

TAURANGA ENERGY CONSUMER TRUST

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2017**

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TAURANGA ENERGY CONSUMER TRUST

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORY

AS AT 31 MARCH 2017

Trustees:	W Holland, Chairperson P Tustin, Deputy Chairperson (Change of Role August 2016) P Blackwell R Scott A Sutcliffe (Appointed August 2016) N Bridges (Appointed August 2016) B Cronin (Retired August 2016) K Collings (Retired August 2016)
Secretary:	WA Werder General Manager, TECT Ground Floor, 525 Cameron Road PO Box 356 Seventh Avenue Tauranga
Auditor:	KPMG Tauranga
Solicitors:	Sharp Tudhope, Tauranga
Bankers:	Westpac, ANZ Bank, ASB and Bank of New Zealand
Date of Commencement:	TECT - 21 December 1993 TECT Charitable Trust – 27 March 2002 TECT Holdings Ltd – 15 December 2006 TECT Property Ltd – 22 March 2016

**TAURANGA ENERGY CONSUMER TRUST
CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	TECT Group	
		2017	2016
		\$	\$
REVENUE			
Dividends		33,664,017	35,229,112
Distributions Received		1,748,078	131,642
Interest		38,910	2,721,460
Management Fees		-	5,400
Net Change in Fair Value of Derivative designated at Fair Value through Profit & Loss		-	189,466
Net Gain on disposal of Trustpower shares reclassified from Equity		-	109,279,971
Other Income		36,724	2,169
Total Revenue		35,487,729	147,559,220
EXPENSES			
Administration Expenses			
Accounting & Financial Consultancy		102,125	100,645
Consumer Related Expenses	3a	210,112	89,916
Depreciation Expense	16	20,734	33,506
Legal and Advisory Fees		273,828	151,320
Trustee Expenses	3b	196,221	202,188
Other Administration Expenses	3c	529,203	458,053
Total Administration Expenses		1,332,223	1,035,628
Finance Expenses			
Effective Interest Adjustment of Interest Free Loans	9d	(38,446)	104,563
Interest Expense		139,128	181,263
Net Change in Fair Value of Derivative		102,349	-
Other Finance Expenses		104,145	134,207
Total Finance Expenses		309,176	420,033
Total Expenses		1,641,399	1,455,661
PROFIT BEFORE TAXATION		33,846,328	146,103,559
Tax Expense/(Benefit)	5	(2,293,065)	(260,965)
TOTAL PROFIT AFTER TAXATION		36,139,393	146,364,524
OTHER COMPREHENSIVE INCOME			
Items which will be reclassified to Profit & Loss on certain conditions being met			
Deferred Tax on Fair Value Movements - Trustpower Shares	2	9,427,768	(12,000,408)
Deferred Tax on Sale of Trustpower Shares	2	-	2,346,181
Net Fair Value Gain on Disposal of Trustpower Shares transferred to Profit and Loss	2	-	(109,279,971)
Valuation Gain/(Loss) on Investments	2	(55,442,291)	(14,324,638)
Total Other Comprehensive Income		(46,014,523)	(133,258,836)
TOTAL COMPREHENSIVE INCOME		(9,875,130)	13,105,688



**TAURANGA ENERGY CONSUMER TRUST
CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	TECT Group	
		2017	2016
		\$	\$
Trust Equity at Start of the Year		764,053,160	790,602,389
Total Comprehensive Income for the year		(9,875,130)	13,105,688
Capital Distribution			-
Distributions of Equity	7	(38,400,776)	(40,165,173)
Distributions Written Back	7	302,490	510,256
Movements In Equity for the Year		(47,973,416)	(26,549,229)
Trust Equity at the End of the Year		716,079,744	764,053,160



