unsubordinated obligations of each Guarantor and on a liquidation of a Guarantor amounts owing to Bondholders under the Negative Pledge Deed rank equally with all other unsecured, unsubordinated obligations of the relevant Guarantor.

The ranking of the Bonds on a liquidation of New Trustpower is summarised in the diagram below.

The actual amounts of liabilities and equity of New Trustpower at the point of its liquidation will be different to the indicative amount set out in the diagram below.

#### Basis of preparation of diagram

- Amounts in the diagram below assume that the Demerger has completed and are based on the pro forma balance sheet for the New Trustpower Group for the financial year ended 31 March 2016.
- Amounts in the diagram below assume that \$100 million of subordinated bonds are issued by New Trustpower on the Issue Date for the Bonds and all existing subordinated Trustpower bonds are redeemed on 13 October 2016. Any changes in that assumption will have an equal and opposite effect on the 'Liabilities that rank equally with the bonds' line in the diagram below, as proceeds from the issue of the subordinated bonds will be used to repay bank debt.

	Ranking on the liquidation of New Trustpower	Example	Indicative amount of existing liabilities and equity of the New Trustpower Group as at 31 March 2016 adjusted for expected issue proceeds
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#### Higher ranking/earlier priority

	Liabilities that rank in priority to the Bonds	Secured creditors and creditors preferred by law (including employees up to a cap of \$22,160 each and IRD for certain unpaid taxes)	\$14m
	Liabilities that rank equally with the Bonds (including the Bonds)	Unsubordinated obligations (including money owed by New Trustpower to holders of other unsubordinated bonds issued under the Master Trust Deed, money lent by banks to the New Trustpower Group and trade and general creditors)	\$1,026m
	Liabilities that rank below the Bonds	Subordinated obligations (including money owed by New Trustpower to holders of subordinated bonds)	\$100m
	Equity	Ordinary shares, reserves and retained earnings	\$1,353m

#### Lower ranking/later priority

- Amounts in the diagram on the previous page assume \$240 million of Bonds are issued under the Offer and all existing unsubordinated Trustpower bonds are redeemed on 13 October 2016. This assumption has no effect on the numbers in the diagram on the previous page because the \$240 million of Bonds issued replace the same amount of liabilities that rank equally with the Bonds (namely the existing Trustpower bonds or bank debt incurred to fund redemption of the Trustpower bonds).
- Liabilities that rank in priority to the Bonds at 31 March 2016 include:
  - » employee entitlements for unpaid salaries and wages, holiday pay and bonuses and PAYE of \$7.8 million;
  - » amounts owing to Inland Revenue for unpaid Goods and Services Tax of \$66 million; and
  - » Customs and Duty payments of nil.
- Trustpower pays most of its creditors on a monthly payment cycle and New Trustpower proposes to follow the same approach. Some trade creditors retain a security interest in the products they have sold to Trustpower until they have been paid. At 31 March 2016 the total value of creditors where a creditor retained a security interest was estimated to be \$100,000.
- the shareholder funds of the consolidated New Trustpower Group will at no time be less than \$700 million;
- the shareholder funds of the consolidated New Trustpower Group will at no time be less than 50% of its total tangible assets;
- EBITDAF of the consolidated New Trustpower Group will not on agreed half yearly reporting dates be less than three times the senior interest expense or 2.25 times interest expense of the consolidated New Trustpower Group; and
- shareholder funds of the consolidated New Trustpower Group less its contingent liabilities will at no time be less than 35% of total tangible assets of the consolidated New Trustpower Group.

The New Trustpower Group could, at any time after the Issue Date, create further liabilities that rank equally with or in priority to the Bonds, provided that it complies with the restrictions described above. These further liabilities could, for example, be a new series of bonds issued under the Master Trust Deed or a new borrowing facility with a bank.

#### Guarantees

The Bonds will be guaranteed by the Guarantors under the Negative Pledge Deed.

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 will be 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 will be unsecured.

Not all members of the New Trustpower Group are required to be Guarantors. Under each Series Supplement, New Trustpower must ensure that the Guaranteeing Group (being New Trustpower and the Guarantors) meets the following coverage ratios:

- at all times the total tangible assets of the Guaranteeing Group will be not less than 85% of the total tangible assets of the consolidated New Trustpower Group; and
- on each reporting date, EBITDAF of the Guaranteeing Group will be not less than 85% of EBITDAF of the consolidated New Trustpower Group.

For full details of these provisions, see clause 3.7 of the relevant Series Supplement.

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

#### Restrictions on creating further liabilities

Clause 3.7 of each Series Supplement requires New Trustpower to ensure that net debt of the consolidated New Trustpower Group divided by total tangible assets of the New Trustpower Group will not exceed 50%. This will effectively cap the amount of debt that New Trustpower can incur.

The restriction on the Guaranteeing Group creating security described below under the heading "Negative Pledge", could also indirectly affect the ability of the New Trustpower Group to borrow.

Pursuant to banking facilities which New Trustpower will have with 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), New Trustpower and the Guarantors have agreed that they will not create or permit to exist any security interest over their assets (except in very limited circumstances). This covenant is substantively the same as the negative pledge covenant described below under the heading "Negative Pledge".

