

# **TAURANGA ENERGY CONSUMER TRUST**

## **GROUP CONSOLIDATED FINANCIAL REPORT**

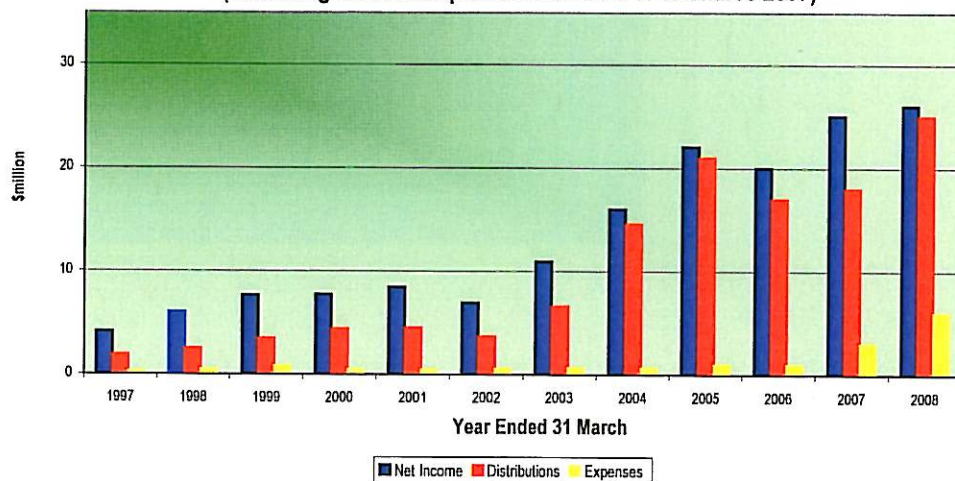
**FOR THE YEAR ENDED  
31 MARCH 2008**

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# Financial Highlights at 31 March 2008

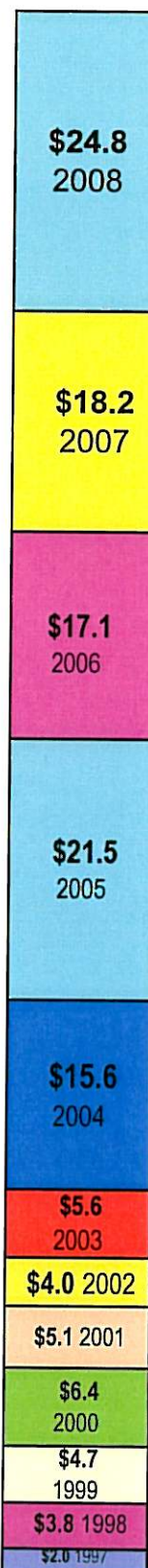
## TECT Group Results 1997-2008

(Excluding One-Off Capital Gain on Sale TPW Shares 2007)

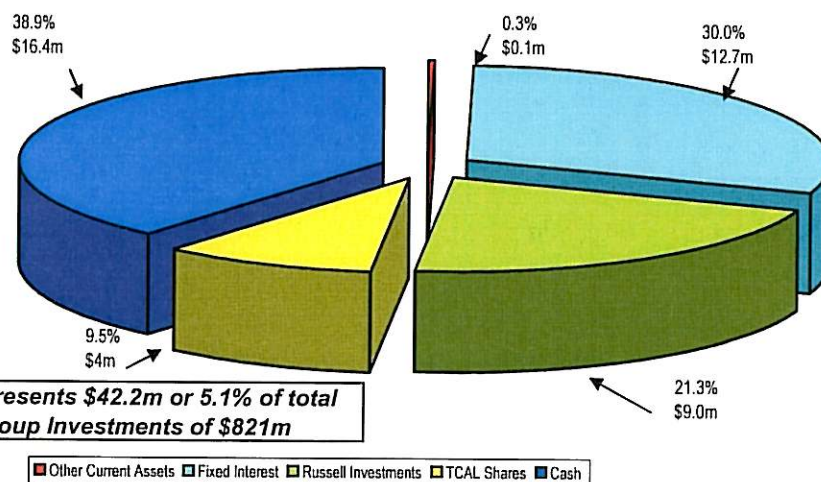


Total Trustee  
Income Allocations  
transferred to  
Beneficiary Reserves

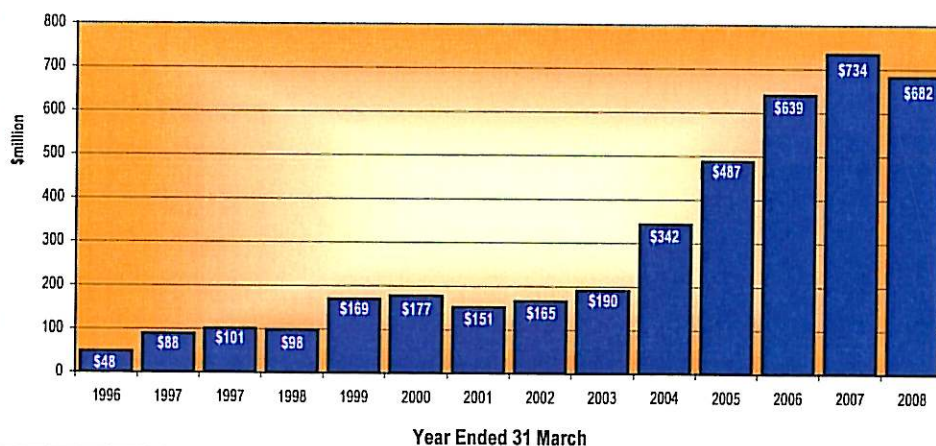
(\$millions)



## TECT Group Consolidated Investments & Fixed Interest (excl TPW Shares)



## TECT Group Net Equity Growth



# **TAURANGA ENERGY CONSUMER TRUST**

## **GROUP CONSOLIDATED FINANCIAL REPORT**

### **DIRECTORY**

#### **AS AT 31 MARCH 2008**

<b>Trustees:</b>	MJ Cooney, Chairperson BW Cronin, Deputy Chairperson MH Cameron F Denz IR Harris RJC Scott
<b>Secretary:</b>	KF Lellman BDO Spicers Tauranga Ltd Chartered Accountants & Business Advisers 273 Devonport Road PO Box 800 Tauranga
<b>Auditor:</b>	Ingham Mora Tauranga
<b>Solicitors:</b>	Holland Beckett, Tauranga Quigg Partners, Wellington
<b>Financial Advisors:</b>	Strategic Group Limited, Auckland KPMG, Christchurch KPMG, Wellington
<b>Bankers:</b>	Westpac, National Bank, ANZ Bank, Kiwibank 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**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2008**

	TECT Group		Tauranga Energy Consumer Trust	
	2008	2007	2008	2007
Operating Income				
Dividend - TrustPower Limited/TCAL	30,351,970	24,446,315	227,107	10,942,066
Dividend - TECT Holdings Limited	-	-	22,252,196	10,286,073
Fair Value Adjustment of RPS	-	-	17,792,181	-
Interest Received	2,241,693	1,511,486	1,236,801	1,189,287
Russell Investments Distribution (Note 3b)	523,671	219	523,671	219
Russell Investments Funds Fee Rebate (Note 3b)	82,723	77,602	82,723	77,602
Chapel Street Rental Income	28,202	23,857	28,202	23,857
Donations	100	-	100	-
Capital Gain on Sale TrustPower Shares	-	-	-	482,945,098
<b>TOTAL INCOME</b>	<b>33,228,359</b>	<b>26,059,479</b>	<b>42,142,981</b>	<b>505,464,202</b>
Less Expenses				
Administration & Legal Expenses				
Audit Fees	13,500	9,550	13,500	9,550
Bank Charges	2,287	778	1,820	685
Fair Value Adjustment of RPS	-	-	-	62,182,456
Goods & Services Tax	75,072	61,779	73,676	60,526
Impairment of Intangible Asset - RPS Costs	233,045	113,753	-	-
Insurance	7,940	-	7,940	-
Interest (Note 10)	-	39,952	151,622	138,588
Legal and Advisory Fees (Note 11)	123,600	751,976	115,949	59,479
Legal and Advisory Fees re Incorporation (Note 11)	-	4,106	-	-
RPS Dividend - Arawata Finance	5,195,463	1,288,248	-	-
Secretarial Costs	263,598	209,834	252,135	200,012
Stationery	6,079	7,433	6,079	7,433
Sundry Expenses	6,322	8,563	6,322	8,563
	<b>5,926,906</b>	<b>2,495,972</b>	<b>629,043</b>	<b>62,667,292</b>
Consumer Related Expenses				
Consumer Consultation, Research & Reporting	71,593	13,795	71,593	13,795
Community Events / Special Projects	7,349	9,389	7,349	9,389
Community Subsidy Administration Costs	9,585	13,869	9,585	13,869
Election Costs	14,670	79,608	14,670	79,608
Electricity Consumer Distribution Costs	50,997	58,348	50,997	58,348
Concession Cards	33,109	26,777	33,109	26,777
	<b>187,303</b>	<b>201,786</b>	<b>187,303</b>	<b>201,786</b>
Trustee Expenses				
Trustee Expenses	12,714	8,259	12,714	8,259
Trustee Fees	120,170	116,101	120,170	116,101
	<b>132,884</b>	<b>124,360</b>	<b>132,884</b>	<b>124,360</b>
<b>TOTAL EXPENSES</b>	<b>6,247,093</b>	<b>2,822,118</b>	<b>949,230</b>	<b>62,993,438</b>
<b>TOTAL SURPLUS FOR YEAR BEFORE TAXATION</b>	<b>26,981,266</b>	<b>23,237,361</b>	<b>41,193,751</b>	<b>442,470,764</b>
Deferred Tax Adjustment (Note 14)	533,766	(1,865,473)	5,871,420	(20,520,210)
Tax Charge (Note 5)	629,116	64,500	331,087	212,246
<b>TOTAL SURPLUS AFTER TAXATION</b>	<b>\$ 25,818,384</b>	<b>\$ 25,038,334</b>	<b>\$ 34,991,244</b>	<b>\$ 462,778,728</b>



# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2008

	TECT Group		Tauranga Energy Consumer Trust	
	2008	2007	2008	2007
Total recognised revenues and expenses				
Net Surplus for the Year	25,818,384	25,038,334	34,991,244	462,778,728
Increase/(Decrease) in Fair Value Reserve	(75,791,192)	161,310,705	(998,429)	(562,343,517)
Deferred Tax on Revaluations	22,767,311	(72,821,178)	329,482	(608,441)
	(27,205,497)	113,527,861	34,322,297	(100,173,230)
Distributions of Equity (Note 8)	(24,802,921)	(17,612,334)	(24,392,921)	(17,612,334)
Distributions of Equity (Operating Costs)	-	-	(12,541)	(11,275)
Distributions of Equity 2008	-	-	(1,000,000)	-
Movements in equity for the year	(52,008,418)	95,915,527	8,916,835	(117,796,839)
Trust equity at start of the year	734,438,335	638,522,808	518,827,783	636,624,622
Trust equity at end of the year	<u>\$ 682,429,917</u>	<u>\$ 734,438,335</u>	<u>\$ 527,744,618</u>	<u>\$ 518,827,783</u>

# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## BALANCE SHEET AS AT 31 MARCH 2008

		TECT Group		Tauranga Energy Consumer Trust	
		2008	2007	2008	2007
<b>TRUST EQUITY</b>					
Accumulated Final Surpluses	(Note 2)	77,774,353	77,170,969	522,175,605	513,001,902
Fair Value Reserve	(Note 2)	599,652,925	652,676,806	566,374	1,235,321
Major Community Amenities	(Note 16)	3,983,660	4,000,000	3,983,660	4,000,000
Community Amenities	(Note 16)	130,097	170,500	130,097	170,500
Community Events / Special Programmes	(Note 16)	296,384	238,647	296,384	238,647
Scholarship Fund	(Note 16)	9,000	10,000	9,000	10,000
Energy Efficiency	(Note 16)	425,012	75,000	425,012	75,000
Community Org Subsidies - Unallocated	(Note 16)	158,486	96,413	158,486	96,413
<b>TOTAL TRUST EQUITY</b>		<b>\$ 682,429,917</b>	<b>\$ 734,438,335</b>	<b>\$ 527,744,618</b>	<b>\$ 518,827,783</b>
<i>Represented by:</i>					
<b>Current Assets</b>					
Cash & Cash Equivalents -					
Westpac - Current Account		73,603	61,452	73,603	61,452
Westpac - Consumer Distribution Account		754,473	511,614	754,473	511,614
ANZ Bank - Current Account		6,877	619,665	-	-
Short Term Deposits (less than 90 days)	(Note 4)	15,557,312	5,048,709	12,579,517	5,048,709
Short Term Deposits (Other)	(Note 4)	12,670,091	18,483,016	10,067,968	13,603,841
Advance - TECT Holdings Ltd		-	-	-	80,305
- TECT Finance Ltd		-	-	-	163
- TECT Finance No 2 Ltd		-	-	2,408	1,575
Sundry Accounts Receivable	(Note 9)	19,617	98,772	19,617	98,772
Taxation Refund Due	(Note 5)	94,261	154,738	-	65,471
<b>Total Current Assets</b>		<b>29,176,234</b>	<b>24,977,966</b>	<b>23,497,586</b>	<b>19,471,902</b>
<b>Investments</b>					
Shares in TrustPower Ltd	(Note 3a)	779,091,285	853,884,048	-	-
Russell World Share Fund - B Class	(Note 3b)	5,325,866	5,869,719	5,325,866	5,869,719
Russell World Bond Class - B Class	(Note 3b)	3,666,882	3,517,892	3,666,882	3,517,892
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
RPS - TECT Holdings Ltd	(Note 12)	-	-	485,894,869	468,102,688
RPS - Tauranga City Aquatics	(Note 3d)	4,000,000	4,000,000	4,000,000	4,000,000
Chapel Street Property	(Note 3c)	-	800,490	-	800,490
<b>Total Investments</b>		<b>792,084,033</b>	<b>868,072,149</b>	<b>498,890,717</b>	<b>482,293,889</b>
<b>Non Current Assets</b>					
Deferred Taxation	(Note 14)	-	-	14,523,309	20,039,856
<b>Total Non Current Assets</b>		<b>-</b>	<b>-</b>	<b>14,523,309</b>	<b>20,039,856</b>
<b>TOTAL ASSETS</b>		<b>\$ 821,260,267</b>	<b>\$ 893,050,115</b>	<b>\$ 536,911,612</b>	<b>\$ 521,805,647</b>

# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## BALANCE SHEET AS AT 31 MARCH 2008

		Consolidated		Tauranga Energy Consumer Trust	
		2008	2007	2008	2007
<b>Less Current Liabilities</b>					
Sundry Accounts Payable		93,188	74,838	90,775	71,811
Advance from TECT Charitable Trust	(Note 10)	-	-	592,543	196,884
Provision for Distributions	(Note 8)	5,173,378	3,109,169	4,513,378	2,709,169
Advance - TECT Holdings Ltd		-	-	81,810	-
- TECT Finance Ltd		-	-	3,866,766	-
Taxation Payable		-	-	21,722	-
<b>Total Current Liabilities &amp; Distribution Provisions</b>		<b>\$ 5,266,566</b>	<b>\$ 3,184,007</b>	<b>\$ 9,166,994</b>	<b>\$ 2,977,864</b>
<b>NON CURRENT LIABILITIES</b>					
Redeemable Preference Shares	(Note 12)	84,995,102	84,747,901	-	-
Deferred Taxation	(Note 14)	48,568,682	70,679,872	-	-
<b>Total Non Current Liabilities</b>		<b>133,563,784</b>	<b>155,427,773</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>\$ 138,830,350</b>	<b>\$ 158,611,780</b>	<b>\$ 9,166,994</b>	<b>\$ 2,977,864</b>
<b>NET ASSETS</b>		<b>\$ 682,429,917</b>	<b>\$ 734,438,335</b>	<b>\$ 527,744,618</b>	<b>\$ 518,827,783</b>

Trustee .....



Trustee .....

Date 15 July 2008

# TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2008

	Consolidated		TECT	
	2008	2007	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash was provided from/(disbursed to):				
Dividends Received	30,351,970	24,446,315	22,479,303	21,228,139
Interest Received	2,089,231	1,463,427	1,235,961	1,189,287
Managers Fees Rebate & Distributions Received	603,566	76,539	603,566	76,539
Chapel Street Rental Profit	28,202	23,857	28,202	23,857
Payments to Suppliers & Trustees	(5,829,084)	(1,330,813)	(778,647)	(721,678)
Dividends Paid	-	(863,551)	-	-
Taxation Paid	(443,018)	(459,267)	(266,019)	(370,000)
Donation	100	-	100	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 26,800,967</b>	<b>\$ 23,356,507</b>	<b>\$ 23,302,466</b>	<b>\$ 21,426,144</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash was received from/(applied to):				
Purchases of Russell World Share and Bond Funds Investment	(603,565)	(76,530)	(603,565)	(76,530)
Purchase of TPW Shares	-	(82,889,780)	-	-
Purchases of Shares in Subsidiary Companies	-	-	-	(3,000)
RPS - Tauranga City Aquatics Ltd	-	(4,000,000)	-	(4,000,000)
Advances to Subsidiary Companies	-	-	3,923,089	(82,043)
Movements in Term Deposits (Greater than 90 Days)	5,812,925	(10,375,138)	3,535,873	(5,495,963)
Movement in Advance Account	-	-	(150,001)	(2,278,607)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>\$ 5,209,360</b>	<b>\$ (97,341,448)</b>	<b>\$ 6,705,396</b>	<b>\$ (11,936,143)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Cash was disbursed to:				
Contributions to TrustPower Consumers	(21,859,503)	(18,950,128)	(22,222,044)	(18,611,403)
RPS - Arawata Finance Ltd	-	85,000,000	-	-
Legal Costs for Redeemable Preference Shares	-	(787,522)	-	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>\$ (21,859,503)</b>	<b>\$ 65,262,350</b>	<b>\$ (22,222,044)</b>	<b>\$ (18,611,403)</b>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>10,150,824</b>	<b>(8,722,591)</b>	<b>7,785,818</b>	<b>(9,121,402)</b>
Add Opening Cash & Cash Equivalents	<b>6,241,440</b>	<b>14,964,031</b>	<b>5,621,775</b>	<b>14,743,177</b>
<b>CLOSING CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 16,392,264</b>	<b>\$ 6,241,440</b>	<b>\$ 13,407,593</b>	<b>\$ 5,621,775</b>