**TAURANGA ENERGY CONSUMER TRUST
CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	TECT Group	
		2017 \$	2016 \$
ASSETS			
Current assets			
Accounts Receivable & Prepayments		67,903	87,376
Cash and cash equivalents		1,858,384	1,503,891
Interest Rate Swaps	11	235,394	337,743
Taxation Refund Due		7	416,939
		<u>2,161,688</u>	<u>2,345,949</u>
Non-current assets			
Deferred Tax	12	2,329,915	-
Investment Portfolios	9c	162,352,063	143,242,517
Investment Property - Work in Progress		1,208,479	212,992
Loans to Consumer Organisations	9d	862,780	838,334
Property, Plant & Equipment	16	47,642	65,651
Shares in TILT Renewables Ltd	9b	179,500,713	-
Shares in TrustPower Ltd	9a	385,842,655	642,511,899
		<u>732,144,247</u>	<u>786,871,392</u>
TOTAL ASSETS		<u><u>734,305,935</u></u>	<u><u>789,217,341</u></u>
LIABILITIES			
Current liabilities			
Accounts Payable		139,444	182,692
Accrued Expenses		19,937	11,872
Payments in Advance		-	23,695
Provision for Distributions	7	16,566,810	15,555,004
Westpac Loan	10	1,500,000	-
		<u>18,226,191</u>	<u>15,773,263</u>
Non-current liabilities			
Deferred Tax	12	-	9,390,918
		<u>-</u>	<u>9,390,918</u>
TOTAL LIABILITIES		<u><u>18,226,191</u></u>	<u><u>25,164,181</u></u>
NET ASSETS / EQUITY		<u><u>716,079,744</u></u>	<u><u>764,053,160</u></u>
<i>Represented By:</i>			
TRUST EQUITY			
Accumulated Profits	2	209,713,106	213,457,358
Fair Value Reserve	2	503,680,196	549,694,720
Reserves for Distributions	2, 14	2,686,442	901,082
TOTAL TRUST EQUITY		<u><u>716,079,744</u></u>	<u><u>764,053,160</u></u>

Trustee

Trustee



**TAURANGA ENERGY CONSUMER TRUST
CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	TECT Group	
	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
<u>Cash was provided from/(disbursed to):</u>		
Dividends Received	33,664,017	35,229,112
Interest Received	38,910	2,721,460
Distributions Received and Other Income	2,213,403	179,208
Payments to Suppliers & Trustees	(1,520,940)	(1,223,793)
Interest Paid	(139,128)	(205,892)
Cash Flows from Other Investments	(983,416)	(961,500)
Cash Flows from Portfolio Investments	2,253,995	(140,773,982)
Taxation Received	416,932	-
NET CASH FLOWS FROM/(DISBURSED TO) OPERATING ACTIVITIES	35,943,773	(105,035,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
<u>Cash was received from/(applied to):</u>		
Proceeds from Sale of Trustpower Shares	-	154,003,334
Purchases of Fixed Assets	(2,801)	(35,778)
Movements in Term Deposits	-	2,546,642
NET CASH FLOWS FROM/(APPLIED TO) INVESTING ACTIVITIES	(2,801)	156,514,198
CASH FLOWS FROM FINANCING ACTIVITIES		
<u>Cash was received from/(disbursed to):</u>		
Payments to Trustpower Consumers (including grants)	(37,086,479)	(39,264,111)
Drawdown Loans	1,500,000	-
Repayment of Loans	-	(12,000,000)
NET CASH FLOWS FROM (DISBURSED TO) FINANCING ACTIVITIES	(35,586,479)	(51,264,112)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	354,493	214,690
Add Opening Cash & Cash Equivalents	1,503,891	1,289,201
CLOSING CASH & CASH EQUIVALENTS	1,858,384	1,503,891
<u>Represented by:</u>		
Bank Current Accounts	1,858,384	1,503,891



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

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 and TECT Property Ltd 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 20 June 2017.

(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).

At 31 March 2017 TECT Group held 83,878,838 shares in Trustpower and 83,878,838 in Tilt Renewables Limited; representing 26.8% in the capital of these companies. 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(iii)) have been revalued.

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

(i) 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.



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

(ii) Subsidiary Entities

The wholly owned subsidiary entities, TECT Charitable Trust, TECT Holdings Ltd and TECT Property 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.

(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 (NZ IFRS) – 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'.

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

(e) CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of 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 discussed below:

(i) 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 judgement in assessing likely outcomes.

(ii) 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 also required in relation to the level of imputation credits likely to be attached to future Trustpower and Tilt Renewables dividends.

(f) STATUS OF ACCOUNTING STANDARDS

(i) Standards, amendments and interpretations adopted by the Group

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

(ii) Standards, Amendments and Interpretations to Existing Standards that are not yet effective and have not been Early Adopted by the Group

Certain standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group. The following summarises only those standards that may have an impact on future financial statements of the Group.



Tauranga Energy Consumer Trust

Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of each new standard. Information on new standards, amendments and interpretations that are expected to be relevant to the Group Financial Statements is provided below. Certain other new standards and interpretations issued but not yet effective that are not expected to have a material impact on the Group's financial statements have not been disclosed.

