



# Tauranga Energy Consumer Trust Group

Consolidated Annual report  
for the year ended 31 March 2021

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## Company directory as at 31 March 2021

### Trustees

W Holland, Chairperson  
N Bridges, Deputy Chairperson  
M Arundel  
P Farmer (elected July 2020)  
A Sutcliffe (resigned July 2020)  
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

Sharp Tudhope, Tauranga

### Date of Commencement

TECT	21 December 1993
TECT Charitable Trust	27 March 2002
TECT Holdings Limited	15 December 2006
TECT Property Limited	22 March 2016

**Statement of Profit or Loss and Other Comprehensive Income**  
for the year ended 31 March 2021

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Dividends		27,260,622	41,100,631
Distributions received		7,711,752	11,332,303
Interest		213,261	1,683,255
Other income		208,429	142,797
<b>Total Revenue</b>		<b>35,394,064</b>	<b>54,258,985</b>
<b>Expenses</b>			
Accounting & financial consultancy		102,441	92,933
Consumer related expenses	3	505,994	320,195
Depreciation expense	12	67,530	60,770
Investment expenses		119,514	130,726
Legal & advisory expenses		1,029,973	107,888
Trustee expenses	3	234,941	180,786
Other administration expenses	3	727,503	666,655
<b>Total Administrative Expenses</b>		<b>2,787,894</b>	<b>1,559,953</b>
<b>Finance Expenses</b>			
Effective interest adjustment of interest free loans	10	26,045	(75,438)
Interest expense		-	9
Other finance expenses		116,035	145,361
<b>Total Finance Costs</b>		<b>142,080</b>	<b>69,933</b>
<b>Total expenses</b>		<b>2,929,974</b>	<b>1,629,886</b>
<b>Profit before taxation</b>		<b>32,464,090</b>	<b>52,629,099</b>
Tax expense	6	2,553,752	(1,845,167)
<b>Profit after tax</b>		<b>29,910,338</b>	<b>54,474,266</b>
<b>Other comprehensive income</b>			
Items which will be classified to Profit & Loss on certain conditions being met			
Deferred tax	6	-	17,364,777
Valuation gain/(loss) on investments		274,648,807	(66,870,951)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>304,559,145</b>	<b>4,968,093</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 2021

	2021 \$	2020 \$
<b>Trust Equity at Start of the Year</b>	<b>871,027,375</b>	<b>921,496,815</b>
Total Comprehensive Income for the year	304,559,145	4,968,093
Distributions of Equity	(39,372,433)	(55,994,064)
Distributions Written Back	1,592,970	556,531
<b>Movements in Equity for the Year</b>	<b>266,779,682</b>	<b>(50,469,440)</b>
<b>Trust Equity at the End of the Year</b>	<b>1,137,807,057</b>	<b>871,027,375</b>



## Statement of financial position

as at 31 March 2021

	Note	2021 \$	2020 \$
<b>Current assets</b>			
Cash and cash equivalents		3,402,191	2,176,591
Trade and other receivables		128,406	224,781
Other investments		-	19,000,000
<b>Total current assets</b>		<b>3,530,597</b>	<b>21,401,371</b>
<b>Non current assets</b>			
Investment portfolio	10	439,128,466	307,184,899
Investment property	13	10,619,855	10,656,502
Loans to consumer organisations	10	1,112,832	206,877
Property, plant and equipment	12	298,948	276,788
Deferred tax	6	1,571,562	4,125,314
Shares in Trustpower	10	690,322,837	536,824,563
<b>Total non-current assets</b>		<b>1,143,054,501</b>	<b>859,274,942</b>
<b>Total assets</b>		<b>1,146,585,096</b>	<b>880,676,313</b>
<b>Current liabilities</b>			
Trade and other payables	4	200,415	202,490
Provision for distributions	7	8,577,627	9,446,448
<b>Total current liabilities</b>		<b>8,778,043</b>	<b>9,648,938</b>
<b>Total liabilities</b>		<b>8,778,043</b>	<b>9,648,938</b>
<b>Net assets</b>		<b>1,137,807,057</b>	<b>871,027,375</b>
<b>Equity</b>			
Reserves for distribution	8	9,433,037	7,555,923
Fair value reserve	2	877,874,836	622,269,725
Accumulated profits	2	250,499,182	241,201,725
<b>Total equity</b>		<b>1,137,807,057</b>	<b>871,027,375</b>