# TAURANGA ENERGY CONSUMER TRUST CONSOLIDATED FINANCIAL REPORT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2008

	Consolidated		TECT	
	2008	2007	2008	2007
<i>Represented by:</i>				
Short Term Deposits - Less than 90 Days	15,557,312	5,048,709	12,579,517	5,048,709
ANZ Current Account	6,877	619,665	-	-
Westpac Current Account	73,603	61,452	73,603	61,452
Westpac Consumer Distribution Account	754,473	511,614	754,473	511,614
	<u>\$ 16,392,265</u>	<u>\$ 6,241,440</u>	<u>\$ 13,407,593</u>	<u>\$ 5,621,775</u>
<b>Reconciliation of Net Surplus after tax to Cash Flows from Operating Activities</b>				
Net Operating Surplus/(Deficit)	25,818,384	25,038,334	34,991,244	462,778,728
Capital Gain on Sale Trust(Power Shares - Non Cash	-	-	-	(482,945,098)
Fair Value Adjustment - RPS - Non Cash	-	-	(17,792,181)	62,182,456
Interest - Non Cash	-	-	150,782	48,059
Amortisations - Non Cash	233,045	113,753	-	-
Deferred Tax - Non Cash	533,766	(1,865,473)	5,871,420	(20,520,210)
Movements in Accounts Payable	32,507	465,724	18,965	41,027
Movements in Accounts Receivable and Accruals	436	(1,054)	436	(1,064)
Movement in Taxation Paid and Resident Withholding Tax	182,829	(394,767)	61,800	(157,754)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (as above)</b>	<u>\$ 25,800,967</u>	<u>\$ 23,356,507</u>	<u>\$ 23,302,466</u>	<u>\$ 21,426,144</u>



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

## **Notes to the Financial Report For the Year Ended 31 March 2008**

### **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **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.

#### **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 liable to pay TrustPower Limited for electrical energy supplied to premises in the area being supplied by the Tauranga Electric Power Board on 21 December 1993.

On 1 April 2004 Consumers in the Tauranga district previously supplied by Tauranga Electricity Limited (December 1993) were included as Beneficiaries of the Trust following negotiations with Tauranga District Council and compensation agreed upon at \$2,500,000. The Trust Deed was amended on 1 April 2004 to formally include these installations as beneficiaries of TECT.

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 was set up to provide a stable local shareholding base for TrustPower Limited as it sought to be a strong successful business in the deregulated energy sector in New Zealand. Currently the TECT Group holds 103,878,838 shares, representing 33% in the capital of TrustPower Limited.

In December 2006, TECT transferred the TrustPower shareholding to TECT Holdings Ltd, a 100% wholly owned subsidiary company.

Also in December 2006, TECT secured an option to purchase from Infratil 4.4% of TrustPower (*14 million shares*) at a price of \$5.90 per share. TECT sought the approval of TrustPower's shareholders. The \$85 million deal is debt funded by the TECT Group.

TECT is governed by six trustees who are elected by Consumers for a four year term. 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.

#### **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 assets as specified below have been revalued.

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

## **Notes to the Financial Report For the Year Ended 31 March 2008**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. 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 comprise the Consolidated Financial Statements of the Group and the separate Financial Statements of the parent Trust.

The information is presented in New Zealand dollars.

### **SPECIFIC ACCOUNTING POLICIES**

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

#### *a Basis of Consolidation*

The consolidated financial statements include the parent Trust and its subsidiaries accounted for using the purchase method. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

#### *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 losses.

#### *c Taxation*

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profit to utilise the temporary differences.

#### *d Goods And Services Tax*

The TECT Group is not carrying on a taxable activity. However TECT was registered for GST during the 2004 financial year as the Trust investigated opportunities in the commercial investment property sector. Expenses are shown net of GST and the cost of GST is shown separately in the Income Statement.

#### *e Foreign Currencies*

Transactions in foreign currencies are initially recognised in the functional currency of the relevant operating unit.

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

#### *f Financial Instruments*

Financial instruments are recognised in the balance sheet 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 recorded at fair value.

# **Tauranga Energy Consumer Trust**

## **Group Consolidated Financial Report**

### **Notes to the Financial Report**

#### **For the Year Ended 31 March 2008**

##### *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 financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Trustees determine the classification of its investments at initial recognition and re-evaluates 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 'financial asset at fair value through equity'. This investment is recognised at fair value on the Group's Balance Sheet with movements being recognised in equity except for impairments which are recognised in the Income Statement. 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.

##### Russell Investments

Russell Investments are classified as financial assets at fair value through equity. The investment is recognised at fair value on the Group's Balance Sheet with movements being recognised in equity except for impairments which are recognised in the Income Statement. The investments in the Russell World Strategies Fund and the Russell World Bond Fund have been valued on the basis of the fair value of the whole fund, rather than the component parts, which reflects the nature of the investment.

##### 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 fair value. Gains and losses when the asset is impaired or derecognised are recognised in the Income Statement.

##### 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.

After initial recognition this investment is measured at fair value at amortised cost using the effective interest rate method. Gains and losses when the asset is impaired or derecognised are recognised in the Income Statement.

##### *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.

##### *g Revenue*

Revenue is measured at the fair value of consideration received.

##### *Investment Income*

In the Income Statement, dividends are shown net of imputation credits, and dividends and interest are both shown gross of withholding taxes paid.

Interest income is recognised using the accrual method.

##### *h Statement of Cash Flows*

For the purpose of the Cash Flow Statement, 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.

# **Tauranga Energy Consumer Trust**

## **Group Consolidated Financial Report**

### **Notes to the Financial Report**

#### **For the Year Ended 31 March 2008**

#### **CHANGES IN ACCOUNTING POLICY**

The Group has implemented the New Zealand equivalent to International Financial Reporting Standards ('IFRS') for the first time. This has necessitated several changes of accounting policy. The principal changes are:

(i) Intangible assets with indefinite useful lives are no longer amortised but are tested for impairment each year. Previously they were amortised over 3 years. Costs of Redeemable Preference Shares relating to financial instruments valued at fair value at amortised cost have been taken up in the calculation of fair value of those instruments on conversion of the Financial Statements to IFRS.

(ii) Deferred tax is now provided using the balance sheet approach rather than the income statement approach previously applied. The balance sheet approach is calculated on taxable temporary differences between the carrying amount of assets and liabilities for accounting and tax purposes. Deferred tax is now recognised in the income statement except to the extent that it relates to items recognised directly in equity or as part of a business combination.

The amount of deferred tax provided is based on the expected manner or realisation or settlement of the carrying amount of assets and liabilities. Any 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. The future realisation of the tax benefit is subject to the requirements of income tax legislation being met.

(iii) Valuation of financial instruments

TECT now classifies its financial assets and liabilities into four categories depending on the purpose for which they were acquired. Trustees determine the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(iv) There have been a number of changes to the disclosures made to comply with the New Zealand equivalent to International Financial Reporting Standards including:

- Changes to the format of the Income Statement;
- More detail given of movements in the components of Equity;
- A detailed explanation of how impairment is assessed.

(v) New Standards and interpretations not yet adopted:

**NZ IFRS 8 Operating Segments** - NZ IFRS 8, which becomes mandatory for the Group's 2010 financial statements, is not expected to have any impact on the consolidated financial statements.

**NZ IAS 1 Presentation of Financial Statements (revised)** - NZ IAS 1 will become mandatory for the Group's 2010 financial statements. The Group has not yet determined the potential effect of the standard on the consolidated financial statements.

**NZ IAS 23 Borrowing Costs** - NZ IAS 23 will become mandatory for the Group's 2010 financial statements, and is not expected to have any impact on the consolidated financial statements.