Standard/interpretation	Effective date	Implication
IFRS 9 Financial Instruments	Periods beginning 1 January 2017	<p>NZ IFRS 9 will be adopted by TECT for the first time for its financial reporting period ended 31 March 2018. NZ IFRS 9 replaces the existing guidance regarding financial instruments currently contained within NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The adoption of NZ IFRS 9 will result in certain financial assets currently being accounted for at amortised cost having to be reclassified as at fair value through profit or loss. All financial instruments currently classified as available-for-sale will potentially have to be reclassified at fair value through profit or loss except where TECT is able to designate the financial assets as fair value through other comprehensive income.</p> <p>Management have yet to assess the potential impact the initial adoption of the standard is likely to have on the recognition and measurement of financial assets held by the TECT Group. The new standard is complex and management do not expect to implement the amendments until they can comprehensively assess the impact of all changes.</p>
IFRS 16 Leases	Periods beginning 1 January 2019	<p>NZ IFRS 16 will be adopted by TECT for the first time for its financial reporting period ended 31 March 2020.</p> <p>The main implications of NZ IFRS 16 on current practice for lessees include:</p> <ul style="list-style-type: none"> • No more operating leases (subject to certain limited exceptions). • All leases (subject to certain exceptions) will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation. • No rental expense – i.e. there will be no more straight-line expenses for operating lease costs. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability. <p>The TECT Group is currently entered into just the one lease, which is for the premises in which they occupy as their offices. Although management have yet to assess the potential impact the initial adoption of the standard is likely to have, if status quo remains, the impact is likely to be minor in nature.</p>



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

(g) 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:

(i) *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 the 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.

(ii) *Goods and Services Tax*

These financial statements have been prepared on a GST exclusive basis. TECT and TECT Property Ltd are registered for GST and GST payable or receivable by both entities is shown in the Group's Statement of Financial Position. Accounts Receivable and Payable are shown inclusive of GST.

TECT Holdings Ltd and TECT Charitable Trust (subsidiary entities) are not registered for GST and GST paid by those entities is shown as a separate expense.

(iii) *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.

a) 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.

b) 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 and Tilt Renewables Investments

TECT Group has determined that it does not have significant influence over Trustpower Ltd or Tilt Renewables Ltd and has classified the investments as 'available for sale'. The investments are recognised at fair value on the Group's Statement of Financial Position with movements being recognised in other comprehensive income except for impairments which are recognised in profit or loss. 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 in profit or loss.



Tauranga Energy Consumer Trust

Consolidated Financial Statements

Notes to the Financial Statements

For the Year Ended 31 March 2017

Portfolio Investments

TECT Group has purchased portfolio investments with Devon Funds Management, Mercer, Nikko Asset Management and Vanguard Fund. TECT has classified these investments as 'available for sale'. These investments are recognised at fair value on the Group's Statement of Financial Position with movements being recognised in other comprehensive income except for impairments which are recognised in profit or loss. Trustees have determined that the most appropriate measurement base of fair value is based on the closing unit price of the respective funds.

During the year TECT Group committed to investing with Oriens Capital, Pencarrow Bridge Fund, Enterprise Angels, Waterman Fund and Continuity Capital Partners. These investments have been recognised on the Group's Statement of Financial Position based on the Group's share of the Private Equity's Net Assets. Uncalled Capital is disclosed further in Note 9 (c).

Loans to Consumer Organisations

These loans are classified as loans and receivables and are interest free. 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 as 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.

c) 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.

d) 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.

(iv) Revenue

Revenue comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale 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.

(v) Finance Expenses

Finance expenses comprise interest expense on borrowings, fair value adjustments on interest free loans and losses on hedging instruments that are recognised in profit or loss.

(vi) 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 deposits of less than 90 days not forming part of the investment portfolio.

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.



Tauranga Energy Consumer Trust

Consolidated Financial Statements

Notes to the Financial Statements

For the Year Ended 31 March 2017

(vii) *Impairment of Assets*

The carrying amounts of the Group's assets other than those at fair value through Profit & 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.

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.

(viii) *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 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 in equity as "reserves for distribution" rather than the Statement of Comprehensive Income as they are for the beneficiaries of the Trust.

(ix) *Property, Plant & 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 lives of these assets.

Principal depreciation rates are:

Motor Vehicles	30%
Furniture & Fittings	10-16%
Computers & Software	50%
Plant & Equipment	25%

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

(x) *Employee Entitlements*

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

(xi) *Leased Equipment*

Plant and equipment is leased by TECT. Operating leases are those in which all risks and benefits are substantially retained by the lessor. Operating leases are expensed in the periods in which the amounts are payable.