Trustee

Trustee

15/6/21

## Statement of cashflows

for the year ended 31 March 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Interest, dividends and other investment receipts		27,642,114	53,813,079
Distributions received and other income		7,366,083	296,699
Payments to suppliers and Trustees		(2,651,411)	(1,706,873)
<b>Net cash from operating activities</b>		<b>32,356,787</b>	<b>52,402,905</b>
<b>Cash flows from investing activities</b>			
Movements in other investments		(1,000,000)	-
Cash flows from portfolio investments		(10,321,484)	(75,009,364)
Acquisition of property, plant and equipment		(70,811)	(1,083,989)
Movements in term deposits		19,000,000	74,000,000
<b>Net cash from investing activities</b>		<b>7,607,705</b>	<b>(2,093,353)</b>
<b>Cash flows from financing activities</b>			
Payments to Trustpower consumers (including grants)		(38,806,891)	(55,162,279)
Repayments of consumer loans		68,000	168,000
Other cash items		-	5,910
<b>Net cash from financing activities</b>		<b>(38,738,891)</b>	<b>(54,988,369)</b>
<b>Net (decrease)/increase</b>		<b>1,225,603</b>	<b>(4,678,817)</b>
Opening cash and cash equivalents		2,176,591	6,855,406
<b>Closing cash and cash equivalents</b>		<b>3,402,191</b>	<b>2,176,591</b>
<b>Made up of:</b>			
Bank balances		3,402,191	2,176,591
<b>Total cash and cash equivalents</b>		<b>3,402,191</b>	<b>2,176,591</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 15th of June 2021.

#### 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.

### 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

There have been no changes in accounting policies in the period under review.



## Notes to the consolidated financial statements

### 2 EQUITY

	2021 \$	2020 \$
<b>Accumulated Profits</b>		
(Including initial share gift in 1993 of \$42.5 million)		
<b>Balance at beginning of year</b>	<b>241,201,725</b>	<b>245,978,588</b>
Total profit after taxation	29,910,338	54,474,266
Prior year adjustments to distributions/grants	(582,500)	-
Consumer distributions/grants written back	925,927	168,871
	271,455,490	300,621,725
Transfers to reserves for distribution	(40,000,000)	(59,420,000)
Transfer realised gains from Fair Value Reserve	19,043,696	-
<b>Balance at end of year</b>	<b>250,499,182</b>	<b>241,201,725</b>
<b>Fair Value</b>		
<b>Balance at beginning of year</b>	<b>622,269,725</b>	<b>671,775,899</b>
Current year revaluation		
Trustpower	153,498,274	(17,614,556)
Investment portfolios	121,150,533	(49,256,395)
Transfer realised gains on investments to Accumulated Profits	(19,043,696)	-
Deferred tax on fair value movements Trustpower	-	17,364,777
<b>Balance at end of year</b>	<b>877,874,836</b>	<b>622,269,725</b>
<b>Reserves for Distributions</b>		
Iconic projects	5,600,000	4,600,000
Community facilities	68,388	157,849
Community events	242,138	1,793
Community development	816,414	48,545
Catalyst for change	2,706,096	2,747,736
<b>Closing balance</b>	<b>9,433,037</b>	<b>7,555,923</b>
<b>TOTAL TRUST EQUITY</b>	<b>1,137,807,057</b>	<b>871,027,375</b>



