



# Tauranga Energy Consumer Trust

Consolidated Annual report  
for the year ended 31 March 2020

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**Company directory**  
as at 31 March 2020

Trustees	W Holland, Chairperson N Bridges, Deputy Chairperson M Arundel A Sutcliffe P Blackwell T Jennen	
General Manager	W A Werder	
Address	The Kollektive Historic Village 145 Seventeenth Avenue Tauranga	
Accountants	KPMG Level 2 247 Cameron Road Tauranga	
Auditors	Crowe New Zealand Audit Partnership 57 Spring Street Tauranga	
Solicitors	Harmos Horton Lusk, Auckland Sharp Tudhope, Tauranga	
Date of Commencement	TECT TECT Charitable Trust TECT Holdings Limited TECT Property Limited	21 December 1993 27 March 2002 15 December 2006 22 March 2016

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2020

	Note	2020 \$	2019 \$
<b>Revenue</b>			
Dividends		41,100,631	49,902,658
Distributions received		11,332,303	5,385,593
Interest		1,683,255	1,717,594
Other income		142,797	171,935
<b>Total Revenue</b>		<b>54,258,985</b>	<b>57,177,780</b>
<b>Expenses</b>			
Accounting & financial consultancy		92,933	90,673
Consumer related expenses	3	320,195	235,727
Depreciation expense	11	60,770	24,200
Investment expenses		130,726	160,112
Legal & advisory expenses		107,888	48,038
Trustee expenses	3	180,786	187,719
Other administration expenses	3	666,655	635,047
<b>Total Administrative Expenses</b>		<b>1,559,953</b>	<b>1,381,516</b>
<b>Finance Expenses</b>			
Effective interest adjustment of interest free loans	9	(75,438)	14,621
Interest expense		9	58,729
Net change in fair value of derivative		-	337,013
Other finance expenses		145,361	51,291
<b>Total Finance Costs</b>		<b>69,933</b>	<b>461,654</b>
<b>Total expenses</b>		<b>1,629,886</b>	<b>1,843,170</b>
<b>Profit before taxation</b>		<b>52,629,099</b>	<b>55,334,610</b>
Tax expense	5	(1,845,167)	(2,267,626)
<b>Profit after tax</b>		<b>54,474,266</b>	<b>57,602,236</b>
<b>Other comprehensive income</b>			
Items which will be classified to Profit & Loss on certain conditions being met			
Deferred tax	5	17,364,777	(16,795,403)
Net profit on sale of Tilt Renewable shares		-	37,369,421
Valuation gain/(loss) on investments		(66,870,951)	101,595,916
<b>Total other comprehensive income</b>		<b>(49,506,174)</b>	<b>122,169,934</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>4,968,093</b>	<b>179,772,170</b>

This statement is to be read in conjunction with the Notes to the financial statements

## Statement of changes in equity

for the year ended 31 March 2020

	2020 \$	2019 \$
Trust Equity at Start of the Year	921,496,815	776,208,270
Total Comprehensive Income for the year	4,968,093	179,772,170
Distributions of Equity	(55,994,064)	(35,280,115)
Distributions Written Back	556,531	796,490
Movements in Equity for the Year	(50,469,440)	145,288,545
Trust Equity at the End of the Year	871,027,375	921,496,815

## Statement of financial position

as at 31 March 2020

	Note	2020 \$	2019 \$
<b>Current assets</b>			
Cash and cash equivalents		2,176,591	6,855,407
Trade and other receivables		224,781	960,743
Other investments		19,000,000	93,000,000
<b>Total current assets</b>		<b>21,401,371</b>	<b>100,816,151</b>
<b>Non current assets</b>			
Investment portfolio	9	307,184,899	278,486,136
Investment property	12	10,656,502	-
Loans to consumer organisations	9	206,877	299,439
Property, plant and equipment	11	276,788	9,978,874
Deferred tax	5	4,125,314	-
Shares in Trustpower	9	536,824,563	554,439,119
<b>Total non-current assets</b>		<b>859,274,942</b>	<b>843,203,568</b>
<b>Total assets</b>		<b>880,676,313</b>	<b>944,019,719</b>
<b>Current liabilities</b>			
Trade and other payables		202,490	149,526
Provision for distributions	6	9,446,448	7,288,750
<b>Total current liabilities</b>		<b>9,648,938</b>	<b>7,438,276</b>
<b>Non current liabilities</b>			
Deferred tax	5	-	15,084,630
<b>Total non current liabilities</b>		<b>-</b>	<b>15,084,630</b>
<b>Total liabilities</b>		<b>9,648,938</b>	<b>22,522,906</b>
<b>Net assets</b>		<b>871,027,375</b>	<b>921,496,815</b>
<b>Equity</b>			
Reserves for distribution	7	7,555,923	3,742,329
Fair value reserve	2	622,269,725	671,775,899
Accumulated profits	2	241,201,725	245,978,588
<b>Total equity</b>		<b>871,027,375</b>	<b>921,496,815</b>

