

Group Consolidated Financial Report

Year Ended 31 March 2010

Benefiting Consumers and their Communities

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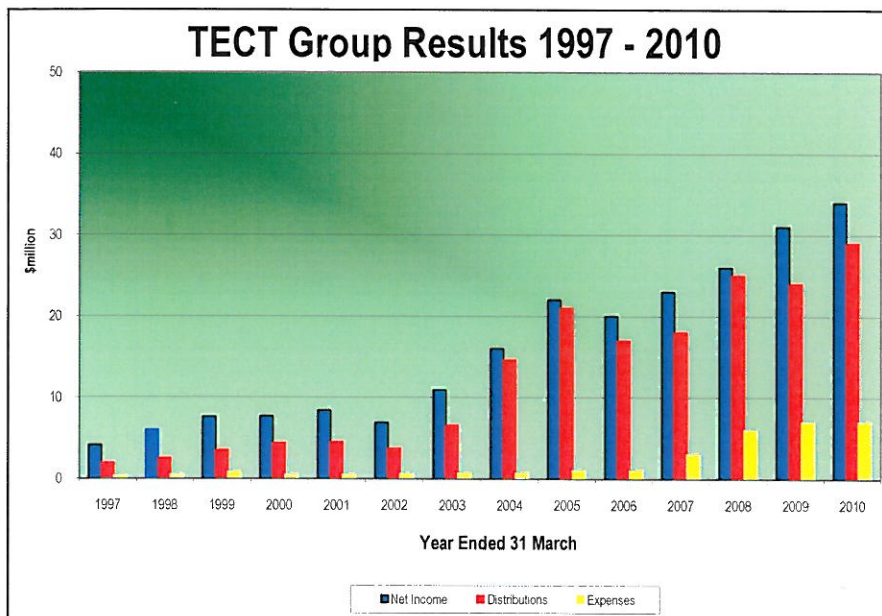
TAURANGA ENERGY CONSUMER TRUST

GROUP CONSOLIDATED FINANCIAL REPORT

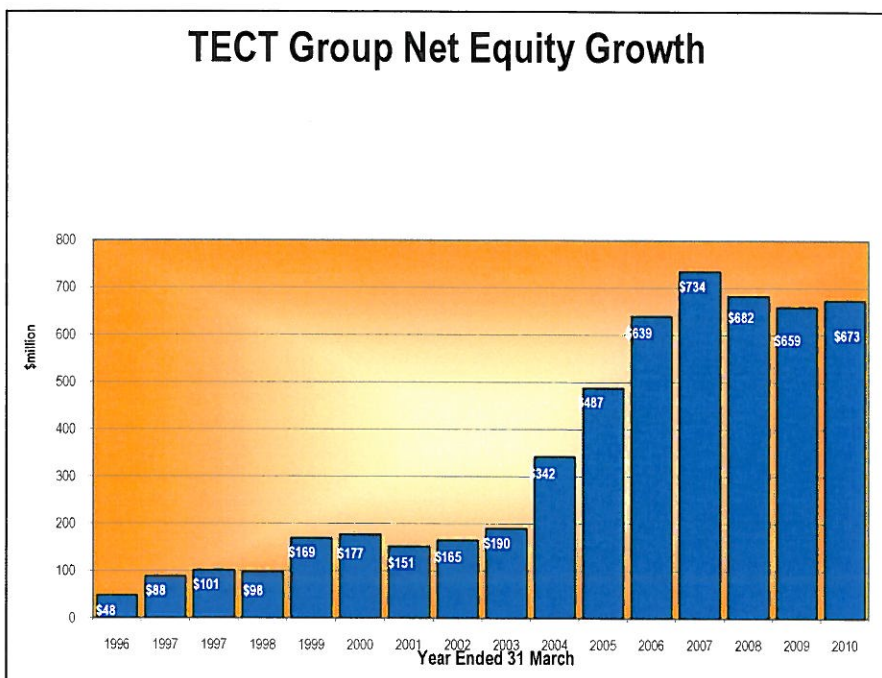
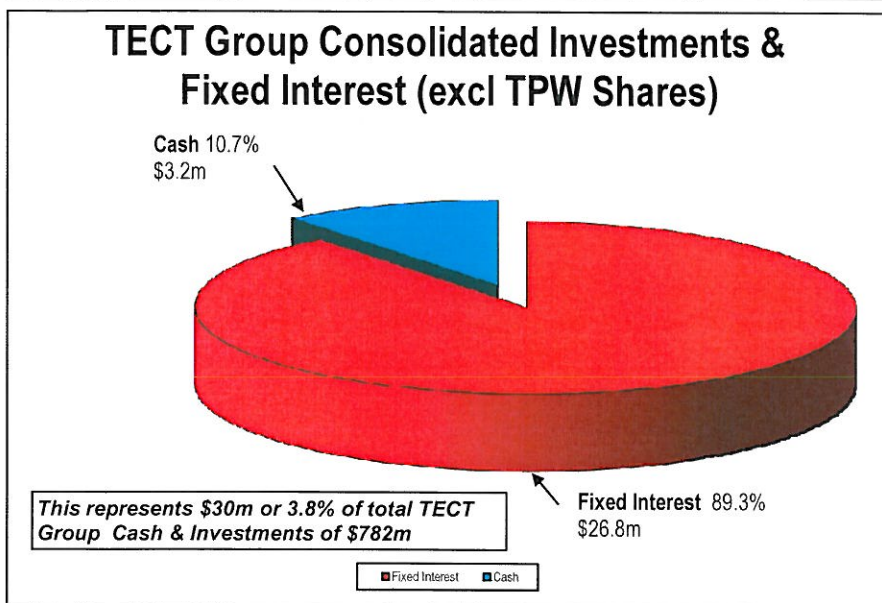
FOR THE YEAR ENDED
31 MARCH 2010

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 - 24
Audit Report	25

Financial Highlights at 31 March 2010



Total Trustee Income Allocations transferred to Beneficiary Reserves (\$millions)
Total to Date \$183m