## Notes to the consolidated financial statements

### 3 ADMINISTRATION EXPENSES

	2021 \$	2020 \$
<b>Consumer related expenses include the following amounts:</b>		
Consumer consultation, research and reporting	93,882	65,617
Community funding schemes	52,936	36,530
Election costs	123,577	-
Rebate distribution costs	235,599	218,048
	<u>505,994</u>	<u>320,195</u>
<b>Trustee expenses including the following amounts:</b>		
Trustee expenses	4,542	1,533
Trustee fees	230,325	179,181
Trustee professional development	74	72
	<u>234,941</u>	<u>180,786</u>
<b>Other administration expenses include the following amounts:</b>		
Audit fees	22,260	26,401
Insurance	15,414	14,265
Marketing	29,763	30,881
Premises and occupancy	50,000	62,475
Research and development - strategic projects	7,972	21,951
Wages and staff expenses	525,871	453,701
Other administration expenses	76,222	56,981
	<u>727,503</u>	<u>666,655</u>

### 4 TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
Accounts Payable	165,850	202,490
Rapid Response Fund	34,565	-
	<u>200,415</u>	<u>202,490</u>

### 5 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

### 6 TAXATION

Tax recognised in profit or loss		2021	2020
		\$	\$
<b>Profit/(Loss) before taxation</b>		<b>32,464,090</b>	<b>52,629,099</b>
Add	Imputation credits	10,604,229	11,092,463
	Non-deductible expenses	1,884,680	777,801
	Non-deductible IFRS adjustments	26,044	(75,438)
		<b>44,979,043</b>	<b>64,423,925</b>
Less	Deductible distribution payments	(1,884,985)	(1,984,878)
	PIE taxable income adjustment	29,206,229	(17,319,816)
	Prior year - PIE taxable income adjustment	(63,273)	(66,749)
	Utilisation of tax losses brought forward	(14,722,231)	(8,129,259)
	Charitable Trust income exemption	(25,173,532)	(12,029,518)
<b>Taxable income</b>		<b>32,341,248</b>	<b>24,893,705</b>
Current tax charge		9,059,115	6,973,804
Less Imputation tax credits		(10,604,229)	(11,092,463)
Tax losses recognised as deferred tax		1,545,114	4,118,659
<b>Current income tax expense/(benefit)</b>		<b>-</b>	<b>-</b>
<b>Tax expense comprises</b>			
Deferred tax		2,553,752	(1,845,167)
<b>Tax expense per Profit and Loss</b>		<b>2,553,752</b>	<b>(1,845,167)</b>
<b>Imputation credits claimable</b>			
Total imputation credits		10,604,229	11,092,463
Less excess imputation credits unable to claim (converted to loss)		(1,545,114)	(4,118,659)
<b>Total imputation credits claimable as a tax credit</b>		<b>9,059,115</b>	<b>6,973,804</b>
<b>Losses to carry forward</b>		<b>5,530,997</b>	<b>14,722,231</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.

	2021	2020
	\$	\$
<b>Opening deferred tax</b>	<b>4,125,314</b>	<b>(15,084,630)</b>
<b>Deferred tax adjustments through profit or loss</b>		
Fair value adjustment of investments	19,793	(857)
Deferred tax on tax losses	(2,573,545)	1,846,024
<b>Deferred tax adjustments through equity</b>		
Deferred tax on fair value movements - Trustpower shares	-	17,364,777
<b>Closing deferred tax</b>	<b>1,571,562</b>	<b>4,125,314</b>



## Notes to the consolidated financial statements

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. This same approach has been followed for the 2021 year.

Deferred tax assets and liabilities are attributable to the following:

2021	Assets	Liabilities	Net
Tax losses	1,545,114	-	1,545,114
Loans and receivables	26,447	-	26,447
Tax assets (liabilities)	1,571,561	-	1,571,561
Set off of tax			
<b>Net tax assets (liabilities)</b>	<b>1,571,561</b>	<b>-</b>	<b>1,571,561</b>
2020	Assets	Liabilities	Net
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>

### IMPUTATION CREDITS

At at 31 March 2021 the Group had \$116,358,941 of imputation credits available (2020: \$105,754,612).