Trustee

Trustee

## Statement of cashflows

for the year ended 31 March 2020

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Interest, dividends and other investment receipts		53,813,079	50,712,201
Distributions received and other income		296,699	5,557,528
Payments to suppliers and Trustees		(1,706,873)	(1,425,685)
Interest paid		-	(58,729)
<b>Net cash from operating activities</b>		<b>52,402,905</b>	<b>54,785,315</b>
<b>Cash flows from investing activities</b>			
Proceeds and costs associated from the sale of Tilt Renewable shares			190,786,616
Cash flows from portfolio investments		(75,009,364)	(100,611,452)
Acquisition of property, plant and equipment		(1,083,989)	(5,103,688)
Movements in term deposits		74,000,000	(93,000,000)
<b>Net cash from investing activities</b>		<b>(2,093,353)</b>	<b>(7,928,525)</b>
<b>Cash flows from financing activities</b>			
Payments to Trustpower consumers (including grants)		(55,162,279)	(42,183,879)
Repayments of consumer loans		168,000	-
Other cash items		5,910	-
<b>Net cash from financing activities</b>		<b>(54,988,369)</b>	<b>(42,183,879)</b>
<b>Net (decrease)/increase</b>		<b>(4,678,815)</b>	<b>4,672,911</b>
Opening cash and cash equivalents		6,855,406	2,182,495
<b>Closing cash and cash equivalents</b>		<b>2,176,591</b>	<b>6,855,406</b>
<b>Made up of:</b>			
Bank balances		2,176,591	6,855,406
<b>Total cash and cash equivalents</b>		<b>2,176,591</b>	<b>6,855,406</b>

## Notes to the consolidated financial statements

### 1 Reporting Entity

Tauranga Energy Consumer Trust (TECT) is a trust formed and domiciled in New Zealand. All TECT subsidiaries are incorporated and domiciled in New Zealand. TECT and its subsidiaries, TECT Charitable Trust, TECT Holdings Limited and TECT Property Limited comprise the TECT Group.

As required by its Trust Deed, TECT complies with the financial reporting requirements of the Financial Reporting Act 2013.

The Financial Statements comprise the Consolidated Financial Statements of the Group.

#### Approval of Financial Statements

The financial statements were approved by the Trustees on the 16th of June 2020.

#### Background

The Tauranga Energy Consumer Trust was established under a Trust Deed on 21 December 1993 as a consequence of the Tauranga Electric Power Board's Establishment Plan.

TECT's income and capital are to be used to provide benefits to the trust beneficiaries who are Trustpower customers in the area as defined in the Trust Deed (being the area supplied by the Tauranga Electric Power Board as at 21 December 1993 subsequently amended to include the Tauranga district area previously supplied by Tauranga Electricity Limited).

TECT is governed by six trustees who are elected by Consumers. The term of appointment is four years. The terms of appointment of Trustees are staggered so that three Trustees retire every two years. Retiring Trustees are eligible for nomination for re-election.

#### Basis of Preparation

#### Measurement Basis

The accounting principles recognised for the measurement and reporting of financial performance and financial position on an historical cost basis, are followed by the TECT Group, with the exception that certain investments as specified below have been revalued.

The information has been presented in New Zealand dollars, which is also the functional currency of the Group, rounded to the nearest dollar.

#### Basis of Consolidation

The consolidated financial statements include the Parent Trust and its subsidiaries. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

## Notes to the consolidated financial statements

### Subsidiary Entities

The wholly owned subsidiary entities, TECT Charitable Trust, TECT Holdings Limited and TECT Property Limited are controlled by TECT in that TECT has the capacity to control their financing and operating policies so as to obtain benefits from their activities.

### Statement of compliance

These financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR") and other Financial Reporting Standards as appropriate for profit oriented entities. Trustees have taken advice and have determined that TECT does not meet the definition of a public benefit entity. This is because the majority of distributions are in the form of financial returns to beneficiaries. In addition, the Trust Deed defines 'Consumers' very strictly and therefore limits benefits to a very specific and narrow section of the public. For this purpose the Trust has designated itself and the Group as 'profit oriented'.

All other accounting policies have been consistently applied by TECT for all periods covered by these financial statements.

### Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the Group's accounting policies. In making these judgements, estimates and assumptions concerning the future are made. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

### Impairment of assets

NZ IFRS requires that assets are carried at no more than their recoverable amount. This requires Trustees to make judgements regarding amounts recoverable and provisions for impairment. Trustees must apply judgements in assessing likely outcomes.

### Income Taxes and Deferred Taxation

Judgement is required in determining the provision for income taxes and the ultimate determination is uncertain until assessments are finalised. Judgement is required in the level of imputation credits likely to be attached to future Trustpower dividends.