TAURANGA ENERGY CONSUMER TRUST

GROUP CONSOLIDATED FINANCIAL REPORT

DIRECTORY

AS AT 31 MARCH 2010

Trustees:	MJ Cooney, Chairperson BW Cronin, Deputy Chairperson K Collings F Denz M Groos RJC Scott
Secretary:	KF Lellman BDO Tauranga Ltd Chartered Accountants & Business Advisers 96 Cameron 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, ASB and Bank of New Zealand
Date of Commencement:	TECT - 21 December 1993 TECT Charitable Trust – 27 March 2002 TECT Holdings Ltd – 15 December 2006 TECT Finance Ltd – 15 December 2006 TECT Finance No. 2 Ltd – 25 January 2007

TAURANGA ENERGY CONSUMER TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Operating Income				
Dividend - TrustPower Limited/TCAL	48,012,622	42,818,681	228,357	228,357
Dividend - TECT Holdings Limited	-	-	31,220,000	32,946,709
Finance Income - RPS measured at amortised cost	-	-	24,973,991	19,416,284
Interest Received	1,947,483	2,481,387	1,460,712	1,508,143
Russell Investments Distribution (Note 3b)	52,531	223,864	52,531	223,864
Russell Investments Funds Fee Rebate (Note 3b)	22,315	56,337	22,315	56,337
Management Fees	-	-	24,000	-
Donations	354	-	-	-
Impairment Russell World Bond Fund	-	(86,236)	-	(86,236)
Gain/(Loss) on Redemption Russell Funds (Note 3b)	172,759	(975,875)	172,759	(975,875)
TOTAL INCOME	50,208,064	44,518,158	58,154,665	53,317,583
Less Expenses				
Administration Expenses				
Audit Fees	16,031	17,443	16,031	17,443
Goods & Services Tax	8,623	7,923	-	-
Insurance	7,194	6,815	7,194	6,815
Legal and Advisory Fees (Note 11)	235,727	158,802	98,922	107,017
Secretarial Costs	284,546	263,263	275,410	251,678
Stationery	12,276	6,923	12,276	6,923
Sundry Expenses	1,199	19,207	1,149	19,157
	565,596	480,376	410,982	409,033
Finance Expenses				
Bank Charges	708	3,710	319	3,194
Interest	1,702,252	7,841	119,539	363,393
Loan Fees	275,000	-	-	-
RPS Dividend - Arawata Finance	4,020,855	5,492,322	-	-
	5,998,815	5,503,873	119,858	366,587
Consumer Related Expenses				
Consumer Consultation, Research & Reporting	67,125	102,760	67,125	102,760
Community Events / Special Projects	6,519	3,714	6,519	3,714
Community Subsidy Administration Costs	15,151	11,344	15,151	11,344
Election Costs	17,106	103,351	17,106	103,351
Electricity Consumer Distribution Costs (inc Concession Cards)	84,243	75,803	84,243	75,803
	190,144	296,972	190,144	296,972
Trustee Expenses				
Trustee Expenses	3,995	7,056	3,995	7,056
Trustee Fees	138,890	128,755	138,890	128,755
	142,885	135,811	142,885	135,811
TOTAL EXPENSES	6,897,440	6,417,032	863,869	1,208,403
SURPLUS FOR YEAR BEFORE TAXATION	43,310,624	38,101,126	57,290,796	52,109,180
Deferred Tax Adjustment (Note 14)	749,220	582,489	8,241,417	6,407,374
Under Provision for Tax in Prior Year	1,467	-	1,467	-
Tax Charge (Note 5)	8,127,694	6,651,543	1,526,997	927,976
TOTAL SURPLUS AFTER TAXATION	\$ 34,432,243	\$ 30,867,094	\$ 47,520,915	\$ 44,773,830
Other Comprehensive Income				
Valuation Gain/(Loss) on Investments (Note 2)	19,736,979	(47,590,811)	-	(845,334)
Less Tax on Components of Other Comprehensive Income (Note 2)	(5,921,094)	14,302,603	-	278,960
Total Other Comprehensive Income	13,815,885	(33,288,208)	-	(566,374)
TOTAL COMPREHENSIVE INCOME	\$ 48,248,128	\$ (2,421,114)	\$ 47,520,915	\$ 44,207,456

TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

		TECT Group		Tauranga Energy Consumer Trust	
		2010	2009	2010	2009
Total Comprehensive Income		48,248,128	(2,421,114)	47,520,915	44,207,456
Distributions of Equity	(Note 8)	(34,082,009)	(22,083,543)	(33,602,030)	(22,483,543)
Distributions of Equity (Operating Costs)		-	-	-	(11,540)
Distributions Written Back	(Note 2)	-	578,893	-	578,893
Prior Year Adjustment for Helicopter	(Note 16)	45,000	-	45,000	-
Movements in Equity for the Year		14,211,119	(23,925,764)	13,963,885	22,291,266
Trust Equity at Start of the Year (as previously reported)		658,786,488	682,429,917	550,318,219	527,744,618
Adjustment due to GST Correction	(Note 1Gd)	-	282,335	-	282,335
Adjusted Trust Equity at Start of the Year		658,786,488	682,712,252	550,318,219	528,026,953
Trust Equity at End of the Year		<u>\$ 672,997,607</u>	<u>\$ 658,786,488</u>	<u>\$ 564,282,104</u>	<u>\$ 550,318,219</u>

TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

BALANCE SHEET AS AT 31 MARCH 2010

		TECT Group		Tauranga Energy Consumer Trust	
		2010	2009	2010	2009
Trust Equity					
Accumulated Final Surpluses	(Note 2)	90,184,918	85,652,675	561,650,017	543,549,123
Fair Value Reserve	(Note 2)	580,180,602	566,364,717	-	-
Major Community Amenities	(Note 2)	583,660	5,483,660	583,660	5,483,660
Community Amenities	(Note 2)	1,441,286	631,286	1,441,286	631,286
Community Events / Special Projects	(Note 2)	-	28,814	-	28,814
Community Events	(Note 2)	(122,814)	-	(122,814)	-
Special Projects	(Note 2)	530,913	-	530,913	-
Scholarship Fund	(Note 2)	42,000	2,000	42,000	2,000
Energy Efficiency	(Note 2)	25,012	425,012	25,012	425,012
Community Org Subsidies - Unallocated	(Note 2)	132,030	198,324	132,030	198,324
TOTAL TRUST EQUITY		\$ 672,997,607	\$ 658,786,488	\$ 564,282,104	\$ 550,318,219
<i>Represented by:</i>					
Current Assets					
Cash & Cash Equivalents -					
Westpac - Current Account		159,027	69,049	159,027	69,049
Westpac - Consumer Distribution Account		564,665	955,483	564,665	955,483
ANZ Bank - Current Account		761	5,237	-	-
Short Term Deposits (less than 90 days)	(Note 4)	2,483,090	7,065,579	2,483,090	7,065,579
Short Term Deposits (Other)	(Note 4)	19,484,750	31,507,577	13,035,416	25,075,069
Advance - TECT Holdings Ltd		-	-	23,449,628	440,858
- TECT Finance No 2 Ltd		-	-	2,768	2,628
- TECT Charitable Trust		-	-	131,985	-
Prepayments		-	7,194	-	7,194
GST Refund Due	(Note 1d)	26,885	369,449	18,675	369,449
Taxation Refund Due	(Note 5)	953,913	-	257,571	-
Total Current Assets		23,673,091	39,979,568	40,102,825	33,985,309
Investments					
Shares in TrustPower Ltd	(Note 3a)	752,082,787	732,345,808	-	-
Russell World Bond Class - B Class	(Note 3b)	-	3,823,348	-	3,823,348
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
RPS - Tauranga City Aquatics Ltd	(Note 3d)	4,000,000	4,000,000	4,000,000	4,000,000
Loan - TECT Holdings Ltd	(Note 12)	-	-	530,285,144	-
YMCA Tauranga Inc Loan	(Note 3e)	250,000	250,000	250,000	250,000
ANZ Senior Bonds	(Note 3c)	3,053,302	3,048,517	3,053,302	3,048,517
Total Investments		759,386,089	743,467,673	537,591,546	516,436,118
Non Current Assets					
Deferred Taxation		-	-	-	8,309,549
Total Non Current Assets		-	-	-	8,309,549
TOTAL ASSETS		\$ 783,059,180	\$ 783,447,241	\$ 577,694,371	\$ 558,730,976



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

BALANCE SHEET AS AT 31 MARCH 2010

		TECT Group		Tauranga Energy Consumer Trust	
		2010	2009	2010	2009
Less Current Liabilities					
Sundry Accounts Payable		90,396	139,115	79,173	117,557
Advance from TECT Charitable Trust	(Note 10)	-	-	-	2,409
Provision for Distributions	(Note 8)	10,508,153	2,323,789	10,474,378	2,163,789
- TECT Finance Ltd		-	-	2,858,716	5,549,410
Redeemable Preference Shares	(Note 12)	-	85,243,730	-	-
Taxation Payable	(Note 5)	1,829,499	2,020,205	-	579,592
Total Current Liabilities & Distribution Provisions		\$ 12,428,048	\$ 89,726,839	\$ 13,412,267	\$ 8,412,757
Non Current Liabilities					
Loan - ANZ Bank	(Note 12)	55,244,155	-	-	-
Interest Rate Swap - ANZ Bank	(Note 12)	717,010	-	-	-
Deferred Taxation	(Note 14)	41,672,360	34,933,914	-	-
Total Non Current Liabilities		97,633,525	34,933,914	-	-
TOTAL LIABILITIES		\$ 110,061,573	\$ 124,660,753	\$ 13,412,267	\$ 8,412,757
NET ASSETS		\$ 672,997,607	\$ 658,786,488	\$ 564,282,104	\$ 550,318,219

Trustee

Trustee

Date 23 June 2010



TAURANGA ENERGY CONSUMER TRUST GROUP CONSOLIDATED FINANCIAL REPORT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Consolidated		TECT	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
<u>Cash was provided from/(disbursed to):</u>				
Dividends Received	48,007,837	42,818,681	31,448,357	33,175,066
Interest Received	1,947,483	2,481,387	1,389,386	1,508,143
Managers Fees Rebate & Distributions Received	74,846	280,201	74,846	280,201
GST Prior Period Adjustment	-	-	-	-
Payments to Suppliers & Trustees	(1,242,741)	(878,136)	(794,193)	(825,422)
Interest Paid	(5,005,672)	(5,251,535)	-	-
Taxation Paid	(9,205,648)	(4,451,731)	(2,297,495)	(284,760)
Donation	354	-	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 34,576,459	\$ 34,998,867	\$ 29,820,901	\$ 33,853,228
CASH FLOWS FROM INVESTING ACTIVITIES				
<u>Cash was received from/(applied to):</u>				
Purchases & Redemption of Russell Investments	3,996,107	3,281,572	3,996,107	3,281,572
Investment in ANZ Senior Bonds & YMCA	-	(3,298,517)	(4,785)	(3,298,517)
Advances to Subsidiary Companies	-	-	-	-
Movements in Term Deposits	12,022,827	(18,837,486)	12,039,653	(15,007,101)
Movement in Advance Account	-	-	(25,858,211)	194,689
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	\$ 16,018,934	\$ (18,854,431)	\$ (9,827,236)	\$ (14,829,357)
CASH FLOWS FROM FINANCING ACTIVITIES				
<u>Cash was disbursed to:</u>				
Payments to TrustPower Consumers	(25,852,647)	(24,354,239)	(25,246,443)	(24,254,239)
RPS - Arawata Finance Ltd	(30,000,000)	-	-	-
GST Refund Received	369,449	-	369,449	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	\$ (55,483,198)	\$ (24,354,239)	\$ (24,876,994)	\$ (24,254,239)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(4,887,805)	(8,296,917)	(4,883,329)	(5,317,482)
Add Opening Cash & Cash Equivalents	8,095,348	16,392,265	8,090,111	13,407,593
CLOSING CASH & CASH EQUIVALENTS	\$ 3,207,543	\$ 8,095,348	\$ 3,206,782	\$ 8,090,111
<u>Represented by:</u>				
Short Term Deposits - Less than 90 Days	2,483,090	7,065,579	2,483,090	7,065,579
ANZ Current Account	761	5,237	-	-
Westpac Current Account	159,027	69,049	159,027	69,049
Westpac Consumer Distribution Account	564,665	955,483	564,665	955,483
	\$ 3,207,543	\$ 8,095,348	\$ 3,206,782	\$ 8,090,111
Reconciliation of Net Surplus after tax to Cash Flows from Operating Activities				
Net Operating Surplus/(Deficit)	34,432,243	30,867,094	47,520,915	44,773,830
Loss/Impairment (Gain) Russell Investments	(172,759)	1,062,111	(172,759)	1,062,111
Fair Value Adjustment - RPS - Non Cash	(5,208,444)	14,551,231	(24,973,991)	(19,137,324)
Interest & Mgmt Fees - Non Cash	-	-	24,213	363,393
Deferred Tax - Non Cash	6,738,446	(13,634,768)	8,309,549	6,213,760
Movements in Accounts Payable	(48,717)	45,927	(38,382)	26,782
Movements in Accounts Receivable and Accruals	7,194	(7,194)	7,194	(7,194)
Movements in GST	(26,885)	-	(18,675)	-
Movement in Taxation Paid and Resident Withholding Tax	(1,144,619)	2,114,466	(837,163)	557,870
NET CASH FLOWS FROM OPERATING ACTIVITIES (as above)	\$ 34,576,459	\$ 34,998,867	\$ 29,820,901	\$ 33,853,228



Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A REPORTING ENTITY

Tauranga Energy Consumer Trust (TECT) is a trust formed and domiciled in New Zealand. All TECT subsidiaries are incorporated and domiciled in New Zealand.

TECT and its subsidiaries, TECT Charitable Trust, TECT Holdings Ltd, TECT Finance Ltd and TECT Finance No. 2 Ltd comprise the TECT Group.

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

B BACKGROUND

The Tauranga Energy Consumer Trust was established under a Trust Deed on 21 December 1993 as a consequence of the Tauranga Electric Power Board's Establishment Plan.

TECT is a Consumer Trust, the income and capital of which are to be used to provide benefits to Consumers who are liable to pay TrustPower Limited for electrical energy supplied to premises in the area 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. The Trust Deed was amended on 1 April 2004 to formally include these Consumers 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.

TECT is governed by six trustees who are elected by Consumers. The term of appointment is four years. The terms of appointment of Trustees are staggered so that three Trustees retire every two years. Retiring Trustees are eligible for nomination for re-election.

C BASIS OF PREPARATION

MEASUREMENT BASE

The Accounting Principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis, are followed by the TECT Group, with the exception that certain 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 2010

D STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with New Zealand equivalents to International Financial Reporting Standards. 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.

E CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the Group's accounting policies. In making these judgements, estimates and assumptions concerning the future are made. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(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

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

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

F STATUS OF ACCOUNTING STANDARDS

(a) Standards, amendment and interpretations adopted by the Group

Standard/interpretation	Implication
Amendments to NZ IFRS 7 <i>Financial Instruments: Disclosures</i>	The amendment enhances disclosure over fair value measurements relating to financial instruments, specifically in relation to valuation techniques and the uncertainty associated with such valuations. The amendment also incorporates improved disclosures regarding liquidity risk. The change only requires additional disclosure and has no impact on earnings.
NZ IAS 1 <i>Presentation of Financial Statements (revised 2007)</i>	The standard requires 'non-owner changes in equity' to be shown in a Statement of Comprehensive Income rather than in the Statement of Changes in Equity. Comparative information has been restated to conform with the new standard. There is no impact on earnings.
NZ IAS 27 <i>Consolidated and Separate Financial Statements (amended 2008)</i>	Specifies the circumstances in which an entity must consolidate the financial statements of another entity and what information should be disclosed to enable users to establish the nature of the relationship. This is a revised standard and supersedes the 2004 version of NZ IAS 27 and has no impact on disclosures for the Group in the current period.

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

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

Standard/interpretation	Effective date	Implication
NZ IFRIC 17 <i>Distributions of non-cash Assets</i>	Annual periods beginning on or after 1 July 2009	The interpretation provides guidance on accounting for arrangements whereby non-cash assets are distributed. The change is not expected to have a material impact on the financial statements of the Group..

G SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied consistently to all periods presented in the financial statements and consistently by Group entities:

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.

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

SPECIFIC ACCOUNTING POLICIES (contd)

b *Subsidiary Entities*

The wholly owned subsidiary entities, TECT Charitable Trust, TECT Holdings Ltd, TECT Finance Ltd and TECT Finance No. 2 Ltd are controlled by TECT in that TECT has the capacity to control their financing and operating policies so as to obtain benefits from their activities.

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

d *Goods and Services Tax*

TECT was registered for GST during the 2004 financial year as the Trust investigated opportunities in the commercial investment property sector. In prior years expenses were shown net of GST and the cost of GST was shown separately in the Income Statement and nil GST returns were filed. In November 2009 IRD confirmed that TECT is able to claim GST incurred from the date of registration. Accordingly, a claim was made for output GST incurred in the current and prior years in the GST return for the 2 month period ending 30 November 2009. The resulting adjustment has been shown as an adjustment to the comparative figures in TECT against GST and opening equity.

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

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.

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

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 Bond Fund were realised in the 2010 financial year.

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.

Redeemable Preference Shares - TECT Holdings Ltd

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

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

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

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.

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.

H APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustees on 2010.