## 7 PROVISION FOR DISTRIBUTIONS

	2021 \$	2020 \$
Balance at beginning of year	9,446,448	7,288,750
Add distributions approved	39,372,433	55,994,064
Less distributions written back	(1,592,970)	(556,531)
	<b>47,225,911</b>	<b>62,726,283</b>
Less distributions paid	(38,648,285)	(53,279,834)
<b>Balance at end of year</b>	<b>8,577,627</b>	<b>9,446,448</b>
<b>Distributions not yet uplifted</b>		
Iconic projects	2,457,690	2,500,000
Community facilities	2,899,486	3,218,822
Community events	565,848	167,540
Community development	1,415,915	1,829,813
Catalyst for change	790,510	437,264
Direct consumer distributions	448,177	1,293,008
	<b>8,577,627</b>	<b>9,446,448</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.

### 8 RESERVES FOR DISTRIBUTIONS

	2021	2020
Summary	\$	\$
Opening balance	7,555,926	3,742,330
Allocated - Annual distribution plan	40,000,000	59,420,000
Write back to retained earnings	(925,927)	(168,871)
	<b>46,629,999</b>	<b>62,993,459</b>
Transfers to provisions and payments	(38,789,933)	(55,994,064)
Write backs to reserve	1,592,970	556,531
Closing balance	<b>9,433,037</b>	<b>7,555,926</b>
This comprises:		
<b>Iconic Projects</b>		
Opening balance	4,600,000	3,000,000
Allocated - Annual distribution plan	1,000,000	3,100,000
Transfers to provisions and payments	(350,000)	
Write back to reserves	350,000	(1,500,000)
Closing balance	<b>5,600,000</b>	<b>4,600,000</b>
<b>Community Facilities</b>		
Opening balance	157,848	551,943
Allocated - Annual distribution plan	2,600,000	2,100,000
Transfers to provisions and payments	(2,816,960)	(2,706,626)
Write back to reserve	127,500	212,531
Closing balance	<b>68,388</b>	<b>157,848</b>
<b>Community Development</b>		
Opening balance	48,549	60,387
Allocated - Annual distribution plan	4,000,000	3,750,000
Transfers to provisions and payments	(3,366,368)	(3,922,294)
Write back to reserve	134,233	160,456
Closing balance	<b>816,414</b>	<b>48,549</b>
<b>Consumer Distributions</b>		
Opening balance	-	-
Allocated - Annual distribution plan	31,000,000	46,800,000
Write back to retained earnings	(925,927)	(168,871)
Transfers to provisions and payments	(31,000,000)	(46,800,000)
Write back to reserve	925,927	168,871
Closing balance	-	-



## Notes to the consolidated financial statements

### Community Events

Opening balance	1,793	-
Allocated - Annual distribution plan	1,000,000	800,000
Transfers to provisions and payments	(814,965)	(812,880)
Write back to reserve	55,310	14,673
Closing balance	<b>242,138</b>	<b>1,793</b>

### Catalyst for Change

Opening balance	2,747,736	130,000
Allocated - Annual distribution plan	400,000	2,870,000
Transfers to provisions and payments	(441,640)	(252,264)
Write back to reserve	-	-
Closing balance	<b>2,706,096</b>	<b>2,747,736</b>

<b>Total closing balance</b>	<b>9,433,037</b>	<b>7,555,922</b>
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## 9 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 in the process of being wound up as at 31 March 2021.

## Notes to the consolidated financial statements

### 10 INVESTMENTS

#### Trustpower Limited

Fair value has been assessed at \$8.23 per share (\$6.40 per share 2020), being the closing buy quotation on 31 March 2021 (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	2021 \$	2020 \$
Opening balance	83,878,838	536,824,563	554,439,119
Fair value movement		153,498,274	(17,614,556)
Closing balance @ \$8.23 per share (2020: \$6.40 per share)	83,878,838	<b>690,322,837</b>	<b>536,824,563</b>

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

#### 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.

#### Fair value adjustment of interest free loans

		2021 \$	2020 \$
Opening balance		206,877	299,439
Advances	Te Mana O Toi LP	1,000,000	-
Repayments	Social Sector Innovation Trust	(50,000)	(150,000)
	Omanu Beach Charitable Trust	(18,000)	(18,000)
Current year effective rate adjustment		(26,045)	75,438
<b>Closing balance</b>		<b>1,112,832</b>	<b>206,877</b>
<b>Comprising:</b>			
Omanu Beach Charitable Trust Loan		105,024	117,932
Te Mana O Toi LP		1,007,808	-
Social Sector Innovation Trust		-	88,944
		<b>1,112,832</b>	<b>206,877</b>

