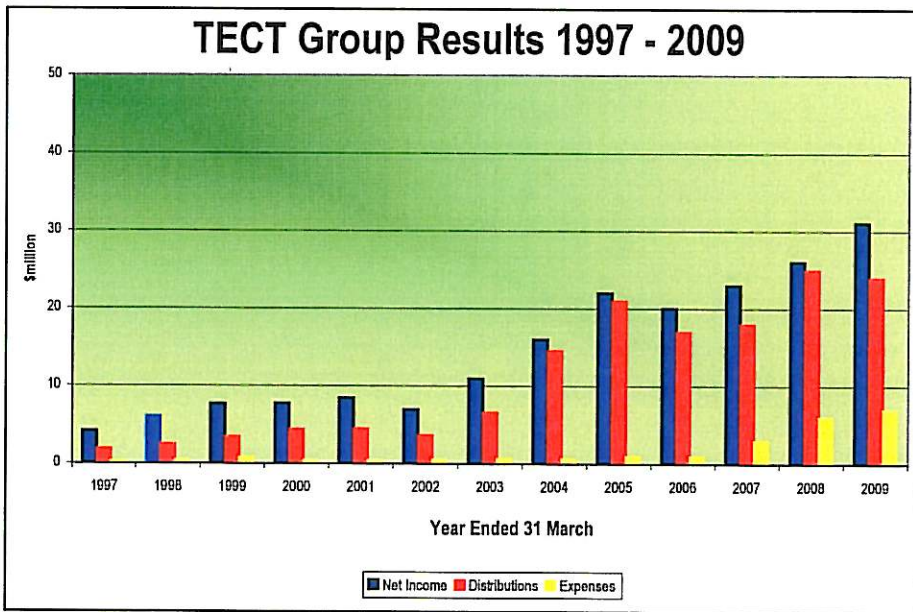


TAURANGA ENERGY CONSUMER TRUST
GROUP CONSOLIDATED FINANCIAL REPORT

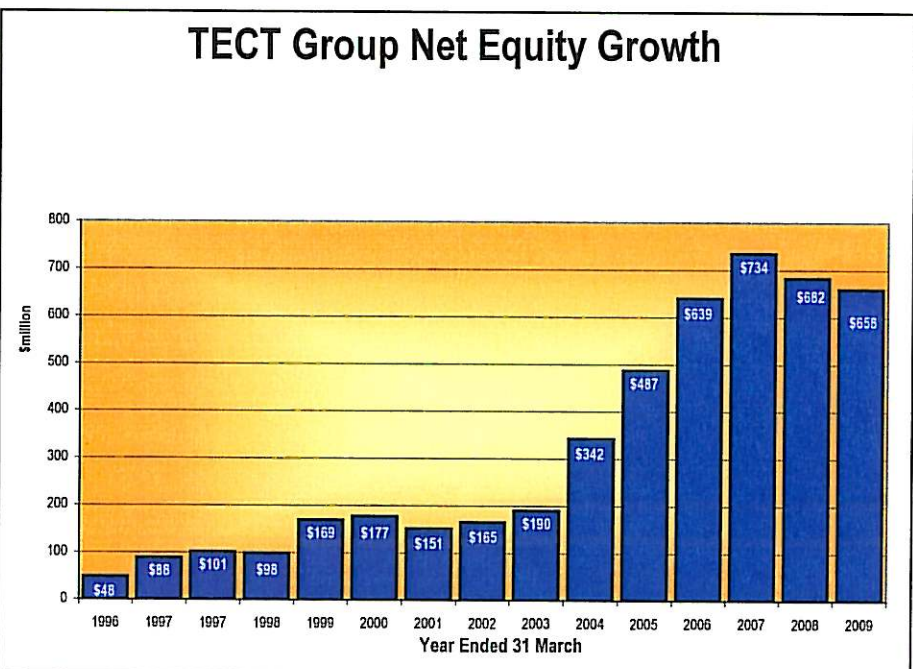
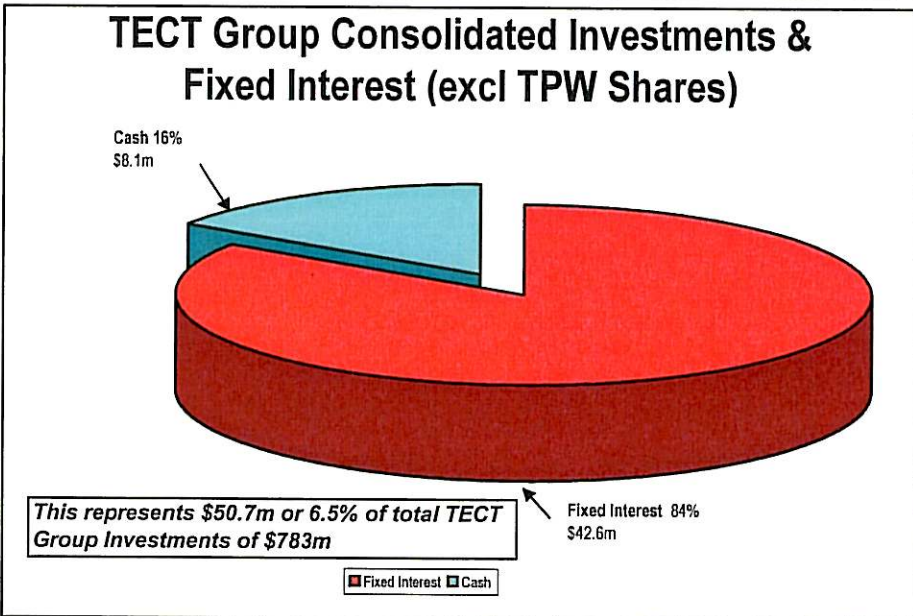
FOR THE YEAR ENDED
31 MARCH 2009