New Trustpower will also give various financial undertakings to its banking group which will restrict the ability of the Guaranteeing Group to borrow, namely that:

- 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.

#### Negative Pledge

New Trustpower has agreed with the Supervisor that, while any bonds issued under the Master Trust Deed remain outstanding, none of its assets will be secured. Notwithstanding this restriction, New Trustpower is permitted to create security, or permit security to exist, over its assets, if:

- the aggregate value of the assets secured does not exceed 75% of the total tangible assets of the New Trustpower Group; or
- in certain other limited circumstances set out in the Series Supplements (namely, if the security arises by operation of law, rights of netting, set-off, combination or consolidation of accounts, a permitted lease transaction, a retention of title arrangement, a deemed security interest, in relation to joint venture assets, relates to the acquisition of an asset, supplements or substitutes an existing permitted security or is made in favour of, or with the consent of, the Supervisor).

For full details of these provisions see clause 5.1 of the relevant Series Supplement.

#### Events of Default

The Events of Default are contained in clause 14.1 of the Master Trust Deed and clause 6 of each Series Supplement. They include a material breach by New Trustpower of a provision in the Master Trust Deed or the relevant Series Supplement, and also insolvency-type events that affect New Trustpower.

If an Event of Default occurs, the Supervisor may in its discretion, and must upon being directed to do so by holders of bonds issued under the Master Trust Deed, declare the Bonds to be immediately due and payable.

The above is a summary of the Events of Default. For full details of the Events of Default see clause 14.1 of the Master Trust Deed and clause 6 of each Series Supplement.

#### Early redemption

New Trustpower may elect to redeem the Bonds in any Series for cash by giving 15 Business Days' notice to each relevant Bondholder of the date (being not less than 25 Business Days before the maturity date for that Series of Bonds) on which New Trustpower will redeem the Bonds. On the relevant early redemption date, New Trustpower will redeem each Bond in the relevant Series for the Early Redemption Amount, together with all accrued but unpaid interest in respect of the Bonds and any other amount due and payable in respect of those Bonds. Where the Bonds of the relevant Series have not traded on the NZX for at least half of the ten Business Days specified in paragraph (b) of the definition of Early Redemption Amount, the average price of those Bonds for that period will be determined by an independent adviser appointed by the Supervisor. Such adviser must be an investment banker, chartered accountant or other financial adviser (in each case appropriately qualified having regard to the purpose of the appointment).

#### Other relevant information about the Master Trust Deed

The Master Trust Deed also contains a number of standard provisions, including relating to:

- the role of the Supervisor and the powers and duties of the Supervisor;
- the process for replacement of the Supervisor;
- the right of the Supervisor to be indemnified; and
- the process for amending the Master Trust Deed.

## 7.

### NEW TRUSTPOWER GROUP'S FINANCIAL INFORMATION

This table provides selected financial information about the New Trustpower Group. Full pro forma consolidated financial statements are available on the offer registers at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). New Trustpower Group's financial performance and position is critical to New Trustpower's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, you can seek professional advice.

Only some members of the New Trustpower Group are Guarantors of the Bonds. However, the New Trustpower Group's financial position and performance is relevant to the repayment of the Bonds because the ability of New Trustpower to repay the Bonds and the Guarantors to make payment under the Guarantee is dependent on the financial performance of the New Trustpower Group as a whole.

The table on the right is a summary of the New Trustpower Group pro forma historical financial information, as at 31 March 2016. The information contained in that table relates to New Trustpower and its subsidiaries following implementation of the Demerger, rather than New Trustpower and its subsidiaries as at the date of this PDS (as would usually be required).

Some of the pro forma information in the table below is presented for FY2014, FY2015 and FY2016, including Revenues, EBITDAF and Net cash flows from operating activities before taxation. Some of the pro forma financial information is presented for FY2016 only, including Net profit after tax, Total assets, Total debt, Equity and Interest expense. In preparing the pro forma historical financial information for the New Trustpower Group for FY2014 and FY2015, Trustpower determined that the earnings-based measures referred to above (Revenues, EBITDAF and Net cash flows from operating activities before taxation) could be determined for those financial years without needing to make either a large number of assumptions or assumptions that are arbitrary in nature. By contrast the balance sheet measures (Total assets, Total debt and Equity) and measures such as interest and tax that depend on the balance sheet measures, could be reasonably determined for FY2016, but that corresponding numbers for FY2014 and FY2015 would require a series of assumptions to be made (about, for example, how assets would have been funded, what the debt funding costs would have been, and what distributions would have been made), some of which would not reflect the decisions that were actually made by Trustpower or what New Trustpower might have made if it had existed at that time. Accordingly, those financial measures are presented for FY2016 only.

Where financial information is provided for FY2016 only, you cannot see how that financial information (or ratios that use financial information) may have changed over time for New Trustpower Group (as would usually be the case, see the disclosure under the heading "FMA exemption" in this Section 7 (New Trustpower Group's financial information) below).

