

# Group Consolidated Financial Report

Year Ended 31 March 2011

*Benefiting Consumers and their Communities*

[www.tect.org.nz](http://www.tect.org.nz)

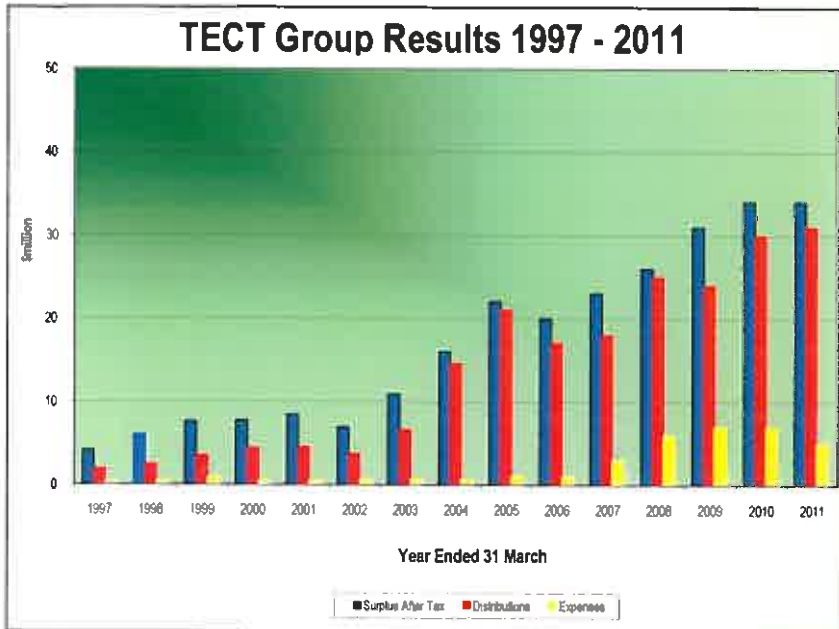


**TAURANGA ENERGY CONSUMER TRUST**  
**GROUP CONSOLIDATED FINANCIAL REPORT**

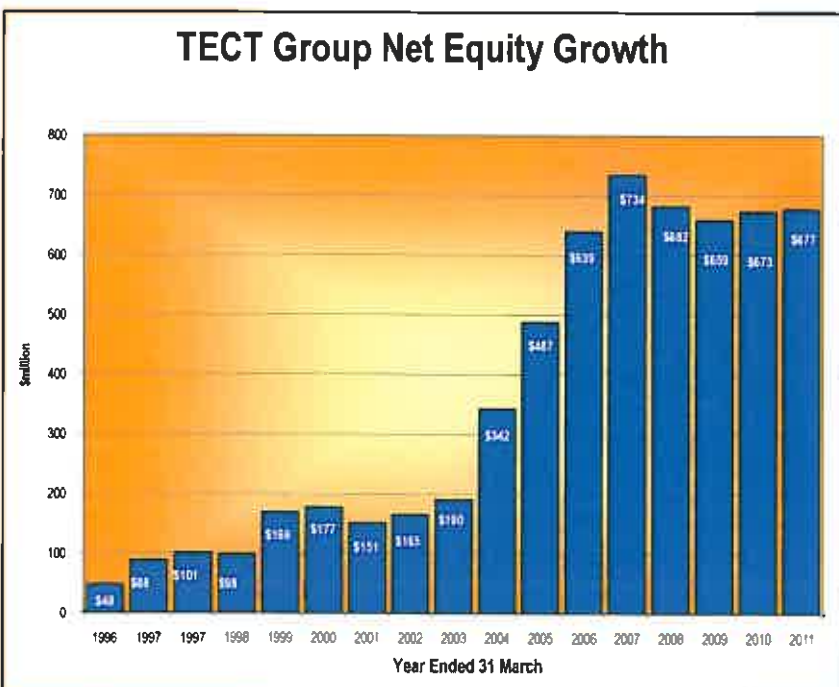
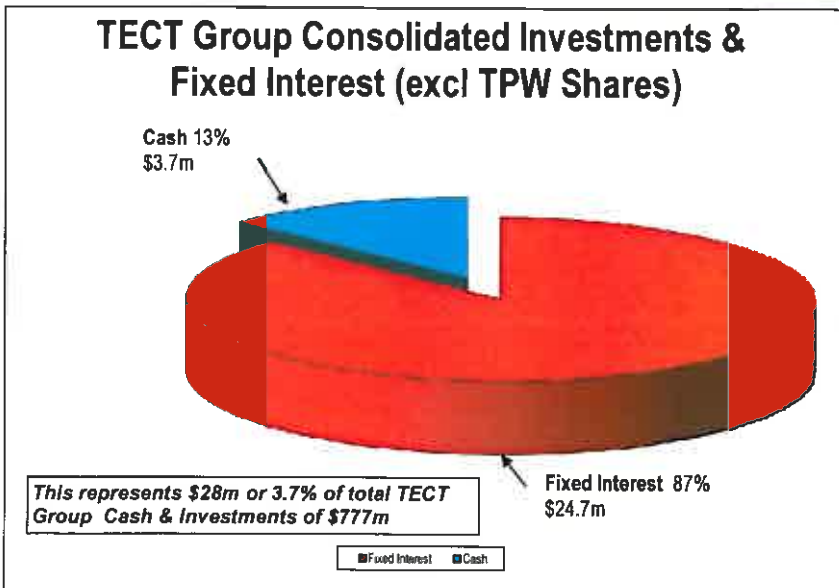
**FOR THE YEAR ENDED**  
**31 MARCH 2011**

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# Financial Highlights at 31 March 2011



**Total Trustee  
Income Allocations  
transferred to Beneficiary  
Reserves (\$millions)  
Total to Date \$214m**



# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## DIRECTORY AS AT 31 MARCH 2011

<b>Trustees:</b>	MJ Cooney, Chairperson BW Cronin, Deputy Chairperson K Collings F Denz (to 29 July 2010) S Devoy (from 29 July 2010) M Groos RJC Scott
<b>Secretary:</b>	KF Lellman BDO Tauranga Ltd 96 Cameron Road PO Box 800 Tauranga
<b>Auditor:</b>	KPMG Tauranga
<b>Solicitors:</b>	Holland Beckett, Tauranga Quigg Partners, Wellington
<b>Financial Advisors:</b>	Triumph Capital Limited, Auckland
<b>Bankers:</b>	Westpac, National Bank, ANZ Bank, Kiwibank, ASB and Bank of New Zealand
<b>Date of Commencement:</b>	TECT - 21 December 1993 TECT Charitable Trust – 27 March 2002 TECT Holdings Ltd – 15 December 2006 TECT Finance Ltd – 15 December 2006 TECT Finance No. 2 Ltd – 25 January 2007