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

2 TECT Group Equity

	TECT Group		TAURANGA ENERGY CONSUMER TRUST	
	2010	2009	2010	2009
Accumulated Final Surpluses (including initial share gift 1993 of \$42.5 million):				
Balance at Beginning of Year	85,652,675	78,056,688	543,549,123	522,457,940
Total Surplus After Taxation	34,432,243	30,867,094	47,520,915	44,773,830
Consumer Distributions Written Back	-	578,893	-	578,893
	120,084,918	109,502,675	591,070,038	567,810,663
(Note 16) Transfer to TECT Charitable Trust	(29,900,000)	(23,850,000)	(29,420,021)	(24,250,000)
	-	-	-	(11,540)
	\$ 90,184,918	\$ 85,652,675	\$ 561,650,017	\$ 543,549,123
Share/Trust Capital	\$ -	\$ -	\$ -	\$ -
Fair Value Reserve				
Balance at Beginning of Year	566,364,717	599,652,925	-	566,374
Current Year Revaluation - TrustPower Shares	19,736,979	(46,745,477)	-	-
Deferred Tax on Fair Value Movements	(5,921,094)	14,302,603	-	278,960
Current Year Revaluation re Russell Group Ltd	-	(845,334)	-	(845,334)
	\$ 580,180,602	\$ 566,364,717	\$ -	\$ -
Reserves for Distributions:				
Major Amenities	(Note 16) 583,660	5,483,660	583,660	5,483,660
Scholarship Fund	(Note 16) 42,000	2,000	42,000	2,000
Community Events/Special Projects	(Note 16) -	28,814	-	28,814
Community Events	(Note 16) (122,814)	-	(122,814)	-
Community Special Projects	(Note 16) 530,913	-	530,913	-
Community Amenities	(Note 16) 1,441,286	631,286	1,441,286	631,286
Community Organisation Subs - Unallocated	(Note 16) 132,030	198,324	132,030	198,324
Energy Efficiency	(Note 16) 25,012	425,012	25,012	425,012
	\$ 2,632,087	\$ 6,769,096	\$ 2,632,087	\$ 6,769,096
Total Trust Equity	\$ 672,997,607	\$ 658,786,488	\$ 564,282,104	\$ 550,318,219

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

3 INVESTMENTS

- a. **TrustPower Limited** - Fair value has been assessed at \$7.24 per share (\$7.05 per share, 2009), being the closing buy quotation on 31 March 2010 (being last business day of month). No allowance has been made for commissions on disposal of shares. Values adopted being:

	TECT Group	
	2010	2009
Opening Balance	732,345,808	779,091,285
Add/(Deduct) Current Year Change in Valuation	19,736,979	(46,745,477)
Closing Balance 103,878,838 shares @ \$7.24 per share (2009: 103,878,838 shares @ \$7.05)	<u>\$ 752,082,787</u>	<u>\$ 732,345,808</u>

- 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.

2010	Units	\$A	\$NZ
Russell World Bond Fund			
Opening Balance 1 April 2009	3,548,681		3,823,348
Plus Distributions	45,485	41,699	52,531
Less Withholding Tax on Distribution	-	-	(989)
Reinvested Managers Fee Rebate	18,566	16,413	20,354
Units Redeemed	(3,612,732)		(4,068,003)
Gain on Redemption			172,759
Closing Balance	<u>0</u>		<u>\$0</u>
Total Funds			<u>\$0</u>
Managers Fee Rebates:			
As above (reinvested)			20,354
Plus Fee Rebates paid out			1,961
Total Managers Fee Rebates			<u>\$22,315</u>
2009	Units	\$A	\$NZ
Russell World Strategies Fund			
Opening Balance 1 April 2008	4,545,499		5,325,866
Plus 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	<u>-</u>		<u>-</u>
Russell World Bond Fund			
Opening Balance 1 April 2008	3,512,291		3,666,882
Reinvested Managers Fee Rebate	36,390	31,513	37,269
Plus/(Less) Current Year Change in Valuation	-		119,197
Closing Balance	<u>3,548,681</u>		<u>\$3,823,348</u>
Total Funds			<u>\$3,823,348</u>

- c. **ANZ Senior Bonds**

Opening Balance 1 April 2009 (Face Value \$3m,	3,048,517
Plus Effective Interest	4,785
Closing Balance 31 March 2010	<u>\$3,053,302</u>

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

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

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

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. Other investments comprise 3.75% 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. TECT's investments are at present outside the range of TECT's SIPO and Trustees are currently considering other investment options.

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

Short Term Deposits (Less than 90 Days)

These comprised:

TECT

Westpac

National Bank of NZ

National Bank of NZ

Accrued Interest

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

2010			2009		
\$	Term	Rate	\$	Term	Rate
	Call	3.40%		Call	2.75%
2,483,090			2,062,112		
-			2,000,000	41 days	4.00%
-			3,000,000	60 days	4.05%
-			3,467		
\$ 2,483,090			\$ 7,065,579		
\$ 2,483,090			\$ 7,065,579		

Short Term Deposits (Other)

These comprised:

TECT

Westpac

Westpac

Kiwibank

ASB

ASB

Accrued Interest

TECT Charitable Trust

National Bank of NZ

Accrued Interest

TECT Holdings Ltd

ANZ Bank

Accrued Interest

Total Short Term Deposits (Other)

2010			2009		
\$	Term	Rate	\$	Term	Rate
6,000,000	90 days	4.25%	5,000,000	183 days	4.00%
-			10,000,000	9 months	4.00%
-			10,000,000	182 days	3.50%
5,000,000	90 days	4.20%	-		
2,000,000	120 days	4.65%	-		
35,416			75,069		
\$ 13,035,416			\$ 25,075,069		
3,843,279	6 months	4.10%	3,737,444	91 days	3.51%
46,625			5,751		
\$ 3,889,904			\$ 3,743,195		
2,550,000	6 months	3.97%	2,682,000	6 months	3.11%
9,430			7,313		
2,559,430			2,689,313		
\$ 19,484,750			\$ 31,507,577		

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

4 FINANCIAL INSTRUMENTS (cont'd)

Interest Rate Risk

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

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

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

Foreign Currency Risk

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

TECT holds no investments denominated in foreign currencies.

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 2010 are:

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
6 Months or Less	10,300,046	3,225,539	8,053,395	1,603,367
6-12 Months	1,156,242	86,242,656	784,088	6,550,745
1-5 Years	57,000,525	258,644	1,783,668	258,644
Over 5 Years	41,672,360	34,933,914	-	-
	110,129,173	124,660,753	10,621,151	8,412,756

Market Price Risk

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

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

The risk is monitored by the policies and procedures outlined in the Group's SIPO. The Group's SIPO stipulates value ranges that may be held in equities, property, fixed interest and cash. Investments are reviewed regularly where outside range to accord with the SIPO. TECT Trustees note and accept that TECT's investments are outside the range of TECT's SIPO, but consider this appropriate.