#### Selected financial information and ratios

\$m	Pro forma FY2014	Pro forma FY2015	Pro forma FY2016
Revenues	821	920	947
EBITDAF	234	224	213
Net profit after tax			74
Net cash flows from operating activities before taxation	249	204	212
Cash and cash equivalents			8
Value of generation assets	1,827	2,026	2,248
Total assets			2,493
Total debt			738
Total liabilities			1,140
Equity			1,353
Debt/EBITDAF (this paragraph does not apply to a relevant period of less than 12 months)			3.46 times
<i>Debt/EBITDAF is an indicator of the degree to which an entity has borrowed against earnings. The higher the number, the greater the risk that the entity will not be able to pay off its debts.</i>			
Interest expense			38
EBITDAF/interest expense			5.63 times

*EBITDAF/interest expense is a measure of the ability of an entity to pay interest on borrowings. The lower the number, the greater the risk that the entity will not be able to pay interest.*

*EBITDAF means net profit after tax plus interest, tax, depreciation, amortisation and fair value movements in financial instruments as each of those items is determined in accordance with GAAP.*

EBITDAF is a non-GAAP profit measure that is not determined in accordance with GAAP. A reconciliation to information prepared in accordance with GAAP can be obtained on the Disclose Registers (*Other Information*).

Consistent with GAAP and as described in the information set out in the Disclose Registers (*Pro forma historic information for FY2014, FY2015 and FY2016*), 100% of King Country Energy Limited's financial results has been included in the consolidated numbers *above*. The after-tax non-controlling interests for FY2014, FY2015 and FY2016 would have been \$1,797,000, \$1,396,000 and \$2,493,000 respectively.

## Basis of preparation

The selected financial information has 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 selected financial information has been extracted from pro forma consolidated financial statements that 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 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.

The Investigating Accountant has prepared a report in respect of the financial information, a copy of which is included in the Disclose Registers (*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.

More information on pro forma adjustments, the principal assumptions on which the pro forma financial information is based, and a reconciliation back to Trustpower's statutory annual accounts is set out in the Disclose Registers (*Pro forma historic information for FY2014, FY2015 and FY2016*). The financial information in this section should also be read in conjunction with the risk factors set out in Section 8 (Risks of investing).

The table below shows the financial position of New Trustpower and the Guaranteeing Group:

**Selected financial information for New Trustpower and the Guaranteeing Group (pro forma FY2016)**

\$m	New Trustpower	New Trustpower (excluding balances between New Trustpower and other companies in the New Trustpower Group)*	Guaranteeing Group
Total assets	2,235	2,115	2,293
Total tangible assets	2,172	2,053	2,230
Total liabilities	981	981	1,107
Total net tangible assets	1,191	1,071	1,124

\* New Trustpower balances are re-presented to exclude all receivables and payables between New Trustpower and other companies in the New Trustpower Group to enable comparison with the Guaranteeing Group, which shows external balances only.

**FMA exemption**

New Trustpower has obtained an exemption from the requirement to provide the financial information set out in clauses 37 and 38 of Schedule 2 to the FMC Regulations in this PDS. Without that exemption, New Trustpower would be required to provide 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 this PDS has been extracted from pro forma financial statements 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 this 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.

**8.**

**RISKS OF INVESTING**

This Section 8 describes potential risks associated with an investment in the Bonds. This section describes certain:

- general risks associated with an investment in the Bonds; and
- significant specific risks relating to New Trustpower's creditworthiness.

The selection of risks has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of the directors of New Trustpower as at the date of this PDS. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge over time.

Where practicable, New Trustpower seeks to implement risk mitigation strategies to minimise the exposure to certain of the risks outlined below, although there can be no assurance that such arrangements will fully protect New Trustpower from such risks.

Investors should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Bonds. This summary does not cover all of the risks of investing in the Bonds.

The statement of risks in this section does not take account of the personal circumstances, financial position or investment requirements of any particular investor. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Bonds in light of his or her individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

**General risks**

An investment in the Bonds is subject to the general risks that:

- New Trustpower becomes insolvent and is unable to meet its obligations under the Bonds, including the

obligations to pay interest on, and repay the Principal Amount of, the Bonds;

- the Guarantors are unable to meet their obligations under the Guarantee if New Trustpower defaults; and
- if Bondholders wish to sell their Bonds before maturity:
  - » the price at which they are able to sell their Bonds is less than the amount they paid for the Bonds due to interest rate movements or for other reasons; or
  - » they are unable to sell their Bonds at all due to lack of demand or because the Bonds cease to be quoted on the NZX Debt Market.

#### General risks related to the insolvency of New Trustpower

In the event of the insolvency of New Trustpower, including a liquidation of New Trustpower involving a shortfall of funds, the rights and claims of a Bondholder will rank equally with the rights and claims of other unsecured unsubordinated creditors (including banks that have lent New Trustpower money and trade and general creditors), but after secured creditors and all creditors preferred by law. In the event of insolvency, there may be a shortfall of funds to pay all amounts ranking ahead of and equally with the Bonds. If this occurs, this would result in Bondholders not receiving a full return of the Principal Amount of the Bonds or any accrued interest that is unpaid at that time.

#### General risks related to the market for the Bonds

##### *Market price*

The price at which Bondholders are able to sell their Bonds may be affected by a number of factors both dependent on, and independent of, the creditworthiness of New Trustpower. These independent factors may include the time remaining to the Maturity Date for the applicable Series of Bonds, the outstanding aggregate Principal Amount of the Bonds, the level of demand for the Bonds offered for sale in the secondary market from time to time, any legal restrictions limiting demand for the Bonds, the availability of comparable securities, the level, direction and volatility of market interest rates and market conditions generally. For example, if market interest rates go up, the market value of the Bonds may go down and vice versa. The factors that are dependent on the creditworthiness of New Trustpower are outlined below (see Specific risks relating to New Trustpower's creditworthiness).