**TAURANGA ENERGY CONSUMER TRUST**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Finance Income</b>				
Dividend - TrustPower Limited/TCAL	39,708,722	48,012,622	234,764	228,357
Dividend - TECT Holdings Limited	-	-	-	31,220,000
RPS measured at amortised cost	-	-	-	24,973,991
Interest Received	1,302,201	1,947,483	1,012,005	1,460,712
	<u>41,010,923</u>	<u>49,960,105</u>	<u>1,246,769</u>	<u>57,883,060</u>
Management Fees	-	-	27,600	24,000
Other Income	406	247,959	-	247,605
<b>TOTAL REVENUE</b>	<u>41,011,331</u>	<u>50,208,064</u>	<u>1,274,369</u>	<u>58,154,665</u>
<b>Less Expenses</b>				
<b>Administration Expenses</b>				
Audit Fees	15,000	16,031	15,000	16,031
Goods & Services Tax	16,521	8,623	-	-
Insurance	7,194	7,194	7,194	7,194
Legal and Advisory Fees	7,492	186,488	6,788	55,012
Secretarial Costs	329,137	333,785	329,137	319,320
Stationery	11,465	12,276	11,465	12,276
Sundry Expenses	10,362	1,199	10,362	1,149
	<u>397,171</u>	<u>565,596</u>	<u>379,946</u>	<u>410,982</u>
<b>Finance Expenses</b>				
Bank Charges	1,634	709	1,150	320
Effective Interest Adjustment of Interest Free Loans	260,305	-	260,305	-
Interest	3,583,811	1,702,252	96,890	119,539
Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss	412,624	-	-	-
Loan Fees	82,500	275,000	-	-
RPS Dividend - Arawata Finance	-	4,020,855	-	-
	<u>4,340,874</u>	<u>5,998,816</u>	<u>358,345</u>	<u>119,859</u>
<b>Consumer Related Expenses</b>				
Consumer Consultation, Research & Reporting	33,914	67,125	33,914	67,125
Community Funding Schemes	29,611	21,670	29,611	21,670
Election Costs	97,524	17,106	97,524	17,106
Electricity Consumer Distribution Costs (inc Concession Cards)	62,496	84,243	62,496	84,243
	<u>223,545</u>	<u>190,144</u>	<u>223,545</u>	<u>190,144</u>
<b>Trustee Expenses</b>				
Trustee Expenses	2,733	3,995	2,733	3,995
Trustee Fees	135,790	138,890	135,790	138,890
	<u>138,523</u>	<u>142,885</u>	<u>138,523</u>	<u>142,885</u>
<b>TOTAL EXPENSES</b>	<u>5,100,113</u>	<u>6,897,441</u>	<u>1,100,359</u>	<u>863,870</u>
<b>SURPLUS FOR YEAR BEFORE TAXATION</b>	<u>35,911,218</u>	<u>43,310,623</u>	<u>174,010</u>	<u>57,290,795</u>
Tax Charge	2,260,516	8,878,380	92,854	9,769,880
<b>TOTAL SURPLUS AFTER TAXATION</b>	<u>\$ 33,650,702</u>	<u>\$ 34,432,243</u>	<u>\$ 81,156</u>	<u>\$ 47,520,915</u>
<b>Other Comprehensive Income</b>				
Valuation Gain/(Loss) on Investments	(4,155,153)	19,736,979	-	-
Less Tax on Components of Other Comprehensive Income	3,941,601	(5,921,094)	-	-
<b>Total Other Comprehensive Income</b>	<u>(213,552)</u>	<u>13,815,885</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 33,437,150</u>	<u>\$ 48,248,128</u>	<u>\$ 81,156</u>	<u>\$ 47,520,915</u>



# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Total Surplus After Taxation	33,630,702	34,432,243	81,156	47,520,915
Total Other Comprehensive Income	(213,552)	13,815,885	-	-
<b>Total Comprehensive Income</b>	<b>33,417,150</b>	<b>48,248,128</b>	<b>81,156</b>	<b>47,520,915</b>
Distributions of Equity (Note 8)	(29,973,275)	(34,082,009)	(26,662,868)	(33,602,030)
Distributions Written Back (Note 2)	151,036	-	151,036	-
Prior Year Adjustment for Helicopter (Note 16)	-	45,000	-	45,000
<b>Movements in Equity for the Year</b>	<b>3,594,911</b>	<b>14,211,119</b>	<b>(26,430,676)</b>	<b>13,963,885</b>
Trust Equity at Start of the Year	672,997,607	658,786,488	564,282,104	550,318,219
<b>Trust Equity at End of the Year</b>	<b>\$ 676,592,518</b>	<b>\$ 672,997,607</b>	<b>\$ 537,851,428</b>	<b>\$ 564,282,104</b>



# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Trust Equity</b>				
Accumulated Final Surpluses (Note 2)	93,091,656	90,184,918	534,317,616	561,650,017
Fair Value Reserve (Note 2)	579,567,050	580,180,602	-	-
Reserves for Distribution (Note 2)	3,533,812	2,632,087	3,533,812	2,632,087
<b>TOTAL TRUST EQUITY</b>	<b>\$ 676,592,518</b>	<b>\$ 672,997,607</b>	<b>\$ 537,851,428</b>	<b>\$ 564,282,104</b>
<i>Represented by:</i>				
<b>Current Assets</b>				
Cash & Cash Equivalents -				
Bank Current Accounts	553,103	724,453	651,921	723,692
Short Term Deposits (less than 90 days) (Note 4)	3,025,612	2,483,090	3,028,612	2,483,090
Short Term Deposits (Other) (Note 4)	16,728,533	19,484,750	14,169,322	13,035,416
Advance - TECT Holdings Ltd	-	-	-	23,449,628
- TECT Finance No 2 Ltd	-	-	2,937	2,768
- TECT Charitable Trust	-	-	-	131,985
Sundry Accounts Receivable (Note 9)	61,238	-	61,238	-
Prepayments	7,194	-	7,194	-
GST Refund Due (Note 1d)	13,447	26,885	13,447	18,675
Taxation Refund Due	-	-	78,816	257,571
<b>Total Current Assets</b>	<b>20,482,127</b>	<b>22,719,178</b>	<b>18,013,487</b>	<b>40,102,825</b>
<b>Investments</b>				
Shares in TrustPower Ltd (Note 3a)	747,927,634	752,082,787	-	-
TECT Charitable Trust	-	-	100	100
TECT Holdings Ltd	-	-	1,000	1,000
TECT Finance Ltd	-	-	1,000	1,000
TECT Finance No 2 Ltd	-	-	1,000	1,000
Loan - TECT Holdings Ltd (Note 10)	-	-	519,446,724	530,285,144
RPS - Tauranga City Aquatics Ltd (Note 3d)	4,000,000	4,000,000	4,000,000	4,000,000
ANZ Senior Bonds (Note 3c)	3,058,514	3,053,302	3,058,514	3,053,302
YMCA Tauranga Inc Loan (Note 3e)	213,622	250,000	213,622	250,000
Elms Foundation Loan (Note 3e)	476,061	-	476,061	-
Paradise Point Development Trust Loan (Note 3e)	144,012	-	144,012	-
<b>Total Investments</b>	<b>755,619,843</b>	<b>759,386,089</b>	<b>527,342,033</b>	<b>537,591,546</b>
<b>Non Current Assets</b>				
Deferred Taxation (Note 14)	-	-	85,901	-
<b>Total Non Current Assets</b>	<b>-</b>	<b>-</b>	<b>85,901</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 776,311,970</b>	<b>\$ 782,105,267</b>	<b>\$ 545,441,421</b>	<b>\$ 577,694,371</b>
<b>Less Current Liabilities</b>				
Sundry Accounts Payable	71,173	90,396	70,363	79,173
Westpac Current Account	307,163	-	307,163	-
Accrued Interest	238,203	-	-	-
Advance from TECT Charitable Trust (Note 10)	-	-	3,911,205	-
Advance from TECT Finance Ltd (Note 10)	-	-	-	2,858,716
Provision for Distributions (Note 8)	5,097,397	10,508,153	3,101,262	10,474,378
Provision for Advance to Consumer Organisation (Note 3e)	200,000	-	200,000	-
Taxation Payable	347,381	875,586	-	-
<b>Total Current Liabilities</b>	<b>\$ 6,261,257</b>	<b>\$ 11,474,135</b>	<b>\$ 7,589,993</b>	<b>\$ 13,412,267</b>
<b>Non Current Liabilities</b>				
Loan - ANZ Bank (Note 12)	55,000,000	55,244,155	-	-
Interest Rate Swap - ANZ Bank (Note 12)	1,129,634	717,010	-	-
Deferred Taxation (Note 14)	37,328,561	41,672,360	-	-
<b>Total Non Current Liabilities</b>	<b>93,458,195</b>	<b>97,633,525</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 90,719,452</b>	<b>\$ 109,107,660</b>	<b>\$ 7,589,993</b>	<b>\$ 13,412,267</b>
<b>NET ASSETS</b>	<b>\$ 676,592,518</b>	<b>\$ 672,997,607</b>	<b>\$ 537,851,428</b>	<b>\$ 564,282,104</b>

Trustee

Trustee

Date 22.6.11



# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Consolidated		TECT	
	2011	2010	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<u>Cash was provided from/(disbursed to):</u>				
Dividends Received	39,647,484	48,007,837	173,526	31,448,357
Interest Received	1,520,916	1,947,483	1,011,836	1,389,386
Managers Fees Rebate & Distributions Received	-	74,846	-	74,846
GST Prior Period Adjustment	-	-	-	-
Payments to Suppliers & Trustees	(1,080,279)	(1,242,741)	(753,941)	(794,193)
Interest Paid	(2,957,488)	(5,005,672)	-	-
Taxation Paid	(3,210,919)	(9,205,648)	1	(2,297,495)
Donations Received	408	354	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 33,910,122</b>	<b>\$ 34,576,459</b>	<b>\$ 431,422</b>	<b>\$ 29,820,901</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<u>Cash was received from/(applied to):</u>				
Purchases & Redemption of Russell Investments	-	3,996,107	-	3,996,107
Investments & Loans to Consumer Organisations	(644,000)	-	10,189,208	(4,785)
Movements in Term Deposits	2,756,217	12,022,827	(1,133,906)	12,039,653
Movement in Advance Account	-	-	24,564,812	(25,858,211)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>\$ 2,112,217</b>	<b>\$ 16,018,934</b>	<b>\$ 33,620,114</b>	<b>\$ (9,827,236)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<u>Cash was disbursed to:</u>				
Payments to TrustPower Consumers	(35,233,055)	(25,852,647)	(33,884,948)	(25,246,443)
RPS - Arawata Finance Ltd	(622,275)	(30,000,000)	-	-
GST Refund Received	-	369,449	-	369,449
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>\$ (35,855,330)</b>	<b>\$ (55,483,198)</b>	<b>\$ (33,884,948)</b>	<b>\$ (24,876,994)</b>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>167,009</b>	<b>(4,887,805)</b>	<b>166,588</b>	<b>(4,883,329)</b>
Add Opening Cash & Cash Equivalents	3,207,543	8,095,348	3,206,782	8,090,111
<b>CLOSING CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 3,374,552</b>	<b>\$ 3,207,543</b>	<b>\$ 3,373,370</b>	<b>\$ 3,206,782</b>
<u>Represented by:</u>				
Short Term Deposits - Less than 90 Days	3,028,612	2,483,090	3,028,612	2,483,090
Bank Current Accounts	345,940	724,453	344,758	723,692
	<b>\$ 3,374,552</b>	<b>\$ 3,207,543</b>	<b>\$ 3,373,370</b>	<b>\$ 3,206,782</b>
<b>Reconciliation of Net Surplus after tax to Cash Flows from Operating Activities</b>				
Net Operating Surplus	33,630,702	34,432,243	81,156	47,520,915
Loss/Impairment (Gain) Russell Investments	-	(172,759)	-	(172,759)
Fair Value Adjustment Investments - Non Cash	2,530,586	(5,208,444)	260,305	(24,973,991)
Interest & Mgmt Fees - Non Cash	-	-	69,121	24,213
Deferred Tax - Non Cash	(1,309,854)	6,738,446	(85,901)	8,309,549
Movements in Accounts Payable	(19,223)	(48,717)	(8,811)	(38,382)
Movements in Accounts Receivable and Accruals	(68,432)	7,194	(68,432)	7,194
Movements in GST	13,438	(26,885)	5,228	(18,675)
Movement in Taxation Paid and Resident Withholding Tax	(867,095)	(1,144,619)	178,756	(837,163)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (as above)</b>	<b>\$ 33,910,122</b>	<b>\$ 34,576,459</b>	<b>\$ 431,422</b>	<b>\$ 29,820,901</b>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A 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 Ltd, TECT Finance Ltd and TECT Finance No. 2 Ltd comprise the TECT Group.

TECT is a reporting entity as defined by the Financial Reporting Act 1993 and this Financial Report is prepared in accordance with that Act.

#### B 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 is a Consumer Trust, the income and capital of which are to be used to provide benefits to Consumers 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 not a Charitable Trust and accordingly may not continue for more than 80 years. On the winding up of the Trust the assets of TECT, which remain, will be distributed for the benefit of Consumers (as defined above).

TECT Group holds 103,878,838 shares, representing 33% in the capital of TrustPower Limited. These shares are held by TECT Holdings Ltd, a 100% wholly owned subsidiary company.

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.