#### **Reconciliation of Equity**

The tables in Note 2a and 2b show the changes in Equity resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 April 2006 and 31 March 2007 for Tauranga Energy Consumer Trust and TECT Group.

#### **Reconciliation of Surplus - Year ended 31 March 2007**

The table in Note 2c shows the changes in the Surplus reported for the year ended 31 March 2007 resulting from the transition from previous NZ GAAP to NZ IFRS.

#### **Reconciliation of Cash Flows - Year ended 31 March 2007**

Transition from previous NZ GAAP to NZ IFRS has had no effect on the statement of cash flows other than the adjustment between the profit and non cash expense figures as set out in Note 2c Reconciliation of Surplus.

# Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report  
For the Year Ended 31 March 2008

## 2 TECT Group Equity

**Accumulated Final Surpluses**  
(including initial share gift 1993 of \$42.5 million):

Balance at Beginning of Year  
Current Year Final Surplus  
Transfers from Reserves for Distributions

Less Transfers to Provision for Distribution (Note 8)

**Share/Trust Capital**

**Fair Value Reserve**

Balance at Beginning of Year  
Current Year Revaluation - TrustPower Shares  
Write Back of Reserve on Sale  
Transfer to Realised Capital Gain on Sale  
Deferred Tax on Fair Value Movements  
Current Year Revaluation re Russell Group Ltd

**Reserves for Distributions:**

Major Amenities (Note 16)  
Scholarship Fund (Note 16)  
Community Events/Special Projects (Note 16)  
Community Amenities (Note 16)  
Community Organisation Subs - Unallocated (Note 16)  
Energy Efficiency (Note 16)

**Total Trust Equity**

	Group		TECT		Other Entities	
	2008	2007	2008	2007	2008	2007
<b>Accumulated Final Surpluses</b>						
(including initial share gift 1993 of \$42.5 million):						
Balance at Beginning of Year	77,170,969	70,332,635	513,001,902	68,434,449	47,114,165	1,898,186
Current Year Final Surplus	25,818,384	25,038,334	34,991,244	462,778,728	(9,172,860)	45,204,704
Transfers from Reserves for Distributions	(412,078)	(587,666)	(412,078)	(587,666)	-	-
	102,577,275	94,783,303	547,581,068	530,625,511	37,941,305	47,102,890
Less Transfers to Provision for Distribution (Note 8)	(24,802,922)	(17,612,334)	(25,405,463)	(17,623,609)	602,541	11,275
	\$ 77,774,353	\$ 77,170,969	\$ 522,175,605	\$ 513,001,902	\$ 38,543,846	\$ 47,114,165
	\$ -	\$ -	\$ -	\$ -	\$ 3,100	\$ 3,100
<b>Share/Trust Capital</b>						
<b>Fair Value Reserve</b>						
Balance at Beginning of Year	652,676,806	564,187,279	1,235,321	564,187,279	168,496,387	-
Current Year Revaluation - TrustPower Shares	(74,782,763)	160,716,957	-	86,283,684	(74,792,763)	240,709,124
Write Back of Reserve on Sale	-	-	-	(166,275,951)	-	-
Transfer to Realised Capital Gain on Sale	-	-	-	(482,945,098)	-	-
Deferred Tax on Fair Value Movements	22,767,311	(72,821,178)	325,482	(608,441)	22,437,829	(72,212,737)
Current Year Revaluation re Russell Group Ltd	(998,429)	593,748	(998,429)	593,748	-	-
	\$ 599,652,925	\$ 652,676,806	\$ 566,374	\$ 1,235,321	\$ 116,141,453	\$ 168,496,387
<b>Reserves for Distributions:</b>						
Major Amenities (Note 16)	3,983,660	4,000,000	3,983,660	4,000,000	-	-
Scholarship Fund (Note 16)	9,000	10,000	9,000	10,000	-	-
Community Events/Special Projects (Note 16)	296,384	238,647	296,384	238,647	-	-
Community Amenities (Note 16)	130,097	170,500	130,097	170,500	-	-
Community Organisation Subs - Unallocated (Note 16)	158,486	96,413	158,486	96,413	-	-
Energy Efficiency (Note 16)	425,012	75,000	425,012	75,000	-	-
	\$ 5,002,639	\$ 4,590,560	\$ 5,002,639	\$ 4,590,560	\$ -	\$ -
	\$ 682,429,917	\$ 734,438,335	\$ 527,744,618	\$ 518,827,783	\$ 154,688,399	\$ 215,613,652



# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2008

#### 2a Explanation of transition to NZ IFRS

The following table shows the changes in Equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 April 2006 and 31 March 2007.

#### Reconciliation of Equity - TECT

	TECT			TECT		
	Notes	Previous NZGAAP 01-Apr-06	Effect of Transition 01-Apr-06	NZIFRS 01-Apr-06	Notes	Previous NZGAAP 31-Mar-07
<b>TRUST EQUITY</b>						
Accumulated Final Surpluses		68,434,449		68,434,449	2a(iv)	554,664,149
Investment Revaluation Reserve	2a(i)	564,187,279	(564,187,279)	-	2a(ii)	1,843,762
Fair Value Reserve	2a(i)	-	564,187,279	564,187,279	2a(ii)	-
Major Amenities		2,000,000		2,000,000		4,000,000
Community Amenities		897,500		897,500		170,500
Community Events / Special Programmes		622,872		622,872		238,647
Scholarship Fund		5,000		5,000		10,000
Energy Efficiency		250,000		250,000		75,000
Community Org Subsidies - Unallocated		227,521		227,521		96,412
<b>TOTAL TRUST EQUITY</b>		<b>636,624,621</b>	<b>-</b>	<b>636,624,621</b>		<b>\$ 561,098,470</b>
						<b>\$ (42,270,687)</b>
						<b>\$ 518,827,783</b>
<b>Represented by:</b>						
<b>Current Assets</b>						
Cash & Cash Equivalents		34,584		34,584		61,452
Westpac - Current Account		373,495		373,495		511,614
Westpac - Consumer Distribution Account		-		-		-
ANZ Bank - Current Account		-		-		-
Short Term Deposits (Under 90 Days)	2a(iii)	22,442,977	7,742,462	7,742,462	2a(iii)	5,048,709
Short Term Deposits	2a(iii)	-	(7,742,462)	14,700,515	2a(iii)	(5,048,709)
Advance - TECT Holdings Ltd		-		-		80,305
- TECT Finance Ltd		-		-		163
- TECT Finance No 2 Ltd		-		-		1,575
- TECT		-		-		-
Sundry Accounts Receivable		18,989		18,989		98,772
Deferred Taxation		-		-	2a(v)	20,039,856
Taxation Refund Due		35,806		35,806		65,471
		<b>22,905,851</b>		<b>22,905,851</b>		<b>19,599,989</b>
						<b>39,511,758</b>

2a Explanation of transition to NZ IFRS (cont'd)

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# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2008

### 2b Explanation of transition to NZ IFRS

The following table shows the changes in equity, resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 April 2006 and 31 March 2007.

#### Reconciliation of Equity - Group

	Notes	GROUP			Notes	GROUP		
		Previous NZGAAP 01-Apr-06	Effect of Transition 01-Apr-06	NZIFRS 01-Apr-06		Previous NZGAAP 31-Mar-07	Effect of Transition 31-Mar-07	NZIFRS 31-Mar-07
<b>TRUST EQUITY</b>								
Accumulated Final Surpluses		70,332,635		70,332,635	2b(iii)	75,343,597	1,827,373	77,170,970
Investment Revaluation Reserve	2b(i)	564,187,279	(564,187,279)	-	2b(ii)	725,497,984	(725,497,984)	-
Fair Value Reserve	2b(i)	-	564,187,279	564,187,279	2b(ii)	-	652,676,806	652,676,806
Major Amenities		2,000,000		2,000,000		4,000,000		4,000,000
Community Amenities		897,500		897,500		170,500		170,500
Community Events / Special Programmes		622,872		622,872		238,647		238,647
Scholarship Fund		5,000		5,000		10,000		10,000
Energy Efficiency		250,000		250,000		75,000		75,000
Community Org Subsidies - Unallocated		227,521		227,521		96,412		96,412
<b>TOTAL TRUST EQUITY</b>		<b>\$ 638,522,807</b>	<b>-</b>	<b>\$ 638,522,807</b>		<b>\$ 805,432,140</b>	<b>(70,993,805)</b>	<b>\$ 734,438,335</b>

Represented by:

#### Current Assets

Cash & Cash Equivalents						61,452		61,452
Westpac - Current Account		34,584		34,584		511,614		511,614
Westpac - Consumer Distribution Account		373,495		373,495		619,665		619,665
ANZ Bank - Current Account		-		-		-		-
Short Term Deposits (Under 90 Days)	2b(iv)	-	7,742,462	7,742,462	2b(iv)	23,531,725	5,048,709	5,048,709
Short Term Deposits (Over 90 Days)	2b(iv)	22,663,831	(7,742,462)	14,921,369	2b(iv)	98,772	(5,048,709)	18,483,016
Sundry Accounts Receivable		18,989		18,989		275,833		98,772
Deferred Taxation		-		-	2b(vi)	154,738	(70,955,705)	(70,679,872)
Taxation Refund Due		35,806		35,806		25,253,799		154,738
		<b>23,126,705</b>		<b>23,126,705</b>			<b>(70,955,705)</b>	<b>(45,701,906)</b>

#### Investments

Shares in TrustPower Ltd		610,277,310		610,277,310		853,884,048		853,884,048
Russell World Share Fund - B Class		5,808,667		5,808,667		5,869,719		5,869,719
Russell World Bond Class - B Class		2,908,666		2,908,666		3,517,892		3,517,892
RPS - Tauranga City Aquatics		-		-		4,000,000		4,000,000
Chapel Street Property		800,490		800,490		800,490		800,490
		<b>619,795,133</b>		<b>619,795,133</b>		<b>868,072,149</b>		<b>868,072,149</b>

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

**Notes to the Financial Report**  
**For the Year Ended 31 March 2008**

**2b Explanation of transition to NZ IFRS (cont'd)**

	GROUP		Notes	GROUP		Notes	GROUP	
	Previous NZGAAP 01-Apr-06	Effect of Transition 01-Apr-06		Previous NZGAAP 01-Apr-06	Effect of Transition 01-Apr-06		Previous NZGAAP 31-Mar-07	Effect of Transition 31-Mar-07
<b>Non Current Assets</b>								
Capitalised Costs for RPS						2b(iii)	714,897	(714,897)
<b>TOTAL INVESTMENTS &amp; ASSETS</b>	<b>\$ 642,921,838</b>			<b>\$ 642,921,838</b>			<b>\$ 894,040,845</b>	<b>\$ (71,570,602)</b>
<b>Less Current Liabilities</b>								
Sundry Accounts Payable	30,786			30,786		2b(v)	499,536	(424,698)
Provision for Distributions	4,368,245			4,368,245			3,109,169	
<b>TOTAL CURRENT LIABILITIES &amp; DISTRIBUTION</b>								
<b>PROVISIONS</b>	<b>\$ 4,399,031</b>			<b>\$ 4,399,031</b>			<b>\$ 3,600,705</b>	<b>\$ (424,698)</b>
<b>NON CURRENT LIABILITIES</b>								
Redeemable Preference Shares						2b(v)	85,000,000	(252,099)
<b>TOTAL LIABILITIES</b>	<b>\$ 4,399,031</b>			<b>\$ 4,399,031</b>			<b>\$ 88,600,705</b>	<b>\$ (676,797)</b>
<b>NET ASSETS</b>	<b>\$ 638,522,807</b>			<b>\$ 638,522,807</b>			<b>\$ 805,432,140</b>	<b>\$ (70,993,805)</b>
<b>2b(i)</b> Transfer of balance of Investment Revaluation Reserve to Fair Value Reserve	<b>\$ 564,187,279</b>			<b>\$ 564,187,279</b>		<b>2b(iv)</b> Reclassification of Short Term Deposits as Cash & Cash Equivalents 1 April 2005	<b>\$ 7,742,462</b>	
<b>2b(ii)</b> Prior Year Adjustments as Above	<b>\$ 564,187,279</b>			<b>\$ 564,187,279</b>		31 March 2007	<b>\$ 5,048,709</b>	
Transfer of 2007 Movements in Fair Value Reserve	161,310,705			161,310,705				
Less Fair Value Adjustment on TPW	725,497,984			725,497,984				
Less Fair Value Adjustment on Russell Investments	(72,212,737)			(72,212,737)		2b(v) Transfer Accrued RPS Payment to Liability Less Capitalised Costs Transferred to Liability	424,698	(676,797)
	(608,441)			(608,441)			<b>\$ (252,099)</b>	
<b>2b(iii)</b> Net Deferred Tax Adjustment 2b(vi) Less Write off Capital Costs for RPS previously amortised	<b>\$ 1,827,373</b>			<b>\$ 1,827,373</b>		2b(vi) Deferred Tax on Fair Value Adjustments Russell Investments TrustPower	(608,441)	(72,212,737)
						Deferred Tax on Fair Value Adjustment of RPS TECT (at 33%) TECT Holdings (at 30%)	(20,520,210)	(10,654,737)
Capitalised Costs Transferred to Liability Write off Capital Costs for RPS previously amortised	(676,797)			(676,797)			<b>\$ (1,865,473)</b>	
	(38,100)			(38,100)		Total Deferred Tax Adjustment	<b>\$ (70,955,705)</b>	

# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2008

### 2c Reconciliation of surplus for the year ended 31 March 2007

The following table shows the changes in surplus for the year ended 31 March 2007 resulting from the transition from previous NZ GAAP to NZ IFRS.

Group					TECT		
Notes	Previous NZGAAP 31-Mar-07	Effect of Transition 31-Mar-07	NZIFRS 31-Mar-07	Notes	Previous NZGAAP 31-Mar-07	Effect of Transition 31-Mar-07	NZIFRS 31-Mar-07
<b>Operating Income</b>							
Dividend - TrustPower Limited/TCAL	24,446,315		24,446,315		10,942,066		10,942,066
Dividend - TECT Holdings Limited	-		-		10,286,073		10,286,073
Interest Received	1,511,486		1,511,486		1,189,287		1,189,287
Russell Investments Distribution	219		219		219		219
Russell Investments Funds Fee Rebate	77,602		77,602		77,602		77,602
Chapel Street Rental Profit	23,857		23,857		23,857		23,857
Capital Gain on Sale TrustPower Shares	-		-		482,945,098		482,945,098
<b>TOTAL INCOME</b>	<u>26,059,479</u>		<u>26,059,479</u>		<u>505,464,202</u>		<u>505,464,202</u>
<b>Less Expenses</b>							
Administration & Legal Expenses	2,457,871	38,101	2,495,972		484,836		484,836
Consumer Related Expenses	201,786		201,786		201,786		201,786
Fair Value Adjustment - RPS	-		-	2c(ii)	-	(62,182,456)	62,182,456
Trustee Expenses	124,360		124,360		124,360		124,360
<b>TOTAL EXPENSES</b>	<u>2,784,017</u>		<u>2,822,118</u>		<u>810,982</u>		<u>810,982</u>
<b>TOTAL SURPLUS FOR YEAR BEFORE TAX</b>	<u>23,275,462</u>		<u>23,237,361</u>		<u>504,653,220</u>		<u>442,470,764</u>
Deferred Tax Adjustment	-	1,865,473	1,865,473	2c(iii)	-	20,520,210	20,520,210
Tax Charge	(64,500)		(64,500)		(212,246)		(212,246)
<b>TOTAL SURPLUS AFTER TAXATION</b>	<u>23,210,962</u>	<u>\$ 1,903,574</u>	<u>\$ 25,038,334</u>		<u>\$ 504,440,974</u>	<u>\$ (41,662,246)</u>	<u>\$ 462,778,728</u>
<b>2c(i)</b>	Write off of Capital Costs for RPS previously amortised			<b>2c(iii)</b>	Deferred Tax on Fair Value Adjustment of RPS (TECT at 33%)		20,520,210
<b>2c(ii)</b>	Fair Value Adjustment on RPS		(62,182,456)	Less Deferred Tax on Fair Value Adjustment of RPS (TECT Holdings Ltd at 30%)			18,654,737
	Less Deferred Tax on Fair Value Adjustment		<u>20,520,210</u>				<u>1,865,473</u>
			<u>\$ (41,662,246)</u>				



# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2008

#### 3 INVESTMENTS

- a. **TrustPower Limited** - Fair value has been assessed at \$7.50 per share (\$8.22 per share, 2007), being the closing buy quotation on 31 March 2008 (being last business day of month). No allowance has been made for commissions on disposal of shares. Values adopted being:

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
Opening Balance	853,884,048	610,277,310
Add Purchase 14million shares @ \$5.90	-	82,889,780
Add/(deduct) current year change in valuation	(74,792,763)	160,716,958
Closing Balance 103,878,838 shares @ \$7.50 per share (2007: 103,878,838 shares @ \$8.22)	<b>\$ 779,091,285</b>	<b>\$ 853,884,048</b>

- b. **Russell World Strategies and Bond Funds** - Redemption value (calculated from exit prices) has been assessed at the redemption rate on 31 March 2008 and using the Australian Rate of Exchange of 0.8679 cents. Transactions during the year have been converted to New Zealand dollars using the Inland Revenue Department 'conversion rates' applying at the time of each transaction.