##### *Liquidity*

There can be no assurance that a secondary market for the Bonds will develop or of the liquidity of such a market. In the absence of a liquid secondary market for any series of the

Bonds, Bondholders may not be able to sell their Bonds readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if any, within a developed secondary market. Even following the development of a secondary market, and depending on market conditions and other factors, Bondholders seeking to sell relatively small or relatively large amounts of Bonds, may not be able to do so at prices comparable to those that may be available to other Bondholders.

Due to the factors described above, the Bonds may not be readily saleable, their value may fluctuate over time and such fluctuations may be significant and could result in losses to a Bondholder who wishes to sell Bonds prior to the applicable Maturity Date for those Bonds.

#### Specific risks relating to New Trustpower's creditworthiness

**Regulatory risk** – New Trustpower operates in a regulated market. Unfavourable changes to the regulatory environment in which New Trustpower operates has the potential to significantly impact the New Trustpower Group's operations and earnings. Those changes may impact the licences, approvals and consents which New Trustpower is required to maintain to operate its business, including its generation schemes, and may impose unfavourable conditions or new taxes or levies, or increase existing taxes or levies which negatively impact the New Trustpower Group's financial performance. Specific regulatory risks include:

- changes to how the Electricity Authority and Transpower set and charge for transmission services, including payments under the Avoided Cost of Transmission (ACOT) regime which may materially reduce the New Trustpower Group's earnings;
- changes to the structure of the wholesale electricity market, such as the New Zealand Power policies proposed by the Labour and Green parties before the 2014 general election;
- changes to planning and resource consent legislation that may restrict New Trustpower's ability to operate its hydro electric power stations, or materially increase the cost of doing so (for example resource rentals); and
- imposition of price controls on utility products and services.

In May 2016, the Electricity Authority released proposals relating to how electricity transmission charges are to be set and allocated. The Electricity Authority proposes to change the Transmission Pricing Methodology, by removing the ACOT regime over two years and replacing it with individual contracts between scheme owners and Transpower. If implemented in the form proposed, New Trustpower is highly likely to suffer a material drop in earnings, in the range of \$15 million to \$25 million, from the ACOT regime.

New Trustpower must obtain and maintain resource consents in accordance with the Resource Management Act 1991 in respect of each of its generation schemes. There is a risk in any consent process that the relevant authority may decline to grant consent or, upon renewal of an existing consent, impose more onerous conditions on New Trustpower. The consent process can also be affected by delays resulting from appeals. A failure to maintain consents for New Trustpower's assets on appropriate terms, or to obtain consents at all, may negatively impact the New Trustpower Group's financial performance.

A change to existing district, regional or national planning policies or environmental standards or the imposition of new requirements or standards (for example, restrictions on use of water or other natural resources) may negatively impact New Trustpower's ability to operate its business as it is currently being conducted, and potentially the New Trustpower Group's financial performance.

New Trustpower's operations will be subject to numerous environmental laws and regulations, in addition to community expectations. These laws and regulations set various standards regulating aspects of environmental quality. They also provide for penalties and other liabilities for the violation of such standards. New Trustpower could be liable for cleanup costs or penalties if its operations resulted in an unauthorised discharge into the environment, environmental damage to any property or if it failed to comply with applicable environmental laws or consents. Trustpower has environmental monitoring systems in place to assist with the management of environmental conditions included in applicable resource consents, and New Trustpower will continue to implement and operate such systems.

The loss of the right to operate generation schemes or the imposition of a substantial penalty or liability on New Trustpower could negatively impact the New Trustpower Group's financial performance.

New Trustpower's operations will also be subject to numerous health and safety laws and regulations. Failure to comply with these could lead to substantial harm to people, substantial penalties and loss of ability to operate New Trustpower's facilities.

**Competition** - The retail electricity, telecommunications and gas markets in New Zealand are highly competitive. Customers are able to change providers (the Government has actively promoted retail customers switching between electricity providers) and there have been a number of new entrants. This competition has reduced operating margins and increased customer churn, and customer acquisition and retention costs. The New Trustpower Group's financial performance may be negatively impacted if competition further intensifies. New Trustpower will continue with Trustpower's multi-product strategy combining energy and telecommunication services in response to these market conditions. There is a risk that competitors may also adopt this strategy, which may reduce New Trustpower's point of difference with customers.

New Trustpower will look to mitigate these risks by implementing its multi-product retail strategy to add both customers and products per customer. In addition, New Trustpower aims to take advantage of opportunities created by new technology to improve the customer experience and develop new products and services.

**Wholesale electricity prices** - The wholesale price at which New Trustpower sells the electricity it generates, or buys electricity to sell to customers, may be unfavourable. Many of the factors that affect wholesale electricity prices are outside of New Trustpower's control. These include: rainfall, competitor activities, significant changes in the balance between supply and demand (for example reduction in industrial sector demand, including the closure of the Tiwai Point aluminium smelter, a significant gas discovery that encourages direct use of gas or the building of further gas fuelled power stations or other installation of generation capacity, including distributed generation), loss of key transmission and distribution infrastructure and regulatory settings all have the potential to negatively impact wholesale electricity prices in the short, medium and long terms, and thereby negatively impact the New Trustpower Group's financial performance.