#### C BASIS OF PREPARATION

##### MEASUREMENT BASE

The Accounting Principles recognised as appropriate 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 (Refer G f) have been revalued.

#### D STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with New Zealand equivalents to International Financial Reporting Standards and other Financial Reporting Standards as appropriate for profit orientated entities. Trustees have taken advice and have determined that TECT does not meet the definition of a public benefit entity. 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'. The financial statements also comply with the International Financial Reporting Standards (IFRS).

The accounting policies have been consistently applied by TECT for all periods covered by this financial report.





# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

### SPECIFIC ACCOUNTING POLICIES (contd)

#### b *Subsidiary Entities*

The wholly owned subsidiary entities, TECT Charitable Trust, TECT Holdings Ltd, TECT Finance Ltd and TECT Finance No. 2 Ltd 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.

In the Parent Trust's separate Financial Statements investments in subsidiaries are stated at cost less any impairment

#### c *Taxation*

The income tax expense charged to the Statement of Comprehensive Income includes both the current year's provision and the income tax effect of:

- \* Taxable temporary differences, and
- \* Deductible temporary differences to the extent that it is probable that they will be utilised.

Deferred tax is provided using the balance sheet method. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

Deferred tax is not recognised on temporary differences associated with investments in subsidiaries because:

- \* The parent is able to control the timing of the reversal of the differences; and
- \* They are not expected to reverse in the foreseeable future.

Deferred tax is measured at the rate expected to be applied when the temporary difference reverses, based on the laws that have been enacted or substantively enacted by the reporting date.

#### d *Goods and Services Tax*

TECT was registered for GST during the 2004 financial year as the Trust investigated opportunities in the commercial investment property sector. In November 2009 IRD confirmed that TECT is able to claim GST incurred from the date of registration. Accordingly, a claim was made for GST incurred in the current and prior years in the 2010 financial year.

These financial statements have been prepared on a GST exclusive basis. GST payable or receivable is shown in the Balance Sheet. Accounts Receivable and Payable are shown inclusive of GST.

The subsidiary entities are not registered for GST and GST paid by those entities is shown as a separate expense.

#### e *Foreign Currencies*

Transactions in foreign currencies are initially recognised in the functional currency of the relevant operating unit at exchange rates at the date of the transaction. Foreign currency differences arising on translation are recognised in the Statement of Comprehensive Income.

At reporting date, foreign monetary assets and liabilities are translated at the functional currency closing rate and exchange variations arising from these transactions are recognised in the Statement of Comprehensive Income.

Translation differences on non-monetary items such as financial assets held at fair value through equity are reported as part of their fair value gain or loss.

#### f *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.

##### *i) 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.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

### *ii) Investments*

TECT classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held to maturity investments, loans and receivables, and available for sale. The classification depends on the purpose for which the investments were acquired. Trustees determine the classification of TECT's investments at initial recognition and re-evaluate this designation at every reporting date.

#### TrustPower Investment

TECT Group has determined that it does not have significant influence over TrustPower and has classified the investment as 'available for sale'. This investment is recognised at fair value on the Group's Statement of Financial Position with movements being recognised in equity except for impairments which are recognised in the Statement of Comprehensive Income. 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.

#### Redeemable Preference Shares - Tauranga City Aquatics Ltd

Redeemable Preference Shares - Tauranga City Aquatics Ltd is classified as loans and receivables with fixed or determinable payments and fixed maturity date.

After initial recognition this investment is measured at amortised cost using the effective interest method less any impairment loss. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

#### Redeemable Preference Shares - TECT Holdings Ltd

Redeemable Preference Shares - TECT Holdings Ltd is classified as loans and receivables with fixed or determinable payments and fixed maturity date. The RPS were redeemed on 16 December 2009.

After initial recognition this investment is measured at amortised cost using the effective interest rate method less any impairment loss. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

#### ANZ Senior Bonds

ANZ Senior Bonds are classified as a held to maturity investment measured at amortised cost using the effective interest rate method, less impairment losses.

#### Loans to Consumer Organisations

These loans are classified as loans and receivables and are interest free, repayable on demand. 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. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

### *iii) 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.

### *iv) 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.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

**g Revenue**

Revenue is measured at the fair value of consideration received.

**h Finance Income**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale assets, fair value gains on financial assets at fair value through profit or loss 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 rate. Dividends are shown net of imputation credits, and dividends and interest are shown gross of withholding taxes paid.

**i Finance Expenses**

Finance expenses comprise interest expense on borrowings, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**j Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, current accounts, deposits held at call with banks and other short term liquid deposits of less than 90 days not forming part of the investment portfolio, net of bank overdrafts.

In the Statement of Cash Flows, dividends are shown net of withholding taxes paid and imputation credits, because only the net amount was received in cash by the TECT Group.

**k Impairment of Assets**

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any 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 the Statement of Comprehensive Income.

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.

**l 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 are determined by discounting the 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.

**H APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustees on 22 June 2011.



**Tauranga Energy Consumer Trust  
Group Consolidated Financial Report**

**Notes to the Financial Report  
For the Year Ended 31 March 2011**

**2 TECT Group Equity**

	TECT Group		TAURANGA ENERGY CONSUMER TRUST	
	2011	2010	2011	2010
<b>Accumulated Final Surpluses</b> (including initial share gift 1993 of \$42.5 million):				
Balance at Beginning of Year	90,184,918	85,652,675	561,650,017	543,549,123
Total Surplus After Taxation	33,630,702	34,432,243	81,156	47,520,915
Consumer Distributions Written Back	151,036	-	151,036	-
	<u>123,966,656</u>	<u>120,084,918</u>	<u>561,882,209</u>	<u>591,070,038</u>
Less Transfers to Reserves for Distribution (Note 16)	(30,875,000)	(29,900,000)	(27,564,593)	(29,420,021)
	<u>\$ 93,091,656</u>	<u>\$ 90,184,918</u>	<u>\$ 534,317,616</u>	<u>\$ 561,650,017</u>
<b>Fair Value Reserve</b>				
Balance at Beginning of Year	580,180,602	566,364,717	-	-
Current Year Revaluation - TrustPower Shares	(4,155,153)	19,736,979	-	-
Deferred Tax on Fair Value Movements (Note 14)	1,246,546	(5,921,094)	-	-
Change in Tax Rate (Note 14)	2,695,055	-	-	-
	<u>\$ 579,967,050</u>	<u>\$ 580,180,602</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reserves for Distributions:</b>				
Major Amenities (Note 16)	1,583,660	583,660	1,583,660	583,660
Community Amenities (Note 16)	710,620	1,441,286	710,620	1,441,286
Community Events (Note 16)	195,872	(122,814)	195,872	(122,814)
Community Special Projects (Note 16)	994,415	530,913	994,415	530,913
Scholarship Fund (Note 16)	-	42,000	-	42,000
Energy Efficiency (Note 16)	(374,988)	25,012	(374,988)	25,012
Community Organisation Subs - Unallocated (Note 16)	424,233	132,030	424,233	132,030
	<u>\$ 3,533,812</u>	<u>\$ 2,632,087</u>	<u>\$ 3,533,812</u>	<u>\$ 2,632,087</u>
<b>Total Trust Equity</b>	<u>\$ 676,592,518</u>	<u>\$ 672,997,607</u>	<u>\$ 537,851,428</u>	<u>\$ 564,282,104</u>