## Notes to the consolidated financial statements

### Fair Value

NZ IFRS requires that TECT accounts for investments at fair value. As a result the Trustees are required to make judgements as to the fair value of the investments. Where these investments are publicly traded, the trustees recognise fair value at the closing buy price at the reporting date. Where these investments are not publicly traded, the Trustees recognise fair value at the closing unit price of the underlying fund as provided by the fund manager of the respective investment.

### Standards, amendments and interpretations adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except the Collective property was re-classified to investment property during the 2020 year. See Investment Property policy for more details.

The Parent and Group have adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Interpretations Committee (IFRIC) interpretations since 1 April 2019.

### NZ IFRS 16 Leases

The Group has applied NZ IFRS 16 Leases from 1 January 2019. It replaces NZ IAS 17 Leases and NZ IFRIC 4 determining whether an arrangement contains a lease. The Group has just one lease, which is for the premises in which they occupy as their offices. Management have assessed the impact on initial adoption of the standard as minor in nature with no impact on the financial statements.

### Amendments to NZ IAS 19

NZ IAS 19 amends the current IAS 19 reporting standard regarding the disclosure and accounting for employee benefits. The Group already adheres to NZ IAS 19 as implemented in January 2016 and as such there is no significant impact on the financial statements.

### Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied consistently to all periods presented in the financial statements and consistently by Group entities:

## Notes to the consolidated financial statements

### **Taxation**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

### **Goods and Services Tax**

These financial statements have been prepared on a GST exclusive basis. TECT, TECT Charitable Trust and TECT Property Limited are registered for GST and GST payable or receivable by these entities are shown in the Group's Statement of Financial Position. Accounts receivable and payable are shown inclusive of GST.

TECT Holdings Limited is not registered for GST and GST paid by TECT Holdings Limited is shown as a separate expense.

### **Financial Instruments**

Financial instruments are recognised in the Statement of Financial Position when the Group becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings. In addition, the TECT Group is party to financial instruments to meet financing needs.

### **Receivables and Payables**

Receivables and payables are initially recorded at fair value. Subsequently they are measured at amortised cost using the effective interest method less provision for impairment.

### **Investments**

TECT recognises its investments at fair value at every reporting date. TECT measures its investments at fair value through other comprehensive income, in accordance with NZ IFRS 9 to ensure consistency throughout the reporting periods.

## Notes to the consolidated financial statements

### Trustpower

TECT Group has determined that it does not have significant influence over Trustpower Limited. The investment is recognised at fair value in the Statement of Financial Position with movements being recognised in other comprehensive income as per NZ IFRS 9. Trustees have further determined that the most appropriate measurement base of fair value is based on the closing buy price of those shares which are actively traded. On derecognition the difference between the carrying amount and the sum of (i) the consideration received and (ii) any cumulative gain or loss that was recognised directly in equity is recognised through other comprehensive income.

### Portfolio Investments

The TECT Group has purchased a number of portfolio investments. These investments are recognised at fair value in the Statement of Financial Position with movements being recognised in other comprehensive income. Trustees have determined that the most appropriate measurement base of fair value is based on the closing unit price of the respective funds. Uncalled capital on investments is disclosed further in Note 10.

### Loans to Community Organisations

These loans are interest free, and have been classified as financial assets measured at amortised cost. After initial recognition they are measured at amortised cost using the effective interest rate method less any impairment loss based on an assumed term of 5 years and interest at commercial rates. For the purposes of calculating amortised cost the term per the loan agreement has been used and an interest rate applying to the Westpac swap at inception date of the loan agreement is assumed. Gains and losses when the asset is impaired or derecognised are recognised in profit or loss.

### Borrowings

Borrowings are initially recorded at fair value net of transaction costs incurred, and subsequently at amortised cost using the effective interest method.  
All borrowing costs are recognised as an expense in the period they are incurred.

### Derivatives

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. For derivative financial instruments that do not qualify for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

## Notes to the consolidated financial statements

### Revenue

Revenue comprises interest income on funds invested in financial assets, dividend income, gains on the disposal of financial assets and distributions received and gains on hedging instruments that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Dividends are shown net of imputation credits, and dividends and interest are shown gross of withholding taxes paid.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts, deposits held at call with banks and other short term liquid assets of less than 90 days not forming part of the investment portfolio.

### Impairment of Assets

The carrying amounts of the Group's assets other than those at fair value through profit or loss are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss.

The estimated recoverable amount of investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

## Notes to the consolidated financial statements

### Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions represent expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

Grants and distributions still to be paid are considered to be provisions as the amounts can be estimated reliably and past practice indicates substantially all of the communicated commitments are subsequently paid. Grant provisions are not discounted as the date of the cash outflow cannot be estimated reliably and in any event the effect of discounting is not considered to be material.