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

2 EQUITY

	TECT Group	
	2017	2016
	\$	\$
Accumulated Profits		
(including initial share gift in 1993 of \$42.5 million):		
Balance at Beginning of Year	213,457,358	107,552,128
Total Profit After Taxation	36,139,396	146,364,524
Consumer Distributions/Grants Written Back	116,355	124,706
	249,713,109	254,041,358
Less Transfers to Reserves for Distribution	(40,000,000)	(40,584,000)
	209,713,106	213,457,358
Fair Value Reserve		
Balance at Beginning of Year	549,694,720	682,953,557
Current Year Revaluation - Trustpower Shares	(72,135,801)	(16,668,151)
Current Year Revaluation - Tilt Renewables Shares	(5,032,730)	-
Net Fair Value Gain on disposal of Trustpower Shares		
Transferred to Profit and Loss	-	(109,279,971)
Current Year Revaluation - Investment Portfolios	21,726,239	2,343,512
Deferred Tax on Sale of Trustpower Shares	-	2,346,181
Deferred Tax on Fair Value Movements - Trustpower Shares	9,427,768	(12,000,408)
	503,680,196	549,694,720
Reserves for Distributions:		
(Note 14)		
Iconic Projects	2,000,000	-
Community Amenities	47,311	256,465
Community Events	26,736	35,617
Community Development	12,395	9,000
Catalyst for Change	600,000	600,000
	2,686,442	901,082
Total Trust Equity	716,079,744	764,053,160



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

3 ADMINISTRATION EXPENSES

- (a) Consumer Related Expenses include the following amounts:

	TECT Group	
	2017	2016
	\$	\$
Consumer Consultation, Research & Reporting	31,308	22,004
Community Funding Schemes	9,248	6,241
Election Costs	112,410	4,000
TECT Cheque Distribution Costs	57,146	57,671
	210,112	89,916

- (b) Trustee Expenses include the following amounts:

	TECT Group	
	2017	2016
	\$	\$
Trustee Expenses	7,074	22,542
Trustee Fees	182,106	174,320
Trustee Professional Development	7,041	5,326
	196,221	202,188

- (c) Other Administration Expenses include the following amounts:

	TECT Group	
	2017	2016
	\$	\$
Audit Fees	27,200	22,100
Insurance	10,829	10,813
Marketing	22,517	19,161
Premises & Occupancy	52,238	52,372
Research & Development - Strategic Projects	16,935	9,923
Wages & Staff Expenses	339,453	303,460
Other Administration Expenses	59,031	40,224
	529,203	458,053

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.

Interest Rate Risk

TECT Holdings Ltd entered into a swap of \$5m on 31 January 2015 with Westpac. 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.

Fair Value

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



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

5 TAXATION

	TECT Group	
	2017 \$	2016 \$
Profit Before Taxation	33,846,331	165,753,514
Add Non-Deductible Expenditure	828,823	644,231
Imputation Tax Credits	10,112,060	9,785,864
	44,787,214	176,183,609
<u>Less</u>		
Deductible Distribution Payments	(5,310,894)	(8,056,246)
Non Assessable Income	(52,086)	-
Non Assessable Gain on Sale of TPW Shares	-	(128,929,926)
Charitable Trust Income Exemption	(11,219,949)	(5,161,265)
Taxable Income	28,204,285	34,036,172
Current Tax Charge (a)	7,818,995	9,524,899
Less Imputation Tax Credits	(10,112,060)	(9,785,864)
Income Tax Expense/(Benefit)	(2,293,065)	(260,965)
Tax Expense Comprises:		
Current Taxation Expense	-	-
Deferred Tax Expense (Note 12)	(2,293,065)	(260,965)
Tax Expense per Statement of Comprehensive Income	(2,293,065)	(260,965)
Imputation Credits Claimable		
Total Imputation Credits	10,112,060	9,785,864
Less excess ICs unable to claim (converted to loss)	(2,305,092)	(226,458)
Total ICs claimable as Tax Credit	7,806,968	9,559,406

(a) 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.

6 IMPUTATION CREDITS

As at 31 March 2017 the Group had Imputation Credits available of \$72,480,863 (2016: \$62,765,569).



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

7 PROVISION FOR DISTRIBUTIONS

	TECT Group	
	2017 \$	2016 \$
Opening Balance	15,555,004	15,164,276
Plus Distributions Approved (<i>Note 14</i>)	38,400,776	40,165,173
Less Distributions Written Back (<i>Note 14</i>)	(302,490)	(510,256)
	53,653,290	54,819,193
Less Distributions Paid	(37,086,480)	(39,264,189)
Closing Balance End of Year	16,566,810	15,555,004
Distributions not yet uplifted:		
Iconic Projects	11,034,000	11,034,000
Community Amenities	2,459,879	1,925,223
Community Events	248,152	166,489
Community Development	1,782,271	1,814,881
Community Organisation Subsidy Scheme	-	66,960
Catalyst for Change	400,000	-
Direct Consumer Distributions	642,508	547,451
	16,566,810	15,555,004

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. Grant provisions are not discounted as the date of cash outflow cannot be estimated reliably and in any event the effect of discounting is not expected to be material.