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

### 3 INVESTMENTS

#### a. TrustPower Limited

Fair value has been assessed at \$7.20 per share (\$7.24 per share 2010), being the closing buy quotation on 31 March 2011 (being last business day of month). No allowance has been made for commissions on disposal of shares. Values adopted being:

	TECT Group	
	2011	2010
Opening Balance	752,082,787	732,345,808
Add/(Deduct) Current Year Change in Valuation	(4,155,153)	19,736,979
Closing Balance 103,878,838 shares @ \$7.20 per share (2010: 103,878,838 shares @ \$7.24)	<u>\$ 747,927,634</u>	<u>\$ 752,082,787</u>

b. **Russell World Strategies and Bond Funds** - The Russell Investment was realised in the 2010 financial year and there were no transactions in the 2011 year.

#### c. ANZ Senior Bonds

Opening Balance 1 April 2010 (Face Value \$3m, Interest @ 8.5%)  
Plus Effective Interest  
Closing Balance 31 March 2011

3,053,302
5,212
<u>\$3,058,514</u>

#### d. Redeemable Preference Shares - Tauranga City Aquatics Limited (TCAL)

In February 2006, TECT resolved to invest \$4 million for a period of 5 years with Tauranga City Aquatics Limited (TCC Council Controlled Organisation) in redeemable preference shares, with the return fixed at the issue date at 8.4975% being the 90 Day Bank Bill rate at that date plus a margin of 1%. The RPS will be redeemed in full on 25 July 2011.

#### e. Loans to Consumer Organisations

From time to time TECT advances funds to Consumer organisations at low interest rates or interest free. 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. For the purposes of calculating amortised cost a term of 5 years and interest rate applying to the ANZ swap are assumed.

#### f. Fair Value Adjustment of Interest Free Loans

	TECT Group	
	2011	2010
Opening Balance - YMCA Loan	250,000	250,000
Plus Advances - Elms Foundation Loan	644,000	-
- Paradise Point Development Trust Loan	200,000	-
Add/(Deduct) Current Year Effective Interest Rate Adjustment	(260,305)	-
Closing Balances	<u>833,695</u>	<u>250,000</u>
<u>Comprising:</u>		
YMCA Loan	213,622	250,000
Elms Foundation Loan	476,061	-
Paradise Point Development Trust Loan	144,012	-
	<u>833,695</u>	<u>250,000</u>



**Tauranga Energy Consumer Trust  
Group Consolidated Financial Report**

**Notes to the Financial Report  
For the Year Ended 31 March 2011**

**4 FINANCIAL INSTRUMENTS**

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

**Credit Risk**

Credit risk is the risk of loss that arises from a counterparty failing to meet their obligations in full and on time. It arises principally on cash and cash equivalents, short term deposits, advances, ANZ Senior Bonds and loans receivable.

The Trust's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Statement of Investment Policies and Objectives ("SIPO") and by taking collateral. Credit risk is monitored regularly by the trustees to minimise the credit risk. Term deposits are held with Westpac, Bank of New Zealand, ASB, KiwiBank and ANZ Bank. These financial institutions have investment grade ratings and are considered reputable by the Trustees.

The maximum exposure to credit risk is represented by the carrying value of each of the above financial assets in the Statement of Financial Position at the reporting date.

Term deposits are held with Westpac, Bank of New Zealand, ASB, Kiwibank and ANZ Bank. These financial institutions have investment grade ratings and are considered reputable by the Trustees.

**Short Term Deposits (Less than 90 Days)**

These comprised:

TECT

Westpac

**Total Short Term Deposits  
(Less than 90 days)**

	2011			2010		
	\$	Term	Rate	\$	Term	Rate
Westpac	3,028,612	Call	3.10%	2,483,090	Call	3.40%
	<b>\$ 3,028,612</b>			<b>\$ 2,483,090</b>		
	<b>\$ 3,028,612</b>			<b>\$ 2,483,090</b>		

**Short Term Deposits (Other)**

These comprised:

TECT

Westpac

BNZ

Kiwibank

ASB

ASB

Accrued Interest

TECT Charitable Trust

National Bank of NZ

Accrued Interest

TECT Holdings Ltd

ANZ Bank

(Note 17)

Accrued Interest

**Total Short Term Deposits (Other)**

	2011			2010		
	\$	Term	Rate	\$	Term	Rate
Westpac	4,000,000	104 days	4.55%	6,000,000	90 days	4.25%
BNZ	5,000,000	170 days	5.20%	-	-	-
Kiwibank	5,000,000	181 days	5.20%	-	-	-
ASB	-	-	-	5,000,000	90 days	4.20%
ASB	-	-	-	2,000,000	120 days	4.65%
Accrued Interest	169,322			35,418		
	<b>\$ 14,169,322</b>			<b>\$ 13,035,418</b>		
TECT Charitable Trust National Bank of NZ Accrued Interest				3,843,279 45,625	6 months	4.10%
	<b>\$ -</b>			<b>\$ 3,889,904</b>		
TECT Holdings Ltd ANZ Bank Accrued Interest	2,550,000 9,211	6 months	4.12%	2,550,000 9,430	6 months	3.97%
	<b>2,559,211</b>			<b>2,559,430</b>		
	<b>\$ 16,728,533</b>			<b>\$ 19,464,750</b>		



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

### 4 FINANCIAL INSTRUMENTS (cont'd)

#### Interest Rate Risk

Interest rate risk is the risk that the value or future value of cash flows from a financial instrument will fluctuate because of changes in interest rates.

TECT is subject to interest rate risk where short term deposits and investments in bonds are sensitive to changes in interest rates. Note 13 sets out Sensitivity Analysis showing the effect of a 100 basis points increase in interest rates.

TECT Finance Ltd has entered into an interest rate swap for \$27.5m to mitigate interest rate risk on the funds borrowed from ANZ Bank. The value of the swap is shown in the Statement of Financial Position at fair value based on mark to market at the reporting date.

#### Foreign Currency Risk

Currency risk is the risk of change in fair value of financial instruments due to fluctuations in foreign exchange rates.

TECT currently holds no investments denominated in foreign currencies.

#### Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity measurements on an ongoing basis. TECT Group generates sufficient cash flows from its activities to meet its obligations arising from its financial liabilities.