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 2010

5 TAXATION

	Consolidated		TECT	
	2010	2009	2010	2009
Total Surplus Income for Year Before Taxation	43,310,625	38,101,124	57,290,796	52,109,180
Add Non-Deductible Expenditure	29,632,730	25,409,777	359,534	447,680
Imputation Tax Credits	23,731,959	10,637,682	13,492,474	15,308,521
FIF Income	191,167	451,970	191,167	451,970
Less Non-Assessable Income	(24,852,147)	(18,721,488)	(24,852,147)	(18,721,488)
	72,014,334	55,879,065	46,481,824	49,595,863
Less Beneficiary income distributed to tax exempt entities	(10,858,639)	(4,451,801)	(10,732,414)	(4,656,102)
Less Charitable Trust Income Exemption	(12,366)	(467,679)	-	-
	\$ 61,143,329	\$ 50,959,585	\$ 35,749,410	\$ 44,939,761
Current Tax Charge at 33% (TECT) or 30%	28,637,487	15,882,849	11,797,305	14,830,122
Less Imputation Tax Credits	(20,509,793)	(9,231,306)	(10,270,308)	(13,902,146)
Tax expense per Income Statement	8,127,694	6,651,543	1,526,997	927,976
Tax Refund Due				
Taxation Refund/(Payable) owing at Start of Year	(579,592)	94,261	(579,592)	(21,722)
Under Provision in Prior Year	(1,467)	-	(1,467)	-
Use of Money Interest	-	(7,839)	-	-
Less Transfers Between Entities (Prior Year)	-	-	-	21,740
Tax Paid/(Refunded)	-	(86,405)	-	-
	(581,059)	18	(581,059)	18
Add Provisional Tax Paid	7,317,417	4,537,901	1,849,876	262,001
Terminal Tax Paid	448,608	-	448,608	-
RWT Credits	-	7,054	-	-
NRWT Credits	(990)	1,023	(990)	1,021
Imputation Credits	20,509,793	9,231,304	10,270,308	13,902,146
Reversal of Deferred Tax on Utilised Losses	68,133	153,477	68,133	153,477
Less Deferred Tax on Losses from Excess IC's	-	(68,133)	-	(68,133)
Current Year Tax Charge	(28,637,487)	(15,882,849)	(11,797,305)	(14,830,122)
Tax Refund/(Payment) Due	(875,585)	(2,020,205)	257,571	(579,592)
Tax Refund/(Payment) Due Comprises:				
Tax Refunds Due	953,913	-	257,571	-
Tax Payments Due	(1,829,499)	(2,020,205)	-	(579,592)
Tax Refund/(Payment) Due	(875,585)	(2,020,205)	257,571	(579,592)
Losses to Carry Forward				
	-	(206,462)	-	(206,462)
Imputation Credits Claimable				
Total Imputation Credits	23,731,959	10,637,682	13,492,474	15,308,521
Less ICs distributed to tax exempt beneficiaries	(3,222,166)	(1,406,375)	(3,222,166)	(1,406,375)
Total ICs claimable as Tax Credit	\$ 20,509,793	\$ 9,231,307	\$ 10,270,308	\$ 13,902,146

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

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 2010 the Group had Imputation Credits available of \$1,855,287 (2009: \$3,260).

Imputation Credit Account

Opening Balance 1 April 2009
Plus RWT Credits on Interest Received
Imputation Credits on Dividends Received
Income Tax Paid

Less Imputation Credits on Dividends Paid
Income Tax Refunded
Income Tax Credits Transferred to TECT
Closing Balance 31 March 2010

Group	
2010	2009
3,260	2,751,204
-	7,054
10,239,485	10,525,208
6,908,151	4,275,901
17,150,896	17,559,367
(15,295,609)	(17,440,521)
-	(85,941)
-	(29,645)
1,855,287	3,260

7 COMMITMENTS AND CONTINGENCIES

The TECT Group had no commitments or contingencies at the end of the financial year. (2009 Nil)

8 PROVISION FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Opening Balance	2,323,789	5,173,378	2,163,789	4,513,378
Plus Distributions Approved	34,082,009	22,083,543	33,602,030	22,483,543
Less Consumer Distributions Written Back	-	(578,893)	-	(578,893)
	36,405,798	26,678,028	35,765,819	26,418,028
Less Distributions Made	(25,897,645)	(24,354,239)	(25,291,441)	(24,254,239)
Closing Balance End of Year	\$10,508,153	\$2,323,789	\$10,474,378	\$2,163,789
Being:				
Community Organisation Subsidies Yet To Be Uplifted	901,065	795,423	901,065	795,423
<u>Major Amenities</u>				
BOP Cricket Trust	1,000,000		1,000,000	
Tauranga Indoor Sports & Exhibition Centre	5,900,000		5,900,000	
TECT All Terrain Park	238,170	238,170	238,170	238,170
<u>Community Amenities</u>				
Bethlehem School	130,000		130,000	
Matua Bowling Club	95,000		95,000	
Mount Green Sports	140,000		140,000	
Otumoetai Sport & Recreation	-	150,000	-	150,000
Paengaroa School	-	65,000	-	65,000
Tauranga Lawn Tennis	25,055		25,055	
Tauranga Squash Racquets Club	300,000	300,000	300,000	300,000
Tauranga Yacht & Power Boat Club	-	150,000	-	150,000
Te Manu Toroa	33,775	100,000	-	-
Te Puke Squash Racquets	150,000		150,000	
Te Ranga Hall	56,200		56,200	
<u>Community Events/Special Projects</u>				
Rescue Helicopter Sponsorship	-	33,750	-	33,750
Surf Life Saving BOP	-	372	-	372
Tauranga Arts Festival	-	60,000	-	
Tourism BOP	-	-	-	
<u>Community Events</u>				
Te Puna Sea Scouts	2,000		2,000	
Tourism BOP - World Speedway	150,000		150,000	

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

8 PROVISION FOR DISTRIBUTIONS (cont'd)

Community Organisation Subsidies Yet To Be
Uplifted (cont'd)

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
<u>Community Special Projects</u>				
Rescue Helicopter Sponsorship	270,000		270,000	
Sport BOP	11,130	-	11,130	
Te Puke Gymnastic Club	17,978		17,978	
Village Radio	15,000		15,000	
Welcome Bay School	5,000		5,000	
Youth Development Trust	50,000		50,000	
<u>Energy Efficiency</u>				
EECA	400,000	-	400,000	-
<u>Direct Consumer Distributions Unclaimed</u>	617,780	431,074	617,780	431,074
	10,508,153	2,323,789	10,474,378	2,163,789

Payment of grants is generally conditional upon the organisation obtaining the full amount of funds required to complete the project. TECT does not release funds until all conditions imposed by Trustees have been met. Grants are normally paid out within two years except in exceptional circumstances where Trustees may allow an extension of time or in the case of major projects which may require longer time frames for completion. Scholarships are paid within 12 months of approval. Community Organisation Subsidies are paid within 12 months of approval unless an extension of time is approved by Trustees.