The extent to which New Trustpower is negatively impacted by such events will depend on the specific circumstances, including how it impacts New Trustpower's portfolio of generation schemes and what hedge contracts New Trustpower holds at that time. By having a geographically dispersed portfolio of generation schemes, New Trustpower is not normally significantly impacted if, for example, there is a separation between electricity prices in the North and South Islands.

Management of both expected and unexpected price volatility will be a focus of New Trustpower. Trustpower has entered into a number of electricity hedge contracts and physical supply contracts to reduce the risk from price fluctuations on the electricity spot market. These contracts will be novated to New Trustpower at the time of the Demerger. These contracts, coupled with New Trustpower's own generation capacity, mean that in an average year New Trustpower should have sufficient capacity to supply all its customers with electricity with little exposure to the spot market.

After the Demerger, Tilt Renewables will become responsible for the operation and maintenance of the Tararua and Mahinerangi windfarms, the output of which New Trustpower is purchasing. These windfarms provide approximately 20 to 25% of New Trustpower's annual fixed price electricity sales. If Tilt Renewables fails to maintain these assets or otherwise causes electricity output to drop, New Trustpower will have to procure that shortfall through other channels, including the spot market.

## 9.

### TAX

The returns on the Bonds will be affected by taxes. The information in this section is based on the law in force at the date of this PDS.

Resident withholding tax (RWT) will be deducted from interest paid to New Zealand tax resident Bondholders at the relevant rate, unless New Trustpower is satisfied that they hold a valid RWT exemption certificate. There may be other tax consequences for Bondholders from acquiring or disposing of the Bonds, including under the financial arrangements rules in the Income Tax Act 2007.

If you have any questions regarding the tax consequences of investing in the Bonds you should seek advice from a tax adviser.

In respect of existing Trustpower bonds, withholding tax will be payable on redemption to the extent that the redemption amount received by a Trustpower bondholder exceeds the face value (\$1.00) for each of the redeemed bonds (subject to the bondholder holding an RWT exemption certificate). Where Trustpower bonds are cancelled in accordance with the Exchange Offer, withholding taxes will not be deducted.

In addition, where the Trustpower bonds are redeemed, or cancelled under the Exchange Offer, and the bondholder is subject to the financial arrangements rules in the Income Tax Act 2007, such bondholder will receive, or in respect of the Exchange Offer will effectively be treated as receiving, the redemption amount and accrued interest, and to the extent such amount exceeds the price paid by that bondholder for each of the redeemed or cancelled bonds, it will be taken into account as income under the financial arrangements rules.

Holders of Trustpower bonds should seek advice from a tax adviser as to the tax implications for them in relation to the redemption and/or Exchange Offer in respect of existing Trustpower bonds.

## 10.

### WHO IS INVOLVED?

	Name	Role
Issuer	Bay Energy Limited (New Trustpower)	Issuer of the Bonds
Supervisor	Trustees Executors Limited	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce New Trustpower's obligations under the Bonds
Arranger	Deutsche Craigs Limited	Provides assistance to New Trustpower with arranging the Offer
Organising Participant	Craigs Investment Partners Limited	Has responsibilities to NZX in relation to the quotation of the Bonds
Joint Lead Managers	Bank of New Zealand Deutsche Craigs Limited Forsyth Barr Limited	Assist with the marketing and distribution of the Offer
Securities Registrar	Computershare Investor Services Limited	Maintains Register of Bondholders
Solicitors to the Issuer	Russell McVeagh	Provide legal advice to the New Trustpower Group in respect of the Offer
Solicitors to the Supervisor	Buddle Findlay	Provide legal advice to Trustees Executors Limited in respect of the Offer

No person other than New Trustpower and its Guaranteeing Subsidiaries are responsible for, or guarantees, the repayment of the Bonds or the payment of interest on the Bonds.

# 11.

## HOW TO COMPLAIN

If you have any problems or concerns about the Bonds, please contact New Trustpower via the contact details in Section 14 of this PDS (Contact information) outlining your problems or concerns and New Trustpower will endeavour to resolve the issues through its internal dispute resolution procedures. You may request a copy of these procedures by writing to New Trustpower at the address in Section 14 of this PDS (Contact information).

You may also direct any complaints about the Bonds to the Supervisor at the contact details below.

Trustees Executors Limited  
Level 5  
Maritime Tower  
10 Customhouse Quay  
PO Box 3222  
Wellington 6140

Phone number: 0800 878783  
Email address: gio@trustees.co.nz  
Attention: governance and investor oversight

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing [complaints@fscl.org.nz](mailto:complaints@fscl.org.nz), calling FSCL on 0800 347 257 or writing to FSCL at PO Box 5967, Wellington 6145. The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website [www.fma.govt.nz](http://www.fma.govt.nz).