#### Maturity Analysis

The remaining contractual maturities of TECT Group's and TECT's financial liabilities for the year ended 31 March 2011 are:

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
6 Months or Less	3,291,880	10,300,046	1,321,643	8,053,395
6-12 Months	1,836,099	1,156,242	4,785,416	784,088
1-5 Years	57,180,600	57,000,525	1,482,934	1,783,668
Over 5 Years	-	-	-	-
	<b>62,308,579</b>	<b>68,456,813</b>	<b>7,589,993</b>	<b>10,621,151</b>

#### Market Price Risk

Market price risk is the risk that changes in market prices, such as equity prices, will affect the Group's profit or valuation of net assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The TECT Group has the majority of its funds invested in TrustPower shares, therefore there is a concentration of market risk associated with this investment.

The risk is monitored by the policies and procedures outlined in the Group's SIPO. The Group's SIPO stipulates value ranges that may be held in equities, property, fixed interest and cash. Investments are reviewed regularly by the Trustees.

The Group conducts an independent review of its TrustPower shareholding and other investments at least every 5 years and consults with Consumers to gauge whether there is support for retaining the TrustPower investment. Both the independent review and Consumer consultation carried out in 2008 supported the retention of the TrustPower shareholding. TECT's original endowment of 87,466,000 shares in TrustPower (base level for securities) is regarded as a cornerstone shareholding to be retained by TECT Group.

#### Other Market Price Risk

The Group is not exposed to substantial other market price risk arising from financial instruments.

#### Fair Value

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

#### Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>31 March 2011</b>				
Shares in TrustPower	747,927,634	-	-	747,927,634
Interest Rate Swap - ANZ Bank	-	(1,129,634)	-	(1,129,634)
	<b>747,927,634</b>	<b>(1,129,634)</b>	<b>-</b>	<b>746,798,000</b>
<b>31 March 2010</b>				
Shares in TrustPower	752,082,787	-	-	752,082,787
Interest Rate Swap - ANZ Bank	-	(717,010)	-	(717,010)
	<b>752,082,787</b>	<b>(717,010)</b>	<b>-</b>	<b>751,365,777</b>





## Tauranga Energy Consumer Trust Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2011

#### 6 IMPUTATION CREDITS

As TECT is not a company it does not have an imputation credit account.

TECT Holdings Limited, TECT Finance Limited and TECT Finance No. 2 Limited are registered as a Group for ICA purposes. As at 31 March 2011 the Group had Imputation Credits available of \$16,641,276. (2010: \$1,855,287).

	Group	
	2011	2010
Imputation Credit Account		
Opening Balance 1 April	1,855,287	3,260
Plus RWT Credits on Interest Received		-
Imputation Credits on Dividends Received	11,575,071	10,239,485
Income Tax Paid	3,210,918	6,908,151
	16,641,276	17,150,896
Less Imputation Credits on Dividends Paid		(15,295,609)
Income Tax Refunded		
Income Tax Credits Transferred to TECT		
Closing Balance 31 March	16,641,276	1,855,287

#### 7 COMMITMENTS AND CONTINGENCIES

The TECT Group had no commitments or contingencies at the end of the financial year (2010: Nil).

#### 8 PROVISION FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Opening Balance	10,508,153	2,197,564	10,474,378	2,163,789
Plus Distributions Approved	29,973,275	34,082,009	26,662,868	33,602,030
Distributions Approved 2010	500,000	-	500,000	-
Less Consumer Distributions Written Back	(151,036)	-	(151,036)	-
	40,830,392	36,279,573	37,486,210	35,765,819
Less Distributions Made	(35,733,055)	(25,771,420)	(34,384,948)	(25,291,441)
Closing Balance End of Year	\$5,097,337	\$10,508,153	\$3,101,262	\$10,474,378
Distributions not yet uplifted - comprising:				
Major Community Amenities	1,000,000	7,138,170	1,000,000	7,138,170
Community Amenities	1,763,166	930,030	453,428	896,255
Community Events	206,462	152,000	6,210	152,000
Community Special Projects	279,210	369,108	193,125	369,108
Energy Efficiency	500,000	400,000	100,000	400,000
Community Organisation Subsidy Scheme	793,609	901,065	793,609	901,065
Direct Consumer Distributions	554,890	617,780	554,890	617,780
	\$5,097,337	\$10,508,153	\$3,101,262	\$10,474,378

Payment 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. Scholarships are paid within 12 months of approval. Community Organisation Subsidies are paid within 12 months of approval unless an extension of time is approved by Trustees.

#### 9 SUNDRY ACCOUNTS RECEIVABLE

Accounts Receivable at 31 March 2011 totalled \$61,238 and represent dividend payments owing to TECT by Tauranga City Aquatics Limited (2010: \$Nil).

#### 10 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 Charitable Trust has advanced funds to TECT. At 31 March 2011 the balance of the advance from TECT Charitable Trust was \$3,911,205 (2010: (\$131,985)) This advance is unsecured, repayable on demand and has interest charged at FBT non concessionary interest rates as at the time the advance payments are made. Interest on the advance totalled \$96,890 in the current year.



# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2011

### 10 SUBSIDIARIES (cont'd)

#### TECT Holdings Limited (THL)

THL purchased the existing 89.8 million TrustPower shares from TECT on 3 January 2007 with the purchase financed by an issue of Redeemable Preference Shares to TECT. The Redeemable Preference Shares were redeemed on 16 December 2009 and replaced by a loan of equivalent value.

In the year ended 31 March 2010 TECT Holdings Ltd paid dividends of \$31.22m to TECT on the Redeemable Preference Shares. No interest or dividends were paid by TECT Holdings Ltd to TECT in the 2011 year. The balance of the loan at 31 March 2011 was \$519,446,724 after offsetting advances made by TECT Holdings Ltd to TECT (2010: \$530,285,144).

Funds were advanced and repaid between TECT and THL during the year. At 31 March 2011 the balance of the advance to TECT Holdings Ltd was Nil (2010: \$23,449,628) and the advance to TECT was Nil (2010: Nil). These advances are unsecured, repayable on demand and have interest charged at the FBT non concessionary interest rates as at the time the advance payments are made.

THL purchased an additional 14 million TrustPower shares in January 2007 which was financed by a loan from TECT Finance Limited. This loan is secured over the assets of TECT Holdings Ltd, repayable on demand and has interest charged at the FBT non concessionary interest rate.

#### TECT Finance Limited (TFL)

In January 2007 TFL borrowed \$85 million from Arawala Finance Limited (an ANZ Bank Subsidiary) to fund the purchase of 14 million TrustPower shares plus legal and financing costs. \$82.6 million was on-lent to THL under the 'Intercompany Loan Agreement' for the purchase of 14 million TrustPower shares. This loan was refinanced in December 2009 by a new advance from ANZ of \$55 million and repayment of \$30 million.