9 SUNDRY ACCOUNTS RECEIVABLE

There were no Accounts Receivable at 31 March 2010 (2009: \$Nil).

10 SUBSIDIARIES

TECT Charitable Trust

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

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

TECT has advanced funds to TECT Charitable Trust. At 31 March 2010 the balance of the advance to TECT Charitable Trust was \$131,985 (2009: (\$2,409)). This advance is unsecured, repayable on demand and has interest charged at the oncall rates as at the time the advance payments are made. Interest on the advance totalled \$1,287 in the current year.

TECT Holdings Limited (THL)

THL purchased the existing 89.8 million TrustPower shares from TECT on 3 January 2007, this was financed by an issue of Redeemable Preference Shares to TECT. The Redeemable Preference Shares were redeemed on 16 December 2009.

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 2010 the balance of the advance to TECT Holdings Ltd was \$23,449,628 (2009: \$440,858) and the advance to TECT was Nil (2009: Nil). These advances are unsecured, repayable on demand and have interest charged at the oncall rates as at the time the advance payments are made. Interest on the advance from TECT totalled \$69,962 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. This loan was refinanced in December 2009 by a new advance from ANZ of \$55 million and repayment of \$30 million.

TFL advanced funds to TECT during the year. At 31 March 2010 the balance of the advance to TECT was \$2,858,716 (2008: \$5,549,410). This advance is unsecured, repayable on demand and has interest charged at the oncall rates as at the time the advance payments are made. Interest on the advance totalled \$119,539 in the current year (2009: \$271,623).

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

10 SUBSIDIARIES (cont'd)

TECT Finance No. 2 Limited (TF2L)

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

TF2L received funds from TECT during the year. At 31 March 2010 the balance of the advance from TECT was \$2,768 (2009: \$2,628). This advance is unsecured, repayable on demand and has interest charged at the oncall rates as at the time the advance payments are made. Interest on the advance totalled \$77 in the current year (2009: \$155).

11 LEGAL AND ADVISORY FEES

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Bell Gully	30,746	-	-	-
KPMG Christchurch	-	27,312	-	24,624
KPMG Wellington	-	5,340	-	5,340
KPMG Tauranga	30,401	3,018	30,097	2,838
Ernst & Young Christchurch	-	3,240	-	3,240
Inland Revenue Department	-	35,133	-	-
Quigg Partners	6,750	8,634	6,750	8,634
PricewaterhouseCoopers Ltd	-	10,500	-	10,500
Russell McVeagh	-	27,250	-	21,942
Triumph Capital [Strategic Finance]	78,375	6,811	-	-
BDO Spicers Tauranga	49,239	15,197	43,910	13,697
Other Financial/Legal Advisors	40,216	16,367	18,165	16,202
	\$235,727	158,802	\$98,922	107,017

12 BORROWINGS

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
ANZ Bank	55,244,155	-	-	-
ANZ Bank - Interest Rate Swap	717,010	-	-	-
Arawata Finance (TECT Finance RPS)	-	85,243,730	-	-
TECT advanced to TECT Holdings Ltd	-	-	(530,285,144)	-
TECT (TECT Holdings RPS)	-	-	-	(505,311,153)
	\$55,244,155	85,243,730	(530,285,144)	(505,311,153)

TERMS & CONDITIONS:

ANZ Bank	Term:	3 years, maturing 15 December 2012
	Security:	22.5 million TrustPower Shares valued at \$162.9 million
ANZ Bank - Interest Rate Swap	Term:	3 years, maturing 15 December 2012
	Notional amount:	\$27.5 million
	Mark to Market:	\$717,010
TECT	Term:	On demand
	Security:	Unsecured
85 RPS - Arawata Finance Ltd	Redeemed:	16 December 2009 and replaced by Loan of \$55m from ANZ
530,285,144 RPS - TECT Holdings	Redeemed:	31 March 2010 and replaced by Loan \$530,285,144 from TECT

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

13 SENSITIVITY ANALYSIS

An increase of 100 basis points in interest rates on deposits would have resulted in an increase in before tax net surplus of \$15,000 in TECT and an increase of \$19,000 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.

An increase of 100 basis points in interest rates on borrowings would have resulted in a decrease in before tax net surplus of \$164,000 in TECT Finance Ltd and the Group.

Tauranga Energy Consumer Trust

Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

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	
	2010	2009	2010	2009
Opening Balance	(34,933,914)	(48,568,682)	8,309,549	14,523,309
Less Tax Losses Used	(68,133)	(153,478)	(68,133)	(153,478)
Plus Current Year Tax Losses	-	68,133	-	68,133
Deferred Tax Adjustments through Income Statement				
Plus Current Year Fair Value Adjustment RPS	(749,219)	(582,489)	(8,241,416)	(6,407,374)
Deferred Tax Adjustments through Equity				
Plus Current Year Fair Value Movement	(5,921,094)	14,302,602	-	278,959
Closing Balance End of Year	(41,672,360)	(34,933,914)	-	\$8,309,549

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 \$47,784,265 (2009: \$42,590,324). 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 (2009: \$228,357).

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.