Table of Contents	Page
Graphical Highlights	
Directory	1
Income Statement	2
Statement of Changes in Equity	3
Balance Sheet	4 - 5
Statement of Cash Flows	6
Notes to the Financial Report	7 - 23
Audit Report	24

Financial Highlights at 31 March 2009



Total Trustee Income Allocations transferred to Beneficiary Reserves (\$millions)
Total to Date \$153m



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

DIRECTORY AS AT 31 MARCH 2009

Trustees:	MJ Cooney, Chairperson BW Cronin, Deputy Chairperson K Collings (Elected 30 July 2008) F Denz M Groos (Elected 30 July 2008) RJC Scott IR Harris (Retired 30 April 2008) MH Cameron (Retired 30 July 2008)
Secretary:	KF Lellman BDO Spicers Tauranga Ltd Chartered Accountants & Business Advisers 273 Devonport Road PO Box 800 Tauranga
Auditor:	Ingham Mora Tauranga
Solicitors:	Holland Beckett, Tauranga Quigg Partners, Wellington
Financial Advisors:	Triumph Capital Limited, Auckland KPMG, Tauranga KPMG, Wellington
Bankers:	Westpac, National Bank, ANZ Bank, Kiwibank 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 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 2009

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Operating Income				
Dividend - TrustPower Limited/TCAL	42,818,681	30,351,970	228,357	227,107
Dividend - TECT Holdings Limited	-	-	32,946,709	22,252,196
Finance Income - RPS measured at amortised cost (Note 12)	-	-	19,416,284	17,792,181
Interest Received	2,481,387	2,241,693	1,508,143	1,236,801
Russell Investments Distribution (Note 3b)	223,864	523,671	223,864	523,671
Russell Investments Funds Fee Rebate (Note 3b)	56,337	82,723	56,337	82,723
Chapel Street Rental Income	-	28,202	-	28,202
Donations	-	100	-	100
Impairment Russell World Bond Fund (Note 3b)	(86,236)	-	(86,236)	-
Loss on Redemption Russell World Strategies Fund (Note 3b)	(975,875)	-	(975,875)	-
TOTAL INCOME	44,518,158	33,228,359	53,317,583	42,142,981
Less Expenses				
Administration & Legal Expenses				
Finance Cost - RPS measured at amortised cost	-	233,045	-	-
Audit Fees	17,443	13,500	17,443	13,500
Bank Charges	3,710	2,287	3,194	1,820
Goods & Services Tax	95,037	75,072	87,114	73,676
Insurance	6,815	7,940	6,815	7,940
Interest (Note 10)	7,841	-	363,393	151,622
Legal and Advisory Fees (Note 11)	158,802	123,600	107,017	115,949
RPS Dividend - Arawata Finance	5,492,322	5,195,463	-	-
Secretarial Costs	263,263	263,598	251,678	252,135
Stationery	6,923	6,079	6,923	6,079
Sundry Expenses	19,207	6,322	19,157	6,322
	6,071,363	5,926,906	862,734	629,043
Consumer Related Expenses				
Consumer Consultation, Research & Reporting	102,760	71,593	102,760	71,593
Community Events / Special Projects	3,714	7,349	3,714	7,349
Community Subsidy Administration Costs	11,344	9,585	11,344	9,585
Election Costs	103,351	14,670	103,351	14,670
Electricity Consumer Distribution Costs	64,321	50,997	64,321	50,997
Concession Cards	11,482	33,109	11,482	33,109
	296,972	187,303	296,972	187,303
Trustee Expenses				
Trustee Expenses	7,056	12,714	7,056	12,714
Trustee Fees	128,755	120,170	128,755	120,170
	135,811	132,884	135,811	132,884
TOTAL EXPENSES	6,504,146	6,247,093	1,295,517	949,230
TOTAL SURPLUS FOR YEAR BEFORE TAXATION	38,014,012	26,981,266	52,022,066	41,193,751
Deferred Tax Adjustment (Note 14)	582,489	533,766	6,407,374	5,871,420
Tax Charge (Note 5)	6,651,543	629,116	927,976	331,087
TOTAL SURPLUS AFTER TAXATION	\$ 30,779,980	\$ 25,818,384	\$ 44,686,716	\$ 34,991,244



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Total Recognised Revenues and Expenses				
Net Surplus for the Year	30,779,980	25,818,384	44,686,716	34,991,244
Increase/(Decrease) in Fair Value Reserve	(47,590,811)	(75,791,192)	(845,334)	(998,429)
Consumer Distributions Written Back	578,893	-	578,893	-
Deferred Tax on Revaluations	14,302,603	22,767,311	278,960	329,482
	(1,929,335)	(27,205,497)	44,699,235	34,322,297
Distributions of Equity	(22,083,543)	(24,802,921)	(22,483,543)	(24,392,921)
Distributions of Equity (Operating Costs)	-	-	(11,540)	(12,541)
Distributions of Equity 2008	-	-	-	(1,000,000)
Movements in Equity for the Year	(24,012,878)	(52,008,418)	22,204,152	8,916,835
Trust Equity at Start of the Year	682,429,917	734,438,335	527,744,618	518,827,783
Trust Equity at End of the Year	\$ 658,417,039	\$ 682,429,917	\$ 549,948,770	\$ 527,744,618