TFL advanced and repaid funds to TECT during the year. At 31 March 2011 the balance of the advance to TECT was Nil (2010: \$2,858,716). This advance is unsecured, repayable on demand and has interest charged at the FBT non concessionary interest rates as at the time the advance payments are made. Interest on the advance totalled Nil in the current year (2010: \$119,539).

#### TECT Finance No. 2 Limited (TF2L)

TF2L was established as a shelf company to be utilised at the redemption date of the RPS, if required.

TF2L received funds from TECT during the year. At 31 March 2011 the balance of the advance from TECT was \$2,936 (2010: \$2,768). This advance is unsecured, repayable on demand and has interest charged at the oncall rates as at the time the advance payments are made. Interest on the advance totalled \$168 in the current year (2010: \$77).

### 11 LEGAL AND ADVISORY FEES

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Bell Gully	-	30,746	-	-
KPMG Tauranga	-	30,401	-	30,097
Quigg Partners	-	6,750	-	6,750
Triumph Capital [Strategic Finance]	-	78,375	-	-
Other Financial/Legal Advisors	7,492	40,216	6,788	18,165
	<b>\$7,492</b>	<b>186,488</b>	<b>\$6,788</b>	<b>55,012</b>

### 12 Key Terms & Conditions of Borrowings are:

ANZ Bank	Term:	\$27.5m : 3 years, maturing 15 December 2012
		\$27.5m : 6 years, maturing 15 December 2015
	Security:	22.5 million TrustPower Shares valued at \$162 million
ANZ Bank - Interest Rate Swap	Term:	3 years, maturing 15 December 2012
	Notional amount:	\$27.5 million
	Mark to Market:	\$1,129,634

Loan balances are valued at amortised cost using the effective interest rate method. Interest rates have not been disclosed due to commercial sensitivity.

### 13 SENSITIVITY ANALYSIS

An increase of 100 basis points in interest rates on deposits would have resulted in an increase in before tax net surplus of \$163,582 in TECT and an increase of \$208,625 in the Group.

An increase of 1c in the TrustPower dividend would have resulted in an increase in before tax net surplus of \$1,038,788 in the Group.

An increase of 100 basis points in interest rates on borrowings would have resulted in a decrease in before tax net surplus of \$33,850 in TECT and \$561,645 in the Group.



**Tauranga Energy Consumer Trust**  
**Group Consolidated Financial Report**

**Notes to the Financial Report**  
**For the Year Ended 31 March 2011**

**14 DEFERRED TAX**

Deferred Tax shown in the Balance Sheet arises from excess Imputation Credits which are able to be converted to tax losses and from revaluation of financial instruments to fair value.

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Opening Balance	(41,672,360)	(34,933,914)	-	8,309,549
Less Tax Losses Used	-	(68,133)	-	(68,133)
<b>Deferred Tax Adjustments through Income Statement</b>				
Plus Current Year Fair Value Adjustment RPS	-	(749,219)	-	(8,241,416)
Plus Fair Value Adjustment of Investments	85,901	-	85,901	-
Plus Current Year Fair Value Adjustment Swap	338,890	-	-	-
Plus Adjustment for Change in Tax Rate	(22,593)	-	-	-
<b>Deferred Tax Adjustments through Equity</b>				
Plus Current Year Fair Value Movement	1,246,546	(5,921,094)	-	-
Plus Adjustment for Change in Tax Rate - Equity	2,695,055	-	-	-
<b>Closing Balance End of Year</b>	<b>(37,328,561)</b>	<b>(41,672,360)</b>	<b>85,901</b>	<b>-</b>

Deferred tax assets and liabilities are attributable to the following:

**GROUP**

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Available-for-sale financial assets	-	-	(37,730,759)	(41,672,360)	(37,730,759)	(41,672,360)
Derivatives	316,297	-	-	-	316,297	-
Loans and receivables	85,901	-	-	-	85,901	-
Tax assets (liabilities)	402,198	-	(37,730,759)	(41,672,360)	(37,328,561)	(41,672,360)
Set off of tax	(402,198)	-	402,198	-	-	-
<b>Net tax assets (liabilities)</b>	<b>-</b>	<b>-</b>	<b>(37,328,561)</b>	<b>(41,672,360)</b>	<b>(37,328,561)</b>	<b>(41,672,360)</b>

**PARENT**

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Available-for-sale financial assets	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Loans and receivables	85,901	-	-	-	85,901	-
Tax assets (liabilities)	85,901	-	-	-	85,901	-
Set off of tax	-	-	-	-	-	-
<b>Net tax assets (liabilities)</b>	<b>85,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,901</b>	<b>-</b>

**15 RELATED PARTY TRANSACTIONS**

Mr Michael Cooney is the Chairman of Tauranga Energy Consumer Trust (TECT) and TECT Charitable Trust and is a Director on the Board of each of the TECT Group's subsidiary companies. Mr Cooney is also a Director of TrustPower Limited. The TECT Group owns 103,878,838 shares in TrustPower Limited and during the year received dividends of \$39,473,958 (2010: \$47,784,265). Refer to Note 3 for further details of the TECT Group investment in TrustPower Limited.

Refer to Note 10 for transactions between the entities that form part of the TECT Group.

Ms Frances Denz was a Trustee for part of the year and was also a Director of Tauranga City Aquatics Ltd (TCAL). TECT holds \$4 million of Redeemable Preference Shares in TCAL and during the year received dividends of \$234,764 (2010: \$228,357).

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 conflict of interest occurs.



**Tauranga Energy Consumer Trust**  
**Group Consolidated Financial Report**

**Notes to the Financial Report**  
**For the Year Ended 31 March 2011**

**16 RESERVES FOR DISTRIBUTIONS**

Summary:	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Opening Balance	2,632,087	6,769,096	2,632,087	6,769,096
Plus Allocated - Annual Distribution Plan	30,875,000	29,900,000	27,564,593	29,420,021
	33,507,087	36,669,096	30,196,680	36,189,117
Less Transfers to Provisions & Payments	(30,348,931)	(34,391,301)	(27,030,524)	(33,911,322)
Plus Write Back to Reserve	367,656	354,292	367,656	354,292
<b>Closing Balance End of Year</b>	<b>\$3,533,812</b>	<b>\$2,632,087</b>	<b>\$3,533,812</b>	<b>\$2,632,087</b>

This comprises:	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Major Amenities</b>				
Opening Balance	583,660	5,483,660	583,660	5,483,660
Plus Allocated - Annual Distribution Plan	1,000,000	2,000,000	1,000,000	2,000,000
	1,583,660	7,483,660	1,583,660	7,483,660
Less Transfers to Provisions & Payments		(6,900,000)	-	(6,900,000)
<b>Closing Balance End of Year</b>	<b>\$1,583,660</b>	<b>\$583,660</b>	<b>\$1,583,660</b>	<b>\$583,660</b>