# 12.

## WHERE YOU CAN FIND MORE INFORMATION

Further information relating to New Trustpower and the Bonds is available free of charge on the online Disclose Registers maintained by the Companies Office. The Disclose Registers

can be accessed at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). A copy of the information on the Disclose Registers is also available on request to the Registrar of Financial Service Providers at [registrar@fspr.govt.nz](mailto:registrar@fspr.govt.nz). The information contained on each Disclose Register includes financial information relating to the New Trustpower Group, a copy of the Master Trust Deed, the relevant Series Supplement, a summary of the Negative Pledge Deed, the Investigating Accountant's report, the Scheme Booklet, a summary of the key terms of certain material contracts, and other material information (including a summary of your rights to sell the Bonds).

# 13.

## HOW TO APPLY

### General Offer – not priority pool

There is no public pool for the Bonds offered under the General Offer. This means that if you want to apply for Bonds under the General Offer you must contact a Primary Market Participant or approved financial intermediary (unless you are an existing Trustpower bondholder and New Trustpower decides to reserve a pool of Series 3 Bonds for existing Trustpower bondholders - in which case, see the heading "General Offer - pool reserved for existing Trustpower bondholders" below). The Primary Market Participant or approved financial intermediary will:

- provide you with a PDS (if you have not already received one);
- explain what you need to do to apply for Bonds under the General Offer; and
- explain what payments need to be made by you (and by when).

The closing date for the General Offer is 5.00pm on 21 October 2016 (**General Offer Closing Date**).

### General Offer - pool reserved for existing Trustpower bondholders

If New Trustpower elects to reserve a pool of Series 3 Bonds for existing Trustpower bondholders, applications for those Bonds may be made on the application form attached to this PDS and must be lodged with the Securities Registrar before 5.00pm on the General Offer Closing Date. Alternatively, your application may be lodged with any Primary Market Participant or the Joint Lead Managers, or any other channel approved by NZX. Applications for Bonds in that pool will be dealt with on a "first come first served" basis.

### General Offer – priority pool

Applications to subscribe for Bonds in the priority pool for the General Offer must be made on the application form that has been sent to you and must be lodged with the Securities Registrar before 5.00pm on 12 October 2016 (**Priority Pool Closing Date**).

Alternatively, your application may be lodged with any Primary Market Participant or the Joint Lead Managers, or any other channel approved by NZX, in time to enable forwarding to the Securities Registrar before 5.00pm on the Priority Pool Closing Date.

By providing a completed application form, each holder of TPW090 Bonds instructs Trustpower to:

- (a) pay \$1.00 from the redemption proceeds for each TPW090 Bond held by you, to New Trustpower as the subscription price for each Series 3 Bond to be acquired; and
- (b) pay the balance of the redemption proceeds for each TPW090 Bond to you.

If the Bonds are not issued by the Long Stop Date, New Trustpower undertakes to pay you the \$1.00 per Trustpower bond referred to in paragraph (a) above, together with all applicable interest payable under the heading "Interest" in Section 3 (Terms of the Offer) above.

### Exchange Offer

Applications to subscribe for Bonds under the Exchange Offer must be made on the application form sent to you with this PDS and must be lodged with the Securities Registrar before 5.00pm on 12 October 2016 (**Exchange Offer Closing Date**).

Alternatively, your application may be lodged with the Joint Lead Managers or any Primary Market Participant, or any other channel approved by NZX, in time to enable forwarding to the Securities Registrar before 5.00pm on the Exchange Offer Closing Date.

By providing a completed Exchange Offer application form, you:

- (a) instruct Trustpower to cancel those Trustpower bonds you have elected to exchange under the Exchange Offer;
- (b) agree that you have no right to receive any interest that has accrued on those Trustpower bonds from the most recent interest payment date (being 15 September 2016);
- (c) authorise the Securities Registrar to place the relevant Trustpower bonds (those being exchanged and cancelled) into a holding account until cancelled; and
- (d) agree, in consideration for the steps above, to having the applicable Bonds issued to you by New Trustpower on the

Issue Date and to receive a full quarterly interest payment on the first Interest Payment Date (as if the applicable Bonds had been issued on 15 September 2016).

New Trustpower undertakes to issue Series 1 Bonds or Series 2 Bonds to each Trustpower bondholder that participates in the Exchange Offer.

If the Bonds are not issued by the Long Stop Date, New Trustpower undertakes to pay you an amount equal to the redemption amount you would have been paid had you elected to have your Trustpower bonds redeemed (but net of any interest component included in that redemption amount), together with all applicable interest payable under the heading "Interest" in Section 3 (Terms of the Offer) above.

### Redemption Record Date

Persons eligible to participate in the priority pool for the General Offer (for holders of TPW090 Bonds) or the Exchange Offer (for holders of TPW100 Bonds and TPW120 Bonds) will be those New Zealand resident holders on the relevant bonds register on the applicable Redemption Record Date (which is 30 September 2016 for the TPW090 Bonds and 3 October 2016 for the TPW100 Bonds and TPW 120 Bonds).

An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Additional instructions on how to apply for Bonds are set out in the application form.

Please lodge your application form **AS SOON AS POSSIBLE**. Applicants should remember that the Exchange Offer Closing Date, Priority Pool Closing Date and/or the General Offer Closing Date may be changed at the sole discretion of New Trustpower.

14.