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

BALANCE SHEET AS AT 31 MARCH 2009

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Trust Equity				
Accumulated Final Surpluses (Note 2)	85,283,226	77,774,353	543,179,674	522,175,605
Fair Value Reserve (Note 2)	566,364,717	599,652,925	-	566,374
Major Community Amenities (Note 2)	5,483,660	3,983,660	5,483,660	3,983,660
Community Amenities (Note 2)	631,286	130,097	631,286	130,097
Community Events / Special Programmes (Note 2)	28,814	296,384	28,814	296,384
Scholarship Fund (Note 2)	2,000	9,000	2,000	9,000
Energy Efficiency (Note 2)	425,012	425,012	425,012	425,012
Community Org Subsidies - Unallocated (Note 2)	198,324	158,486	198,324	158,486
TOTAL TRUST EQUITY	\$ 658,417,039	\$ 682,429,917	\$ 549,948,770	\$ 527,744,618
<i>Represented by:</i>				
Current Assets				
Cash & Cash Equivalents -				
Westpac - Current Account	69,049	73,603	69,049	73,603
Westpac - Consumer Distribution Account	955,483	754,473	955,483	754,473
ANZ Bank - Current Account	5,237	6,877	-	-
Short Term Deposits (less than 90 days) (Note 4)	7,065,579	15,557,312	7,065,579	12,579,517
Short Term Deposits (Other) (Note 4)	31,507,577	12,670,091	25,075,069	10,067,968
Advance - TECT Holdings Ltd	-	-	440,858	-
- TECT Finance No 2 Ltd	-	-	2,628	2,408
Sundry Accounts Receivable (Note 9)	-	19,617	-	19,617
Prepayments	7,194	-	7,194	-
Taxation Refund Due (Note 5)	-	94,261	-	-
Total Current Assets	39,610,119	29,176,234	33,615,860	23,497,586
Investments				
Shares in TrustPower Ltd (Note 3a)	732,345,808	779,091,285	-	-
Russell World Share Fund - B Class (Note 3b)	-	5,325,866	-	5,325,866
Russell World Bond Class - B Class (Note 3b)	3,823,348	3,666,882	3,823,348	3,666,882
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)	-	-	505,311,153	485,894,869
RPS - Tauranga City Aquatics Ltd (Note 3d)	4,000,000	4,000,000	4,000,000	4,000,000
YMCA Tauranga Inc Loan (Note 3e)	250,000	-	250,000	-
ANZ Senior Bonds (Note 3c)	3,048,517	-	3,048,517	-
Total Investments	743,467,673	792,084,033	516,436,118	498,890,717
Non Current Assets				
Deferred Taxation (Note 14)	-	-	8,309,549	14,523,309
Total Non Current Assets	-	-	8,309,549	14,523,309
TOTAL ASSETS	\$ 783,077,792	\$ 821,260,267	\$ 558,361,527	\$ 536,911,612



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

BALANCE SHEET AS AT 31 MARCH 2009

	Consolidated		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Less Current Liabilities				
Sundry Accounts Payable	139,115	93,188	117,557	90,775
Advance from TECT Charitable Trust (Note 10)	-	-	2,409	592,543
Provision for Distributions (Note 8)	2,323,789	5,173,378	2,163,789	4,513,378
Advance - TECT Holdings Ltd	-	-	-	81,810
- TECT Finance Ltd	-	-	5,549,410	3,866,766
Redeemable Preference Shares (Note 12)	85,243,730	-	-	-
Taxation Payable (Note 5)	2,020,205	-	579,592	21,722
Total Current Liabilities & Distribution Provisions	\$ 89,726,839	\$ 5,266,566	\$ 8,412,757	\$ 9,166,994
Non Current Liabilities				
Redeemable Preference Shares (Note 12)	-	84,995,102	-	-
Deferred Taxation (Note 14)	34,933,914	48,568,682	-	-
Total Non Current Liabilities	34,933,914	133,563,784	-	-
TOTAL LIABILITIES	\$ 124,660,753	\$ 138,830,350	\$ 8,412,757	\$ 9,166,994
NET ASSETS	\$ 658,417,039	\$ 682,429,917	\$ 549,948,770	\$ 527,744,618

Trustee

Trustee

Date

8.7.09



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2009

	Consolidated		TECT	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Cash was provided from/(disbursed to):</i>				
Dividends Received	42,818,681	30,351,970	33,175,066	22,479,303
Interest Received	2,481,387	2,089,231	1,508,143	1,235,961
Managers Fees Rebate & Distributions Received	280,201	603,566	280,201	603,566
Chapel Street Rental Profit	-	28,202	-	28,202
Payments to Suppliers & Trustees	(965,250)	(633,621)	(912,536)	(778,647)
Interest Paid	(5,251,535)	(5,195,463)	-	-
Taxation Paid	(4,451,731)	(443,018)	(284,760)	(266,019)
Donation	-	100	-	100
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 34,911,753	\$ 26,800,967	\$ 33,766,114	\$ 23,302,466
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Cash was received from/(applied to):</i>				
Purchases & Redemption of Russell Investments	3,281,572	(603,565)	3,281,572	(603,565)
Investment in ANZ Senior Bonds & YMCA	(3,298,517)	-	(3,298,517)	-
Advances to Subsidiary Companies	-	-	-	3,923,089
Movements in Term Deposits	(18,837,486)	5,812,925	(15,007,101)	3,535,873
Movement in Advance Account	-	-	194,689	(150,001)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	\$ (18,854,431)	\$ 5,209,360	\$ (14,829,357)	\$ 6,705,396
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash was disbursed to:</i>				
Contributions to TrustPower Consumers	(24,354,239)	(21,859,503)	(24,254,239)	(22,222,044)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	\$ (24,354,239)	\$ (21,859,503)	\$ (24,254,239)	\$ (22,222,044)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(8,296,917)	10,150,825	(5,317,482)	7,785,818
Add Opening Cash & Cash Equivalents	16,392,265	6,241,440	13,407,593	5,621,775
CLOSING CASH & CASH EQUIVALENTS	\$ 8,095,348	\$ 16,392,265	\$ 8,090,111	\$ 13,407,593
<i>Represented by:</i>				
Short Term Deposits - Less than 90 Days	7,065,579	15,557,312	7,065,579	12,579,517
ANZ Current Account	5,237	6,877	-	-
Westpac Current Account	69,049	73,603	69,049	73,603
Westpac Consumer Distribution Account	955,483	754,473	955,483	754,473
	\$ 8,095,348	\$ 16,392,265	\$ 8,090,111	\$ 13,407,593
Reconciliation of Net Surplus after tax to Cash Flows from Operating Activities				
Net Operating Surplus/(Deficit)	30,779,980	25,818,384	44,686,716	34,991,244
Loss/Impairment Russell Investments	1,062,111	-	1,062,111	-
Fair Value Adjustment - RPS - Non Cash	14,551,231	-	(19,137,324)	(17,792,181)
Interest - Non Cash	-	-	363,393	150,782
Amortisations - Non Cash	-	233,045	-	-
Deferred Tax - Non Cash	(13,634,768)	533,766	6,213,760	5,871,420
Movements in Accounts Payable	45,927	32,507	26,782	18,965
Movements in Accounts Receivable and Accruals	(7,194)	436	(7,194)	436
Movement in Taxation Paid and Resident Withholding Tax	2,114,466	182,829	557,870	61,800
NET CASH FLOWS FROM OPERATING ACTIVITIES (as above)	\$ 34,911,753	\$ 26,800,967	\$ 33,766,114	\$ 23,302,466