Community Amenities	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Opening Balance	1,441,286	631,286	1,441,286	631,286
Plus Allocated - Annual Distribution Plan	1,500,000	1,500,000	1,500,000	1,400,000
	2,941,286	2,131,286	2,941,286	2,031,286
Less Transfers to Provisions & Payments	(2,380,666)	(755,000)	(2,380,666)	(655,000)
Plus Write Back to Reserve	150,000	65,000	150,000	65,000
<b>Closing Balance End of Year</b>	<b>710,620</b>	<b>\$1,441,286</b>	<b>\$710,620</b>	<b>\$1,441,286</b>

Community Events (formerly Community Events/Special Projects)	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Opening Balance	(122,814)	28,814	(122,814)	28,814
Plus Allocated - Annual Distribution Plan	300,000	10,000	300,000	10,000
Reallocation from Special Projects	200,000	-	200,000	-
	377,186	38,814	377,186	38,814
Less Transfers to Provisions & Payments	(333,914)	(162,000)	(333,914)	(162,000)
Plus Write Back to Reserve	152,600	372	152,600	372
<b>Closing Balance End of Year</b>	<b>195,872</b>	<b>(122,814)</b>	<b>195,872</b>	<b>(122,814)</b>

Community Special Projects	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
Opening Balance	530,913	-	530,913	-
Plus Allocated - Annual Distribution Plan	1,000,000	1,000,000	1,000,000	960,021
Less Reallocated to Community Events	(200,000)	-	(200,000)	-
	1,330,913	1,000,000	1,330,913	960,021
Less Transfers to Provisions & Payments	(337,815)	(514,087)	(337,815)	(474,108)
Plus Adjustment for GST on Rescue Helicopter		45,000		45,000
Plus Write Back to Reserve	1,317	-	1,317	-
<b>Closing Balance End of Year</b>	<b>\$994,415</b>	<b>\$530,913</b>	<b>994,415</b>	<b>\$530,913</b>



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**16 RESERVES FOR DISTRIBUTIONS (cont'd)**

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Scholarship Fund</b>				
Opening Balance	42,000	2,000	42,000	2,000
Plus Allocated - Annual Distribution Plan	-	50,000	-	50,000
Less Reallocated to Community Org Subsidies	(34,000)	-	(34,000)	-
	8,000	52,000	8,000	52,000
Less Transfers to Provisions & Payments	(8,000)	(10,000)	(8,000)	(10,000)
<b>Closing Balance End of Year</b>	<b>\$0</b>	<b>\$42,000</b>	<b>\$0</b>	<b>\$42,000</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Energy Efficiency</b>				
Opening Balance	25,012	425,012	25,012	425,012
Plus Allocated - Annual Distribution Plan	-	-	-	-
	25,012	425,012	25,012	425,012
Less Transfers to Provisions & Payments				
Energy Options Charitable Co	(400,000)	(400,000)	(400,000)	(400,000)
<b>Closing Balance End of Year</b>	<b>(374,988)</b>	<b>\$25,012</b>	<b>(374,988)</b>	<b>\$25,012</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Community Organisation Subsidies</b>				
Opening Balance	132,030	198,324	132,030	198,324
Plus Allocated - Annual Distribution Plan	1,200,000	1,000,000	1,200,000	1,000,000
Plus Reallocated from Scholarship Fund	34,000	-	34,000	-
	1,366,030	1,198,324	1,366,030	1,198,324
Less Transfers to Provisions & Payments	(1,005,536)	(1,160,214)	(1,005,536)	(1,160,214)
Plus Write Back to Reserve	63,739	93,920	63,739	93,920
<b>Closing Balance End of Year</b>	<b>\$424,233</b>	<b>\$132,030</b>	<b>\$424,233</b>	<b>\$132,030</b>

	TECT Group		Tauranga Energy Consumer Trust	
	2011	2010	2011	2010
<b>Consumer Distributions</b>				
Opening Balance	-	-	-	-
Plus Allocated - Annual Distribution Plan	25,875,000	24,150,000	25,875,000	24,150,000
	25,875,000	24,150,000	25,875,000	24,150,000
Less Transfers to Provisions & Payments	(25,875,000)	(24,150,000)	(25,875,000)	(24,150,000)
<b>Closing Balance End of Year</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2011

#### 17 Capital Management

The TECT Group's capital includes Trust Capital, Share Capital 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 benefits to Consumers.

The TECT Group is subject to externally imposed capital requirements under the Common Terms Agreement (as amended, novated and restated on 15 December 2009) between ANZ National Bank Ltd, Arawata Finance Ltd, TECT Finance Ltd, TECT Holdings Ltd and ANZ National Bank Ltd (as Security Agent). TECT Holdings is required to maintain a Debt Service Reserve Bank Account which has a credit balance at all times equal to or greater than the debt service for the following 6 months (see Note 4). TECT Holdings Ltd is also required to maintain a Dividend Escrow Bank Account for the deposit of dividends received from TrustPower on those shares used as security for the loan. Payments from the Dividend Escrow Bank Account are payable twice yearly provided that financial covenants are met and there has been no event of default or review.

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.

Financial Covenants are set out in the table below. No covenants were breached during the year.

Covenant	Compliance Level
Borrower Dividend Cover Ratio	$\geq 1.2$
Owner Debt Ratio	$< 7.0$
Interest Cover Ratio	$\geq 2.25$
Gearing Ratio	$\geq 50\%$
Shareholders' Funds	Minimum Capital Amount
Borrower Total Debt	$\leq \$55m$
Loan to Value Ratio	$\geq 2.2$





## Independent Auditor's Report

### To the Readers of the Financial Statements of Tauranga Energy Trust and Group

#### Report on the Trust and Group Financial Statements

We have audited the accompanying financial statements of the Tauranga Energy Trust and Group ("the trust") and the group, comprising the trust and its subsidiaries, on pages 2 to 21. The financial statements comprise the statements of financial position of the Trust and the consolidated statement of financial position of the group as at 31 March 2011, the statements of comprehensive income, changes in equity and cash flows for the trust and the consolidated statements of comprehensive income, changes in equity and cash flows of the group for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the trust and the group.

#### *Trustees' Responsibility for the Trust and Group Financial Statements*

The trustees are responsible for the preparation of trust and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of trust and group financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these trust and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the trust and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the trust and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trust and group's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 trust and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, the trust and group.



### ***Opinion***

In our opinion the financial statements of on pages 2 to 21:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the trust and the group as at 31 March 2011 and of the financial performance and cash flows of the trust and the group for the year then ended.

### ***Other Matter***

The financial statements of Tauranga Energy Consumer Trust and the group, for the year ended 31 March 2010, were audited by another auditor who expressed an unmodified opinion on those statements on 24 June 2010.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Tauranga Energy Consumer Trust and its subsidiaries as far as appears from our examination of those records.

*KPMG*

22 June 2011

Tauranga