2008	Units	\$A	\$NZ
<b>Russell World Strategies Fund</b>			
Opening Balance 1 April 2007	4,190,860		5,869,719
Distributions 2 July 2007, 16 January 2008	315,925	395,996	441,586
Less Withholding Tax on Distribution		(2,676)	(2,966)
Reinvested Managers Fee Rebates	38,714	45,292	51,322
Plus/(Less) Current Year Change in Valuation			(1,033,795)
Closing Balance @ Redemption Rate \$A1.0169	4,545,499		\$5,325,866
<b>Russell World Bond Fund</b>			
Opening Balance 1 April 2007	3,401,229		3,517,892
Distributions July, October 07, January 2008	80,318	73,542	82,084
Less Withholding Tax on Distribution		(267)	(298)
Reinvested Managers Fee Rebate	30,744	28,066	31,836
Plus/(Less) Current Year Change in Valuation			35,368
Closing Balance @ Redemption Rate \$A0.9061	3,512,291		\$3,666,882
<b>Total Funds</b>			<b>\$8,992,748</b>
<b>2007</b>	<b>Units</b>	<b>\$A</b>	<b>\$NZ</b>
<b>Russell World Strategies Fund</b>			
Opening Balance 1 April 2006	4,532,708	4,979,189	5,808,667
Distribution 3 July 2006	160	172	219
Less Withholding Tax on Distribution		(8)	(10)
Reinvested Managers Fee Rebates	16,456	20,105	22,995
Less Units Redeemed	(358,464)	(362,838)	(440,872)
Plus/(Less) Current Year Change in Valuation			478,720
Closing Balance @ Redemption Rate \$A1.4006	4,190,860		\$5,869,719
<b>Russell World Bond Fund</b>			
Opening Balance 1 April 2006	2,910,996	2,493,310	2,908,667
Plus Units Purchased	437,312	362,838	440,874
Reinvested Managers Fee Rebate	52,921	45,180	53,324
Plus/(Less) Current Year Change in Valuation			115,027
Closing Balance @ Redemption Rate \$A1.0343	3,401,229		\$3,517,892
<b>Total Funds</b>			<b>\$9,387,611</b>

- c. **Chapel Street Properties** - On 19 October 2005 TECT entered into a Heads of Agreement with Tauranga City Council (TCC) for the 1/2 share purchase of residential properties situated at 29 & 31 Chapel Street, Tauranga. This Joint Venture was entered into to preserve the status quo regarding the properties pending completion of strategic planning by TCC and the Elms Foundation. On 18 December 2007 the properties were transferred to the Elms Foundation as part settlement of a grant of \$1,000,490.

- 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%.

# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2008

#### 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

The maximum exposure to credit risk is represented by the carrying value of each financial asset and financial liability in the Balance Sheet except for the Redeemable Preference Shares which have a maximum credit risk of \$85 million. The TECT Group has the majority of its funds invested in TrustPower shares, therefore there is a concentration of credit risk associated with this investment. Other investments comprise 5.2% of the consolidated investment portfolio and are reviewed regularly by the Trustees to minimise the credit risk. TECT 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.

TECT's SIPO stipulates value ranges that may be held in equities, property, New Zealand fixed interest and cash. Within each of these investment categories there are maximum limits that can be invested within one investment type. Investments are rebalanced regularly where outside range to accord with the Asset Allocation Plan. This diversified investment strategy reduces the credit risk exposure of the Group.

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

TECT only invests in issues from government, local authorities, major registered banks and leading corporates with an investment grade rating.

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

These comprised:

###### TECT

Westpac	2,514,969	(On Call at 8.0%)
National Bank of NZ	5,000,000	(Term 62 days maturing 5.5.08 @ 8.8%)
Kiwibank	5,000,000	(Term 90 days maturing 3.6.08 @ 8.83%)
Accrued Interest	64,548	
	<b>\$ 12,579,517</b>	

###### TECT Charitable Trust

National Bank of NZ	2,967,778	(Term 30 days maturing 17.4.08 @ 8.8%)
Accrued Interest	10,017	
	<b>\$ 2,977,795</b>	

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

**\$ 15,557,312**

(2007: [i] \$1,023,920 on call Westpac @ 7.25%, [ii] \$4,000,000 National Bank of NZ 90 day term, maturing 31.5.07 @ 7.8%, [iii] Accrued Interest \$24,789.)

##### Short Term Deposits (Other)

These comprised:

###### TECT

Westpac	10,000,000	(Term 181 days maturing 1.9.08 @ 8.85%)
Accrued Interest	67,968	
	<b>\$ 10,067,968</b>	

###### TECT Holdings Ltd

ANZ Bank	2,584,000	(Term 182 days maturing 29.8.08 @ 8.0%)
Accrued Interest	18,123	
	<b>2,602,123</b>	

##### Total Short Term Deposits (Other)

**\$ 12,670,091**

(2007: [i] \$4,545,932 Westpac 180 day term, maturing 25.6.07 @ 7.87%, [ii] \$9,000,000 Kiwibank 180 day term, maturing 29.8.07 @ 7.91%, [iii] \$2,275,103 National Bank of NZ 120 day term, maturing 24.7.07 @ 7.9%, [iv] \$2,584,000 ANZ Bank 180 day term, maturing 31.8.07 @ 7.8%, [v] Accrued Interest \$77,981.)

# **Tauranga Energy Consumer Trust**

## **Group Consolidated Financial Report**

### **Notes to the Financial Report**

#### **For the Year Ended 31 March 2008**

#### **4 FINANCIAL INSTRUMENTS (cont'd)**

##### **Interest Rate Risk**

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.

##### **Foreign Currency Risk**

TECT holds investments denominated in foreign currencies; namely the Russell World Share and Bond Funds. The maximum exposure to currency risk is represented by the carrying value of these investments in the Statement of Financial Position.

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

##### **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.

##### **Market Risk**

Market risk is the risk that changes in market prices, such as interest rates or 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 risk is mitigated by the policies and procedures outlined in the Group's Statement of Investment Policies and Objectives ("SIPO").

##### **Other Market Price Risk**

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

# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2008

### 5 TAXATION

	Consolidated		TECT		TECT Charitable Trust		TECT Hldgs Ltd		TECT Fin Ltd		TECT Fin 2 Ltd	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Total Surplus Income for Year Before Taxation	26,981,266	23,275,461	41,193,751	442,470,764	233,254	233,254	4,706,645	3,100,646	3,100,646	(833)		
Add Non-Deductible Expenditure	23,804,951	401,413	383,327	62,503,616	-	-	17,792,181	5,428,509	5,428,509	833		
Dividend Paid	-	1,288,248	-	-	-	-	-	-	-	-	-	-
Imputation Tax Credits	14,949,479	12,040,722	11,071,897	10,455,651	-	-	14,837,619	-	-	-	-	-
FIF Income	470,497	-	470,497	-	-	-	-	-	-	-	-	-
Less Non-Assessable Income	(18,398,575)	-	(18,398,575)	(482,945,098)	-	-	-	-	-	-	-	-
	47,607,518	37,005,844	34,720,897	32,484,933	233,254	233,254	37,336,445	8,529,155	8,529,155	-	-	-
Less Beneficiary income distributed to tax exempt entities	(2,927,818)	(1,692,112)	(2,946,199)	(3,349,544)	18,381	18,381	-	-	-	-	-	-
Less Charitable Trust Income Exemption	(251,635)	(1,822,812)	-	-	(251,635)	(251,635)	-	-	-	-	-	-
	\$ 44,428,065	\$ 33,490,920	\$ 31,774,698	\$ 29,135,389	\$ -	\$ -	\$ 37,336,445	\$ 8,529,155	\$ 8,529,155	\$ -	\$ -	\$ -
Current Tax Charge at 33%	14,661,261	11,052,004	10,485,650	9,614,678	-	-	12,321,027	2,814,621	2,814,621	-	-	-
Less Group Loss Offset	-	-	-	-	-	-	2,664,339	(2,664,339)	(2,664,339)	-	-	-
Current Tax Charge at 33%	14,661,261	11,052,004	10,485,650	9,614,678	-	-	14,985,366	150,282	150,282	-	-	-
Less Imputation Tax Credits	(14,013,535)	(10,987,504)	(10,135,953)	(9,402,432)	-	-	(14,837,619)	-	-	-	-	-
Over Provision in Prior Year	(18,610)	-	(18,610)	-	-	-	-	-	-	-	-	-
	629,116	64,500	331,087	212,246	-	-	147,747	150,282	150,282	-	-	-
<b>Tax expense per Income Statement</b>												
<b>Tax Refund Due</b>												
Taxation Refund owing at Start of Year	154,739	35,805	65,472	35,805	-	-	82,491	6,776	6,776	-	-	-
Over Provision in Prior Year	18,610	-	18,610	-	-	-	-	-	-	-	-	-
Less Transfers Between Entities (Prior Year)	-	-	89,267	-	-	-	(82,491)	(6,776)	(6,776)	-	-	-
	173,349	35,805	173,349	35,805	-	-	-	-	-	-	-	-
Add Provisional Tax Paid	176,753	370,000	176,753	370,000	-	-	-	-	-	-	-	-
RWT Credits	266,266	89,267	-	-	-	-	-	-	-	-	-	-
NRWT Credits	3,264	-	3,264	-	-	-	260,138	5,731	5,731	-	-	-
Imputation Credits	14,013,535	10,987,503	10,135,953	9,402,432	397	397	14,837,619	-	-	-	-	-
Reversal of Deferred Tax on Utilised Losses	275,833	-	128,087	-	-	-	147,746	-	-	-	-	-
Less Deferred Tax on Losses from Excess IC's	(153,478)	(275,834)	(153,478)	(128,087)	-	-	-	-	-	-	-	-
Current Year Tax Charge	(14,661,261)	(11,052,004)	(10,485,650)	(9,614,678)	-	-	(14,985,366)	(150,282)	(150,282)	-	-	-
	\$ 94,261	\$ 154,738	\$ (21,722)	\$ 65,472	\$ 397	\$ 397	\$ 260,137	(144,551)	(144,551)	\$ -	\$ -	\$ -
<b>Tax Refund Due</b>												
Losses to Carry Forward	(485,084)	-	(465,084)	(388,142)	-	-	-	-	-	-	-	-
<b>Imputation Credits Claimable</b>												
Total Imputation Credits	14,949,479	12,040,722	11,071,897	10,455,651	-	-	14,837,619	-	-	-	-	-
Less ICs distributed to tax exempt beneficiaries	(935,944)	(1,053,219)	(935,944)	(1,053,219)	-	-	-	-	-	-	-	-
<b>Total ICs claimable as Tax Credit</b>	\$ 14,013,535	\$ 10,987,503	\$ 10,135,953	\$ 9,402,432	\$ -	\$ -	\$ 14,837,619	\$ -	\$ -	\$ -	\$ -	\$ -

# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2008

### 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 2008 the Group had Imputation Credits available of \$2,751,204 (2007: \$1,249,008).

#### Imputation Credit Account

Opening Balance 1 April 2007  
Plus RWT Credits on Interest Received  
Imputation Credits on Dividends Received  
  
Less Imputation Credits on Dividends Paid  
Income Tax Credits Transferred to TECT  
Closing Balance 31 March 2008

Consolidated
1,249,008
265,868
14,837,619
16,352,495
(13,512,024)
(89,267)
2,751,204

### 7 COMMITMENTS AND CONTINGENCIES

The TECT Group had no commitments or contingencies at the end of the financial year. (2007 Nil)

### 8 PROVISION FOR DISTRIBUTIONS

	Consolidated		TECT	
	2008	2007	2008	2007
Opening Balance	3,109,169	4,368,245	2,709,169	3,618,245
Plus Distributions Approved	24,802,921	17,612,334	24,392,921	17,612,334
	27,912,090	21,980,579	27,102,090	21,230,579
Less Distributions Made	(22,738,712)	(18,871,410)	(22,588,712)	(18,521,410)
<b>Closing Balance End of Year</b>	<b>\$5,173,378</b>	<b>\$3,109,169</b>	<b>\$4,513,378</b>	<b>\$2,709,169</b>
Being:				
Community Organisation Subsidies Yet To Be Uplifted	892,111	627,949	892,111	627,949
<u>Major Amenities</u>				
TECT All Terrain Park	1,238,170	238,170	1,238,170	238,170
Elms Foundation	200,000	-	200,000	-
<u>Community Amenities</u>				
Te Puke Tennis Club	-	184,369	-	184,369
St Pauls Presbyterian Church	-	250,000	-	250,000
Tauranga Domain Athletics Track	300,000	300,000	300,000	300,000
Vincent House Trust	200,000	-	200,000	-
Te Puna Community Centre	60,000	-	60,000	-
Tauranga Yacht & Power Boat Club	150,000	-	150,000	-
Greerton Amateur Athletics Club	34,095	-	34,095	-
Otumoetai Eels Rugby League Club	30,000	-	30,000	-
Tauranga Squash Racquets Club	300,000	-	300,000	-
Te Manu Toroa	100,000	-	-	-
Bay Health Foundation	300,000	-	-	-
Riding for the Disabled	250,000	250,000	-	-
<u>Community Events/Special Projects</u>				
Te Puna Playcentre	2,263	-	2,263	-
Rescue Helicopter Sponsorship	135,000	270,000	135,000	270,000
Tauranga Arts Festival	-	100,000	-	-
Tourism BOP	40,000	-	40,000	-
Tauranga Volunteer Coastguard	-	50,000	-	-
Littleweed Charitable Trust	10,000	-	-	-
<u>Energy Efficiency</u>				
EECA	125,000	225,012	125,000	225,012
<u>Direct Consumer Distributions Unclaimed</u>	<u>806,739</u>	<u>613,669</u>	<u>806,739</u>	<u>613,669</u>
	<b>\$5,173,378</b>	<b>\$3,109,169</b>	<b>\$4,513,378</b>	<b>\$2,709,169</b>

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.

# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2008

#### 9 SUNDRY ACCOUNTS RECEIVABLE

Accounts Receivable details are as follows:

	Consolidated	
	2008	2007
Accrued Managers Fee Rebate	19,617	20,053
Energy Mad Repayment of Grant	-	73,719
Westpac Bank	-	5,000
	<b>\$19,617</b>	<b>\$98,772</b>

#### 10 SUBSIDIARIES

##### TECT Charitable Trust

On 27 March 2002 TECT settled a new Charitable Trust called TECT Charitable Trust. Trustees have obtained a binding ruling from the Inland Revenue Department approving the charitable status of TECT Charitable Trust.

TECT Charitable Trust has a 31 March balance date. 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 2008 the balance of the advance from TECT Charitable Trust was \$592,543. (2007: \$196,884) This advance is unsecured, repayable on demand and has interest charged at the money market rates as at the time the advance payments are made. Interest on the advance totalled \$45,660 in the current year.

Forming the TECT Charitable Trust allows reserves to be accumulated in a tax efficient manner for future distributions to charities, therefore maximising the benefits to charities.

##### TECT Holdings Limited (THL)

THL purchased the existing 89.8 million TrustPower shares from TECT on 3 January 2007, this being financed by an issue of Redeemable Preference Shares to TECT. The Redeemable Preference Shares are redeemable on 31 December 2011 or earlier upon election by the issuer. Dividends as determined by the directors of TECT Holdings Ltd are payable on the RPS.

THL purchased an additional 14 million TrustPower shares via TECT 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 rate.

Funds were advanced and repaid between TECT and THL during the year. At 31 March 2008 the balance of the advance to TECT was \$81,810. (2007: Nil) This advance is unsecured, repayable on demand and has interest charged at the money market rates as at the time the advance payments are made. Interest on the advance totalled \$682 in the current year.

##### TECT Finance Limited (TFL)

In January 2007 TFL borrowed \$85 million from Arawata 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.

TFL advanced funds to TECT during the year. At 31 March 2008 the balance of the advance to TECT was \$3,866,766. This advance is unsecured, repayable on demand and has interest charged at the money market rates as at the time the advance payments are made. Interest on the advance totalled \$105,962 in the current year (2007: Nil).

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

TF2L was established as a shelf company to be utilised at the redemption date of the RPS, this being 15 December 2009, or at such other date on which the RPS are redeemed or required to be redeemed pursuant to the terms of the RPS contained in Schedule 1 of the Subscription Agreement.

TF2L received funds from TECT during the year. At 31 March 2008 the balance of the advance from TECT was \$2,408. This advance is unsecured, repayable on demand and has interest charged at the money market rates as at the time the advance payments are made. Interest on the advance totalled \$158 in the current year (2007: \$1,575).

#### 11 LEGAL AND ADVISORY FEES

	Consolidated		TECT	
	2008	2007	2008	2007
Paid to KPMG Christchurch	49,312	25,376	46,291	17,539
Paid to KPMG Wellington	9,165	33,914	8,545	15,863
Paid to ANZ Bank	-	148,750	-	-
Paid to Quigg - Incorporation Costs	-	4,106	-	-
- Other Legal & Advisory	9,943	39,734	9,943	-
Paid to PricewaterhouseCoopers Ltd	39,140	-	35,226	-
Paid to Strategic Finance	4,500	478,125	4,500	-
Paid to Other Financial/Legal Advisors	11,540	26,077	11,444	26,077
	<b>\$123,600</b>	<b>\$756,082</b>	<b>\$115,949</b>	<b>\$59,479</b>



# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2008

#### 12 BORROWINGS

	Consolidated	TECT	TECT Finance Ltd	TECT Holdings Ltd
TECT Finance issued 85 Redeemable Preference Shares (2007: \$84,747,901); TECT Holdings issued 530,285,144 Redeemable Preference Shares (2007: \$468,102,688)	84,995,102	(485,894,869)	84,995,102	485,894,869
	<u>\$84,995,102</u>	<u>(485,894,869)</u>	<u>\$84,995,102</u>	<u>\$485,894,869</u>

#### TERMS & CONDITIONS:

85 RPS - Arawata Finance Ltd	Term:	3 years, maturing 29 December 2009
	Security:	103,878,838 TrustPower shares
530,285,144 RPS - TECT Holdings	Term:	3 years, maturing 29 December 2009
	Security:	Unsecured

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

#### 13 SENSITIVITY ANALYSIS

An increase of 100 basis points in interest rates would have resulted in an increase in before tax net surplus of \$31,000 in TECT and an increase of \$38,000 in the Group.