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Trustee Fees & Allowances	138,890	128,755	138,890	128,755

16 RESERVES FOR DISTRIBUTIONS

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Major Amenities				
Opening Balance	5,483,660	3,983,660	5,483,660	3,983,660
Plus Allocated - Annual Distribution Plan	2,000,000	1,500,000	2,000,000	1,500,000
	7,483,660	5,483,660	7,483,660	5,483,660
Less Transfers to Provisions				
BOP Cricket Trust	(1,000,000)	-	(1,000,000)	-
Tauranga Indoor Sports & Exhibition Centre	(5,900,000)	-	(5,900,000)	-
Plus Write Back to Reserve	-	-	-	-
Closing Balance End of Year	\$583,660	\$5,483,660	\$583,660	\$5,483,660

Tauranga Energy Consumer Trust

Group Consolidated Financial Report

Notes to the Financial Report

For the Year Ended 31 March 2010

16 RESERVES FOR DISTRIBUTIONS (cont'd)

Community Amenities	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Opening Balance	631,286	130,097	631,286	130,097
Plus Allocated - Annual Distribution Plan	1,500,000	800,000	1,400,000	800,000
	2,131,286	930,097	2,031,286	930,097
Less Transfers to Provisions				
Bay Health Foundation	-	(24,169)	-	(24,169)
Otumoetai Sport & Recreation Club	-	(150,000)	-	(150,000)
Paengaroa School	-	(65,000)	-	(65,000)
Papamoa Surf Life Saving Club	-	(9,543)	-	(9,543)
Waipuna Hospice	-	(53,400)	-	(53,400)
Bethlehem School	(130,000)		(130,000)	-
Matua Bowling Club	(95,000)		(95,000)	-
Mount Green Sports Inc	(140,000)		(140,000)	-
Royal New Zealand Plunket Society	(100,000)			-
Tauranga Lawn Tennis Club	(40,000)		(40,000)	-
Te Puke Squash Rackets Club	(150,000)		(150,000)	-
Te Ranga Hall	(100,000)		(100,000)	-
Plus Write Back to Reserve	65,000	3,301	65,000	3,301
Closing Balance End of Year	1,441,286	\$631,286	\$1,441,286	\$631,286

Community Events (formerly Community Events/Special Projects)	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Opening Balance	28,814	296,384	28,814	296,384
Plus Allocated - Annual Distribution Plan	200,000	100,000	10,000	100,000
	228,814	396,384	38,814	396,384
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)
Mt Maunganui Sports Club	(10,000)	-	(10,000)	-
Te Puna Sea Scouts	(2,000)		(2,000)	-
Tourism BOP - World Speedway Grand Prix	(150,000)	-	(150,000)	-
Sport BOP	(30,000)			-
BOP Classic Aircraft Trust	(80,000)			-
Tauranga Jazz Festival	(70,000)			-
Te Awanui Hauora	(10,000)			-
Plus Write Back to Reserve	372	2,263	372	2,263
Closing Balance End of Year	(122,814)	\$28,814	(122,814)	\$28,814

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

**Notes to the Financial Report
For the Year Ended 31 March 2010**

16 RESERVES FOR DISTRIBUTIONS (cont'd)

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Community Special Projects				
Opening Balance	-	-	-	-
Plus Allocated - Annual Distribution Plan	1,000,000	-	960,021	-
	<u>1,000,000</u>		<u>960,021</u>	
Less Transfers to Provisions				
Philips Search & Rescue Helicopter	(360,000)	-	(360,000)	-
Priority One	(15,000)	-	(15,000)	-
Te Puke Gymnastics Club	(17,978)	-	(17,978)	-
Sport Bay of Plenty	(11,130)	-	(11,130)	-
Village Radio	(15,000)	-	(15,000)	-
Welcome Bay School Dyslexia Conference	(5,000)	-	(5,000)	-
Youth Development Trust	(50,000)	-	(50,000)	-
BOP Sailing Academy Trust	(31,109)	-	-	-
Sport BOP	(8,870)	-	-	-
Plus Adjustment for GST on Rescue Helicopter	45,000	-	45,000	-
Plus Write Back to Reserve	-	-	-	-
Closing Balance End of Year	\$530,913	\$0	530,913	\$0

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Scholarship Fund				
Opening Balance	2,000	9,000	2,000	9,000
Plus Allocated - Annual Distribution Plan	50,000	5,000	50,000	5,000
	<u>52,000</u>	<u>14,000</u>	<u>52,000</u>	<u>14,000</u>
Less Transfers to Provisions	(10,000)	(12,000)	(10,000)	(12,000)
Closing Balance End of Year	\$42,000	\$2,000	\$42,000	\$2,000

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Energy Efficiency				
Opening Balance	425,012	425,012	425,012	425,012
Plus Allocated - Annual Distribution Plan	-	-	-	-
	<u>425,012</u>	<u>425,012</u>	<u>425,012</u>	<u>425,012</u>
Less Transfers to Provisions	(400,000)	-	(400,000)	-
Plus Write Back to Reserve	-	-	-	-
Closing Balance End of Year	\$25,012	\$425,012	\$25,012	\$425,012

	TECT Group		Tauranga Energy Consumer Trust	
	2010	2009	2010	2009
Community Organisation Subsidies				
Opening Balance	198,324	158,486	198,324	158,486
Plus Allocated - Annual Distribution Plan	1,000,000	800,000	1,000,000	800,000
	<u>1,198,324</u>	<u>958,486</u>	<u>1,198,324</u>	<u>958,486</u>
Less Transfers to Provisions	(1,160,214)	(841,473)	(1,160,214)	(841,473)
Plus Write Back to Reserve	93,920	81,311	93,920	81,311
Closing Balance End of Year	\$132,030	\$198,324	\$132,030	\$198,324

Tauranga Energy Consumer Trust Group Consolidated Financial Report

Notes to the Financial Report For the Year Ended 31 March 2010

17 Capital Management

The TECT Group's capital includes Trust Capital, Share Capital and Fair Value Reserve.

The Group's policy is to maintain a strong capital base so as to sustain current distributions and further development of the TECT Group to provide benefits to Consumers.

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

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Trustees.

There have been no material changes in the Group's management of capital during the period.

Audit 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 24. The financial statements provide information about the past financial performance of the trust and group and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 7 to 12.

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 2010 and the results of operations and cash flows for the year ended on that date.

Auditor's 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:

- proper accounting records have been kept by the trust and group as far as appears from our examination of those records; and
- the financial statements on pages 2 to 24:
 - 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 2010 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 24 June 2010 and our unqualified opinion is expressed as at that date.



INGHAM MORA
TAURANGA