Grants and distributions recognised in the year are recorded through equity in the 'reserves for distribution' reserve, rather than through the Statement of Comprehensive Income as they are for the beneficiaries of the Trust.

### Property, Plant and Equipment

All property, plant and equipment are stated at cost less depreciation. Depreciation has been calculated in accordance with maximum rates permitted under the Income Tax Act 2007. Trustees consider that these rates give a reasonable approximation of the estimated usable life's of these assets.

Principal depreciation rates are:

Motor vehicles	30%
Furniture and Fittings	10 - 16%
Computers and Software	50%
Plant and Equipment	25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

### Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

## Notes to the consolidated financial statements

### **Impairment**

The carrying amounts of investment property are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying value amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the assets and are recognised in profit and loss.

An impairment loss is reversed through profit and loss if the asset's recoverable amount exceeds the depreciated book value.

### **Employee Entitlements**

Annual leave entitlements due to employees are accounted for on the basis of contractual requirements.

### **Changes in Accounting Policies**

NZ IFRS 16 has been adopted for the first time this year and there is no material adjustment arising from this change. There have been no other changes in accounting policies in the period under review.

## Notes to the consolidated financial statements

### 2 EQUITY

	2020 \$	2019 \$
<b>Accumulated Profits</b>		
(Including initial share gift in 1993 of \$42.5 million)		
<b>Balance at beginning of year</b>	<b>245,978,588</b>	<b>217,070,597</b>
Total profit after taxation	54,474,266	57,602,234
Deferred tax written back on sale of Tilt shares	-	568,372
Net profit on sale of Tilt shares	-	37,369,421
Transfer from fair value reserve - Tilt	-	(31,116,246)
Consumer distributions/grants written back	168,871	184,210
	<b>300,621,725</b>	<b>281,678,588</b>
Transfers to reserves for distribution	(59,420,000)	(35,700,000)
<b>Balance at end of year</b>	<b>241,201,725</b>	<b>245,978,588</b>
<b>Fair Value</b>		
<b>Balance at beginning of year</b>	<b>671,775,899</b>	<b>556,427,515</b>
Current year revaluation		
Trustpower	(17,614,556)	84,987,008
Tilt Renewable	-	3,274,076
Investment portfolios	(49,256,395)	13,335,831
Deferred tax on fair value movements Trustpower	17,364,777	(17,364,777)
Transfer to accumulated profits	-	31,116,246
<b>Balance at end of year</b>	<b>622,269,725</b>	<b>671,775,899</b>
<b>Reserves for Distributions</b>		
Iconic projects	4,600,000	3,000,000
Community amenities	157,849	551,943
Community events	1,793	-
Community development	48,545	60,387
Catalyst for change	2,747,736	130,000
<b>Closing balance</b>	<b>7,555,923</b>	<b>3,742,329</b>
<b>TOTAL TRUST EQUITY</b>	<b>871,027,375</b>	<b>921,496,815</b>

## Notes to the consolidated financial statements

### 3 ADMINISTRATION EXPENSES

	2020 \$	2019 \$
<b>Consumer related expenses include the following amounts:</b>		
Consumer consultation, research and reporting	65,617	40,384
Community funding schemes	36,530	11,495
Election costs	-	122,078
Rebate distribution costs	218,048	61,770
	<u>320,195</u>	<u>235,727</u>
<b>Trustee expenses including the following amounts:</b>		
Trustee expenses	1,533	5,631
Trustee fees	179,181	171,965
Trustee professional development	72	10,123
	<u>180,786</u>	<u>187,719</u>
<b>Other administration expenses include the following amounts:</b>		
Audit fees	26,401	22,000
Insurance	14,265	15,652
Marketing	30,881	21,060
Premises and occupancy	62,475	56,799
Research and development - strategic projects	21,951	58,449
Wages and staff expenses	453,701	371,590
Other administration expenses	56,981	89,497
	<u>666,655</u>	<u>635,047</u>

### 4 FINANCIAL INSTRUMENTS

Bank accounts, short term deposits, investments in shares and funds, accounts receivable and accounts payable are financial instruments.

#### Fair Value

All financial instruments are shown at values equivalent to their fair values.