8 SUBSIDIARIES

TECT Charitable Trust

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

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

TECT Holdings Limited

TECT Holdings Limited is the entity which holds the Trustpower Limited and Tilt Renewables Limited shares.

TECT Property Limited

On 22 March 2016 TECT Property Ltd was incorporated. The purpose of the entity is to be the owner and lessor of the newly planned community hub building.



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

9 INVESTMENTS

(a) Trustpower Limited

Fair value has been assessed at \$4.60 per share (\$7.66 per share 2016), being the closing buy quotation on 31 March 2017 (being last business day of month). No allowance has been made for commission payable on any disposal of shares. Values adopted being:

	TECT Group	
	2017 \$	2016 \$
Opening Balance	642,511,899	825,836,762
Less Sale of 20,000,000 Shares	-	(159,000,000)
Less Demerger Split	(184,533,444)	-
Fair Value Movement	(72,135,800)	(24,324,863)
Closing Balance 83,878,838 shares @ \$4.60 per share (2016: 83,878,838 shares @ \$7.66)	385,842,655	642,511,899

(b) Tilt Renewables Limited

Fair value has been assessed at \$2.14 per share, being the closing buy quotation on 31 March 2017 (being last business day of month). No allowance has been made for commission payable on any disposal of shares. Values adopted being:

	TECT Group	
	2017 \$	2016 \$
Opening Balance	-	-
Plus Demerger Split	184,533,444	-
Fair Value Movement	(5,032,731)	-
Closing Balance 83,878,838 shares @ \$2.14 per share	179,500,713	-

The TECT Group has the majority of its funds invested in Trustpower and Tilt Renewables shares, therefore there is a concentration of market risk associated with these investments.

In the two months following balance date (1 April to 31 May 2017) the Trustpower share price fluctuated significantly, ranging from a high of \$5.29 to a low of \$4.55 (2016: \$8.00 to \$7.65) and the Tilt Renewables share price also fluctuated significantly, ranging from a high of \$2.25 to a low of \$2.06.

Trustees constantly monitor the risks outlined above.

The TECT Trust Deed requires that Trustees carry out a Consumer Consultation before selling more than 5% of TECT's base level securities (87,466,000 shares). Additionally Trustees are able to sell any shares in excess of the base level without consultation. In April 2015 TECT Group sold 20 million shares @ \$7.74 per share. The remaining 83,878,838 shares represent 26.8% of the total shares in Trustpower. The Trust Deed requires TECT to wind up if it holds less than 5% of the total share capital of the company. Trustees have a policy to consult with Consumers at five yearly intervals on the retention of the securities.

On 17 October 2016 Trustpower announced that the Trustpower Board resolved to demerge Trustpower. On 1 November 2016 Trustpower shareholders received shares in both Tilt Renewables Limited (Trustpower's Australian and New Zealand wind generation assets and its wind and solar development projects) and Bay Energy Limited (New Trustpower which retails the same Trustpower name and brand). Accordingly TECT acquired 83,878,838 shares in Tilt Renewables Limited. These shares are also held by TECT Holdings Ltd.

Tauranga Energy Consumer Trust

Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

(c) Diversified Investment Portfolios

	TECT Group 2017		TECT Group 2016	
	Units	\$NZ	Units	\$NZ
Nikko Asset Management				
Opening Balance 1 April 2016	4,118,051	4,252,300	-	-
Plus Application	12,037,309	12,500,000	24,170,473	25,000,000
Less Units Redeemed	(15,672,427)	(16,282,042)	(20,164,333)	(21,000,000)
Plus Income Distribution Reinvestment	138,102	142,977	120,698	124,981
Less Managers Fee	-	-	(9,057)	(9,411)
Plus/(Less) Current Year Change in Valuation		31,212		136,730
Closing Balance 31 March 2017	621,035	644,446	4,118,051	4,252,300
Devon Trans Tasman Fund				
Opening Balance 1 April 2016	9,095,283	16,915,407	-	-
Plus Application	-	-	9,097,277	15,402,600
Less Units Redeemed	(61,752)	(121,974)	(1,994)	(3,452)
Plus/(Less) Current Year Change in Valuation		2,180,595		1,516,259
Closing Balance 31 March 2017	9,033,531	18,974,028	9,095,283	16,915,407
Mercer Portfolio				
Opening Balance 1 April 2016	19,569,281	19,187,680	19,569,281	19,187,680
Plus Application	3,375,377	3,367,276	-	-
Plus/(Less) Current Year Change in Valuation	-	2,452,427		(250,244)
Closing Balance 31 March 2017	22,944,658	25,007,383	19,569,281	19,187,680
Vanguard International				
Opening Balance 1 April 2016	80,605,146	101,207,822	-	-
Plus Application	-	-	80,581,298	100,116,900
Less Units Redeemed	(5,146,269)	(7,000,000)	-	-
Plus Income Distribution Reinvestment	1,302,076	1,638,272	-	-
Plus Reinvested Managers Fee Rebate	79,858	103,693	23,849	28,040
Plus/(Less) Current Year Change in Valuation	-	17,175,255	-	1,062,883
Closing Balance 31 March 2017	76,840,811	113,125,042	80,605,146	101,207,822