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

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 purchased from Infratil 4.4% of TrustPower (14 million shares) at a price of \$5.90 per share. The \$85 million transaction was 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.

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 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 2009

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

The Financial Report comprises the Consolidated Financial Statements of the Group and the separate Financial Statements of the Parent Trust.

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

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 judgment 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.

(a) 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.

(b) Income Taxes

Judgment is required in determining the provision for income taxes and the ultimate determination is uncertain until assessments are finalised.

STATUS OF ACCOUNTING STANDARDS

(a) Standards, amendment and interpretations effective in 2008/2009

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of Financial Statements – Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses on goodwill and investments in equity instruments and financial assets carried at cost, recognised in an interim period, from being reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Interpretations and Accounting Standards Early Adopted by the Group

No interpretations or accounting standards have been early adopted by the Group.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

(c) Standards, Amendments and Interpretations Effective in 2008/2009 but not Relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

IFRS 2, 'Share-Based Payments';

IFRS 4, 'Insurance Contracts';

IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations';

IFRS 6, 'Exploration for and Evaluation of Mineral Resources';

IAS 11, 'Construction Contracts';

IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance';

IAS 26, 'Accounting and Reporting by Retirement Benefit Plans';

IAS 33, 'Earnings per Share';

IAS 40, 'Investment Property';

IFRIC 7, 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies'

IFRIC 8, 'Scope of IFRS 2'

IFRIC 9, 'Re-Assessment of Embedded Derivatives'.

IFRIC 11, 'Group and Treasury Share Transactions'.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

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.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of the asset.

The option of immediately expensing those borrowing costs will be removed by the amended standard.

The Group will apply IAS 23 (Amended) from 1 April 2009 but is currently not applicable to the Group as it has no qualifying assets.

IFRS 8, 'Operating Segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'.

The new standard requires 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 for the 2010 financial year.

The expected impact is still being assessed, but it likely to be significant as the previous standard only applied to listed entities.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

(e) Interpretations to Existing Standards that are not yet Effective and not Relevant for the Group's Operations

The following interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

IFRIC 12, 'Service Concession Arrangements' (effective from 1 January 2008). IFRIC 12 is not relevant to the Group's operations because no Group entity operates public sector assets or provides public sector services.

IFRIC 13, 'Customer Loyalty Programmes' (effective from 1 July 2008). IFRIC 13 is not relevant to the Group's operations because none of the Group entities operates any loyalty programme.

IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective from 1 January 2008). IFRIC 14 does not apply to the Group's operations as the Group does not provide defined benefits to any person.

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:

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*

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

- * Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and
- * Deductible temporary differences to the extent that it is probable that they will be utilised.

Deferred tax is provided using the balance sheet method.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored

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

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

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



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

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 exchange rates at the date of the transaction. Foreign currency differences arising on translation are recognised in the Income Statement.

At balance date, foreign monetary assets and liabilities are translated at the functional currency closing rate and exchange variations arising from these transactions are recognised in the Income Statement. Translation differences on non-monetary items such as financial assets held at fair value through equity are reported as part of their fair value gain or loss.

f Financial Instruments

Financial instruments are recognised in the 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 initially recorded at fair value. Subsequently they are measured at amortised cost using the effective interest method less provision for impairment.

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 TECT's investments at initial recognition and re-evaluate this designation at every reporting date.

TrustPower Investment

TECT Group has determined that it does not have significant influence over TrustPower and has classified the investment as '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 amortised cost using the effective interest method less any impairment loss. Gains and losses when the asset is impaired or derecognised are recognised in the Income Statement.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

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 amortised cost using the effective interest rate method less any impairment loss. Gains and losses when the asset is impaired or derecognised are recognised in the Income Statement.

ANZ Senior Bonds

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

YMCA Loan

YMCA Loan is classified as loans and receivables with fixed or determinable payments and fixed maturity date.

After initial recognition this investment is measured at amortised cost using the effective interest rate method less any impairment loss. 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 effective interest method.

Dividend income is recognised on an accrual basis when the right to receive payment is established.

Rental income is recognised on an accrual basis.

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.

i Impairment of Assets

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Income Statement.

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.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.



Tauranga Energy Consumer Trust
Group Consolidated Financial Report

Notes to the Financial Report
For the Year Ended 31 March 2009

j Provisions

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

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustees on 8 July 2009.