## Notes to the consolidated financial statements

### 5 TAXATION

Tax recognised in profit or loss		2020	2019
		\$	\$
<b>Profit/(Loss) before taxation</b>		<b>52,629,099</b>	<b>55,334,610</b>
Add	Imputation credits	11,092,463	11,090,646
	Non-deductible expenses	777,801	669,925
	Non-deductible IFRS adjustments	(75,438)	14,621
		<b>64,423,925</b>	<b>67,109,802</b>
Less	Deductible distribution payments	(1,984,878)	(9,863,819)
	PIE taxable income adjustment	(17,319,816)	-
	Prior year - PIE taxable income adjustment	(66,749)	-
	Utilisation of tax losses brought forward	(8,129,259)	(19,919,347)
	Charitable Trust income exemption	(12,029,518)	(2,265,081)
<b>Taxable income</b>		<b>24,893,705</b>	<b>35,061,553</b>
Current tax charge		6,973,804	8,823,020
Less Imputation tax credits		(11,092,463)	(11,090,646)
Tax losses recognised as deferred tax		4,118,659	2,267,626
<b>Current income tax expense/(benefit)</b>		<b>-</b>	<b>-</b>
<b>Tax expense comprises</b>			
Current tax		-	-
Deferred tax		(1,845,167)	(2,267,626)
<b>Tax expense per Profit and Loss</b>		<b>(1,845,167)</b>	<b>(2,267,626)</b>
<b>Imputation credits claimable</b>			
Total imputation credits		11,092,463	11,090,646
Less excess imputation credits unable to claim (converted to loss)		(4,118,659)	(2,272,635)
<b>Total imputation credits claimable as a tax credit</b>		<b>6,973,804</b>	<b>8,818,011</b>

TECT is a Trust and pays tax at 33%, the TECT Group subsidiary companies pay tax at 28%. No tax is payable by TECT Charitable Trust.

#### Deferred Tax Asset/(Liability)

Deferred tax shown in the Statement of Financial Position arises from revaluation of financial instruments to fair value.

	2020	2019
	\$	\$
<b>Opening deferred tax</b>	<b>(15,084,630)</b>	<b>12,521</b>
<b>Deferred tax adjustments through profit or loss</b>		
Fair value adjustment of investments	(857)	(5,009)
Deferred tax on tax losses	1,846,024	2,272,635
<b>Deferred tax adjustments through equity</b>		
Deferred tax on fair value movements - Trustpower shares	17,364,777	(17,364,777)
<b>Closing deferred tax</b>	<b>4,125,314</b>	<b>(15,084,630)</b>

## Notes to the consolidated financial statements

During the 2019 year the Trustees considered it prudent to provide for a deferred tax liability to the extent that they expected to continue receiving dividends that were not fully imputed on shares owned by the Trust. During the 2020 year the Trustees have obtained further information as to the likelihood of the Trust receiving dividends that are not fully imputed and consider that the Trust should no longer account for the deferred tax liability in this regard.

Deferred tax assets and liabilities are attributable to the following:

<b>2020</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Tax losses	4,118,659	-	4,118,659
Loans and receivables	6,655	-	6,655
Tax assets (liabilities)	4,125,314	-	4,125,314
Set off of tax			
<b>Net tax assets (liabilities)</b>	<b>4,125,314</b>	<b>-</b>	<b>4,125,314</b>

  

<b>2019</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Financial assets (shares)	-	(17,364,777)	(17,364,777)
Tax losses	2,272,635	-	2,272,635
Loans and receivables	7,512	-	7,512
Tax assets (liabilities)	2,280,147	(17,364,777)	(15,084,630)
Set off of tax	(1,687,152)	1,687,152	-
<b>Net tax assets (liabilities)</b>	<b>592,995</b>	<b>(15,677,625)</b>	<b>(15,084,630)</b>

### IMPUTATION CREDITS

At at 31 March 2020 the Group had imputation credits available of \$105,754,612 (2019: \$94,662,149).

## 6 PROVISION FOR DISTRIBUTIONS

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	7,288,750	14,989,004
Add distributions approved	55,994,064	35,280,115
Less distributions written back	(556,531)	(796,490)
	<b>62,726,283</b>	<b>49,472,629</b>
Less distributions paid	(53,279,834)	(42,183,879)
<b>Balance at end of year</b>	<b>9,446,448</b>	<b>7,288,750</b>

  

<b>Distributions not yet uplifted</b>		
Iconic projects	2,500,000	1,000,000
Community amenities	3,218,822	2,541,039
Community events	167,540	119,444
Community development	1,829,813	2,345,044
Catalyst for change	437,264	470,000
Direct consumer distributions	1,293,008	813,223
	<b>9,446,448</b>	<b>7,288,750</b>

## Notes to the consolidated financial statements

Payments of grants is generally conditional upon the organisation obtaining the full amount of funds required to complete the project. TECT does not release funds until all conditions imposed by Trustees have been met. Grants are normally paid out within two years except in exceptional circumstances where Trustees may allow an extension of time or in the case of major projects which may require longer time frames for completion. Grant provisions are not discounted as the date of cashflow cannot be estimated reliably and in any event the effect of discounting is not expected to be material.