Tauranga Energy Consumer Trust

Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

Continuity Capital Partners Fund (Uncalled Capital: \$2.5m)				
	Units	\$NZ	Units	\$NZ
Opening Balance 1 April 2016	5,000,000	1,679,308	-	-
Plus Application	-	750,000	5,000,000	1,750,000
Plus Time Value of Money	-	-	-	66,569
Less Distribution of Time Value of Money	-	-	-	(15,145)
Less Capital Distribution	-	(487,395)	-	-
Plus/(Less) Current Year Change in Valuation	-	41,300	-	(122,116)
Closing Balance 31 March 2017	5,000,000	1,983,213	5,000,000	1,679,308
Enterprise Angels (Uncalled Capital: \$140k)				
	Units	\$NZ	Units	\$NZ
Opening Balance 1 April 2016	-	-	-	-
Plus Application	200,000	60,000	-	-
Plus/(Less) Current Year Change in Valuation	-	1,400	-	-
Closing Balance 31 March 2017	200,000	61,400	-	-
Oriens Capital (Uncalled Capital \$2.075m)				
	Units	\$NZ	Units	\$NZ
Opening Balance 1 April 2016	-	-	-	-
Plus Application	-	425,000	-	-
Plus/(Less) Current Year Change in Valuation	-	(35,149)	-	-
Closing Balance 31 March 2017	-	389,851	-	-
Pencarrow Bridge Fund (Uncalled Capital \$1.275m)				
	Units	\$NZ	Units	\$NZ
Opening Balance 1 April 2016	-	-	-	-
Plus Application	-	1,225,000	-	-
Plus/(Less) Current Year Change in Valuation	-	(6,562)	-	-
Closing Balance 31 March 2017	-	1,218,438	-	-
Waterman Fund (Uncalled Capital: \$3.938m)				
	Units	\$NZ	Units	\$NZ
Opening Balance 1 April 2016	-	-	-	-
Plus Application	-	1,062,500	-	-
Plus/(Less) Current Year Change in Valuation	-	(114,238)	-	-
Closing Balance 31 March 2017	-	948,262	-	-
Total Diversified Portfolio Funds		162,352,063		143,242,517



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

(d) Loans to Consumer 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

	TECT Group	
	2017	2016
	\$	\$
Opening Balance	838,333	192,896
Plus Advances - Bay Venues Limited Loan	-	750,000
Less Repayments – Omanu Beach Charitable Trust	(12,000)	
Add/(Deduct) Current Year Effective Interest Rate Adjustment	36,447	(104,563)
Closing Balance	862,780	838,333
<u>Comprising:</u>		
Omanu Beach Charitable Trust Loan	175,147	180,079
Bay Venues Trust Loan	687,633	658,254
	862,780	838,333

10 LOAN – Westpac Bank:

Westpac Bank	Term:	\$1.5m: 2 months, maturing 8 May 2017
	Total:	\$1.5m

11 INTEREST RATE SWAP

Westpac Bank - Interest Rate Swap	Term:	7 years, maturing 15 December 2019
<i>Novated from ANZ Bank March 2015</i>	Notional amount:	\$5 million
	Mark to Market:	\$235,394 (2016: \$337,743)

12 DEFERRED TAX ASSET/ (LIABILITY)

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

	TECT Group	
	2017	2016
	\$	\$
Opening Balance	(9,390,918)	(12,651,036)
Plus/(Less):		
<u>Deferred Tax Adjustments through Income Statement</u>		
Fair Value Adjustment of Investments	(12,027)	34,506
Deferred Tax on Tax Losses	2,531,551	226,459
Deferred Tax on Tax Losses Utilised	(226,459)	-
<u>Deferred Tax Adjustments through Equity</u>		
Deferred Tax on Sale of TPW Shares	-	652,972
Deferred Tax on Fair Value Movements - TPW Shares	9,427,768	2,346,181
Closing Balance End of Year	2,329,915	(9,390,918)