## Notes to the consolidated financial statements

### INVESTMENTS CONTINUED

As at 31 March 2021	Asset Allocation %	2021 \$	Asset Allocation %	2020 \$
<b>Cash Investments</b>	<b>4.9%</b>		<b>8.2%</b>	
Nikko Asset Management		21,614,606		25,313,623
Mercer Indexed Cash Portfolio		114		-
<b>Australian Equities</b>	<b>13.7%</b>		<b>12.7%</b>	
Nikko AM Wholesale Core Equity Fund		33,851,012		17,954,865
Devon Trans Tasman Fund		-		20,952,446
QuayStreet Equity Fund		26,207,444		-
<b>International Equities</b>	<b>68.4%</b>		<b>64.4%</b>	
Vanguard International Small Companies Index Fund		34,706,592		19,675,105
Mercer Emerging Markets		29,079,744		21,627,179
Mercer HOS Shares Index B		119,993,237		101,769,936
Mercer HOS Shares Index		45,393,502		39,020,628
Mercers Overseas Shares Index Portfolio		35,142,001		15,759,963
Mercer OS shares		36,123,871		-
<b>Private Equity</b>	<b>5.8%</b>		<b>5.5%</b>	
Continuity Capital PE Fund No 2		4,024,920		3,383,665
Continuity Capital PE Fund No 4		5,184,163		3,253,653
Purpose Capital Impact Fund		490,000		250,000
Waterman Fund 3		4,937,500		4,243,000
Waterman Fund 4		1,612,500		125,000
Enterprise Angels - EA Fund 2		202,000		174,760
Enterprise Angels - EA Fund 3		64,000		20,000
Oriens Capital		3,400,000		1,776,000
Pencarrow Bridge Fund		3,041,575		2,367,400
WNT Ventures Fund 2		116,850		100,450
LGT - Crown Capital Opportunities VII SCS		2,384,585		1,220,536
WNT Ventures Fund 3		7,300		-
<b>Real Assets</b>	<b>0.0%</b>		<b>9.2%</b>	
Mercer Portfolio		-		28,196,690
<b>Unlisted Property</b>	<b>3.4%</b>			
Mercer Unlisted Property Portfolio B		14,863,167		-
<b>Unlisted Infrastructure</b>	<b>3.8%</b>			
Mercer Unlisted Infrastructure Portfolio		16,687,783		-
<b>Total Investments</b>	<b>100%</b>	<b>439,128,466</b>	<b>100%</b>	<b>307,184,899</b>



## Notes to the consolidated financial statements

### 11 COMMITMENTS & CONTINGENCIES

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

	2021	2020
	\$	\$
LGT - Crown Capital Opportunities	4,996,075	6,889,980
Waterman Fund 3	1,050,000	1,125,500
Waterman Fund 4	3,125,000	4,875,000
Purpose Capital Impact Fund	4,350,000	4,750,000
Continuity Capital PE Fund No 2	500,000	750,000
Continuity Capital PE Fund No 4	3,000,000	4,125,000
Enterprise Angels Fund 2	10,000	30,000
Enterprise Angels Fund 3	120,000	180,000
Oriens Capital	375,000	900,000
Pencarrow Bridge Fund	275,000	275,000
WNT Ventures Funds 2	107,500	97,500
WNT Ventures Funds 3	490,000	-
<b>Total</b>	<b>18,398,575</b>	<b>23,997,980</b>

The TECT Group had no contingencies at the end of the financial year (2020: Nil).