An increase of 1% in the TrustPower dividend would have resulted in an increase in before tax net surplus of \$301,000 in both the Group and TECT.

#### 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.

	Consolidated		TECT	
	2008	2007	2008	2007
Opening Balance	(70,679,872)	-	20,039,856	-
Less Tax Losses Used	(275,834)	-	(128,087)	-
Plus Current Year Tax Losses	153,478	275,834	153,478	128,087
<b>Deferred Tax Adjustments through Income Statement</b>				
Plus Current Year Fair Value Adjustment RPS	(533,766)	1,865,473	(5,871,420)	20,520,210
<b>Deferred Tax Adjustments through Equity</b>				
Plus Current Year Fair Value Movement	22,767,312	(72,821,179)	329,482	(608,441)
<b>Closing Balance End of Year</b>	<b>(48,568,682)</b>	<b>(70,679,872)</b>	<b>\$14,523,309</b>	<b>\$20,039,856</b>

#### 15 RELATED PARTY TRANSACTIONS

Tauranga Energy Consumer Trust and TECT Charitable Trust Chairperson, Mr Michael Cooney is also a Director of TrustPower Limited. Net dividends received by TECT Group from TrustPower Limited during the year ended 31 March 2008 totalled \$30,124,863. Refer to Note 3 for details of TECT Group investment in TrustPower Limited. For related party transactions between the group refer to Note 10.

#### 16 RESERVES FOR DISTRIBUTIONS

	Consolidated		TECT	
	2008	2007	2008	2007
<b>Major Amenities</b>				
Opening Balance	4,000,000	2,000,000	4,000,000	2,000,000
Plus Allocated - Annual Distribution Plan	2,000,000	2,000,000	2,000,000	2,000,000
	6,000,000	4,000,000	6,000,000	4,000,000
<b>Less Transfers to Provisions</b>				
Elms Foundation	(1,000,490)	-	(1,000,490)	-
Mount Surf Reef	(17,500)	-	(17,500)	-
TECT All Terrain Park	(1,000,000)	-	(1,000,000)	-
Plus Write Back to Reserve	1,650	-	1,650	-
<b>Closing Balance End of Year</b>	<b>\$3,983,660</b>	<b>\$4,000,000</b>	<b>\$3,983,660</b>	<b>\$4,000,000</b>



# Tauranga Energy Consumer Trust

## Group Consolidated Financial Report

### Notes to the Financial Report For the Year Ended 31 March 2008

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

	Consolidated		TECT	
	2008	2007	2008	2007
<b>Community Amenities</b>				
Opening Balance	170,500	897,500	170,500	897,500
Plus Allocated - Annual Distribution Plan	750,000	343,000	750,000	343,000
	920,500	1,240,500	920,500	1,240,500
Less Transfers to Provisions				
Riding for the Disabled	-	(250,000)	-	(250,000)
Te Puke Tennis Club	-	(250,000)	-	(250,000)
Te Ranga School	-	(20,000)	-	(20,000)
St Paul's Presbyterian Church	-	(250,000)	-	(250,000)
Tauranga Domain Athletic Track	-	(300,000)	-	(300,000)
Kaimai Outdoor Centre	(16,308)	-	(16,308)	-
Vincent House Trust	(200,000)	-	(200,000)	-
Te Puna Community Centre	(60,000)	-	(60,000)	-
Tauranga Yacht & Power Club	(150,000)	-	(150,000)	-
Greerton Amateur Athletics	(34,095)	-	(34,095)	-
Tauranga Squash Rackets Club	(300,000)	-	(300,000)	-
Otumoetai Eels Rugby League Club	(30,000)	-	(30,000)	-
<b>Closing Balance End of Year</b>	<b>130,097</b>	<b>\$170,500</b>	<b>\$130,097</b>	<b>\$170,500</b>

	Consolidated		TECT	
	2008	2007	2008	2007
<b>Community Events/Special Projects</b>				
Opening Balance	238,647	622,872	238,647	622,872
Plus Allocated - Annual Distribution Plan	100,000	155,000	100,000	155,000
	338,647	777,872	338,647	777,872
Less Transfers to Provisions				
Rescue Helicopter (2006/2007)	-	(405,000)	-	(405,000)
Tauranga YMCA Senior Active Movers Rally	-	(2,500)	-	(2,500)
Tauranga Arts Festival	-	(100,000)	-	(100,000)
Tauranga Moana Youth Council - Xmas in Park	-	(25,000)	-	(25,000)
Elms Foundation - Cultural Connections	-	(6,000)	-	(6,000)
Tarnished Frocks & Divas	-	(15,000)	-	(15,000)
Priority One Instep Programme	-	(10,000)	-	(10,000)
Te Puna Playcentre	(2,263)	-	(2,263)	-
Tourism BOP	(40,000)	-	(40,000)	-
Plus Write Back to Reserve	-	24,275	-	24,275
<b>Closing Balance End of Year</b>	<b>\$296,384</b>	<b>\$238,647</b>	<b>\$296,384</b>	<b>\$238,647</b>

	Consolidated		TECT	
	2008	2007	2008	2007
<b>Scholarship Fund</b>				
Opening Balance	10,000	5,000	10,000	5,000
Plus Allocated - Annual Distribution Plan	5,000	17,000	5,000	17,000
	15,000	22,000	15,000	22,000
Less Transfers to Provisions	(6,000)	(12,000)	(6,000)	(12,000)
<b>Closing Balance End of Year</b>	<b>\$9,000</b>	<b>\$10,000</b>	<b>\$9,000</b>	<b>\$10,000</b>

# Tauranga Energy Consumer Trust Group Consolidated Financial Report

## Notes to the Financial Report For the Year Ended 31 March 2008

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

	Consolidated		TECT	
	2008	2007	2008	2007
<b>Energy Efficiency</b>				
Opening Balance	75,000	250,000	75,000	250,000
Plus Allocated - Annual Distribution Plan	250,000	250,000	250,000	250,000
	325,000	500,000	325,000	500,000
Less Transfers to Provisions				
EECA - Energy Efficiency Housing Project	-	(250,000)	-	(250,000)
Energy Mad - Efficient Lighting Project	-	(175,000)	-	(175,000)
Plus Write Back to Reserve	100,012	-	100,012	-
<b>Closing Balance End of Year</b>	<b>\$425,012</b>	<b>\$75,000</b>	<b>\$425,012</b>	<b>\$75,000</b>

	Consolidated		TECT	
	2008	2007	2008	2007
<b>Community Organisation Subsidies</b>				
Opening Balance	96,412	227,521	96,412	227,521
Plus Allocated - Annual Distribution Plan	1,000,000	600,000	1,000,000	600,000
	1,096,412	827,521	1,096,412	827,521
Less Transfers to Provisions	(956,004)	(800,415)	(956,004)	(800,415)
Plus Write Back to Reserve	18,078	69,306	18,078	69,306
<b>Closing Balance End of Year</b>	<b>\$158,486</b>	<b>\$96,412</b>	<b>\$158,486</b>	<b>\$96,412</b>

### 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 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. TECT Holdings Ltd is also required to maintain a Dividend Escrow Bank Account for the deposit of dividends received from TrustPower. 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.

**Auditor's Report  
To the Readers of the Financial Statements of  
Tauranga Energy Consumer Trust and Group**

We have audited the financial statements on pages 2 to 26. The financial statements provide information about the past financial performance and financial position of the Trust and Group as at 31 March 2008. This information is stated in accordance with the accounting policies set out on pages 8 to 11.

**Trustees' Responsibilities**

The Trustees are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Trust and Group as at 31 March 2008 and the results of operations and cash flows for the year ended on that date.

**Auditors' Responsibilities**

It is our responsibility to express to you an independent opinion on the financial statements presented by the Trustees.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Trust and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with, or interests in the Trust or any of its subsidiaries.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion the financial statements on pages 2 to 26:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial reporting Standards; and
- give a true and fair view of the financial position of the Trust and Group as at 31 March 2008 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 15 July 2008 and our unqualified opinion is expressed as at that date.



**INGHAM MORA  
TAURANGA**