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

- (i) The deferred tax liability arising in relation to the fair value movements in Trustpower and Tilt Renewables shares is estimated based on the level of imputation credits likely to be attached to future dividends. The Trustees now consider there is more clarity and certainty about the level of imputation credits which are likely to be attached to dividends received although this may still be subject to significant variability. In 2016 the level of imputation credits was calculated based on an average of the imputation credits received over the preceding four financial years to allow for fluctuations between years.

Following the demerger of Trustpower and Tilt Renewables, Trustpower has paid a fully imputed dividend and has indicated that it expects future dividends to be fully imputed for the foreseeable future. Accordingly no deferred tax has been provided for on the revaluation of the Trustpower shares.

Following the demerger Tilt Renewables paid an unimputed dividend. The company has given no indication of expected future imputation credits, but based on this limited history it appears likely that dividends will be unimputed. Accordingly an upward revaluation of the Tilt Renewable shares would be treated as subject to deferred tax in full with no reduction for expected imputation credits. As at 31 March 2017 the market value of the Tilt Renewables shares was lower than the issue price (tax base) at demerger. Any loss on sale of these shares would not be tax deductible and accordingly no deferred tax has been provided.

- (ii) A decrease of 100 basis points in the average imputation credits used in the calculation of deferred tax would have resulted in deferred tax liability of \$441,407 in respect of the Trustpower shares. As there are no expected imputation credits attached to the Tilt Renewables shares, any change would result in a reduction of the deferred tax liability.

Deferred tax assets and liabilities are attributable to the following:

TECT Group

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Available-for-sale financial assets	-	-	-	(9,651,883)	-	(9,651,883)
Tax Losses	2,305,092	226,459	-	-	2,305,092	226,459
Loans and receivables	24,823	34,506	-	-	24,823	34,506
Tax assets (liabilities)	2,329,915	260,965	-	(9,651,883)	2,329,915	(9,390,918)
Set off of tax		(260,965)		260,965	-	-
Net tax assets (liabilities)	2,329,915	-	-	(9,390,918)	2,329,915	(9,390,918)



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

13 RELATED PARTY TRANSACTIONS

Mr Bill Holland is a Trustee of TECT and TECT Charitable Trust and is a Director on the Board of each of the TECT Group's subsidiary companies. Mr Holland is also a Partner in the law firm Holland Beckett. TECT has entered into an agreement with Spoke Investments Limited (a company associated with Holland Beckett) to lease premises at an annual cost of \$48,000 (excluding GST).

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

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

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

The Trust held 11 formal meetings during the year. 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 2017 Monthly Meeting Attendance	YE 2017 Extra Meeting Attendance	YE 2017 Remuneration
William Holland	11	31	\$42,435
Ronald Scott	11	17	\$25,307
Peter Blackwell	11	20	\$26,055
Paul Tustin	11	42	\$33,745
Amanda Sutcliffe (Appointed August 2016)	7	15	\$17,451
Natalie Bridges (Appointed August 2016)	7	13	\$16,871
Bruce Cronin (Retired August 2016)	4	4	\$9,570
Kenneth Collings (Retired August 2016)	4	15	\$10,672
Total			\$182,106



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

14 RESERVES FOR DISTRIBUTIONS

	TECT Group	
Summary:	2017 \$	2016 \$
Opening Balance	901,082	96,704
Plus Allocated - Annual Distribution Plan	40,000,000	40,584,000
Less Write Back to Retained Earnings	(116,355)	(124,705)
	40,784,727	40,555,999
Less Transfers to Provisions & Payments	(38,400,775)	(40,165,173)
Plus Write Back to Reserve	302,490	510,256
Closing Balance End of Year	2,686,442	901,082

This comprises:

	TECT Group	
Iconic Projects	2017 \$	2016 \$
Opening Balance	-	(500,000)
Plus Allocated - Annual Distribution Plan	2,000,000	3,534,000
	2,000,000	3,034,000
Less Transfers to Provisions & Payments	-	(3,034,000)
Closing Balance End of Year	2,000,000	-

	TECT Group	
Community Amenities	2017 \$	2016 \$
Opening Balance	256,465	362,218
Plus Allocated - Annual Distribution Plan	2,350,000	2,150,000
	2,606,465	2,512,218
Less Transfers to Provisions & Payments	(2,604,154)	(2,491,035)
Plus Write Back to Reserve	45,000	235,282
Closing Balance End of Year	47,311	256,465