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

2 TECT Group Equity

	TECT Group		TAURANGA ENERGY CONSUMER TRUST	
	2009	2008	2009	2008
Accumulated Final Surpluses (including initial share gift 1993 of \$42.5 million):				
Balance at Beginning of Year	77,774,353	77,170,969	522,175,605	513,001,902
Total Surplus After Taxation	30,779,980	25,818,384	44,686,716	34,991,244
Consumer Distributions Written Back	578,893	-	578,893	-
	<u>109,133,226</u>	<u>102,989,353</u>	<u>567,441,214</u>	<u>547,993,146</u>
Less Transfers to Reserves for Distribution (Note 8)	(23,850,000)	(25,215,000)	(24,250,000)	(24,805,000)
Transfer to TECT Charitable Trust	-	-	(11,540)	(1,012,541)
	<u>\$ 85,283,226</u>	<u>\$ 77,774,353</u>	<u>\$ 543,179,674</u>	<u>\$ 522,175,605</u>
Fair Value Reserve				
Balance at Beginning of Year	599,652,925	652,676,806	566,374	1,235,321
Current Year Revaluation - TrustPower Shares	(46,745,477)	(74,792,763)	-	-
Deferred Tax on Fair Value Movements	14,302,603	22,767,311	278,960	329,482
Current Year Revaluation re Russell Group Ltd	(845,334)	(998,429)	(845,334)	(998,429)
	<u>\$ 566,364,717</u>	<u>\$ 599,652,925</u>	<u>\$ -</u>	<u>\$ 566,374</u>
Reserves for Distributions:				
Major Amenities (Note 16)	5,483,660	3,983,660	5,483,660	3,983,660
Scholarship Fund (Note 16)	2,000	9,000	2,000	9,000
Community Events/Special Projects (Note 16)	28,814	296,384	28,814	296,384
Community Amenities (Note 16)	631,286	130,097	631,286	130,097
Community Organisation Subs - Unallocated (Note 16)	198,324	158,486	198,324	158,486
Energy Efficiency (Note 16)	425,012	425,012	425,012	425,012
	<u>\$ 6,769,096</u>	<u>\$ 5,002,639</u>	<u>\$ 6,769,096</u>	<u>\$ 5,002,639</u>
Total Trust Equity	<u>\$ 658,417,039</u>	<u>\$ 682,429,917</u>	<u>\$ 549,948,770</u>	<u>\$ 527,744,618</u>



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

3 INVESTMENTS

- a. **TrustPower Limited** - Fair value has been assessed at \$7.05 per share (\$7.50 per share, 2008), being the closing buy quotation on 31 March 2009 (being last business day of month). No allowance has been made for commissions on disposal of shares. Values adopted being:

	TECT Group	
	2009	2008
Opening Balance	779,091,285	853,884,048
Add/(Deduct) Current Year Change in Valuation	(46,745,477)	(74,792,763)
Closing Balance 103,878,838 shares @ \$7.05 per share (2008: 103,878,838 shares @ \$7.50)	\$ 732,345,808	\$ 779,091,285

- b. **Russell World Strategies and Bond Funds** - Redemption value (calculated from exit prices) has been assessed at the redemption rate on 31 March 2009 and using the Australian Rate of Exchange of 0.8215 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.

	Units	\$A	\$NZ
2009			
Russell World Strategies Fund			
Opening Balance 1 April 2008	4,545,499		5,325,866
Distributions	197,906	175,020	223,864
Less Withholding Tax on Distribution	-	803	(1,022)
Reinvested Managers Fee Rebates	45,336	32,493	38,685
Units Redeemed	(4,788,741)	(2,799,977)	(3,560,753)
Loss On Redemption			(975,875)
Plus/(Less) Current Year Change in Valuation			(1,050,765)
Closing Balance	-		-
Russell World Bond Fund			
Opening Balance 1 April 2008	3,512,291		3,666,882
Less Withholding Tax on Distribution	-	-	
Reinvested Managers Fee Rebate	36,390	31,513	37,269
Plus/(Less) Current Year Change in Valuation			119,197
Closing Balance	3,548,681		\$3,823,348
Total Funds			\$3,823,348
2008			
Russell World Strategies Fund			
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
Less Units Redeemed			
Plus/(Less) Current Year Change in Valuation			(1,033,795)
Closing Balance	4,545,499		\$5,325,866
Russell World Bond Fund			
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	3,512,291		\$3,666,882
Total Funds			\$8,992,748

- c. **ANZ Senior Bonds**

Purchase (Face Value \$3m, Interest @ 8.5%)	2,966,128
Plus Effective Interest	82,389
Closing Balance 31 March 2009	\$3,048,517

- 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 2009**

e. YMCA Loan

In December 2008, TECT resolved to advance \$250,000 to YMCA Tauranga Inc by way of mortgage advance, interest free, repayable on demand.

4 FINANCIAL INSTRUMENTS

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

Credit Risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their obligations in full and on time.

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. Other investments comprise 6.5% 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.

TECT's Statement of Investment Policies and Objectives ("SIPO") stipulates a diversified investment strategy which 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

	2009			2008		
	\$	Term	Rate	\$	Term	Rate
Westpac	2,062,112	Call	2.75%	2,514,969	Call	8.0%
National Bank of NZ	2,000,000	41 days	4.00%	5,000,000	62 days	8.8%
National Bank of NZ	3,000,000	60 days	4.05%	-		
Kiwibank	-			5,000,000	90 days	8.83%
Accrued Interest	3,467			64,548		
	\$ 7,065,579			\$ 12,579,517		
TECT Charitable Trust						
National Bank of NZ	-			2,967,778	30 days	8.8%
Accrued Interest	-			10,017		
	\$ -			\$ 2,977,795		
Total Short Term Deposits (Less than 90 days)	\$ 7,065,579			\$ 15,557,312		

Short Term Deposits (Other)

These comprised:

TECT

	2009			2008		
	\$	Term	Rate	\$	Term	Rate
Westpac	5,000,000	183 days	4.00%	10,000,000	181 days	8.85%
Westpac	10,000,000	9 months	4.00%	-		
Kiwibank	10,000,000	182 days	3.50%	-		
Accrued Interest	75,069			67,968		
	\$ 25,075,069			\$ 10,067,968		
TECT Charitable Trust						
National Bank of NZ	3,737,444	91 days	3.51%	-		
Accrued Interest	5,751			-		
	\$ 3,743,195			\$ -		
TECT Holdings Ltd						
ANZ Bank	2,682,000	6 months	3.11%	2,584,000	182 days	8.0%
Accrued Interest	7,313			18,123		
	2,689,313			2,602,123		
Total Short Term Deposits (Other)	\$ 31,507,577			\$ 12,670,091		



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

4 FINANCIAL INSTRUMENTS (cont'd)

Interest Rate Risk

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

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

The Russell Group uses derivatives, including interest rate swaps from time to time to mitigate interest rate risk on the funds they manage. TECT has no control over these decisions and no information to enable the disclosure of the impact of derivatives.

Foreign Currency Risk

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

TECT holds investments denominated in foreign currencies; namely the Russell World Bond Fund. The maximum exposure to currency risk is represented by the carrying value of this investments in the Balance Sheet.

The managers of the Russell funds adopt 100% currency hedging strategies so that the foreign currency exposures in these funds are fully hedged back to NZ dollars and they assert that the net impact of currency movements on the funds is negligible.

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.

Maturity Analysis

The remaining contractual maturities of TECT Group's and TECT's financial liabilities for the year ended 31 March 2009 are:

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
6 Months or Less	3,225,539	1,681,949	1,603,367	1,691,258
6-12 Months	86,242,656	2,412,403	6,550,745	6,303,522
1-5 Years	258,644	86,167,315	258,644	1,172,213
Over 5 Years	34,933,914	48,568,682	-	-
	<u>124,660,753</u>	<u>138,830,349</u>	<u>8,412,756</u>	<u>9,166,993</u>

Market Price Risk

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

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

The risk is mitigated by the policies and procedures outlined in the Group's SIPO. The Group's SIPO stipulates value ranges that may be held in equities, property, fixed interest and cash. 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. TECT Trustees note and accept that TECT's investments are outside the range of TECT's SIPO, but consider this appropriate due to the uncertainty of the financial markets and their decision to repay debt.

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

Other Market Price Risk

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



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

**Notes to the Financial Report
For the Year Ended 31 March 2009**

5 TAXATION

	Consolidated		TECT	
	2009	2008	2009	2008
Total Surplus Income for Year Before Taxation	38,014,010	26,981,266	52,022,066	41,193,751
Add Non-Deductible Expenditure	25,409,777	23,604,851	447,680	383,327
Imputation Tax Credits	10,637,682	14,949,479	15,308,521	11,071,897
FIF Income	451,970	470,497	451,970	470,497
Less Non-Assessable Income	(18,634,374)	(18,398,575)	(18,634,374)	(18,398,575)
	<u>55,879,065</u>	<u>47,607,518</u>	<u>49,595,863</u>	<u>34,720,897</u>
Less Beneficiary income distributed to tax exempt entities	(4,451,801)	(2,927,818)	(4,656,102)	(2,946,199)
Less Charitable Trust Income Exemption	(467,679)	(251,635)	-	-
	<u>\$ 50,959,585</u>	<u>\$ 44,428,065</u>	<u>\$ 44,939,761</u>	<u>\$ 31,774,698</u>
Current Tax Charge at 33% (TECT) or 30%	15,882,849	14,661,261	14,830,121	10,485,650
Less Imputation Tax Credits	(9,231,306)	(14,013,535)	(13,902,146)	(10,135,953)
Over Provision in Prior Year	-	(18,610)	-	(18,610)
Tax expense per Income Statement	<u>6,651,543</u>	<u>629,116</u>	<u>927,975</u>	<u>331,087</u>
Tax Refund Due				
Taxation Refund owing at Start of Year	94,261	154,739	(21,722)	65,472
Over Provision in Prior Year	-	18,610	-	18,610
Use of Money Interest	(7,839)	-	-	-
Less Transfers Between Entities (Prior Year)	-	-	21,740	89,267
Tax Paid/(Refunded)	(86,405)	-	-	-
	<u>18</u>	<u>173,349</u>	<u>18</u>	<u>173,349</u>
Add Provisional Tax Paid	4,537,901	176,753	262,000	176,753
RWT Credits	7,054	266,266	-	-
NRWT Credits	1,023	3,264	1,021	3,264
Imputation Credits	9,231,304	14,013,535	13,902,146	10,135,953
Reversal of Deferred Tax on Utilised Losses	153,477	275,833	153,477	128,087
Less Deferred Tax on Losses from Excess IC's	(68,133)	(153,478)	(68,133)	(153,478)
Current Year Tax Charge	(15,882,849)	(14,661,261)	(14,830,121)	(10,485,650)
Tax Refund/(Payment) Due	<u>(2,020,205)</u>	<u>\$ 94,261</u>	<u>(579,592)</u>	<u>(21,722)</u>
Losses to Carry Forward	<u>(206,462)</u>	<u>(465,084)</u>	<u>(206,462)</u>	<u>(465,084)</u>
Imputation Credits Claimable				
Total Imputation Credits	10,637,682	14,949,479	15,308,521	11,071,897
Less ICs distributed to tax exempt beneficiaries	(1,406,375)	(935,944)	(1,406,375)	(935,944)
Total ICs claimable as Tax Credit	<u>\$ 9,231,307</u>	<u>\$ 14,013,535</u>	<u>\$ 13,902,146</u>	<u>\$ 10,135,953</u>



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

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 2009 the Group had Imputation Credits available of \$3,177 (2008: \$2,751,204).