### 7 RESERVES FOR DISTRIBUTIONS

	2020	2019
	\$	\$
<b>Summary</b>		
Opening balance	3,742,330	2,710,161
Allocated - Annual distribution plan	59,420,000	35,700,000
Write back to retained earnings	(168,871)	(184,210)
	<b>62,993,459</b>	<b>38,225,951</b>
Transfers to provisions and payments	(55,994,064)	(35,280,115)
Write backs to reserve	556,531	796,490
Closing balance	<b>7,555,926</b>	<b>3,742,330</b>
<b>This comprises:</b>		
<b>Iconic Projects</b>		
Opening balance	3,000,000	2,000,000
Allocated - Annual distribution plan	3,100,000	1,000,000
Transfers to provisions and payments	(1,500,000)	-
Closing balance	<b>4,600,000</b>	<b>3,000,000</b>
<b>Community Amenities</b>		
Opening balance	551,943	2,033
Allocated - Annual distribution plan	2,100,000	2,500,000
Transfers to provisions and payments	(2,706,626)	(2,315,875)
Write back to reserve	212,531	365,785
Closing balance	<b>157,848</b>	<b>551,943</b>
<b>Community Development</b>		
Opening balance	60,387	1,604
Allocated - Annual distribution plan	3,750,000	3,700,000
Transfers to provisions and payments	(3,922,294)	(3,886,928)
Write back to reserve	160,456	245,711
Closing balance	<b>48,549</b>	<b>60,387</b>
<b>Consumer Distributions</b>		
Opening balance	-	-
Allocated - Annual distribution plan	46,800,000	28,000,000
Write back to retained earnings	(168,871)	(184,210)
Transfers to provisions and payments	(46,800,000)	(28,000,000)
Write back to reserve	168,871	184,210
Closing balance	-	-

## Notes to the consolidated financial statements

### Community Events

Opening balance	-	106,528
Allocated - Annual distribution plan	800,000	500,000
Transfers to provisions and payments	(812,880)	(607,312)
Write back to reserve	14,673	784
Closing balance	<b>1,793</b>	-

### Catalyst for Change

Opening balance	130,000	600,000
Allocated - Annual distribution plan	2,870,000	-
Transfers to provisions and payments	(252,264)	(470,000)
Write back to reserve	-	-
Closing balance	<b>2,747,736</b>	<b>130,000</b>

<b>Total closing balance</b>	<b>7,555,926</b>	<b>3,742,330</b>
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## 8 SUBSIDIARIES

### TECT Charitable Trust

On 27 March 2002 TECT settled a Charitable Trust called TECT Charitable Trust. TECT Charitable Trust is registered under the Charities Act 2005 and has donee status.

The purpose of the TECT Charitable Trust is to benefit only charitable purposes of "Charitable Consumers" defined in Clause 1.1 of the TECT Charitable Trust Deed. TECT Charitable Trust is entitled to receive distributions of beneficiary income from TECT. TECT Charitable Trust is governed by the TECT Trustees.

### TECT Holdings Limited

TECT Holdings Limited is the entity which holds the Trustpower Limited shares.

### TECT Property Limited

TECT Property Limited was incorporated on 22 March 2016. The purpose of the entity was to be the owner and lessor of the community hub building which was completed in March 2019. The building was transferred to TECT Charitable Trust in March 2019. This company is not currently trading.

## Notes to the consolidated financial statements

### 9 INVESTMENTS

#### Trustpower Limited

Fair value has been assessed at \$6.40 per share (\$6.61 per share 2019), being the closing buy quotation on 31 March 2020 (being the last business day of the month). No allowance has been made for commission payable on any disposal of shares. Values adopted being:

	# of shares	2020 \$	2019 \$
Opening balance	83,878,838	554,439,119	468,882,704
Fair value movement		(17,614,556)	85,556,415
Closing balance @ \$6.40 per share (2019: \$6.61 per share)	83,878,838	536,824,563	554,439,119

The 83,878,838 shares represent 26.8% of the total shares in Trustpower Limited.

#### Tilt Renewables Limited

The Tilt Renewable shares were disposed of during the 2019 year in two separate sales transactions, and realised a non-taxable profit of \$37,369,421 after sales expenses. Values adopted being:

	# of shares	2020 \$	2019 \$
Opening balance	83,878,838	-	150,143,120
Fair value movement		-	(153,417,193)
Sale	(83,878,838)	-	3,274,076
	-	-	-

#### Loans to community organisations

TECT has advanced interest free loans to two organisations. These loans are classified as loans and receivables and, after initial recognition, are measured at amortised cost using effective interest rate method less any impairment loss.