	TECT Group	
Community Development	2017 \$	2016 \$
Opening Balance	9,000	97,080
Plus Allocated - Annual Distribution Plan	3,300,000	2,800,000
Plus Reallocated on Merging Funds	-	132,976
	3,309,000	3,030,056
Less Transfers to Provisions & Payments	(3,400,344)	(3,141,325)
Plus Write Back to Reserve	103,739	120,269
Closing Balance End of Year	12,395	9,000

	TECT Group	
Energy Efficiency	2017 \$	2016 \$
Opening Balance	-	106,902
	-	106,902
Less Reallocated to Community Development	-	(106,902)
Closing Balance End of Year	-	-



Tauranga Energy Consumer Trust Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

	TECT Group	
	2017	2016
	\$	\$
Community Organisation Subsidies		
Opening Balance	-	24,074
	-	24,074
Less Reallocated to Community Development	-	(26,074)
Closing Balance End of Year	-	-

	TECT Group	
	2017	2016
	\$	\$
Consumer Distributions		
Opening Balance	-	-
Plus Allocated - Annual Distribution Plan	31,200,000	30,900,000
Less Write Back to Retained Earnings	(116,355)	(124,705)
	31,083,645	30,775,295
Less Transfers to Provisions & Payments	(31,200,000)	(30,900,000)
Plus Unclaimed Cheques Cancelled	116,355	124,705
Closing Balance End of Year	-	-

	TECT Group	
	2017	2016
	\$	\$
Community Events		
Opening Balance	35,617	4,430
Plus Allocated - Annual Distribution Plan	750,000	600,000
	785,617	604,430
Less Transfers to Provisions & Payments	(796,277)	(598,813)
Plus Write Back to Reserve	37,396	30,000
Closing Balance End of Year	26,736	35,617

	TECT Group	
	2017	2016
	\$	\$
Catalyst for Change		
Opening Balance	600,000	-
Plus Allocated - Annual Distribution Plan	400,000	600,000
	1,000,000	-
Less Transfers to Provisions & Payments	(400,000)	-
Closing Balance End of Year	600,000	600,000

15 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 benefits 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.



Tauranga Energy Consumer Trust

Consolidated Financial Statements

Notes to the Financial Statements For the Year Ended 31 March 2017

16 PROPERTY, PLANT & EQUIPMENT

TECT GROUP

	Cost Price	Book Value 31.3.16	Additions/ (Loss)	Loss on Sale	Depreciation \$	Book Value 31.3.17
Motor Vehicles	26,335	11,936	-	-	3,581	8,355
Furniture & Fittings	25,960	17,455	(184)	76	2,161	15,034
Computers & Software	58,330	20,998	2,985	-	11,121	12,862
Plant & Equipment	19,333	15,262	-	-	3,871	11,391
Closing Balance End of Year	129,958	65,651	2,802	76	20,734	47,642

17 COMMITMENTS & CONTINGENCIES

The TECT Group had the following commitments at the end of the financial year: (2016: Nil)

Uncalled Capital on Private Equity Investments

Continuity Capital Partners Fund	\$2,500,000
Enterprise Angels	\$140,000
Oriens Capital	\$2,075,000
Pencarrow Bridge Fund	\$1,275,000
Waterman Fund	\$3,938,000

Community Hub Work in Progress

The estimated expenditure for investment property contracted for at balance date but not provided is \$9.3million (2016: Nil). This relates to the purchase of land, construction contracts and other costs associated with the Community Hub Development.

The TECT Group had no contingencies at the end of the financial year. (2016: Nil).

18 SUBSEQUENT EVENTS

There have been no subsequent events to report as at date of approval of financial statements.



Independent Auditor's Report

To the beneficiaries of Tauranga Energy Consumer Trust

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Tauranga Energy Consumer Trust (the trust) and its subsidiaries (the Group) on pages 2 to 24.

- i. Present fairly in all material respects the Group's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. Comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

- The consolidated statement of financial position as at 31 March 2017;
- The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report.

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



Other Information

The Trustees, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements 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 materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this Independent Auditor's Report

This report is made solely to the beneficiaries as a body. Our audit work has been undertaken so that we might state to the beneficiaries those matters we are required to state to them in the Independent 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 beneficiaries as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Trustees for the consolidated financial statements

The Trustees, on behalf of the group, are responsible for:

- The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is:

- 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 Independent 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx.

This description forms part of our Independent Auditor's Report.



KPMG

20 June 2017