Imputation Credit Account

	Consolidated
Opening Balance 1 April 2008	2,751,204
Plus RWT Credits on Interest Received	7,054
Imputation Credits on Dividends Received	10,525,208
Income Tax Paid	4,275,901
	<u>17,559,367</u>
Less Imputation Credits on Dividends Paid	(17,443,344)
Income Tax Refunded	(85,941)
Income Tax Credits Transferred to TECT	(29,645)
Closing Balance 31 March 2009	<u>437</u>

7 COMMITMENTS AND CONTINGENCIES

The TECT Group had no commitments or contingencies at the end of the financial year. (2008 Nil)

8 PROVISION FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Opening Balance	5,173,378	3,109,169	4,513,378	2,709,169
Plus Distributions Approved	22,083,543	24,802,921	22,483,543	24,392,921
Less Consumer Distributions Written Back	(578,893)	-	(578,893)	-
	<u>26,678,028</u>	<u>27,912,090</u>	<u>26,418,028</u>	<u>27,102,090</u>
Less Distributions Made	(24,354,239)	(22,738,712)	(24,254,239)	(22,588,712)
Closing Balance End of Year	<u>\$2,323,789</u>	<u>\$5,173,378</u>	<u>\$2,163,789</u>	<u>\$4,513,378</u>
Being:				
Community Organisation Subsidies Yet To Be Uplifted	795,423	892,111	795,423	892,111
<u>Major Amenities</u>	-	-	-	-
TECT All Terrain Park	238,170	1,238,170	238,170	1,238,170
Elms Foundation	-	200,000	-	200,000
<u>Community Amenities</u>	-	-	-	-
Otumoetai Sport & Recreation	150,000	-	150,000	-
Paengaroa School	65,000	-	65,000	-
Tauranga Domain Athletics Track	-	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	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	300,000	300,000
Te Manu Toroa	100,000	100,000	-	-
Bay Health Foundation	-	300,000	-	-
Riding for the Disabled	-	250,000	-	-
<u>Community Events/Special Projects</u>	-	-	-	-
Te Puna Playcentre	-	2,263	-	2,263
Rescue Helicopter Sponsorship	33,750	135,000	33,750	135,000
Tauranga Arts Festival	60,000	-	-	-
Tourism BOP	-	40,000	-	40,000
Surf Life Saving BOP	372	-	372	-
Littleweed Charitable Trust	-	10,000	-	-
<u>Energy Efficiency</u>	-	-	-	-
EECA	-	125,000	-	125,000
<u>Direct Consumer Distributions Unclaimed</u>	<u>431,074</u>	<u>806,739</u>	<u>431,074</u>	<u>806,739</u>
	<u>\$2,323,789</u>	<u>\$5,173,378</u>	<u>\$2,163,789</u>	<u>\$4,513,378</u>

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 2009

9 SUNDRY ACCOUNTS RECEIVABLE

Accounts Receivable details are as follows:

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Accrued Managers Fee Rebate	-	19,617	-	19,617
	<u>\$0</u>	<u>\$19,617</u>	<u>\$0</u>	<u>\$19,617</u>

10 SUBSIDIARIES

TECT Charitable Trust

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

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 2009 the balance of the advance from TECT Charitable Trust was \$2,409 (2008: \$592,543) 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 \$9,469 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 2009 the balance of the advance to TECT Holdings Ltd was \$440,858 (2008: Nil) and the advance to TECT was Nil (2008: \$81,810). These advances are unsecured, repayable on demand and have interest charged at the money market rates as at the time the advance payments are made. Interest on the advance to TECT totalled \$82,301 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 2009 the balance of the advance to TECT was \$5,549,410 (2008: \$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 \$271,623 in the current year (2008: \$105,962).

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 2009 the balance of the advance from TECT was \$2,628 (2008: \$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 \$155 in the current year (2008: \$158).

11 LEGAL AND ADVISORY FEES

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Paid to KPMG Christchurch	27,312	49,312	24,624	46,291
Paid to KPMG Wellington	5,340	9,165	5,340	8,545
Paid to KPMG Tauranga	3,018	-	2,838	-
Paid to Ernst & Young Christchurch	3,240	-	3,240	-
Paid to Inland Revenue Department	35,133	-	-	-
Paid to Quigg Partners	8,634	9,943	8,634	9,943
Paid to PricewaterhouseCoopers Ltd	10,500	39,140	10,500	35,226
Paid to Russell McVeagh	27,250	-	21,942	-
Paid to Triumph Capital [Strategic Finance]	6,811	4,500	-	4,500
Paid to BDO Spicers Tauranga	15,197	-	13,697	-
Paid to Other Financial/Legal Advisors	16,367	11,540	16,202	11,444
	<u>\$158,802</u>	<u>\$123,600</u>	<u>\$107,017</u>	<u>\$115,949</u>



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2009

12 BORROWINGS

	TECT Group	TECT	TECT Finance Ltd	TECT Holdings Ltd
TECT Finance issued 85 Redeemable Preference Shares (2008: \$84,995,102); TECT Holdings issued 530,285,144 Redeemable Preference Shares (2008: \$485,894,869)	85,243,730	(505,311,153)	85,243,730	505,311,153
	<u>\$85,243,730</u>	<u>(505,311,153)</u>	<u>\$85,243,730</u>	<u>\$505,311,153</u>

TERMS & CONDITIONS:

85 RPS - Arawata Finance Ltd

Term: 3 years, maturing 29 December 2009
Security: 103,878,838 TrustPower shares valued at \$732,345,808

530,285,144 RPS - TECT Holdings

Term: 5 years, maturing 31 December 2011
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 \$15,000 in TECT and an increase of \$25,000 in the Group.