## CONTACT INFORMATION

### Contact details of the Issuer Bay Energy Limited (to be renamed Trustpower Limited)

Trustpower Building  
108 Durham Street  
Tauranga  
Private Bag 12023  
Tauranga 3143

Phone: 0800 87 87 87

### Contact details of the Securities Registrar Computershare Investor Service Limited

Level 2  
159 Hurstmere Road  
Takapuna

Private Bag 92119  
Auckland 1142  
Phone: (09) 488 8777

## GLOSSARY

\$

New Zealand dollars.

### ACOT or Avoided Cost of Transmission

A payment made from distribution companies to owners of embedded generating plant for generating during peak demand periods.

### Bondholder

A person whose name is entered in the Register as a holder of a Bond.

### Bonds

The bonds constituted and issued pursuant to the Master Trust Deed and offered pursuant to this PDS.

### Business Day

A day on which the NZX is open for trading.

### Companies Act

The Companies Act 1993.

### Demerger

The proposed demerger of Tilt Renewables and New Trustpower from Trustpower to be implemented through a scheme of arrangement under the Companies Act.

### Disclose Register

In respect of each Series, the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose", located at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose).

### Early Redemption Amount

In respect of each Bond in a relevant Series, the greater of:

- (a) an amount equal to its Principal Amount; and
- (b) the average price, weighted by volume, of all trades of Bonds of that Series through the NZX over the ten Business Days up to (but excluding) the date on which a redemption notice is given (net of accrued interest, if any),

and less all withholding tax and other withholdings or deductions required to be made.

### EBITDAF

Net profit after tax plus interest, tax, depreciation, amortisation and fair value movements in financial instruments.

### Events of Default

Are summarised in Section 6 of this PDS (Key features of Bonds) and means each event set out in clause 14.1 of the Master Trust Deed and clause 6 of the applicable Series Supplement.

### FMC Act

Financial Markets Conduct Act 2013.

### FMC Regulations

Financial Markets Conduct Regulations 2014.

### FY[Year]

The financial year of the relevant reporting entity. In reference to Trustpower or New Trustpower this would typically be a one year period ending on 31 March.

### GAAP

Has the meaning given to that term in the FMC Regulations.

### Guarantee

Is described in Section 6 (Key features of Bonds), and means the guarantee contained in the Negative Pledge Deed that has been entered into by New Trustpower and the Guarantors.

### Guaranteeing Group

New Trustpower and each of the Guarantors.

**Guarantors**

Any guarantor of the Bonds from time to time under the Negative Pledge Deed being, as at the Issue Date, GSP Energy Pty Ltd.

Guarantors may change as described in Section 6 (Key features of the Bonds).

**Investigating Accountant**

PricewaterhouseCoopers.

**IRD**

The New Zealand Inland Revenue Department.

**Joint Lead Managers**

Deutsche Craigs Limited, Forsyth Barr Limited and Bank of New Zealand.

**Listing Rules**

The listing rules applying to the NZX Debt Market as amended from time to time.

**Master Trust Deed**

The master trust deed dated 14 September 2016 between New Trustpower and the Supervisor (as amended from time to time).

**Negative Pledge Deed**

The Negative Pledge Deed dated 5 September 2016 (as amended from time to time) entered into by the Guaranteeing Group for the benefit of certain beneficiaries.

**New Trustpower**

Bay Energy Limited (to be renamed Trustpower Limited).

**New Trustpower Business**

The assets and operations which are to comprise the business of New Trustpower after the Demerger.

**New Trustpower Group**

The group of companies comprising New Trustpower and its intended subsidiaries following the Demerger.

**NZX**

NZX Limited.

**NZX Debt Market**

The debt security market operated by NZX.

**Offer**

The offer of Bonds made by New Trustpower pursuant to this PDS (consisting of the General Offer and the Exchange Offer).

**PDS**

This product disclosure statement for the Offer dated 14 September 2016.

**Primary Market Participant**

Has the meaning given to that term in the Listing Rules.

**Principal Amount**

\$1.00 per Bond.

**Register**

The register in respect of the Bonds maintained by the Securities Registrar.

**RWT**

Resident withholding tax.

**Scheme Booklet**

The explanatory information booklet sent to shareholders of Trustpower in connection with the Demerger.

**Securities Registrar**

Computershare Investor Services Limited.

**Series**

Bonds that are issued under the same Series Supplement.

**Series Supplement**

A deed supplemental to the Master Trust Deed entered into by New Trustpower and the Supervisor pursuant to clause 2.4 of the Master Trust Deed constituting and specifying the terms and conditions applicable to a Series of Bonds.

**Series 1 Bonds**

New Trustpower bonds that mature on 15 December 2017, offered pursuant to the Exchange Offer.

**Series 2 Bonds**

New Trustpower bonds that mature on 15 December 2021, offered pursuant to the Exchange Offer.

**Series 3 Bonds**

New Trustpower bonds that mature on 15 December 2022, offered pursuant to the General Offer.

**Special Resolution of Bondholders**

A resolution passed by Bondholders holding Bonds with a Principal Amount of not less than 75% of the combined Principal Amount of Bonds held by those persons who are entitled to vote and who vote on the question.

**Subsidiary**

Has the meaning given to that term in section 6 of the FMC Act.

**Supervisor**

Trustees Executors Limited or such other supervisor as may hold office as supervisor under the Master Trust Deed from time to time.