## Notes to the consolidated financial statements

### Fair value adjustment of interest free loans

	2020	2019
	\$	\$
Opening balance	299,439	882,060
Advances		
Social Sector Innovation Trust	-	200,000
Repayments		
Social Sector Innovation Trust	(150,000)	-
Omanu Beach Charitable Trust	(18,000)	(18,000)
Bay Venues Limited	-	(750,000)
Current year effective rate adjustment	75,438	(14,621)
<b>Closing balance</b>	<b>206,877</b>	<b>299,439</b>
<b>Comprising:</b>		
Omanu Beach Charitable Trust Loan	117,932	129,303
Social Sector Innovation Trust	88,944	170,136
	<b>206,877</b>	<b>299,439</b>

## Notes to the consolidated financial statements

### INVESTMENTS CONTINUED

As at 31 March 2020	Asset Allocation %	2020 \$	Asset Allocation %	2019 \$
<b>Cash Investments</b>	<b>8.2%</b>		<b>13.8%</b>	
Nikko Asset Management		25,313,623		38,347,362
<b>Australian Equities</b>	<b>12.7%</b>		<b>11.6%</b>	
Nikko AM Wholesale Core Equity Fund		17,954,865		9,288,509
Devon Trans Tasman Fund		20,952,446		23,030,620
<b>International Equities</b>	<b>64.4%</b>		<b>59.4%</b>	
Vanguard International Small Companies Index Fund		19,675,105		-
Vanguard International		-		113,140,410
Mercer Emerging Markets		21,627,179		-
Mercer HOS Shares Index B		101,769,936		52,168,094
Mercer HOS Shares Index		39,020,628		-
Mercers Overseas Shares Index Portfolio		15,759,963		-
<b>Private Equity</b>	<b>5.5%</b>		<b>4.8%</b>	
Continuity Capital PE Fund No 2		3,383,665		2,928,755
Continuity Capital PE Fund No 4		3,253,653		3,022,537
Purpose Capital Impact Fund		250,000		-
Waterman Fund 3		4,243,000		4,018,000
Waterman Fund 4		125,000		-
Enterprise Angels - EA Fund 2		174,760		154,760
Enterprise Angels - EA Fund 3		20,000		-
Oriens Capital		1,776,000		1,151,880
Pencarrow Bridge Fund		2,367,400		2,023,500
WNT Ventures Investment		100,450		23,810
LGT - Crown Capital Opportunities VII SCS		1,220,536		-
<b>Real Assets</b>	<b>9.2%</b>		<b>10.5%</b>	
Mercer Portfolio		28,196,690		29,187,899
<b>Total Investments</b>	<b>100%</b>	<b>307,184,899</b>	<b>100%</b>	<b>278,486,136</b>

### 10 COMMITMENTS & CONTINGENCIES

The TECT Group had the following commitments at the end of the financial year:

	2020 \$	2019 \$
LGT - Crown Capital Opportunities	6,889,980	-
Waterman Fund 4	4,875,000	1,350,500
Purpose Capital Impact Fund	4,750,000	-
Waterman Fund 3	1,125,500	-
Continuity Capital PE Fund No 2	750,000	1,263,625
Continuity Capital PE Fund No 4	4,125,000	-
Enterprise Angels Fund 2	30,000	50,000
Enterprise Angels Fund 3	180,000	-
Oriens Capital	900,000	1,375,000
Pencarrow Bridge Fund	275,000	600,000
WNT Ventures	97,500	155,000
<b>Total</b>	<b>23,997,980</b>	<b>4,794,125</b>

The TECT Group had no contingencies at the end of the financial year (2019: Nil).

## Notes to the consolidated financial statements

### 11 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers & Software	Plant & Equipment	Total
<b>Balance at 31 March 2020</b>						
Carrying value as at 31 March 2019	9,723,411	19,476	13,003	13,666	209,323	9,978,879
Additions	1,012,798	12,000	-	38,112	30,119	1,093,030
Disposals at cost	(75,342)	-	(1,709)	(41,990)	-	(119,041)
Reclassification to investment property	(10,656,499)					(10,656,499)
Accumulated depreciation on Disposals	-	-	802	40,385	-	41,187
Current Year Depreciation	(4,367)	(7,942)	(577)	(43,323)	(4,560)	(60,769)
<b>Carrying Value at 31 March 2020</b>	<b>0</b>	<b>23,534</b>	<b>11,519</b>	<b>6,850</b>	<b>234,882</b>	<b>276,788</b>

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers & Software	Plant & Equipment	Total
<b>Balance at 31 March 2019</b>						
Carrying value as at 31 March 2018	-	27,821	10,742	13,039	8,509	60,109
Additions	9,723,410	-	6,494	7,463	205,596	9,942,963
Disposals	-	-	-	-	-	-
Depreciation on Disposals	-	-	130	-	83	213
Current Year Depreciation	-	(8,346)	(4,364)	(6,837)	(4,866)	(24,413)
<b>Carrying Value at 31 March 2019</b>	<b>9,723,411</b>	<b>19,476</b>	<b>13,003</b>	<b>13,666</b>	<b>209,323</b>	<b>9,978,874</b>

### 12 INVESTMENT PROPERTY

Opening cost	-
Reclassification from property, plant and equipment	10,656,499
<b>Carrying value at 31 March 2020</b>	<b>10,656,499</b>
<b>Carrying Value at 31 March 2019</b>	<b>-</b>

Investment property comprises land and buildings that are leased to third parties under operating leases. The Kollektive property at 17th Avenue, Tauranga has been re-classified as an investment property at year end 31 March 2020 to more accurately reflect the investment nature of the property. The property is accounted for using the cost basis.