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

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Opening Balance	(48,568,682)	(70,679,871)	14,523,309	20,039,856
Less Tax Losses Used	(153,478)	(275,834)	(153,478)	(128,087)
Plus Current Year Tax Losses	68,133	153,478	68,133	153,478
Deferred Tax Adjustments through Income Statement				
Plus Current Year Fair Value Adjustment RPS	(582,489)	(533,766)	(6,407,374)	(5,871,420)
Deferred Tax Adjustments through Equity				
Plus Current Year Fair Value Movement	14,302,602	22,767,311	278,959	329,482
Closing Balance End of Year	<u>(34,933,914)</u>	<u>(48,568,682)</u>	<u>\$8,309,549</u>	<u>\$14,523,309</u>

15 RELATED PARTY TRANSACTIONS

Mr Michael Cooney is the Chairman of Tauranga Energy Consumer Trust (TECT) and TECT Charitable Trust and is a Director on the Board of each of the TECT Group's subsidiary companies. Mr Cooney is also a Director of TrustPower Limited. The TECT Group owns 103,878,838 shares in TrustPower Limited and during the year received dividends of \$42,590,324 (2008: \$30,124,863). Refer to Note 3 for further details of the TECT Group investment in TrustPower Limited.

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

Ms Frances Denz, a Trustee, is also a Director of Tauranga City Aquatics Ltd (TCAL). TECT holds \$4 million of Redeemable Preference Shares in TCAL and during the year received dividends of \$228,357 (2008: \$227,107).

All transactions with related parties are undertaken in the normal course of business on normal commercial terms.

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

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

Trustee Fees & Allowances

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
	128,755	120,170	128,755	120,170



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

**Notes to the Financial Report
For the Year Ended 31 March 2009**

16 RESERVES FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Major Amenities				
Opening Balance	3,983,660	4,000,000	3,983,660	4,000,000
Plus Allocated - Annual Distribution Plan	1,500,000	2,000,000	1,500,000	2,000,000
	<u>5,483,660</u>	<u>6,000,000</u>	<u>5,483,660</u>	<u>6,000,000</u>
Less Transfers to Provisions				
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
Closing Balance End of Year	<u>\$5,483,660</u>	<u>\$3,983,660</u>	<u>\$5,483,660</u>	<u>\$3,983,660</u>

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Community Amenities				
Opening Balance	130,097	170,500	130,097	170,500
Plus Allocated - Annual Distribution Plan	800,000	750,000	800,000	750,000
	<u>930,097</u>	<u>920,500</u>	<u>930,097</u>	<u>920,500</u>
Less Transfers to Provisions				
Paengaroa School	(65,000)	-	(65,000)	-
Otumoetai Sport & Recreation Club	(150,000)	-	(150,000)	-
Papamoa Surf Life Saving Club	(9,543)	-	(9,543)	-
Waipuna Hospice	(53,400)	-	(53,400)	-
Bay Health Foundation	(24,169)	-	(24,169)	-
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)
Plus Write Back to Reserve	3,301	-	3,301	-
Closing Balance End of Year	<u>\$631,286</u>	<u>\$130,097</u>	<u>\$631,286</u>	<u>\$130,097</u>

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Community Events/Special Projects				
Opening Balance	296,384	238,647	296,384	238,647
Plus Allocated - Annual Distribution Plan	100,000	100,000	100,000	100,000
	<u>396,384</u>	<u>338,647</u>	<u>396,384</u>	<u>338,647</u>
Less Transfers to Provisions				
Rescue Helicopter (correction prior year)	(20,633)	-	(20,633)	-
BOP Kart Club	(51,200)	-	(51,200)	-
Tauranga Arts Festival	(120,000)	-	(120,000)	-
KiwiCan	(50,000)	-	(50,000)	-
Surf Life Saving BOP	(18,000)	-	(18,000)	-
Tauranga Jazz Festival	(100,000)	-	(100,000)	-
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	2,263	-	2,263	-
Closing Balance End of Year	<u>\$28,814</u>	<u>\$296,384</u>	<u>\$28,814</u>	<u>\$296,384</u>

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Scholarship Fund				
Opening Balance	9,000	10,000	9,000	10,000
Plus Allocated - Annual Distribution Plan	5,000	5,000	5,000	5,000
	<u>14,000</u>	<u>15,000</u>	<u>14,000</u>	<u>15,000</u>
Less Transfers to Provisions	(12,000)	(6,000)	(12,000)	(6,000)
Closing Balance End of Year	<u>\$2,000</u>	<u>\$9,000</u>	<u>\$2,000</u>	<u>\$9,000</u>



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

**Notes to the Financial Report
For the Year Ended 31 March 2009**

16 RESERVES FOR DISTRIBUTIONS (cont'd)

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Energy Efficiency				
Opening Balance	425,012	75,000	425,012	75,000
Plus Allocated - Annual Distribution Plan	-	250,000	-	250,000
	<u>425,012</u>	<u>325,000</u>	<u>425,012</u>	<u>325,000</u>
Less Transfers to Provisions	-	-	-	-
Plus Write Back to Reserve	-	100,012	-	100,012
Closing Balance End of Year	\$425,012	\$425,012	\$425,012	\$425,012

	TECT Group		Tauranga Energy Consumer Trust	
	2009	2008	2009	2008
Community Organisation Subsidies				
Opening Balance	158,486	96,412	158,486	96,412
Plus Allocated - Annual Distribution Plan	800,000	1,000,000	800,000	1,000,000
	<u>958,486</u>	<u>1,096,412</u>	<u>958,486</u>	<u>1,096,412</u>
Less Transfers to Provisions	(841,473)	(956,004)	(841,473)	(956,004)
Plus Write Back to Reserve	81,311	18,078	81,311	18,078
Closing Balance End of Year	\$198,324	\$158,486	\$198,324	\$158,486

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 23. The financial statements provide information about the past financial performance and financial position of the Trust and Group as at 31 March 2009. This information is stated in accordance with the accounting policies set out on pages 7 to 13.

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 2009 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's 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 23:

- 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 2009 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 8 July 2009 and our unqualified opinion is expressed as at that date.



**INGHAM MORA
TAURANGA**