**TECT**

Tauranga Energy Consumer Trust.

**Tilt Renewables**

Tilt Renewables Limited.

**Trustpower**

Trustpower Limited.



#### 4. Interest and redemption payments

##### NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR FUTURE PAYMENTS

Name of bank \_\_\_\_\_ Account name \_\_\_\_\_

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Bank Branch Account number Suffix

##### OR for the purpose of Interest payments only, direct credit to my cash management account

Name of NZX Participant where Cash Management Account held \_\_\_\_\_

Cash Management Account Client Account Number \_\_\_\_\_

If you wish to have your future Interest payments direct credited to a different bank account you need to advise the Registrar in writing.

#### 5. IRD number and resident withholding tax rate

IRD number (only one IRD number is required in respect of a joint application) \_\_\_\_\_

Deduct resident withholding tax (RWT) from my Interest earned at the following rate (please tick (✓) one).

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold an RWT exemption certificate. Tax will automatically be deducted at 28%.

10.5%  17.5%  30%  33%

Exempt – please tick this box if you hold an RWT exemption certificate from the IRD and attach a copy of your RWT exemption certificate. The RWT exemption certificate must relate to the IRD number provided.

Country of residence for tax purposes \_\_\_\_\_ If not a New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand? **Yes / No** (delete one)

#### 6. Electronic correspondence and reporting

To enable New Trustpower to provide you electronically with correspondence in relation to your holding in this security, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

Email \_\_\_\_\_

#### 7. Agreement of terms

I/We hereby acknowledge that I/we have received and read the PDS for the Bonds, and apply for the principal amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

All applicants on the Application Form must sign.

Signature \_\_\_\_\_

Date \_\_\_\_\_ 2016

Your Application Form must be delivered in accordance with the instructions in section 13 of the PDS under the heading "How to Apply".

#### 8. This Application Form must be received by the Registrar no later than 5pm on 21 October 2016

##### Deliver to:

New Trustpower Bond Offer  
Computershare Investor Services Limited  
Private Bag 92119  
Auckland 1142

Investor phone number: (09) 488 8777

##### Physical Address:

Level 2, 159 Hurstmere Road  
Takapuna  
Auckland 0622

#### 9. Form of registrable names

Note that ONLY LEGAL ENTITIES are allowed to hold Bonds. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to New Trustpower. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

##### Type of investor

Individual – use given name in full, not initials.

Company – use company title, not abbreviations.

Trusts – do not use the name of the trust, use the personal name(s) of the trustee(s). All trustees must apply as joint applicants.

Deceased estates – do not use the name(s) of deceased, use the personal name(s) of the executor(s).

Clubs / Unincorporated bodies – do not use the name(s) of clubs etc., use the personal name(s) of the office bearer(s).

Superannuation Funds – do not use the name of the fund, use the personal name(s) of the trustee(s).

## 10. Terms and conditions of application

- By signing (or authorising an attorney or agent to sign) this Application Form:
  - the applicant acknowledges that this form was distributed with the PDS; and
  - the applicant acknowledges that he/she/it has read and understood the PDS.
- An application received by the Registrar cannot be withdrawn or revoked by the applicant.
- New Trustpower reserves the right to decline any application, in whole or in part, without giving any reason. New Trustpower may decide not to accept any applications whatsoever.
- A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all Interest payments, notices and other correspondence will be sent to that address.
- Applications lodged by individuals must be signed personally or by their attorney or agent. If this Application Form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out below. If this Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agency set out below.

The information in this General Offer Application Form is provided to enable New Trustpower and the Registrar to process your application, and to administer your investment. By signing this Application Form, you authorise New Trustpower and the Registrar to disclose information in situations where New Trustpower or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information.

## 11. Certificate of non-revocation of agency

(Complete this section if you are acting as agent on behalf of the applicant on this Application Form)

I, \_\_\_\_\_ (full name) of \_\_\_\_\_ (place and country of residence)  
\_\_\_\_\_ (occupation) hereby certify that:

- By the agency agreement dated \_\_\_\_\_ (date of instrument creating the power of agency),  
\_\_\_\_\_ (full name of person/body corporate which appointed you as agent)  
of \_\_\_\_\_ (place and country of residence of person/body corporate which appointed you as agent\*)

Appointed me \_\_\_\_\_ agent; (his/her/its)

- That I have executed the application for Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- That I have not received notice or information of the revocation of my appointment as agent.

Signature of agent \_\_\_\_\_

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\*If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

## 12. Certificate of non-revocation of power of attorney

(Complete this section if you are acting on behalf of the applicant on this Application Form for whom you have power of attorney)

I, \_\_\_\_\_ (full name) of \_\_\_\_\_ (place and country of residence)  
\_\_\_\_\_ (occupation) hereby certify that:

- By deed dated \_\_\_\_\_ (date of instrument creating the power of attorney),  
\_\_\_\_\_ (full name of person/body corporate which appointed you as attorney)  
of \_\_\_\_\_ (place and country of residence of person/body corporate which appointed you as attorney\*\*)

Appointed me \_\_\_\_\_ agent; (his/her/its)

- That I have executed the application for Bonds printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- That I have not received notice of any event revoking the power of attorney.

Signature of attorney \_\_\_\_\_

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\*\*If a donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