TECT Charitable Trust (TCT), the owner of the Kollektive, has entered into an agreement with Social Sector Innovation WBOP Charitable Trust (SocialLink) to manage the property. SocialLink lease spaces to various community organisations. TCT receives lease payments, being the surplus from SocialLink, after various costs. TCT also pays SocialLink a management fee of \$10,000 per annum.

## Notes to the consolidated financial statements

### 13 Related Parties

Bill Holland, Wayne Werder and Mark Arundel are trustees of the Tauranga Tertiary Campus Charitable Trust. There were no transactions between TECT and the Tauranga Tertiary Campus Charitable Trust for the 2020 year. (2019: \$7,500,000)

Trustees are required to be Consumers as defined in TECT's Trust Deed and are therefore beneficiaries of TECT and accordingly are related parties. All transactions with related parties are undertaken in the normal course of business on normal commercial terms.

No related party debts have been forgiven or written off during the year.

From time to time, applications for grants are received by TECT from organisations in which TECT Trustees have an interest. In these situations, Trustees adhere to the guidance in TECT's Code of Practice and remove themselves from the decision making process to ensure no conflicts of interest occur.

The Trust normally holds 11 formal meetings a year. 12 formal meetings were held during the 2020 year due to an extra meeting in March relating to COVID-19. As well as attending Board meetings during the year, Trustees attended numerous other meetings as well as events representing the Trust. The table below records each Trustees attendance at Board meetings and the remuneration paid to each Trustee.

		YE 2020 Monthly Meeting Attendance	YE 2020 Extra Meeting Attendance	YE2020 Remuneration
William Holland	Chairperson	10	21	43,405
Natalie Bridges	Deputy Chairperson	11	10	30,284
Mark Arundel		10	17	26,702
Peter Blackwell		9	19	27,121
Amanda Sutcliffe		10	16	26,421
Tina Jennen		10	11	25,246
Total		60	94	179,181

### 14 Capital Management

The TECT Group's capital includes Trust Capital, Share Capital, Reserves for Distributions and Fair Value Reserve.

The Group's policy is to maintain a strong capital base so as to sustain current distributions and further development of the TECT Group to provide benefit to Consumers.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Trustees.

There have been no material changes in the Group's management of capital during the period.

## Notes to the consolidated financial statements

### 15 Subsequent Events

On March 25, 2020, New Zealand was placed in a nationwide lockdown due to COVID-19 and the world pandemic caused by the virus. TECT, its Trustees and employees continued to operate from home work environments.

The Trustees assess the impact of COVID-19 on the group to be minimal from an operations perspective. In response to the COVID-19 lockdown, the Group has worked with Bay Trust, Acorn Foundation and Tauranga City Council to set up a Rapid Response Fund. TECT grants continue to be accepted and approved.

In light of the COVID-19 lockdown and the economic struggles many in our community are facing, the Trustees made a decision to pay half of the July rebate early. The payment process date has been set at 15 May 2020. A fixed amount of \$110 will be paid to each eligible beneficiary. The variable amount typically paid in addition to the fixed amount will be included in the July rebate payment. To be eligible for the rebate, beneficiaries must have had an active Trustpower power account in the same name from 1 October 2019 – 31 March 2020 in the Tauranga/Western Bay of Plenty district.

The Trustees acknowledge that the COVID-19 pandemic will have impact on the group's future valuation of investments. TECT's diversified investment portfolio should provide some resilience against potential negative market trends.

## **Independent Auditor's Report**

### **To the Beneficiaries of the Tauranga Energy Consumer Trust**

#### **Opinion**

We have audited the consolidated financial statements of Tauranga Energy Consumer Trust and its controlled entities (the Group) on pages 3 to 26, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated cashflows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime (NZ IFRS RDR).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Tauranga Energy Consumer Trust and its controlled entities.

#### **Emphasis of matter – COVID-19**

We draw attention to Note 15 of the financial statements, which describes the effects of the nationwide lockdown due to COVID-19 on 25 March 2020. Our opinion is not modified in respect of this matter.

#### **Information Other Than the Consolidated Financial Statements and Auditor's Report**

The Trustees are responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditors' report, we concluded that there is a material misstatement of this other information, we are required to report that fact.

#### **Responsibilities of the Trustees for the Consolidated Financial Statements**

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink that reads "Crowe".

**Crowe New Zealand Audit Partnership**  
CHARTERED ACCOUNTANTS

Dated at Tauranga this 16th day of June 2020