## Notes to the consolidated financial statements

### 12 PROPERTY, PLANT & EQUIPMENT

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers & Software	Plant & Equipment	Total
<b>Balance at 31 March 2021</b>						
Carrying value as at 31 March 2020		23,534	11,519	6,850	234,882	276,788
Additions		24,339		9,100	73,141	106,580
Disposals at cost		-	( 7,393)	-	-	( 7,393)
Reclassification to investment property						-
Accumulated depreciation on Disposals		-	( 4,126)	( 787)	( 4,579)	( 9,492)
Current Year Depreciation		( 12,536)	-	( 7,003)	( 47,992)	( 67,530)
Carrying Value at 31 March 2021		35,337	-	8,160	255,453	298,948

	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	( 75,342)	-	( 1,709)	( 41,990)	-	( 119,041)
Reclassification to investment property	( 10,656,499)					( 10,656,499)
Depreciation on Disposals	-	-	802	40,385	-	41,187
Current Year Depreciation	( 4,367)	( 7,942)	( 577)	( 43,323)	( 4,560)	( 60,769)
Carrying Value at 31 March 2020	-	23,534	11,519	6,850	234,882	276,788

### 13 INVESTMENT PROPERTY

Opening cost	10,656,499
Reclassification to property, plant and equipment	(56,708)
Purchases	20,061
<b>Carrying value at 31 March 2021</b>	<b>10,619,855</b>
Carrying Value at 31 March 2020	10,656,499

Investment property comprises land and buildings that are leased to third parties under operating leases. The Collective property at 17th Avenue, Tauranga was 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 Collective, 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

### 14 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 2021 year. (2020: NIL)

Peter Farmer is a director of Farmer Motor Group Limited. During the 2021 year, TECT paid monies to Farmer Motor Group Limited for services in relation to motor vehicles. All services provided were on normal trade terms. 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.

### 15 TRUSTEE MEETINGS AND REMUNERATION

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 2021 Monthly Meeting Attendance	YE 2021 Extra Meeting Attendance	YE2021 Remuneration
William Holland	Chairperson	13	49	52,842
Natalie Bridges	Deputy Chairperson	13	39	39,273
Mark Arundel		13	37	33,585
Peter Blackwell		13	41	34,617
Amanda Sutcliffe (resigned July 2020)		7	4	9,733
Peter Farmer (elected July 2020)		6	48	27,722
Tina Jenner		13	33	32,553
<b>Total</b>		<b>78</b>	<b>251</b>	<b>230,325</b>

### 16 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

### 17 SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 28th of January 2021, Trustpower announced it was undertaking a strategic review of its retail business, including a potential sale.

As Tauranga Energy Consumer Trust is a 26.8% shareholder of Trustpower, the sale of its retail business would also require changes to the structure of Tauranga Energy Consumer Trust.

After a comprehensive consultation process including a notice of proposal for beneficiaries to make submissions, Trustees have reviewed all feedback and have adopted a final proposal for changes to the Tauranga Energy Consumer Trust.

As at 31 March 2021, the Trustees were continuing to work with engaged advisors to assist with the implementation and next steps.

On 14 May 2021, the Trustees filed an application in the High Court seeking orders under the Trusts Act 2019 that it is lawful and proper for the Trustees to implement the proposed changes to TECT.

The costs associated with the restructure for the year ended 31 March 2021 are categorised as follows:

#### TECT Restructure Costs

	2021	2020
	\$	\$
Professional Fees	556,120	-
Consumer Consultation	253,750	-
<b>Total TECT Restructure Costs</b>	<b>809,870</b>	<b>-</b>



**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 2021, 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 2021, 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.

Our firm provides consultancy services to the Group. The firm has no other relationship with, or interests in, Tauranga Energy Consumer Trust and its controlled entities.

**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.

*The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd.*

*Services are provided by Crowe New Zealand Audit Partnership an affiliate of Findex (Aust) Pty Ltd.*

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## 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.

## Restriction on Use

This report is made solely to the Beneficiaries of the Tauranga Energy Consumer Trust, as a body. Our audit has been undertaken so that we might state to the Beneficiaries of the Tauranga Energy Consumer Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Beneficiaries of the Tauranga Energy Consumer Trust as a body, for our audit work, for this report, or for the opinions we have formed.



**Crowe New Zealand Audit Partnership**

CHARTERED ACCOUNTANTS

Dated at Tauranga this 15th day of June 2021